IHP INSTITUTE FOR HEALTH POLICY

SLHA POLICY BRIEF

Issue No. 2 | November 2021 ihp.lk/slha

How much does Sri Lanka spend on primary care?
— first estimates using international definitions

- **There is no universally agreed definition of primary care spending, and no single or correct answer to the question of how much Sri Lanka spends. This policy brief presents and discusses estimates of primary care spending in Sri Lanka using four proxy measures suggested by OECD and WHO to inform discussion.**
- **Expenditure on basic care services and pharmaceuticals, one measure of primary care spending, was 37% in 2018, whilst primary care spending as defined by WHO was 43% of current health expenditure.**
- **Whichever of the international definitions is used, the share of overall health spending that went to primary care declined continuously during 1990–2019.**
- **Most spending on primary care in Sri Lanka is probably private spending, but the public share of financing has increased in recent years.**

Primary care spending in Sri Lanka

How much does Sri Lanka spend?

Applying the most relevant international definition, Sri Lanka spent 37% of its current health spending on primary care in 2018. But using other definitions, Sri Lanka spent anywhere from 9% to 43% of its current health spending on primary care.

Average primary care spending on each Sri Lankan was about Rs. 7,300 for basic care and pharmaceuticals in 2018. Using other definitions, primary care spending on each Sri Lankan averaged Rs. 4,200 for basic care, and Rs. 1,700 for basic care by ambulatory care providers in 2018. Per person expenditure for primary care as defined by the World Health Organization (WHO) was Rs. 8,500.

How has primary care spending changed?

The share of primary care in overall spending has declined continuously since 1990, whichever definition is used (Figure 1). Using our preferred international definition—*basic services and pharmaceuticals,* which we discuss below, primary care spending declined from 50% of current health spending in 1990 to 37% in 2019. *Basic care expenditure,* another definition, declined from 33% to 21% of current health spending during 1990–2019 whilst spending according to the WHO definition fell from 60% to 43% during 1990–2019 (Figure 1).

Why measure primary care spending?

Strengthening primary care is an official priority for Sri Lanka's health system, accepted by successive administrations in the past decade, and reflected in the 2018 national primary care strategy. How much Sri Lanka spends on primary care is therefore a useful parameter to inform discussions as to whether primary care is being prioritized and whether primary care is being provided efficiently. With the caveat that estimates of spending are not sufficient to know if sufficient priority is being given to primary care or whether primary care is effectively delivered.

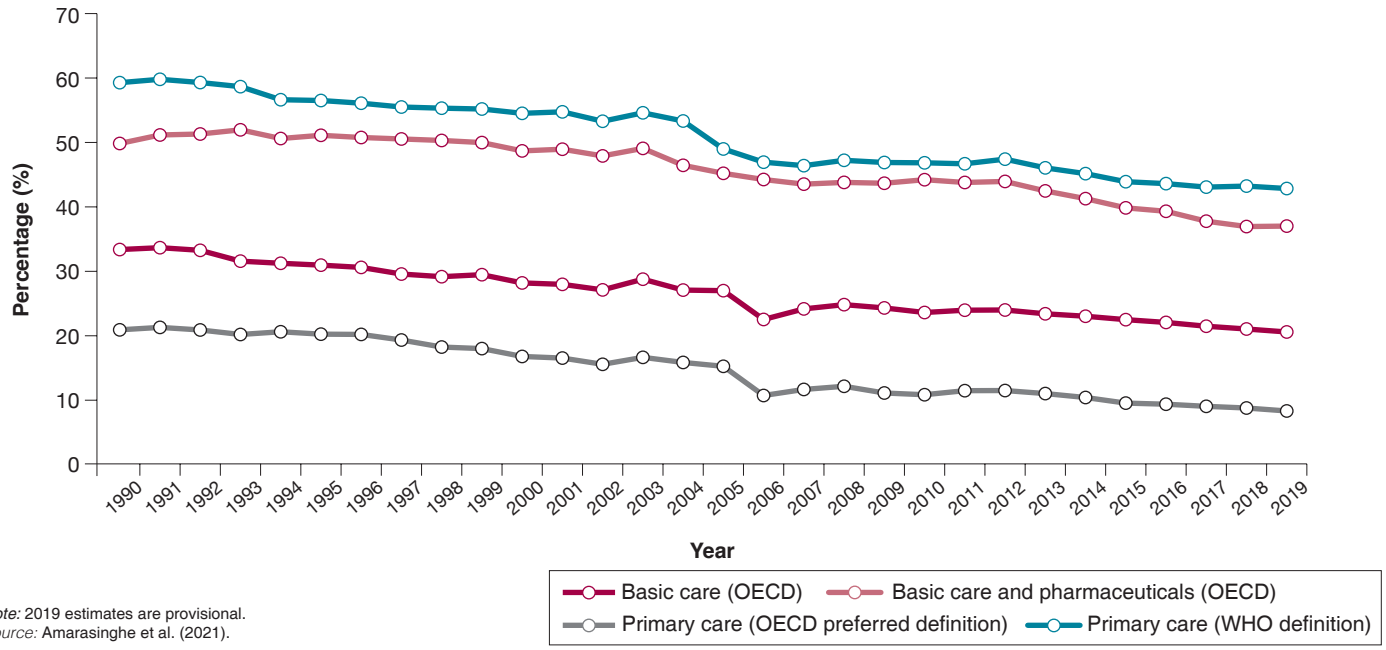
What is primary care?

Primary care is not easy to define. It typically involves services that a patient can easily access and can provide continuous and comprehensive care for their problems. Immediate treatment of coughs and colds, or continuing treatment of uncomplicated diabetes can all be considered primary care. In the case of Sri Lanka, this type of care is in practice provided by many different providers, ranging from dispensaries all the way to the outpatient departments (OPDs) of teaching hospitals, and private general practitioners to specialists who treat coughs and colds in their private practice.

Why is primary care a policy priority?

Sri Lanka's population is rapidly ageing—faster than in most developing countries, and much faster than historically the case in advanced, developed nations. The pattern of illness has also largely shifted from maternal and child health conditions and infections to non-communicable diseases (NCDs), such as diabetes, hypertension, and asthma. Many of these NCDs are chronic conditions that are more common in older people, and that are best managed by continuous care by the same provider. Quality primary care can prevent patients becoming so sick that they need to be treated for serious complications from their illness or to be admitted for expensive hospital care. This is particularly true of conditions like asthma, diabetes, and heart disease. Effective primary care services can reduce the need for expensive treatment, reduce health costs, and increase satisfaction of Sri Lankans with the health system.

Figure 1: Different measures of primary care spending as a share of current health expenditure (%), 1990–2019



Note: 2019 estimates are provisional.
Source: Amarasinghe et al. (2021).

How should primary care spending be measured?

There is no agreed international definition of primary care spending, and none exactly fit Sri Lanka's context. Most international definitions restrict primary care spending to care provided by non-hospital providers, but in health systems like Sri Lanka, official policy recognizes that hospitals, such as divisional hospitals, can be important providers of primary care.

The different international definitions

During 2016–2018, the OECD (Organisation for Economic Co-operation and Development) undertook an international consultation, which IHP also provided input into, to develop a consensus about possible ways to define and measure primary care spending. This led OECD to propose three proxy measures for primary care spending based on the SHA 2011 framework, which is the global standard for tracking health spending (Mueller and Morgan 2018):

1) **Basic services** (or ***basic care***)–This includes all expenditure on outpatient-based care by all healthcare providers, defined as spending on general outpatient curative care, outpatient dental care, home-based curative care and the preventive services related to health education, immunization, early disease detection, and healthy condition monitoring programmes.
2) **Basic services and pharmaceuticals**–This combines spending on basic care with all expenditure on prescribed and over-the-counter medicines.
3) **Basic services provided by providers of ambulatory care**–This is like the definition for basic care spending, but only counts spending if it is at ambulatory health care providers, which excludes all hospitals.

The WHO has proposed a fourth definition. This is similar to the OECD's second measure (basic services + pharmaceuticals), but it also includes home-based care, outpatient and home-based long-term care, preventive care, and crucially 80% of the spending on administering and governing the health system, whilst excluding 20% of spending on medicines and other medical goods. In practice, these four definitions count quite different things making their totals are not very comparable, as shown in Figure 2, which compares the coverage of the different OECD and WHO definitions.

IHP's view on the international definitions

IHP's view is that none of these definitions are satisfactory when applied to the Sri Lankan context.

The first OECD definition ***(basic services)*** is problematic as it excludes spending on medicines obtained from pharmacies. Since most private sector primary care in Sri Lanka involves patients obtaining medicines from pharmacies, this definition significantly under-estimates spending in Sri Lanka. The second OECD definition ***(basic services and pharmaceuticals)*** is better in this respect as it includes medicines dispensed separately.

The problem with OECD's third and preferred definition ***(basic services provided by providers of ambulatory care)*** is that it reflects a European and American context where primary care is typically provided outside hospital settings by primary care doctors or specialists. The OECD surveyed several countries to find out how primary care was being delivered, but its survey did not cover Asian health systems like Japan or Hong Kong, where primary care is often provided in hospital outpatient clinics. Whilst non-hospital-based delivery might be the ideal, the reality is that in Sri Lanka hospital outpatient clinics for example at MOH divisional and base hospitals, do provide a significant part of first contact care for simple conditions, such as coughs or colds or routine management of diabetes. Consequently, for Sri Lanka, the OECD preferred measure will substantially under-estimate primary care spending.

The WHO definition does include hospitals as potential providers of primary care, which its former Director-General Dr Margaret Chan, who came from Hong Kong, always recognized (WHO, 2008). However,

its expansive inclusion of most spending on administration and health systems management, plus spending on all types of preventive care in the community and even disaster and emergency response go far beyond what many health experts would consider the essence of primary care and its focus on accessible, first point of contact, routine care of simple conditions.

Given the limitations of all these definitions, IHP's view is that the OECD's second definition— ***basic services and pharmaceuticals***— best fits national policy and how primary care is provided in Sri Lanka, whilst noting that this definition under-estimates spending on primary care provided on an inpatient basis in Sri Lankan hospitals, as well as facing problems in how to differentiate basic from specialist care.

How is primary care financed in Sri Lanka?

Half to two-thirds of the money spent on primary care in Sri Lanka is from private sources, principally patients spending out-of-pocket

Figure 2: Different OECD and WHO definitions of primary care spending

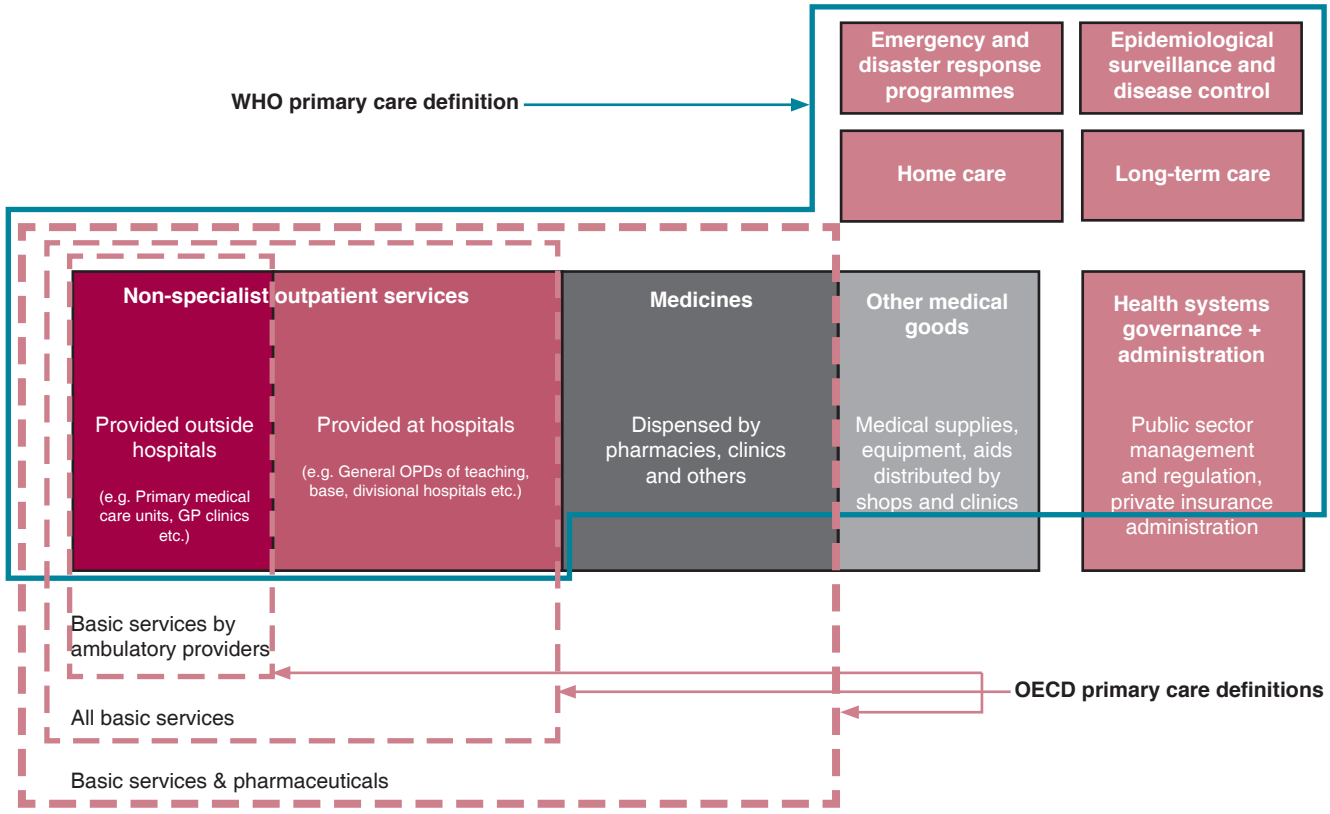
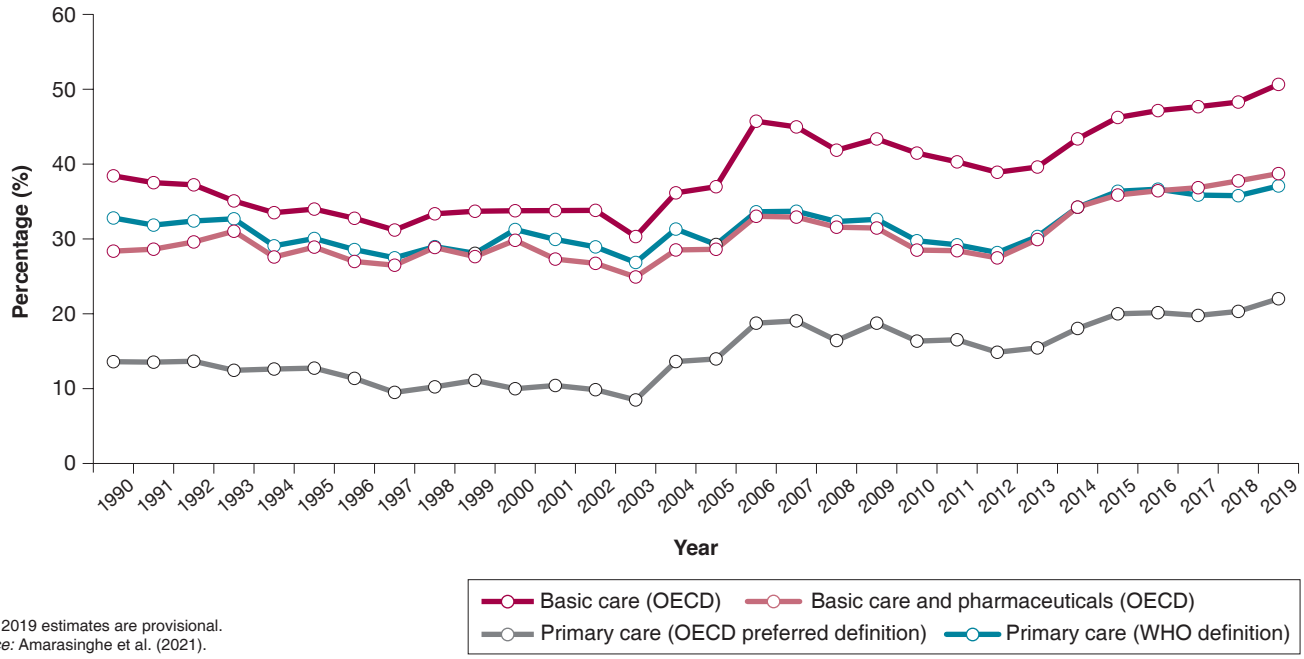
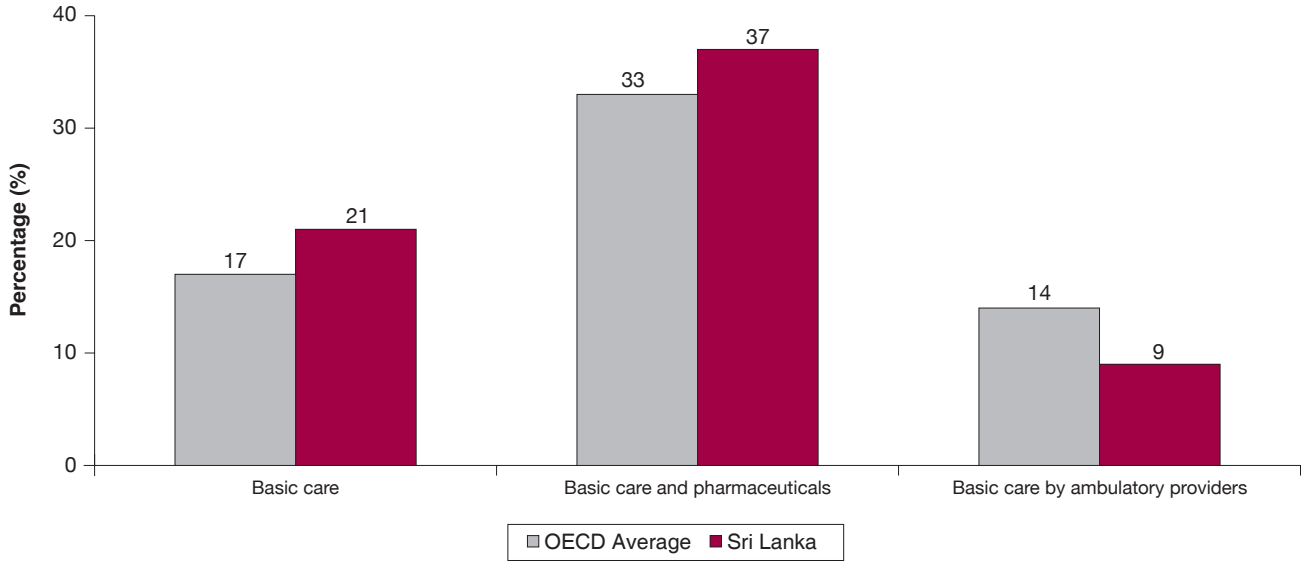


Figure 3: Share of primary care spending financed by public sources (%), 1990–2019



Note: 2019 estimates are provisional.
Source: Amarasinghe et al. (2021).

Figure 4: Primary care spending as defined by OECD for Sri Lanka and OECD countries as a share of current health expenditure (%), latest available year



Source: Amarasinghe et al. (2021).

to pay doctors or buy medicines. However, it should be emphasized that the public role in primary care delivery is greater, as public sector delivery costs are much lower than in the private sector.

The public share of spending on *basic care and pharmaceuticals* was 38% in 2018, compared with 20% of *basic services by ambulatory care providers,* OECD's preferred primary care measure (Figure 3). The last estimate is not surprising, as that excludes 80–90% of public sector outpatient visits which occur at hospital OPDs. The public share of primary care spending as defined by WHO was 36% in 2018.

Whichever definition is used, the public share of spending of primary care increased modestly during 1990–2019 (Figure 3), although as a proportion of overall public spending, primary care's share still fell.

International comparisons

Depending on which definition is used, the share of Sri Lanka's primary care spending is either more or less than other countries. The most detailed estimates of primary care spending are available for OECD economies. Although OECD economies are richer than Sri Lanka, Sri Lanka's health outcomes and coverage indicators are closer to those of OECD economies than developing countries, so comparisons with OECD statistics are usually relevant.

Basic care spending was 21% of current health expenditure (CHE) in Sri Lanka in 2018, compared with the OECD average of 17% in 2016 (Figure 4). Spending on *basic care by ambulatory providers,* OECD's preferred measure, was 9% in Sri Lanka compared to the OECD average of 14%, but as we note this substantially under-estimates spending in Sri Lanka. Spending on *basic care and pharmaceuticals* was 37% of CHE in Sri Lanka in 2018, compared to the OECD average of 33% in 2016 (Figure 4).

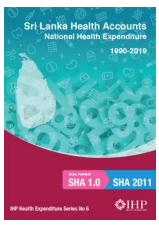
The WHO provides estimates for more countries using its definition. Primary care spending as defined by WHO was 43% of CHE for Sri Lanka in 2018, less than the overall country average of 54% reported by WHO, the ratio being much higher in many other developing countries. However, the WHO averages are dominated by developing countries with worse health outcomes and coverage than Sri Lanka, so we should be cautious in making too much of this disparity.

References

Amarasinghe, S. N., H.S.H. Foneseka, K.C.S. Dalpatadu, and R. P. Rannan-Eliya. 2021. Sri Lanka Health Accounts: National Health Expenditure 1990–2019. Colombo: Institute for Health Policy.

Mueller, M, and D Morgan. 2018. Deriving preliminary estimates of primary care spending under the SHA 2011 framework. Paris: OECD.

WHO. 2008. World Health Report 2008: Primary health care now more than ever. Geneva, Switzerland: World Health Organization.



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.

IHP
INSTITUTE FOR HEALTH POLICY
Institute for Health Policy, 72 Park Street, Colombo 00200
Tel: +94-11-231-4041
www.ihp.lk /slha @ihplk