Presentation Overview

- Rationale for regulation of the private sector
- Goals of regulation
- Regulating quality in the private sector
- Regulating economic issues related to the private sector
- Alternatives/supplements to regulation
- Conclusions
The Medical “Market” Spectrum

Government Provides All Health Services

Government Exercises Stewardship Role Only

Citizens Demand More Health Care or Service on Different Terms than Government Can Provide

Private Practice Illegal

Private Practice The Norm
Why the “Medical Market” is Imperfect?

- Information Inequalities
  - What practitioner is qualified?
  - What treatment do I “need”?
    - Provider induced demand
    - Third party payment
  - The irreversibility of mistake

- Externalities
  - My treatment benefits others
Goals for Regulation

❖ **Quality**
  • Protect the population
  • Improve average quality
  • Use the “police power”

❖ **Economic**
  • Access
  • Efficiency
  • Equity
How “Bad” Is Private Practice in Developing Countries?

- Results depend on definition of the private sector:
  - A spectrum of public and private
    - Moonlighting Government providers
    - Fully qualified and fully private
    - Any provider of “medical” services
Is Quality Worse in the Private Sector?

- **Few direct comparisons**
- **Vietnam**  
  - Public sector care higher quality
  - But moonlighting Government providers were close
  - Private scores pulled down by unqualified providers
- **South Africa GP’s and STI’s**  
  - < 1/3 of cases received effective therapy
  - Medical Scheme patients get better treatment
  - Recent graduates (after 1993) give better treatment
  - Part time public sector work does not improve quality
  - Performance improving slowly over time

1 Tran Tuan et al. “Comparative Quality of Public and Private Health Services in Vietnam” (2005)
Where Quality in the Private Sector is Worse

- Many “private providers” lack required qualifications
- Dispensing providers have an incentive to overprescribe
  - Or underprescribed if Rx included in fee (RSA)
  - Is it any different in developed countries?
- Isolated from new developments
- “It is what the patient wants/expects”
Regulation and Quality Distribution

- Regulation can cut the tail off the quality curve, if:
  - Motivated
  - Legally empowered
  - Well Informed
  - Adequate resources

- Not good at shifting the quality curve to the right
If You Regulate Quality, What Do You Regulate?

- **Structure**
  - Easiest
    - Training
    - Minimal Staffing
    - Physical Facilities

- **Process**
  - Medical Records
  - Review Process

- **Outcome**
  - Hardest
    - Data?
    - Confounding Factors
Making Licensing/Registration More Effective

- **Taking consumer complaints seriously**
  - In India, consumer protection law gets provider’s attention
  - Consumer education
  - Resources and representation
  - Public representatives on licensing boards
  - Why they shoot deserters?

- **Educating and Regulating**
  - In Laos, pharmacy practices improved with inspections
    - Or was it the “Hawthorn Effect”

Make Licensing/Regulation More Effective

- Prohibit the unqualified from practicing?
  - License other categories
    - License the drug seller where there is no pharmacist
  - Educate the consumers
    - What to expect of medical care
      - More drugs not always better
      - Injections not better than pills
    - How to tell what provider is qualified?

- Beware of provider capture
Shifting the Quality Distribution

- **What works in the developed world:**
  - Continuing education a necessary, but not sufficient, condition
  - Some interventions have little effect
    - CME alone
    - Published guidelines
  - **What works**
    - Feedback/academic detailing
    - Peer leaders as change agents
    - Combining provider and patient interventions


Sarbani Chakraborty et al. “Improving private practitioner care of sick Children; testing new approaches in rural Bihar” (200)
Educating private providers

- Still a necessary condition
- Current investment in training of private providers does not reflect usage patterns
  - Invite to Government sponsored training
  - Tailor to economic realities of private practice
    - Not paid to attend workshops
- Work through peer leaders and associations
- Include CME requirements in licensing
Rules for Quality Regulators

- There is no free lunch
  - Resources required
  - Management attention
- Easier to outlaw the atrocious than to require the good
- You need a range of sanctions
- Do not write regulations you cannot enforce
- But do not use problems as an excuse to ignore regulation
Economic Regulation

- The power to regulate competition in the market place
  - Monopolies
  - Anticompetitive practices

- Achieving social goals through regulation
  - Equity in access
  - Cross subsidization
    - “Free care” or emergency care obligations in private hospitals
Should Gov’t Worry About the Cost & Efficiency of the Health System?

**Access**
- Does cost deter access?
- Are providers in the wrong place?
- Is health insurance:
  - Affordable? Equitable?

**Efficiency**
- Is money wasted on “low value” procedures?
- Is the system too “high tech?”
- Does society spend too much on health?
Should Government Regulate Prices?

- Tempting way to improve access
- The ceiling price becomes a floor
  - So prices may rise for some services
- Set the price too low:
  - Services not offered
  - Providers can:
    - Increase the volume of services
    - Substitute higher priced services
  - Discourage cross subsidization
Should Government Regulate Capacity?

- Restrict supply of high cost/high tech facilities
  - Low volume = low quality
  - Provider induced demand leads to unnecessary procedures/costs
- Push providers into underserved areas
Constraints on Effective Regulation

- **Drafting modern and realistic regulations**
- **Adequate inspectional staff**
  - Numbers
  - Training
  - Location
  - Supervision and accountability
- **Enforcement procedures**
  - Using the “nuclear option”
  - Hearings procedures
  - Judicial priority
Use Subsidies to Supplement Regulation?

- **Offset the externalities of prevention**
  - Partial subsidy for:
    - Vaccines
    - TB Treatment
    - Treated bed nets

- **Lower costs to leverage private sector funds**
  - Donor funded ARVs to qualifying private providers
  - Partial support for surgical contraception
Alternatives/Supplements to Regulation: A Checklist

- Training and Education
  - Provider
  - Consumer
- Improved information flows
- Professional liability
- Self regulation
- Franchising
- Targeted subsidies
Moving Forward: Modest Expectations, Concerted Action

- Make private sector policies a priority
- Modernize and simplify regulation
- Focus on manageable enforcement
- Use alternatives to the “police power”