"Beyond aid" investments in private healthcare in developing countries

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EDITORIALS

"Beyond aid" investments in private healthcare in developing countries

The UK government's investment in commercial hospital chains merits greater scrutiny

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An inquiry by the House of Commons International Development Committee published in February 2015 proposed a transition to "beyond aid" policies.[1] The rationale for this transition was clearly stated: traditional forms of aid address the symptoms of poverty "at a substantial short-term cost." In contrast, beyond aid policies aim to tackle underlying causes of poverty and "would be good for the UK in the short run as well as in the long run."

Beyond aid policies emphasise the use of loans and equity investments to support the growth of a range of private sector companies. In December 2014, for example, the secretary of state for international development, Justine Greening, described a transition towards "returnable capital investments" in Indian health and education sectors.[2] A month later the Department for International Development's investment arm, CDC Group, announced a $48m (£32m; €42m) investment in Narayana Health, an Indian corporate hospital chain.[3]

The UK government's interest in capital investments in the private hospital industry is part of a troubling wider (and poorly documented) international trend. We used a combination of online project databases and annual reports to conduct a preliminary mapping of investment commitments to private hospitals and clinics by the CDC Group and other similar development financing institutions.[4-10] We identified commitments that totalled at least $2.3bn, of which $1.9bn was committed within the past eight years. The World Bank's International Finance Corporation is the largest investor in such private hospitals and clinics, but our data suggest that other development financing institutions (in particular those of France, Germany, the UK, and Sweden) have also become increasingly supportive in this sector.

The biggest recipients of investment have been large commercial hospital chains in the emerging economy countries. Our data suggest that nearly two thirds of commitments went to companies in India ($470m), Turkey ($345m), Brazil ($232m), China ($176m), Russia ($123m), and South Africa ($100m). Of the nine hospital corporates to receive commitments of at least $50m since 2007, five are international chains (Saudi German Hospitals, Apollo Hospitals, Fortis Healthcare, IHH Healthcare Berhad, and Life Healthcare) and four are national chains (Max Healthcare, Acibadem Healthcare Group, Medicina, and Rede D'Or).

Direct investments in private hospitals by the UK government's CDC Group have grown since a strategy change in 2012. Its two direct investments between 2000 and 2012 ($6.1m in Prime Cure Clinics, South Africa, and $5m in Apollo Hospital Dhaka, Bangladesh) have been dwarfed by investments of some $65.5m since (in Rainbow Hospitals and Narayana Health, both India), which are expected to enable these hospital chains to expand to new cities.

Costs and distortions

Investments by development financing institutions tend to be made using criteria of job creation and returns on investment. It would seem that their effects on health systems, health equity, and poverty have largely avoided scrutiny until now. But easy assumptions about the contribution of the commercial sector to improving health coverage for poor people need to be challenged. High throughput models of profitable healthcare treatments are being rapidly rolled out in the absence of robust evidence of their affordability or appropriateness. A recent rigorous review found "very limited evidence" that such models offer good prospects for extending services to the poor in the future.[11]

Impoverishment caused by healthcare costs is also a documented concern in many countries.[12] Although catastrophic costs can be incurred in public sector hospitals that have user fee systems, the problem is far greater in the profit generating sector. In India alone an estimated 2.5 million households are pushed below the poverty line each year by the costs of inpatient care.[13] We also know from research supported by the Department for International Development that many more users of private healthcare are impoverished each year in India than users of the public sector (48% compared with 15% incur catastrophically high out of pocket health spending).[14 15]

This situation is compounded by the distortions in the provision of care that are known to be encouraged by commercial interests. Interestingly, it is the World Bank that has become the latest

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voice to draw attention to a worldwide epidemic of medical overuse—the prescribing of unnecessary medical tests, procedures, hospital admissions, and operations—citing the role of "aggressive marketing of services by hospitals, pharmaceutical firms and the medical device industry" and "incentives inherent in the way providers are paid for their services."[16] The bank highlights the marginal benefits of many procedures and notes that they can lead to unnecessary suffering, particularly among frail and elderly people.

This scenario arouses concerns that a transition to beyond aid in the health sector as currently envisaged may undermine attempts to achieve equitable universal health coverage. Greater scrutiny is required of beyond aid investments in commercial hospital chains and other related areas in order to better determine their effect on poor people's access to healthcare, on catastrophic out of pocket health expenditure, and on opportunities for developing countries to create unified health systems with an appropriate focus on prevention and on primary healthcare.

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