

Economics of health and health care in Pakistan

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The role of health economics is well-recognised for efficient and equitable health system.¹ In developing countries though health system challenges are slightly different from developed countries, health economics tools are equally applicable.² Pakistan is a low-middle income developing country. The health system of the country has evolved to a well-planned district based network of health facilities with highly-skilled manpower and availability of lifesaving medicines with indigenous manufacturing capacity. Meanwhile, the expectations from the health system have also increased over the last few years. The present health system is facing difficulty in coping with growing pressure from the media, politicians and the civil society. Every other day electronic and print media covers negligence in medical practice, strikes by medical staff, harmful effects of spurious and low quality medicine, unethical medical practice, out of order diagnostics equipment in government hospital, spread of epidemics and last but not the least presenting patients and families entrapped into poverty due to catastrophic out-of-pocket health expenditure.

Implicit in these stories are the weaknesses of the health care system in providing services according to the needs of the population. None of the key stakeholders i.e. government, health care providers and the patients are better off with the existing framework of policy, financing, regulation and delivery of health care in the country. Some key issues of the health system of Pakistan are summarised below.

The health policy and planning focus is diseases rather than health. There are huge investments on programmes and intervention to eliminate or control diseases. It is assumed that health will automatically improve if the diseases and their symptoms are eliminated. Steady progress on health outcome indicators of Pakistan is perhaps slightly negate this argument.

Health care financing in Pakistan is mainly out-of-pocket.³ This is prone to grass-roots level inequities and suffering of the people by compromised and sometime denied care

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due to non-affordability.⁴ Chronic diseases are key reason of impoverishment of families but this aspect of burden of diseases is lacking attention of health financing priorities of the government.

The systems of regulation, quality and accountability of medical practice in both private and public sector are weak. Negligence in provision of medical care, inappropriate and unethical medical practice and daily practicing hours of the clinics go unchecked.⁵

Medicine licensing, manufacturing and pricing system considers evidence on efficacy.⁶ Pharmaceutical policy aims to promote pharmaceutical industry i.e. increased production and sales, and earning foreign exchange from export of pharmaceutical products.⁷ Within country, this policy is ineffective in ensuring rationale use of medicines, restricting over-the-counter sales of medicines and curbing marketing of spurious and counterfeit medicines.⁸

Incentive system for physician and other health care providers is decades old. There are financial and career disincentives to work at rural health facilities.⁹ Incentives are neither tied to performance nor to the accountability or quality of medical care. The human resource policy encourages trained health manpower to go abroad to earn foreign exchange.¹⁰

There can be many explanations and remedies for the challenges faced in health sector. From a health economics lens we consider that private market approach and mixed system approach in health sector is the root cause of majority of the problems of health sector in Pakistan. While there are many merits of market economy, unfortunately the case of health care is slightly different. The market provision of health care is neither efficient nor equitable.¹¹ Due to information asymmetry and agency relationship the market failure theory in health care is widely acknowledged.¹² With the exception of United States of America and Switzerland, health care in majority of the established and emerging market economies is provided by the government. Many of the emerging market economies have either achieved or are seriously pursuing universal access to health care for every citizen. The health policy makers and planners in Pakistan can also benefit from health economics theories and best

practices to overcome many issues currently faced by the health system. In this connection we propose strategic re-orientations of health Policy and health care financing towards health economics principles of efficiency, cost effectiveness and equity. We believe that this will improve efficiency and equity in the health system of Pakistan and it will likely pave the way to universal health coverage.

Biological and supply side models of health care are not capable of coping with the emerging challenges of the health system in Pakistan. Government should seriously consider a shift in the objectives of the health policy towards quality and length of life.¹³ With this mandate the government can critically evaluate every health care intervention proposed for funding on the principle of cost effectiveness.¹⁴ Programmes yielding higher benefits with least cost to the society should be prioritized in national and provincial resource allocation. Such rule can control cost, improve quality and access to health care. It will simultaneously account for the interest of health care providers, the government and the patient.¹⁵

Government can continue providing financial protection for health care to the people living below the poverty line. It is however, essentially important not to push non-poor to poverty-trap due to health expenditure shock.¹⁶ Government policy makers and planners can also explore other prudent and sustainable financing mechanisms for the formal sector of the economy.¹⁷ The lower middle classes in urban areas in formal and semi-formal sectors are practically not eligible for any government health subsidiary. A system mandating employers to provide financial protection on not-for profit basis to their employees can provide financial protection to the 36% of population living in urban and peri-urban areas of the country. This reform will require enacting legislation and not financial resources of the national and provincial exchequers. It can potentially introduce accountability, improve quality of medical care and rationalize health services use.¹⁸

Health Economics is an emerging discipline in Pakistan. There is a long road ahead for application of health economics principles. In addition to the ongoing health care financing policies we provide rationale for legislation of social health insurance in Pakistan and a reorientation of health policy towards efficiency and cost effectiveness.

Health economics reforms are not panacea to all the evils of health care system yet these can largely supplement efforts to achieve greater accountability, transparency and efficient delivery of health care in Pakistan.

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