SECTOR ASSESSMENT (SUMMARY): HEALTH

A. Sector Performance, Problems, and Opportunities

1. Bhutan recognizes health as a prerequisite for socioeconomic development, poverty reduction, and gross national happiness.[1] The country made significant investments to develop its health system from a low base and achieved remarkable progress in key health outcomes over the past decades. Average health indicators vastly improved from being among the poorest in the world to achieving most of the Millennium Development Goals. Between 1994 and 2012, deliveries attended by skilled health personnel improved from 10.9% to 74.6%, and the maternal mortality ratio per 100,000 live births improved from 380 to 86 deaths. The infant mortality rate per 1,000 live births dropped from 102 in 1984 to 30 in 2012.[2] Life expectancy improved from 37 years in 1960 to 68 years in 2012. The health care coverage is now extensive—96% of the population lives within a 3-hour walk from the nearest health facility, which is a considerable feat given the challenges of dispersed populations and a difficult terrain. Bhutan's total health expenditure is also predominantly government financed, and private out-of-pocket expenditure is relatively low, implying a fair level of equity and financial protection.

2. Despite these impressive gains in key health outcomes, Bhutan's health sector performance still needs improving. Critical attention must be given to the long-term overall sustainability of health care financing in the face of tightened public spending, increasing demands from the population and the planned introduction of new technologies and services. Bhutan's health status still shows regional disparities (e.g., under-5 mortality rate per 1,000 live births: 81 in rural and 41 in urban areas; deliveries by skilled birth attendants: 90% in urban and 54% in rural areas); and health outcomes and service coverage still vary widely across districts.[3] The sector also needs to evolve to effectively deal with growing health security threats and epidemiological and demographic changes, such as an increasing burden of noncommunicable diseases (NCDs) and rapid urbanization from accelerating rural–urban migration.

1. Sustainability of Health Financing

3. Health services in Bhutan are constitutionally guaranteed and predominantly publicly financed. The general government health expenditure was 67%–73% of the total health expenditure (THE) between 1995 and 2014, and private out-of-pocket payments constitute about 25% of THE (half of the out-of-pocket payments are for transportation to the point of care). The government provides a comprehensive range of free health services to its citizens, including referral of patients abroad for life-saving treatments beyond the clinical capacity of Bhutan. Accordingly, the sector-related cost burden and public spending have traditionally been high—between 2000 and 2010, government spending on health totaled about 5% of Bhutan's gross domestic product (GDP) and 12% of general government expenditure.[4] Bhutan has no legal framework for private health care operations. Private-sector engagement is limited to basic diagnostic centers and retail pharmacies in major towns.

4. Following the Indian rupee shortage of 2012–2013, and high public-sector debt accumulated from hydropower investments, the government made efforts to maintain fiscal balance and macroeconomic stability. Consequently, public spending in the health sector

[1] Government of Bhutan. 1999. *Bhutan 2020, A Vision for Peace, Prosperity and Happiness.* Thimphu.
[2] Government of Bhutan, Ministry of Health. 2012. *Bhutan National Health Survey*. Thimphu.
[3] National Statistics Bureau. 2010. *Bhutan Multiple Indicator Cluster Survey, 2010.* Thimphu.
[4] Government of Bhutan and World Health Organization. 2017. *Health Systems in Transition: Bhutan Health System Review*. New Delhi.

tightened—general government health expenditure as a percentage of GDP fell from 5.0% to 3.0% and THE as a percentage of GDP fell from 5.2% to 3.6% between 2010 and 2014.[5] Additionally, concomitant with Bhutan's high economic growth, donors increasingly withdrew from the country, reducing the amount of external resources that traditionally had played a significant role in financing and developing Bhutan's health system. The share of external resources as a percentage of THE declined from about 30% in 1996 to 6% in 2014 (footnote 4). At the same time, an increased burden of NCDs, growing demands of the population, and the introduction of new technologies and services drove up health care costs. Given that the combination of fiscal constraints and cost pressures places the overall sustainability of the health sector at risk, the need to explore additional health financing sources and contain costs through more efficient use of health resources becomes urgent.

2. Primary Health Care and Regional Health Disparities

5. Poverty is still a predominantly rural phenomenon in Bhutan—poverty rates exceed the national average in 12 of the 20 districts, and are more than three times higher in Dagana and Zhemgang districts. Inequalities between the rich and the poor have declined in services such as diarrhea treatment and family planning, but for those services that require the person to attend a health facility, such as skilled attendance at birth, the difference between rich and poor is still large (footnote 3). Closing regional disparities entails major improvements to health systems in peripheral areas to step up overall quality, efficiency, and availability of services. Primary health care (PHC) facilities need to be strengthened so that poor people living in rural areas have access to good-quality health services close to their homes. However, many PHC facilities do not have adequate infrastructure, such as toilets or running water, and suffer from a shortage of basic equipment.

6. Given Bhutan's rapid urbanization, it is also crucial to improve access to basic health services for migrants and informal settlers in urban areas. Two key urban centers are emerging in particular: Thimphu and Phuentsholing. The caseloads of hospitals in these cities have also increased rapidly.[6] Strengthening PHC is required to reduce overreliance on costly tertiary care, since the average unit cost of an outpatient visit in referral hospitals is nearly four times higher than of an outpatient visit to a PHC facility.[7] Strong PHC systems in urban and rural areas will also help decongest bigger hospitals and thereby improve the overall cost-effectiveness and efficiency of the health system.

3. Changing Disease Patterns and New Public Health Threats

7. While communicable diseases remain a substantial burden, NCDs are also increasing in Bhutan—48% of the population was affected by cardiovascular diseases in 2013. The risk factors for cardiovascular diseases are widespread, since 39% of people are classified as overweight or obese, and 36% have high blood pressure. At the same time, death rates from communicable diseases such as diarrhea, or lower respiratory, intestinal, and infectious diseases have declined but still represent 40% of the disease burden. Early detection and prevention of NCDs is crucial. Bhutan has developed a package of essential PHC-level

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[5] Government of Bhutan and World Health Organization. 2017. *Health Systems in Transition: Bhutan Health System Review*. Thimphu.

[6] In 2015, the National Referral Hospital in Thimphu received 12,505 new cases, and the hospital in Phuentsholing 73,510 new cases.

[7] The average unit cost of an outpatient visit is Nu635 at referral hospitals, Nu307 at district hospitals, and Nu163 at basic health unit levels. Government of Bhutan. 2011. *A Costing of Healthcare Services in Bhutan (2009–2010).* Thimphu.

interventions for NCDs, which has demonstrated good results. However, a recent clinical audit by the Ministry of Health indicated that less than a third of health workers are providing counseling on tobacco or alcohol use to high-risk patients. Interpersonal communication and counseling skills among health workers generally appear to be poor—only 42% of women reported that they received information on danger signs during pregnancy.

8. Health security risks to this once-secluded, land-locked country are also increasing because of direct air connectivity with large regional hubs and reliance on a large number of expatriate workers. Cross-border public health risks resulting from Bhutan's highly porous borders with India are significant but receive inadequate attention. It is therefore imperative to improve the disease surveillance and response mechanisms. Bhutan's disease surveillance and reporting system—the National Early Warning, Alert and Response introduced in 2014—is still largely underdeveloped. The regularity, reliability, and quality of surveillance reporting by health facilities need to improve, along with regular analysis and feedback.

4. Fragmented Health Information System

9. The health information system in Bhutan needs significant strengthening to generate strong and reliable health data that can effectively service Bhutan's needs, such as monitoring of infectious diseases. The existing health management information system is used to collect aggregate data on disease morbidity and mortality from all health facilities in the country. It has gradually evolved to a web-based district health information system, which plays an important role in policy formulation, decision-making, and programmatic interventions. However, different entities have developed different e-health solutions, such as the hospital information system managed by the National Referral Hospital; the logistic management and information system; laboratory information system; tuberculosis information system; national early warning, alert and response surveillance information system; and the currently piloted electronic patient information system. Their varying standards have inhibited the development of a common interface for them, undermining the overall efficiency and effectiveness of Bhutan's information collection and management.

B. Government's Sector Strategy

10. The Constitution of the Government of Bhutan guarantees that the state will provide free access to basic public health services in both modern and traditional medicine. In view of sustaining delivery of free health care to its citizens, the government developed the National Health Policy (NHP), 2011, which guides it in achieving the national health goals. The NHP focuses on self-reliance and sustainability, and as such defines key measures to improve the efficiency of service delivery and health financing, including (i) instituting a health record and information system in all health facilities for faster and effective health information generation to support decision-making, minimize duplication of services, and bolster the referral system; (ii) maximizing the population's benefits from public expenditure on health, and exploring alternative strategic options for efficient, affordable, and sustainable financing of health care services; and (iii) increasing access to equitable and quality basic health services.[8] As signatory to the International Health Regulations (2005), the NHP also emphasizes investments to strengthen effective public health interventions in the prevention and control of infectious diseases. The NHP also reaffirms the government's commitment to universal health coverage on the principles of PHC.

[8] The NHP aims for the Bhutan Health Trust Fund to continue to be one of the sources of health financing to provide sustainable universal access to essential drugs and vaccines.

11. The program and financial outlay of the draft Twelfth Five-Year Plan (2018–2023) supports the realization of this NHP through commitments to improve health information, health financing, and PHC delivery in peripheral areas. The health sector's goal, as envisaged in the draft 5-year plan, is to ensure a "healthy and caring society," with significantly lower neonatal mortality rates and less inequity in health access and health outcomes. Decentralization is also a key government reform agenda and is reflected in the draft 5-year-plan, with more resources being allocated to districts. Decentralization in the health sector is to be achieved by strengthening PHC services.

C. ADB Sector Experience and Assistance Program

12. Development partners have traditionally played a significant role in developing and financing Bhutan's health system. For example, Danida provided long-term, comprehensive sector support around PHC principles from 1991 to 2013, spanning the 7th–10th 5-year plans. The World Bank provided support totaling $6 million to combat HIV/AIDS during 2004–2011. Other development partners are the Government of India; The Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Health Organization; and other United Nations agencies that provide technical and advisory services to the health sector.

13. ADB provided critical support to Bhutan during 2000–2002 for implementing health sector policy reforms through a program loan equivalent to SDR7,614,000 (valued at $10 million at the time of approval).[9] The Bhutan Health Care Reform Program focused health sector reforms on five priority areas: (i) sustainable financing, (ii) sector management capacity, (iii) quality assurance and regulatory functions, (iv) health-related human resources, and (v) strengthening of PHC. Through the program, ADB helped establish the Bhutan Health Trust Fund (BHTF) to assist sustainable financing of the government's vaccination and essential drug program. The project completion report rated the program *successful*.[10] It concluded that sustainable financing of essential health services can be implemented through establishment of a trust fund, and that the reform program was designed to support consolidation and sustainability of health financing. However, the BHTF was yet to achieve its capitalization and expenditure targets at the time of the completion report, which recommended exploring additional donor assistance to deepen health sector reforms and to further capitalize the BHTF. The program did not have an attached technical assistance, but the achievement of its policy triggers was supported by other funding agencies such as Danida. The proposed Health Sector Development Program builds on the value and experience of ADB's previous support to Bhutan's health sector, as well as that of other development partners.

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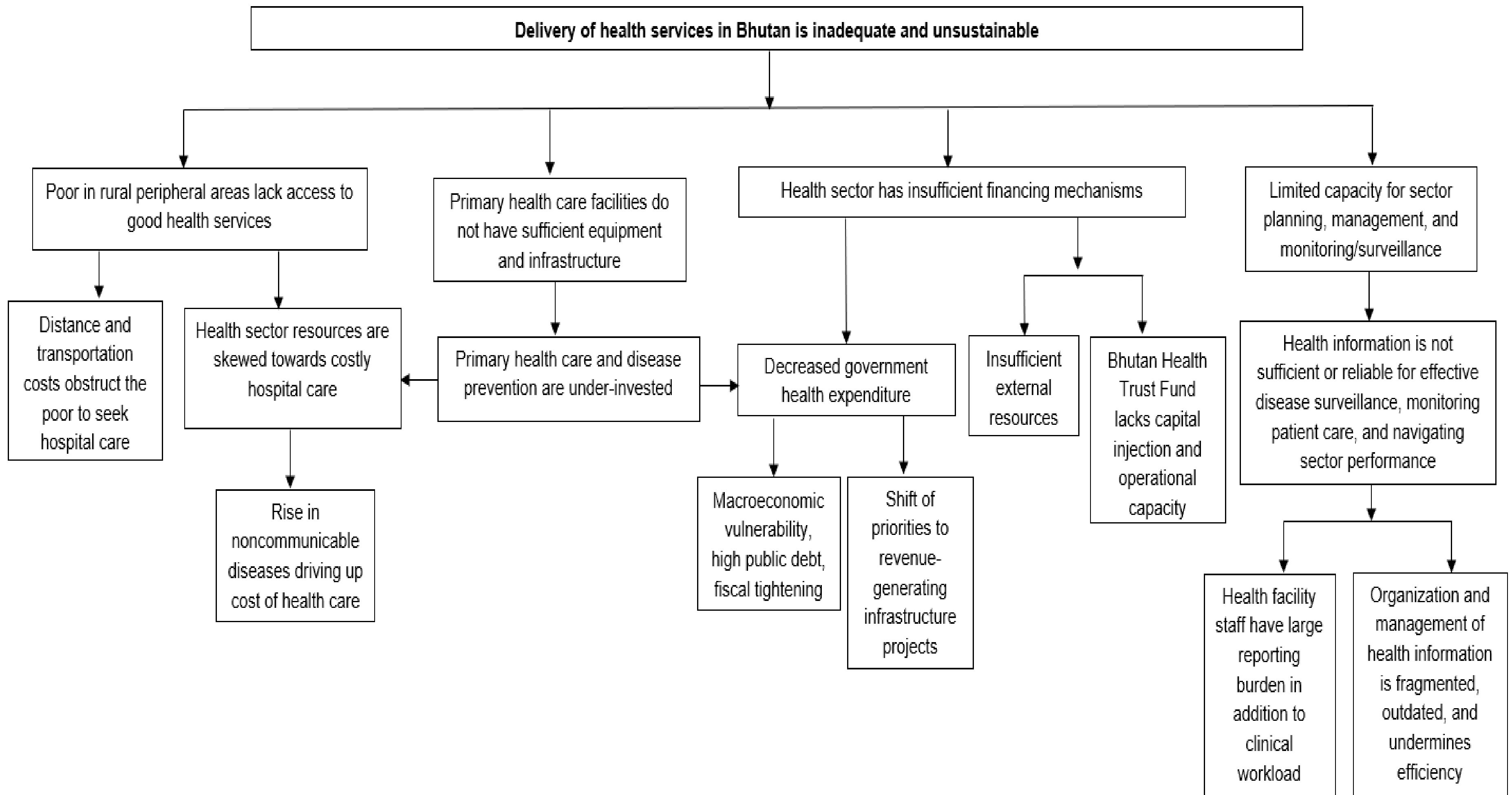
[9] ADB. 2000. *Bhutan Health Care Reform Program.* Manila.
[10] ADB. 2006. *Completion Report: Bhutan Health Care Reform Program*. Manila.

PROBLEM TREE



Source: Asian Development Bank.