

Future Health Markets: A meeting statement from Bellagio

18 December 2012

Purpose of meeting

Policy-makers, entrepreneurs, academics and funders convened at the Rockefeller Foundation Bellagio Center from 10th-14th December 2012 to discuss the changing face of health markets, and in particular to consider future trends in such markets. Our aim was to promote a greater shared understanding and analysis of health market systems, and to consider how markets can better serve the needs of the poor in low- and middle-income countries (LMICs).

Health market development during the past 20 years

We understand market systems to involve both public and private actors. They have geographic dimensions but while it is possible to consider markets at sub-national or national levels, we note the importance of transnational linkages. In addition to markets for health services, there are markets for a number of health-related goods and services, such as pharmaceutical products, diagnostics, foods and food supplements, and the training of health workers. We recognize that health cannot be understood as *only* a set of market transactions (it must also be understood in terms of rights, ethics and responsibilities) but we believe that it cannot be fully understood unless its market dimensions are considered, since citizens are also consumers who make choices, incentives matter and forces of supply and demand apply. We don't idealize markets, but we believe that governments and other stakeholders need to understand their dynamics in order to intervene effectively in the public interest.

Knowledge about health markets has grown significantly during the past two decades. Twenty years ago global health actors were just beginning to appreciate the significant role that private providers play. We now have a lot of knowledge about the size of the health market, the heterogeneity of providers, the blurred boundaries between public and private providers, the extensive informal private sector and the critical role of consumers in driving health markets. There is also more knowledge about the consequences of market failures, such as inadequate prevention, financial risks to individuals and persistent information asymmetries that expose people to unsafe and ineffective medical care and low quality medicines. Several factors have contributed to the growing significance of private providers including (i) economic growth and an increasingly large proportion of the population willing to pay for private sector services; (ii) new technologies, particularly information communication technologies (ICTs), that have contributed to the proliferation of new business models; (iii) explicit policies by development partners to create stronger linkages to and more funding for private sector providers; and (iv) cuts to government services in some places.

Gaps

There are a number of critical gaps in knowledge and in the development of health market systems. Despite investments by development partners, the scale of many socially oriented private health initiatives remains small, with very few providing services on a national scale, and usually for a limited range of services or products. Most social health enterprises are not financially viable without support from development partners. Quality of care in the private sector remains a big concern. While there has been a lot of discussion about how regulatory actions could improve the quality of health services across the market, including among public providers, very little has changed on this front. Also, there is a lot of segmentation between highly organized and expensive services for the better off and the largely unregulated markets used by the poor.

Analyses of health markets continue to be undermined by a lack of basic routine data. One-off studies offer a snapshot of a health market, but there are no initiatives to collect data routinely. In addition, there are many specific areas in which knowledge about health markets remains extremely limited. These include understanding of: consumer behavior; the ramifications that a particular market intervention (e.g. a new franchise) has for the market as a whole; the functional relationships between public and private providers in different and changing market contexts, the regulatory and governance arrangements and the political factors that influence health system development.

Future trends in health markets

In the next twenty years health markets are likely to evolve rapidly, facilitated by continued innovation in technology and organization, rising incomes, enhanced consumer education and demand, increased availability of information, urbanization, population aging and the rising burden of chronic diseases and ongoing globalization of corporate activities. Such changes are likely to escalate pressure on governments to finance health services, oversee health markets, and respond to crises related to disease outbreaks, and to scandals concerning the quality of health care delivery and of drugs. Private health service companies will probably continue to grow, perhaps with consolidation and vertical integration of large pharmaceutical companies, or with multi-national chains offering low cost drug stores. Mobile telephones and the Internet are likely to become increasingly important as sources of advice and marketing direct to consumers, creating new regulatory challenges. Strong market players such as pharmaceutical manufacturers, hospital organizations, provider associations and insurance companies, are likely to increase pressure to attract public and private financing, particularly as LMICs adopt policies to finance health insurance as a means to Universal Health Coverage (UHC). The proportion of financing coming from public sources is likely to increase as incomes rise, creating new opportunities for shaping health markets, whether or not through insurance mechanisms or public sector delivery. In the short term, the gap between public goals (e.g. good health; access to safe, affordable, effective and equitable health services) and the performance of highly marketized and pluralistic health systems is likely to grow, even as overall mortality conditions continue to improve in LMICs. Poor and disadvantaged populations are most likely to be harmed by poorly organized health market systems.

Issues that need to be addressed

Health market systems and framing of the issues

Ideological debates about private and public sectors in health have gotten in the way of understanding how health markets work, even as most countries recognize that they have “mixed health systems”, with a variety of public and private providers and mechanisms for financing health goods and services. The group who met at Bellagio takes an agnostic view about health markets, and does not advocate for privatization or the expansion of private market share as a public health goal, but it does recognize the pervasiveness of market relationships in health systems, and the need to employ market analyses in order to develop a clearer understanding of market functioning, and how interventions can shape health markets for public policy goals. If policy-makers are not informed about the dynamics of health market systems, they will not ask important questions about why health systems do not work well; they will not anticipate unintended consequences of public interventions into health markets and they will not build the institutions needed to improve the functioning of health services. Poor and vulnerable populations are most adversely affected by the failure to shape health markets, as they depend on low cost, poorly trained and poorly regulated health care. However, the costs affect all of society.

The current trend in which governments are making public commitments to a target of universal coverage and allocating substantial funds to finance its achievement makes it particularly important for policy makers to understand how to engage effectively with health

markets. On the one hand, it can provide a very important window of opportunity for governments to create institutions that can use financial leverage to improve the performance of health service providers in meeting the needs of the poor. On the other hand, it may enable powerful stakeholders to consolidate their position in a health system that provides ineffective services at an unnecessarily high cost. The way governments manage the introduction of new public financing arrangements is likely to have a strong influence on the trajectory of health market systems for years to come.

Establishing systems to collect and apply basic data

Countries typically lack good data on health markets. This impedes the development of new policies and programs relevant to health markets. There was a strong demand from policy-makers within the Bellagio group to address this. We propose that governments identify data that market actors should be required to provide on a routine basis. This could involve routine reporting by private providers and also a legal requirement that health insurance schemes make some of their billing data available for analysis.

We also propose that a framework for more detailed data collection on health markets in specific geographies be developed and piloted in select countries. This framework might cover the nature of providers (public/private; formal/informal), how providers are paid, how they are networked, the kind of services they provide, the quality of such services, how different types of beneficiaries are affected by market changes, as well as information about demand-side behaviors. This should be planned as an ongoing, rather than one-off, exercise. An analytic framework

should be developed that takes account of the information needs that policy- and other decision-makers typically have, and the reality that health markets behave as complex adaptive systems. The framework would seek to integrate information from different existing data sources (such as Demographic and Health Surveys, National Health Accounts, Service Provision Assessments, market research such as retail audits and local surveys) as well as promoting any necessary amendments to some of these standardized survey tools, such as incorporating geospatial technologies and mining newly emerging health insurance claims data.

Pursued in collaboration with key stakeholders in the pilot countries, this exercise could both provide a valuable contribution to defining the type of information that needs to be collected routinely but could also act as a way to stimulate discussion and dialogue among actors in the country concerned. In addition to collecting better data, we note the work of the Center for Studying Health System Change in synthesizing information on health markets in the US, and propose that this may serve as a reference point for work in this area.

Regulatory experimentation

The group identified a wide variety of market shaping strategies to improve the delivery of a comprehensive range of health services and products. Although regulatory strategies can be clustered around strategies related to administrative controls, market supply strategies, consumer oriented strategies, and collaborative approaches, there was a recognition that regulatory approaches are more likely to succeed if packaged in “bundles”. These would be more appropriate to the inter-connected nature of health markets. Contextual factors are

highly important in determining the shape and evolution of regulatory institutions, and they offer different points of entry. It is possible that different regulatory archetypes can be found in different contexts and improved understanding of this would help to better tailor regulatory approaches. However, regulation should not be static but rather should provide real-time and regular information for decision-making and adaption of interventions. To encourage a “learn and do” approach, regulatory bundles should be introduced with rigorous analytic approaches to continuously assess quality in a timely way. Such an approach can help develop and apply benchmarks (such as through the use of scorecards) within an institutional framework where managers in provider organizations can make decisions, customers and beneficiaries can have a meaningful voice, and governments and other supporting organizations can hold market players accountable. It also allows stakeholders to collaborate in building new kinds of regulatory partnerships.

Market institutions and government capacity

As markets continue to expand and evolve, governments are playing “catch-up” in fulfilling their stewardship roles. They need to oversee the creation of institutional arrangements to govern health markets, but they do not have the capacity to deal with yesterday’s markets, much less to anticipate how they will develop in the future. In particular, governments need to have organizational capabilities and staff that are skilled in understanding key market players, their interests and functioning, and have the ability to create rules and guidelines that can actually be used by market players. They need leadership skills to be able to balance the representation of powerful

interest groups (e.g. professions, manufacturers), and the ability to empower and protect the interests of consumers – particularly marginalized and disadvantaged populations.

Governments need to be able to draw on technical skills of contract management and quality assurance, and to oversee data management systems for assessing the performance of different market players, and thus identify and respond to the unintended consequences of health market interventions. As the need increases for more collaborative arrangements to shape health markets – involving civil society, provider organizations, and businesses – capacity building for these actors may also be needed.

Sustaining investments in health markets

Donors have subsidized the development of market mechanisms, such as social franchising and social marketing schemes, with the dual aims of making quality services more accessible to the poor and establishing effective mechanisms for shaping health markets. Both donors and entrepreneurs are concerned about how these initiatives, or at least the quality services that they offer, will be sustained in the future, especially in settings where there is likely to be a cessation of donor financial support. Entrepreneurs are clearly thinking about different stages of evolution of such investments. During the start-up phase there are likely to be high costs as the business model is fine tuned, and new systems are established. But once a program has reached a mature and stable state, entrepreneurs are then actively seeking strategies to promote sustainability; these include diversifying funding sources, increasing business revenues through cost recovery from franchisees or patients, increasing efficiency, and adding more remunerative

products to the package of services offered. However, to the extent that these businesses are providing services to the poor and very poor, there is likely to be an ongoing need for subsidies.

There was a consensus among the group meeting in Bellagio that public funding is likely to be critical to the long-term sustainability of these models of service provision. Further, a growing share of public funding for health was thought to be key to governments' ability to shape health markets. Social enterprises are often struggling to reach agreements with governments about funding. As governments consider strategies to achieve universal health coverage, they need to carefully examine the role of social enterprises in health delivery and the extent to which such initiatives promote high quality services that, with subsidy, can be accessible to the poor.

Health worker markets

During the past decade much attention has been given to the global health worker crisis and in particular the imbalance of health workers between countries (rich and poor), rural and urban areas, and different cadres of health workers. The recognition of the shortage of health workers in many low-income countries has led to extensive efforts to shift various medical tasks to less or more narrowly qualified cadres, and an effort to train large numbers of community health workers. Unfortunately the connections between health markets and the health workforce are rarely fully acknowledged, but are critical in many respects. Public sector clinicians often moonlight in the private sector in order to supplement their incomes. The development of a more formal private sector may attract health workers to leave the government sector altogether. Middle-income countries, with rapidly growing private markets, will most

likely attract migrant health workers, exacerbating the shortage of health workers in some low-income countries. These connections – between health markets and labor markets – need to be better understood. In particular the group meeting in Bellagio wanted to draw attention to a possible unanticipated consequence of the current scale up of community health workers in low and middle-income countries. These health workers may again form the next wave of informal health care providers. This is a particular concern given the lack of clarity about how community health worker salaries will be sustained in the future.

Business models and entrepreneurs

A growing number and variety of business models and entrepreneurs in the health sector have emerged in recent years, with many created through donor assistance but many more emerging spontaneously. It remains to be seen whether currently low-income markets will experience a transition from small, independent and often informal practices, drug shops and laboratories to larger chains and group practices (as seems to be occurring in many middle-income markets), whether transnational and vertically integrated models will develop, and what the consequences of such changes will be for equity and efficiency. The market for particular services or products can be highly fragmented and situated in particular time and place. An ability to rapidly identify market conditions and learn how to adapt to changing conditions (e.g. in provider behavior, demand by clients, or logistics challenges), along with an ability to manage supply chains and human resources seem to be particularly important. The challenge for governments is to provide an enabling environment for such learning organizations that share public goals, while finding meaningful

ways for businesses to demonstrate safety and quality of health services and access public funds when justified, and ensuring that the needs of disadvantaged populations can be met.

Networks and quality of care

There are many kinds of networks, including associations, chains and franchises. Networks are important intermediaries between government and a disorganized private sector. There are multiple examples from LMICs of provider networks, including but not limited to formal social franchising networks. Networks can develop through top-down design or spontaneously through mutually interested partners finding each other and snowballing. Networks can help to correct failures typical of health markets. First, networks can help address information asymmetries, which mean that consumers have difficulty in judging the quality of care, by setting and enforcing quality standards. Second, networks can facilitate the distribution of subsidies for the provision of preventive and public health services. Over time, as governments enhance their own capacity to manage and monitor services, they may be able to take on some of these roles. However, particularly in low-income and low-capacity contexts, networks are critical to the success of the market and networking roles should be encouraged. It is important to recognize that networks can also be used to benefit their members by exerting political influence to exclude competitors and create monopolies. One important stewardship role of government is to support strategies that enable the population to gain from the benefits of a well-organized system while ensuring that none of the stakeholders gain too much influence.

Towards a health markets research agenda

Investments in health markets research are currently *ad hoc* and uncoordinated. Given the importance of contextual factors, such as market conditions, in influencing the impact of different interventions, there is a need for better coordinated and more consolidated research investments that can help to develop generalizable knowledge about which market interventions are effective and under what conditions. The group in Bellagio brainstormed a number of areas where research and evaluation could lead to rich returns. These include: the effectiveness of new regulatory approaches, the impact of informational interventions upon consumer behavior, and the effectiveness of alternative mobile and informational technologies. However we propose that HANSHEP establish a knowledge priorities group, composed of researchers, policy makers and entrepreneurs that can meet occasionally to establish and update research priorities in this field. These priorities should include horizon scanning and early identification of potentially influential market innovations.

Further, the feasibility and desirability of standard impact evaluation methods for health market interventions may be doubtful: it is frequently difficult to randomize market-level interventions, such interventions will most likely evolve over time as market actors engage with them, and there may be unanticipated in addition to anticipated effects. Also, policy entrepreneurs require feedback on the impact of an intervention in a timely manner. Accordingly, there is a need to experiment with alternative evaluation approaches that can better capture issues of context, evolution of interventions and adaptive system effects. Appropriate analytic approaches identified by the

group involve the use of methods used in implementation research, Plan-Do-Check-Act cycles and application of balanced scorecards, implementation-effectiveness hybrid designs, and mixed methods.

Putting ideas into action

Funding organizations represented at the meeting plan to consider the thinking on health market systems reflected in this Statement within their organizations, and to encourage others to do so – including through the forum provided by HANSHEP. Similarly, government representatives from Liberia and Nigeria present at the workshop expressed interest in engaging further. Efforts to expand the group of governments who would like to collaborate in these efforts should be made, such as by issuing a call for interested countries.

The meeting did not include the full range of stakeholders involved in health markets in low- and middle-income countries. It is important to share the ideas in this document with other actors, such as national and transnational companies, professional associations, citizen groups and advocacy organizations, and so forth. There are very few platforms for this range of actors to meet.

Specific proposals for action were also suggested, including:

1. Work with a small group of countries to establish systems to collect basic data on health markets, and to develop ways to institutionalize such systems into locally relevant policy and management processes. Through engaging with local policy makers and think tanks, such an initiative could simultaneously build local analytical and institutional capacity.

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2. Issue calls for proposals to support research on building theory and empiric information on health market systems. For example, this could be done to test different data systems or different business models.
3. Create a challenge fund to encourage the development of effective regulatory approaches, bringing together different key market actors within countries to develop bundles of regulatory interventions, the information systems to monitor and evaluate their application, and support for rapid learning cycles that enable the application of emerging knowledge.

We also believe that a feasible and desirable strategy would be to build a community of practice that crosses country and sectoral boundaries, and brings together leaders from the policy and business communities with researchers and other health stakeholders, when appropriate. Such an approach could be termed a Health Market Learning Lab, or Health Market Learning Club. It would need to link closely to broader coordination mechanisms, such as HANSHEP, as well as national institutions, so that learning from the initiative fed into broader policy decisions.

The group at Bellagio pledged to further disseminate and discuss issues on health market systems through existing networks, and through a variety of publication and other channels of communication.

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