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The private sector
in health service delivery:
an operational definition



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Acronyms

LMICs	low- and middle-income countries
SMEs	small and medium enterprises
TAG-GPSUHC	Technical Advisory Group on the Governance of the Private Sector for Universal Health Coverage
UHC	Universal Health Coverage
WHO	World Health Organization

Introduction

This brief provides an operational definition of the private sector in health service delivery.

The definition was developed by the WHO's Technical Advisory Group on the Governance of the Private Sector for Universal Health Coverage(1), as part of the development of the WHO's strategy report on "Engaging the private health service delivery sector through governance in mixed health systems"(2).

The Advisory Group was set up to support WHO's work in strengthening governance of the private sector in health, under the leadership and guidance of the WHO's System's Governance and Stewardship Unit, and is now working to provide strategic guidance on the implementation of the WHO Strategy Report.

The absence of a common definition of the private sector in health service delivery was identified by the Advisory Group as a challenge for the work on the topic as it may result in an underappreciation of the private health sector's impact on health systems performance and public health goals such as equity, efficiency and quality. A systematic review by Basu et al.(3) underscored the need for an inclusive definition of the private sector in health and it called for an operational understanding of the private sector's role in health service delivery.

The private sector usually consists of several distinct sub-components, and these different parts require or respond to quite different forms of regulation, policies and incentives.

There are private entities at all level of the health systems, and their roles and activities may include the direct provision of health care, the management of health care institutions, the manufacturing of health care goods and services (e.g., medicines, pharmaceutical products, and rehabilitation), and the financing of health care products and services(4).

For the purpose of this paper, the definition of private sector has been narrowed down to private sector entities involved in service delivery. We therefore acknowledge it might not be a comprehensive definition of all the private actors working in or for the health system.

Methodology

This brief has been crafted through extensive consultations with the members of the Technical Advisory Groups specialized in health systems governance and engagement with the private sector in health.

The foundation for this brief was laid through the development of a thorough landscaping document focusing on private sector involvement in healthcare(5). The landscaping document, served as a critical resource for gathering valuable insights, trends, and recommendations related to governance of the private sector in health. Subsequently, a series of in-depth consultations were conducted with the Advisory Group members.

The collective knowledge and insights gained from these consultations, combined with the foundational information from the landscaping document, have been instrumental in shaping the content presented in this brief.

All TAG members participating in the consultations submitted a Declaration of Interests form, which was assessed by the WHO Secretariat. No conflict of interest was declared.



What underpins our understanding of the private sector in health service delivery?

Defining the private sector necessitates a clear understanding of the concept of service delivery.

As one of the WHO health-system functions, service delivery involves provision of effective, safe, good quality personal and non-personal care to those that need it, when needed, with minimum waste.⁽⁶⁾ These services may include prevention, promotion, treatment, rehabilitation, or palliative care.

With the advancement of technology, our understanding of service delivery is also evolving. More ‘traditional’ forms of service delivery involving physical interaction between a patient/client and healthcare provider may now be accompanied by ‘virtual’ health services such as digital health and telemedicine. Low-cost access to expert advice through communication media, innovations in direct-to-consumer product distribution and development of mobile phone payment mechanisms are some of the recent innovations that have been introduced.

Other developments include the advent of corporate medicine through the aggregation of service provision into “fewer corporate hands”, by both national and international investors.⁽⁷⁾

While ownership arrangements may not wholly determine models of care, they influence service provision and health system performance⁽⁸⁾ and may exacerbate conflicts of interest, where business models ultimately drive professional behavior.⁽⁷⁾ This situation necessitates alignment of shareholder objectives to public policy objectives, and present an emerging and critical challenge to health system governance especially in LMIC contexts.

Definition of the private health sector in service delivery

The private health sector in service delivery includes all individuals and organizations that are neither owned nor directly controlled by government and are involved in the provision of health care and services.

It can be classified into **subcategories** including for-profit and not-for-profit, formal and informal, domestic and international. This definition incorporates:

- **different ownership structures** – both for-profit and non-profit entities, including religious and secular organisations;
- **organisations of different sizes** - from individual operators, small and medium enterprises (SMEs), through to large corporations;
- **different legal structures** – both formal and informal sector entities; formal providers are defined as those working in a clinic or other health facility setting while informal providers are those working outside of a formal health facility setting, even if they have received some level of medical training.
- **different geographic reach** – both domestic and international corporations;
- **different industrial sub-sectors** – including private manufacturers and distributors of medicines and other health products, educational institutions that produce human resources for health, and private health insurance companies.

Provider networks through facility and pharmacy chains or through more cooperative models (such as group practices and social franchising) feature within the private sector landscape. Self-care interventions may also be catalogued as part of the private sector where delivered by non-state agencies. The private sector is, therefore, not homogenous, and public policy towards the private sector needs to be sensitive to the differences. For instance, private health entities in different subcategories may require or respond to different forms of regulation or different incentive mechanisms. They may also provide diverse services for different parts of the population. For example, charitable, not-for-profit entities, and the informal sector may locate their health facilities in poor and underserved areas⁽⁹⁾, whereas for-profit providers tend to locate according to the distribution of income.

The role of the private sector in health service delivery

There is increasing recognition of the private sector's role in health systems especially in the aftermath of the COVID-19 pandemic and with the growth of new models of digital health.

Such contribution is estimated to range from 40 to 62 per cent of health service activity and varies across WHO regions (Figure 1).(4) In many contexts, the private sector is an important source of health-related products and services, including for the poor (Figure 2).(10, 11) Despite its ubiquity, private sector recognition, scope, and definition are not consistent across health system stakeholders. While 'sector' is used to distinguish public from private orientation, in practice the private sector is less bounded and "generally large, poorly documented, and very heterogeneous".(12)

The role of the private sector within mixed health systems can support public health goals in well governed health systems that generate a "complementary, reasonable-quality private sector"(12); in contrast, the private sector may take on less positive forms, if left unregulated. Consumers may also seek services outside of the formally recognized health system, such as through informal static, itinerant or digital dispensers of health products and services. These forms of care challenge traditional boundaries of health systems, precisely because they are often unrecognized by government.

As some studies have shown, a lack of regulation and government stewardship of these providers exposes especially poor patients to low-quality care in many settings.(13)

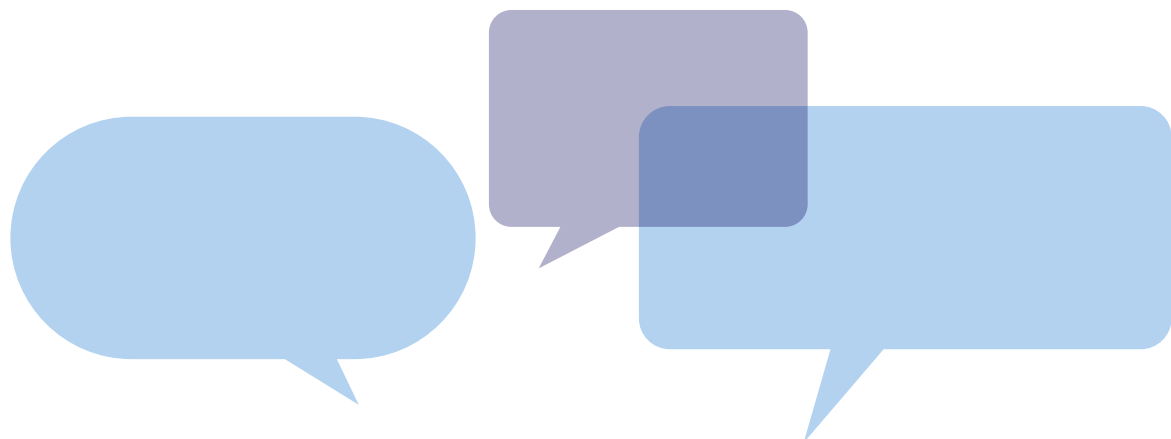


Figure 1

EMRO

The private sector provides the majority of outpatient and ambulatory services and is highly utilized by the poorest quintile in the Eastern Mediterranean region.



Source: Regional Committee for the Eastern Mediterranean. Sixty-fifth session: Private sector engagement for advancing Universal Health Coverage. October 2018

OECD

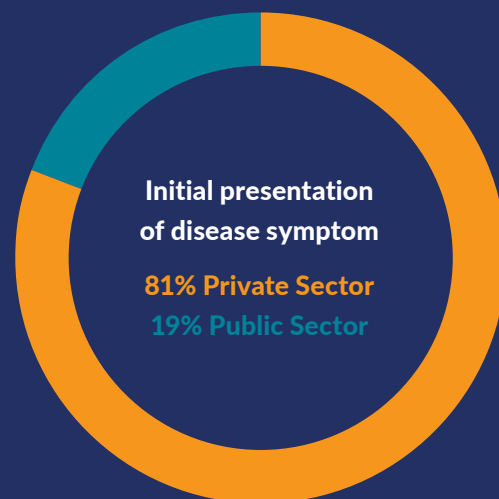
The private sector is as predominant as the public sector in delivery of primary care in OECD countries.



Source: OECD survey on health system characteristics. 2016

SEARO

The majority of the population in South Asia first seek care in the private sector.



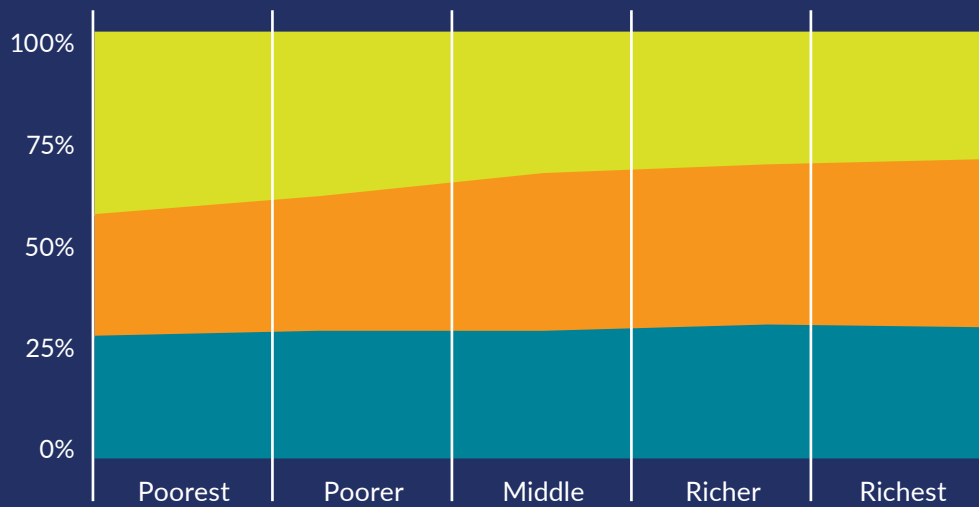
Source: Wells WA, Uplekar M, Pai M (2015) Achieving Systemic and Scalable Private Sector Engagement in Tuberculosis Care and Prevention in Asia. PLoS Med 12(6): e1001842. <https://doi.org/10.1371/journal.pmed.1001842>

Figure 2

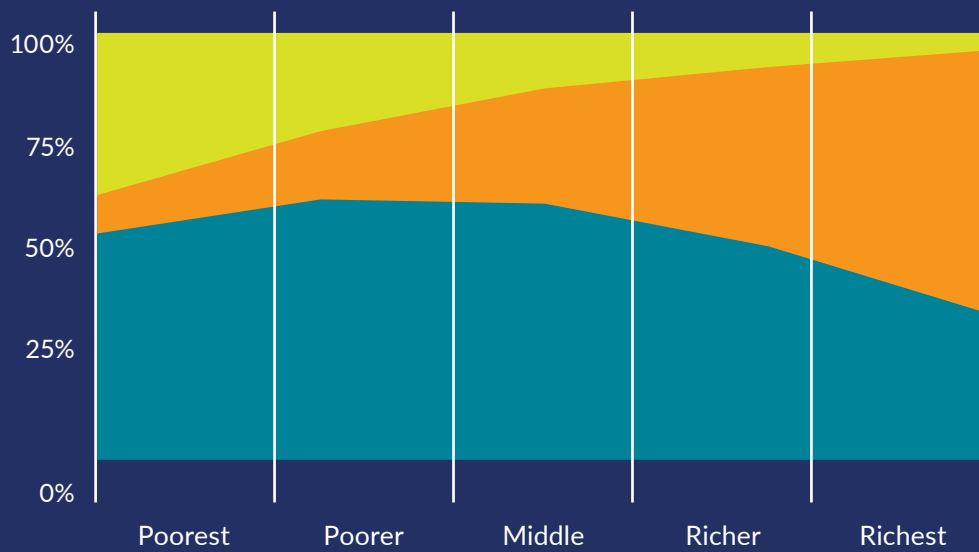
The private sector is a major source of outpatient and inpatient health care for the rich as well as the poor.(5)

● Public ● Private ● no care

Source of Outpatient Health Care by Wealth Quintile - AFRO



Source of Inpatient Health Care by Wealth Quintile - SEARO



Source: Montagu D and Chakraborty. Analysis of DHS and MICS surveys from 27 AFRO countries representing 732.7M people; and eight SEARO countries representing 1,880M people. 2019

Service delivery entities

Health systems and service provision are the product of interactions and include a diverse range of entities. Table 1 illustrates the range of private health entities that may exist in a given health system as well as their public sector counterparts.

Table 1: Service delivery entities

Service delivery entities	Public entities (formal)	Private entities (formal and informal, for-profit, not-for-profit)
Health service	Tertiary: teaching and referral hospitals	Tertiary: teaching and referral hospitals
	Secondary: district hospitals, health centres and maternity homes	Secondary: smaller hospitals, large/group-owned clinics and maternity homes
	Primary: health dispensaries/clinics, community health workers, outreach sites	Primary: general practitioners, allopathic doctors, indigenous providers, traditional birth attendants, community health workers
	Digital: Telemedicine, mHealth	Digital: telemedicine, mHealth
	Monitoring and compliance units (inspection, supervision)	
Management	National health departments (14 financing, quality)	NGO programmes
	National health information systems	Umbrella organisations (e.g., federations, syndicates, faith-based bureaus)
	Sub-national health departments (devolved management, service delivery)	Networks, platforms (may be virtual)
	Regulation and standards departments	Other industry representative groups
	PPP units	
Professional	Training institutes	Training institutes
	Professional councils	Professional associations
	Research institutes	Technical agencies
		Research institutes
Funding	Ministry of finance	Private health insurance agencies
	National health insurance agency	Micro-insurance/credit agencies
	Ministry of health budget holders	Domestic financing (donations, corporate social responsibility)
	Management agent (vouchers, results-based financing)	Bi-lateral and multi-lateral donors Foundations
	Sub-national health budget holders	Global health programmes
	Digital finance	
Health product	National medical supply authority	Manufacturers
	Regulatory bodies	First line buyers
		Distributors
		Medical stores/pooled procurement
		Pharmacies, drug shops
		Social marketing, e-pharma

Conclusion

The private sector in health service delivery definition has been adopted by WHO on advice from the Technical Advisory Group on the Governance of the Private Sector for UHC.

This operational definition is not intended to be static and is open to future review and amendment to ensure that governments focus their governance efforts to steward the whole health system towards public health goals, Universal Health Coverage (UHC) and health security.

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