IHP INSTITUTE FOR HEALTH POLICY

SLHA POLICYBRIEF

Issue No. 1 | November 2021 ihp.lk/slha

What does Sri Lanka spend on health?

- **Sri Lanka spent 2.9% of its national income on health in 2018, just before the start of the COVID-19 pandemic. This includes both public and private financing, and was low compared to other developing countries, and less than the average of 4.1% in lower-middle income economies.**
- **Current spending on health, excluding capital investment, came to Rs 423 billion, or Rs 20,000 per person (US$ 122) in 2018. Capital investments added another Rs 58 billion.**
- **There appears to be a long-term increase in the public share of financing. This is comparable with global experience, where countries have shifted to increased reliance on public financing as incomes have risen. The government—or public—share of spending reached 48% in 2018, up from 42% in 1990.**
- **Most spending is on inpatient care (41%), buying medicines from pharmacies (19%), and outpatient care (19%). The recent trend has been for inpatient care to increase its share.**
- **Public health spending is largely equal between provinces, but private spending is not, strongly favouring the better off provinces.**

Sri Lanka remains a low spender on health compared to other countries

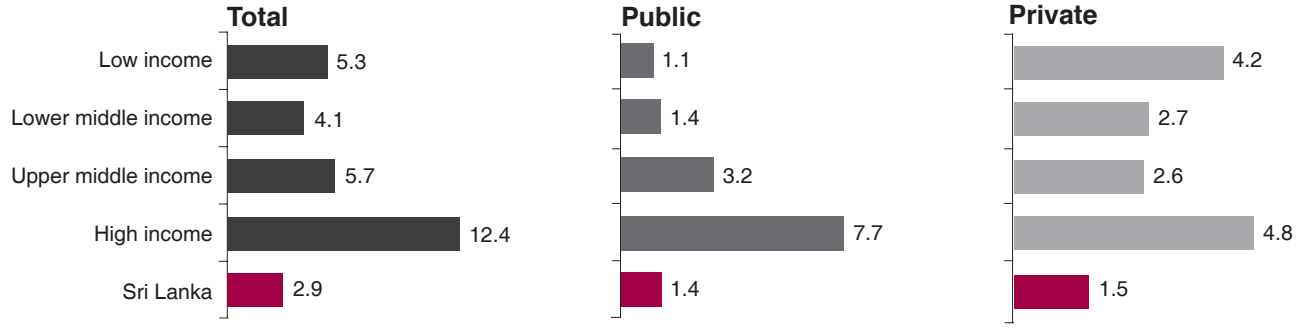
Current expenditure on health, which excludes capital investment spending, was 2.9% of GDP in 2018 (and provisionally 3.3% in 2019). This was lower than the average spending in low-income and lower-middle income countries (Figure 1). This was due to both low government spending (1.4% of GDP) and low private spending (1.5% of GDP). Whilst government spending is not much lower than the developing country average, it remains effective in minimizing private spending and the burden on households and firms.

Overall health spending has not increased in GDP terms since the 1980s

Spending in 2018 is little changed from the 3.1% of GDP level in 1990. In between, spending increased modestly in the decade from 1997 to reach a peak of 3.7% in 2004, before declining during the final years of conflict to a low of 2.7% in 2010 (Figure 2). The years since then have seen a gradual recovery in spending, with expenditure in 2019 provisionally estimated at 3.3% of GDP.

Globally, most countries spent increasing shares of national income

Figure 1: How does health spending compare with other countries?
Current expenditure as % GDP



Source: S Amarasinghe et al. 2021. *Sri Lanka health accounts: National health expenditure 1990–2019.* Colombo: Institute for Health Policy.

on health in the past three decades, so the stagnation in health spending in Sri Lanka is exceptional. It is even more so, given the rapid pace of ageing and the shift to non-communicable diseases in Sri Lanka which is increasing demand for healthcare. However, Sri Lanka has done better than most countries in increasing the efficiency of its health services, which has helped mitigate cost pressures.

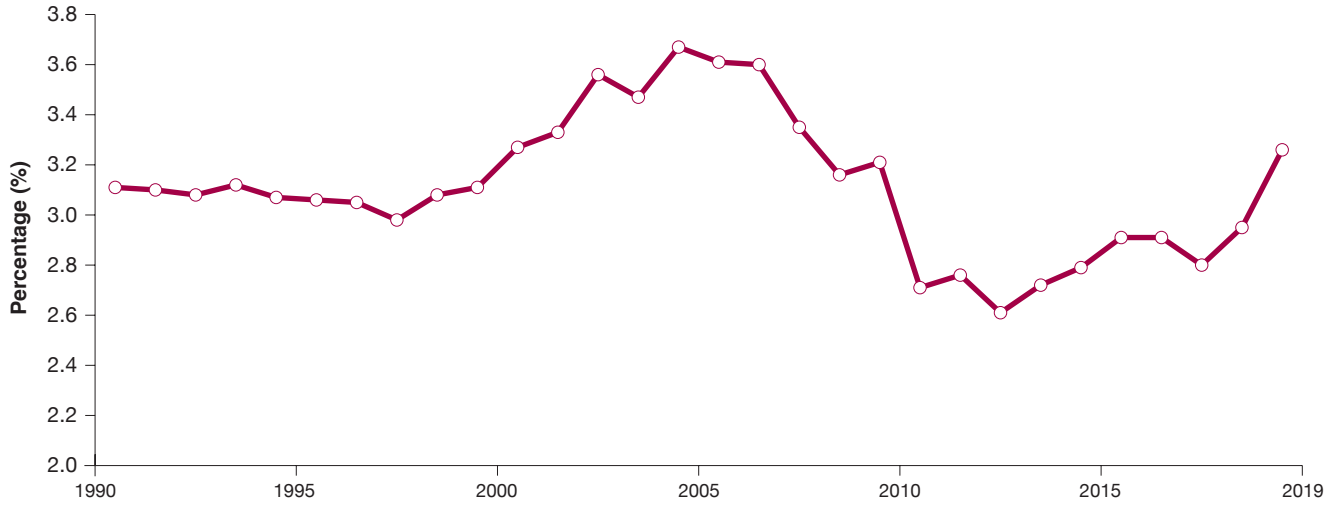
The role of private financing continues its recent decline

Private financing—mostly spending out-of-pocket by patients—has continued to decline in importance, a shift that started in the early 2010s. Its share dropped to 52% in 2018 (Figure 3), and public financing reached parity with it in the provisional estimates for 2019, its highest share for more than three decades. It is likely that public financing has increased its share during 2020–21 owing to COVID-19. We can only speculate if this shift will be maintained, but it underlines that the mixed financing of Sri Lanka's health system, with government and private financing being roughly half each, has remained stable for many decades, and that private financing has not increased in importance.

Most government health spending is through MOH and less than one third through provincial councils

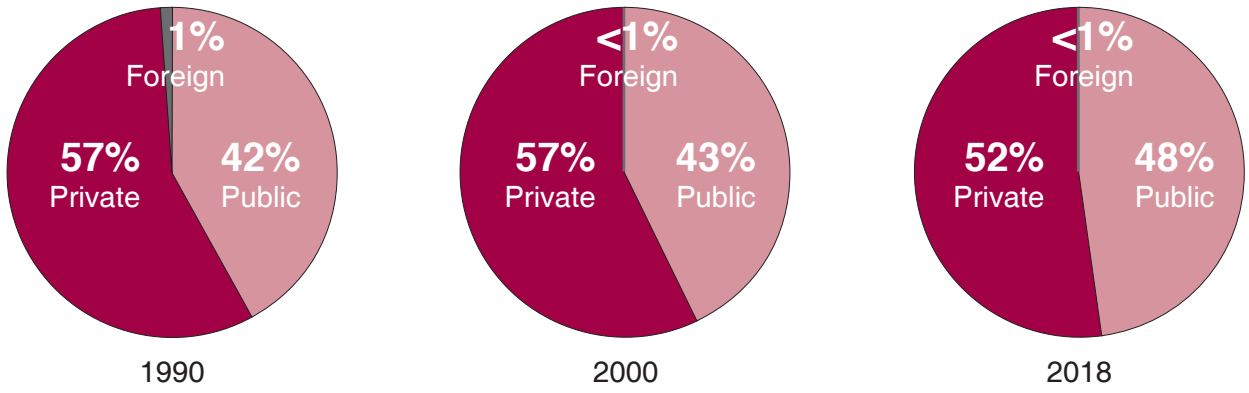
The Ministry of Health's budget accounted for 60% of overall government health spending in 2018, with provincial councils accounting for just 32% (Figure 4). This pattern of spending has been the norm for two decades, and it follows a shift in health spending from provincial councils to MOH in the early 1990s. It is unlikely that spending will shift back to provincial councils, as the long-term trend has been for spending to shift towards inpatient care and higher-level hospitals, which are more likely to be under MOH authority. This is driven by changes in healthcare demand and public preferences, which favour increasing public investment in hospitals and ward treatment over expanding outpatient services.

Figure 2: Trends in health spending in Sri Lanka as ratio to GDP (%), 1990–2019



Note: 2019 estimates are provisional.
Source: S Amarasinghe et al. 2021. *Sri Lanka health accounts: National health expenditure 1990–2019.* Colombo: Institute for Health Policy.

Figure 3: Changes in the financing of health spending in Sri Lanka between 1990 and 2018



Source: S Amarasinghe et al. 2021. *Sri Lanka health accounts: National health expenditure 1990–2019.* Colombo: Institute for Health Policy.

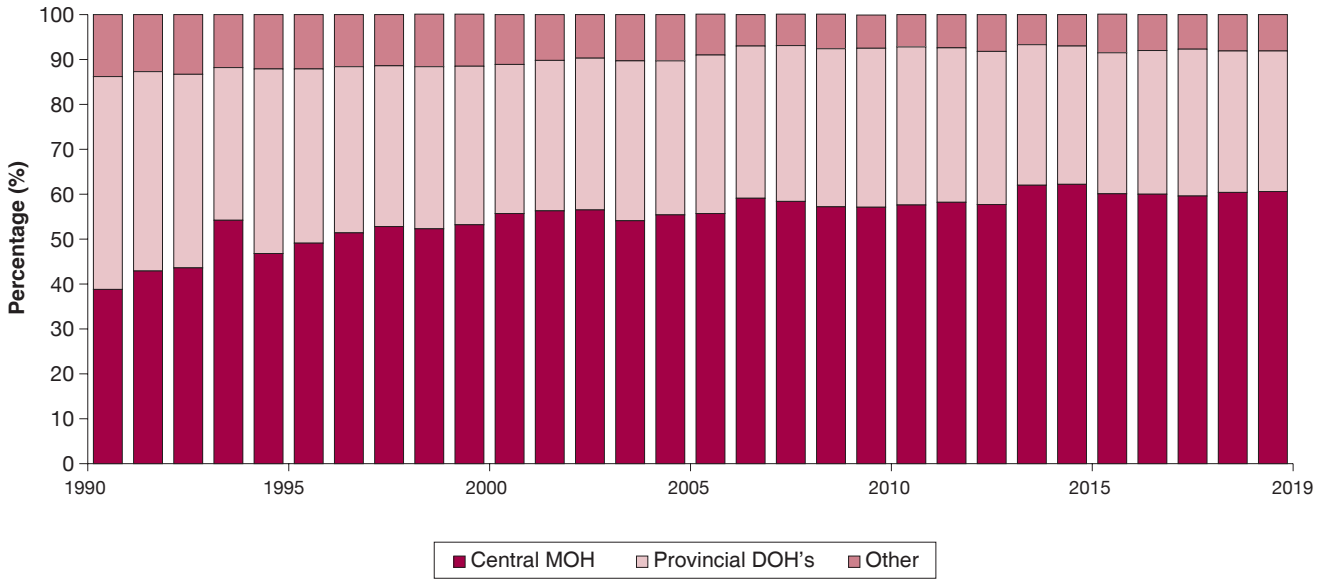
Most private spending is out-of-pocket, but the small share financed by insurance has increased to 9%

Out-of-pocket spending, mostly to buy medicines at pharmacies and to pay private doctors, remains the dominant type of private financing. However, the small share contributed by private insurance increased to 9% of private spending (4% of overall spending) in 2018, from 5% in 2010 and 3% in 2000. This is still less than the shares seen in Australia (13%), Malaysia (20%) and Hong Kong (35%), which are the health systems most similar to Sri Lanka. Their experience would suggest that a growing share of private financing may come from insurance in future years, although overall private financing may decline in relative importance.

Spending continues to shift towards inpatient care

Spending on inpatient care (41%), buying medicines from pharmacies (19%), and on outpatient treatment (19%) were the three main categories of health spending in 2018 (Figure 5). The inpatient share has steadily risen from 25% in the early 1990s, and is likely to continue to increase as the population ages, and since Sri Lanka currently lacks separate services to look after the frail dependent elderly.

Figure 4: Government health spending by source (%), 1990–2019

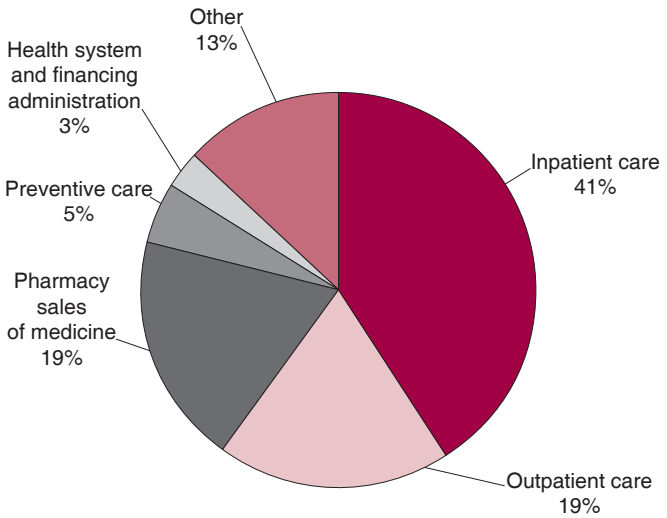


Note: 2019 estimates are provisional.
Source: S Amarasinghe et al. 2021. *Sri Lanka health accounts: National health expenditure 1990–2019.* Colombo: Institute for Health Policy.

Government health spending is relatively equal across provinces, but private spending is not

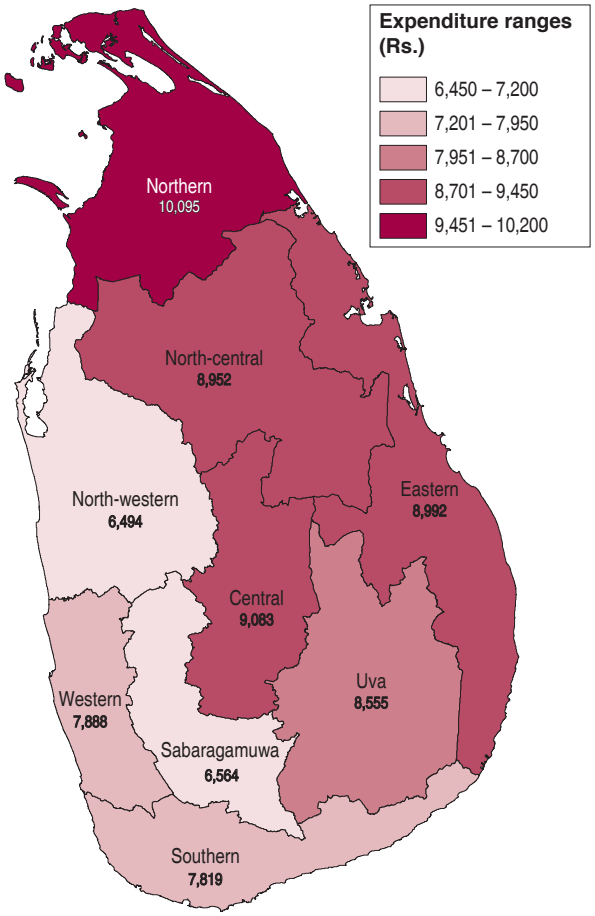
Disparities in government health spending across provinces have declined since the introduction of provincial councils in the late 1980s, and government spending is now mostly equal across provinces. In 2018, per capita government health spending ranged from a low of Rs 6,500 in North-Western Province to a high of Rs 10,100 in Northern Province, with spending being Rs 7–9,000 in most provinces (Figure 6). In contrast, private spending is highly unequal: spending at private hospitals and on buying medicines from pharmacies ranged from Rs 500–1,000 in Eastern, Northern and Uva Provinces to Rs 11,000 in Western Province (Figure 7). Consequently, overall health spending per capita remains highly unequal across provinces and is significantly greater in the most affluent provinces.

Figure 5: Health spending by function (%), 2018



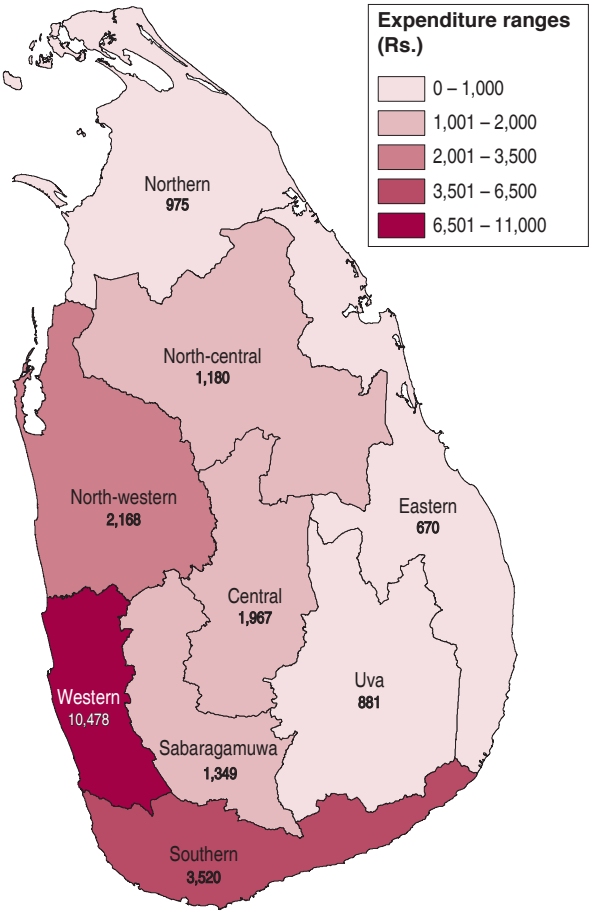
Source: S Amarasinghe et al. 2021. *Sri Lanka health accounts: National health expenditure 1990–2019.* Colombo: Institute for Health Policy.

Figure 6: Current public health expenditure per capita by province (Rs.), 2018



Source: S Amarasinghe et al. 2021. *Sri Lanka health accounts: National health expenditure 1990–2019.* Colombo: Institute for Health Policy.

Figure 7: Current expenditure per capita at private hospitals and pharmacies by province (Rs.), 2018



Source: IHP Sri Lanka Health Accounts Database.

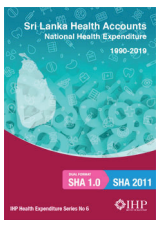
How does IHP estimate health spending across provinces?

IHP uses a range of data sources to estimate spending across districts and provinces. Government spending in each province is based on adding what the government spends on health facilities in each province with what each provincial council spends. Private spending is estimated using surveys, IHP's tracking of private hospital revenues, and other industry sources.

IHP's Sri Lanka Health Accounts

The estimates reported here come from IHP's Sri Lanka Health Accounts (SLHA) initiative, which has been tracking Sri Lanka's national health spending continuously for more than two decades. Originally commissioned and funded by the Ministry of Health, the SLHA effort published its first national estimates of healthcare spending in 2000, making Sri Lanka the second country in the world to have expenditure estimates full complying with the global standards. IHP has continued this effort ever since, giving Sri Lanka the longest running series of national health expenditure statistics in the Asia-Pacific region, after Japan, Korea, and Australia, and making IHP a key source of technical assistance for other regional countries trying to track their national health expenditures.

IHP's SLHA estimates continue to fully comply with the System of Health Accounts (SHA) which is the global standard for reporting health expenditures published by the WHO and OECD. IHP estimates government spending using data provided by government authorities, and private spending using methods it developed, and which are the basis for the international guidelines issued by OECD and WHO.



For further details of health spending in Sri Lanka during 1990–2019 see IHP's flagship publication:
Sri Lanka Health Accounts:
National Health Expenditure 1990–2019.

Available from
http://ihp.lk/publications/publication.html?id=954

Printing of the SLHA 2021 report and this accompanying policy brief was generously funded by the Neelan Tiruchelvam Trust.

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