

Unofficial Translation

National Health Assembly
Agenda 3.14

Main 1/14
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The economic crisis and health protection of Thai people

1. The current situation and future trends

The current economic and financial crisis arose from the U.S. real estate bubble burst and from problems of collateralized debt obligations (CDOs) in 2007.¹ Its impact has spread globally into the real production sector, resulting in greater unemployment in many countries especially U.S.A., Europe, and Japan, as private companies found their revenues falling and had to lay off workers to cut costs. These developments have impacted Thailand's economic growth, since the countries mentioned are major markets for Thailand's export. Thus, the impetus for Thai growth coming from consumption, investment, and exports has clearly slowed down. Many organizations predicted that the global economy will enter into recession from 2009 onwards, and this might even be followed by a depression². They also stated that the current global crisis is the most severe in the past 80 years, estimating that the Thai economy in 2009 will grow by 3-4%³. In addition, if the domestic political conflict lingers on, it might drag the economy down even further such that Thai economy for 2009 might even register zero or negative growth⁴. The number of unemployed is estimated to increase to 2 million (up from the previously estimated 1 million)⁵, which means the current crisis in Thailand could be more severe than the one in 1997.

It should be noted that in every economic crisis, the state would tend to adjust downwards its budget spending, including spending on health, which affects the people's access to public health services. People would tend to turn more to buying drugs and self-care so as to cut down on their spending for health, especially in the case of low-income groups; the general state of health of the people and long-term national development prospects would be affected.

¹ Soros, G., 2008, *The New Paradigm for Financial Markets: the credit crisis of 2008 and what it means*, Public Affairs, New York.

² An economic recession is a situation whereby economic activity has been decreasing for many months such that it results in a decline in the rate of economic growth at least for two consecutive quarters, or that real economy registers negative growth rates. An economic depression is one in which the economy suffers from extreme recession for a long period of time, resulting in large numbers of unemployed, a credit squeeze/crunch, contraction in production and investment, decline of trade and commerce due to fluctuations in foreign exchange rates or devaluation of the currency, and a large number of business bankruptcies. In a depression, such conditions occur in more than one country.

³ National Economic and Social Development Board (2008) [The Economic Situation in the Third Quarter and Trends for 2008-09](#): press conference 24 November 2008.

⁴ Akeniti Nititanprapas. <http://www.ryt9.com/news/2008-12-02/48106360/>

⁵ Narong Petrprasert <http://www.decha.com/main/showTopic.php?id=2739>, [Economic Crisis and Health](#) page 2/ 5 pages

2. The Thai experience and measures for health protection during the 1997 crisis

2.1 The effects of the economic crisis. The 1997 crisis resulted in more than one million people classified as poor⁶. Malnutrition problems became more severe especially for children and pregnant women; the result was higher numbers of underweight newborn babies⁷. Moreover, the fiscal situation of the country was affected, and the government was forced in the early stages of the crisis to curtail yearly budget expenditures on several occasions; as a consequence, national expenditures on health were adversely impacted. In addition, the devaluation of the Baht resulted in a general increase in price of drugs sold in the Thai market. Each drug registered a varying degree of price difference, while some hospitals were able to buy drugs at cheaper prices, due to many factors such as bulk buying practice carried out jointly with other hospitals at provincial level⁸.

As for the impact of the crisis on households, surveys on health and welfare done during the crisis found changes in behaviour with regard to accessing health services and health spending patterns. A proportion of Thais had to postpone their medical care, or at least change the place where they would normally go for medical care, from private hospitals and clinics to public ones, as well as a shift to medical self-care by buying medicine from drug stores and other places. The change in medical care behaviour affected the private sector greatly, and many private hospitals had to shut down.

2.2 Measures to protect health

1) *Measures in accordance with social sector programme loan (SSPL)*⁹ consisted of:

1.1) Attempts to mitigate short term social impacts arising from the financial crisis: by expanding benefits from the Social Insurance Fund for laid-off workers; by providing public health services to the poor by increasing subsidies to the Lunch and Milk Programme of 7,199 child care centres which cover services to 13,743 children aged 3-6 years, in order to solve their malnutrition problems; by helping solve mental health problems of the people; by expanding coverage of the People's Medical

⁶ The National Economic and Social Development Board has monitored the extent of poverty in the country by collating data from economic and social surveys of households and found that the number of people with income under the poverty line was about 8.5 million in 1996 while the number increased to 10.2 million in 1998. Prior to the crisis, such numbers had consistently declined, but afterwards it increased.

⁷ Tangcharoensathien, V., Harnvoravongchai, P., Pitayarnagsarit, S., Kasemsup V. (2000). Health impacts of rapid economic changes in Thailand. *Social Science & Medicine* 51: 789-807.

⁸ Wibulpolprasert, S. editor. (2003). *Thailand Health Profile 2001-2004*. Ministry of Public Health, Thailand

⁹ Asian Development Bank, (2002) Program Completion Report on the Social Sector Program (Loan 1611-THA) in Thailand, PCR: THA 35315. During the 1997 economic crisis, the government received a loan from the International Monetary Fund, to use as stand-by credit arrangement. This amount comprised also loans given out by the Asian Development Bank to the amount of 500 million US dollars during 1998-2000. The loan was divided into 200 million US dollars for the social sector to alleviate the impact of the economic crisis and 300 million US dollars for foreign exchange reserves, the disbursement to follow certain conditions.

Care Welfare Project which received an increase in budgetary subsidy in 1997¹⁰ by 25%, whilst during the same period the budget allocated to the Ministry of Public Health was decreased; and by expanding coverage of the Voluntary Health Insurance Programme by another 2 million cards to cover 9 million people.

1.2) Providing help for government expenditures on health that is of high priority: This was done by maintaining the budget allocated to mother and child health, which included help in acquiring immunity against diseases and protection and control of AIDS, such that the amount would not be less than which was provided in 1997 so as to maintain service coverage for the target groups.

1.3) Lessening inefficiency in the provision of public health service, by recruiting or redeploying public health personnel to serve in rural areas, while upgrading their capacities and creating incentives for those working in the rural areas. Also, power in the provision of health services was decentralized by setting up public autonomous hospitals or hospitals run as public organizations; in the beginning, it was planned that seven hospitals would be decentralized, but eventually only one pilot hospital was materialized, i.e. Ban Phaeo Hospital in Samut Sakhon province.

2) *Measures to control expenditures on health:*

2.1) The reform of the Medical Service Scheme for Civil Servants was primarily based on reduction of expenditure by limiting certain benefits of those who were entitled to such as meals subsidies for those allotted a single room in the hospital, limiting the number of days paid for staying at the hospital, limiting usage of services at private hospitals, and adopting co-payment for drugs outside the 1996 national list of essential drugs, eventually leading to a subsequent revision of the national list of essential drugs.

2.2) Improvement of the system of medical supplies management under the Ministry of Public Health's policy of "Good Health at Low Cost" aimed to develop related sub-systems such as procurement, distribution and use of drugs at the same time so that the system would become more efficient. Other measures included the revision of rules and regulations to help control cost and enhance the capacity of hospitals and clinics to make adjustments in the procurement of drugs.

Many private hospitals had to find measures to handle the impact of the economic crisis, similar to what the Public Health Ministry had to do when it revised its medical supplies management system, for example, by increasing the proportion of domestically produced drugs in the national list of essential drugs, decreasing stocks of drugs held at any one time, and enhancing relations with business allies who could do co-buying of drugs together.

¹⁰ This is by using loans from the World Bank under the investment for society programme, which is part of the IMF rehabilitation plan. From Economic Crisis and health, page 3/of 5 pages

3) *The setting up of a health intelligence unit to do surveillance and monitor the impacts of the economic crisis on the people's health.*

3. Estimating the impact of the 2009 economic crisis on the Thai people

3.1 The effect on provision of health services

Much political uncertainty remains. It is expected that the economic crisis this time will unavoidably affect the expenditure side of the government budget. The key question will be how to manage the cut in budget expenditure in such a way as to minimally affect the people.

In the current situation, the Thai people are protected in terms of access to health services, via three systems of state sponsored health insurance: Universal Health Coverage, Social Security Scheme, and Medical Welfare Scheme for Civil Servants. The money to finance these programmes comes from three sources: employers, employees, and the public sector. The government may decide to cut expenditures by decreasing or delaying contributions to the Social Security Fund, which would not affect the self-insured much because sufficient reserve funds are available. However, it is estimated that the number of laid-off workers or unemployed will increase by almost two million, and the Social Security Scheme is said to be able to provide protection with regard to medical services for six months (later, it was extended to eight months). After this 6-month period, the coverage will be the responsibility of the Universal Health Coverage Scheme. If the government should decide later to cut general expenditures and not allocate sufficient additional budget to the Office of Social Security, this will affect the quality and access to services of those who are entitled. Reform of the Medical Welfare Scheme might be unavoidable since expenditure per entitled person in this scheme is almost five times higher than in other systems.

3.2 Effect on families

In the current economic crisis, it is estimated there will be more than 2 million unemployed in the private sector. Part of this workforce can be absorbed by the agricultural sector, meaning they will move back to the rural areas, which will lessen the negative economic impact of the crisis on the families of those unemployed. However, the fall in average income of families of the unemployed would surely impact their health, especially those who are chronically ill and have to take regular medicine and those who have infectious disease such as AIDS and tuberculosis. Even though the Office of the Social Security Scheme will extend medical benefits for the laid-off or unemployed from six to eight months, but from the experience of the 1997 economic crisis one can surmise that the laid-off workers will still be affected in terms of health for two reasons.

1) Most of the laid-off workers would return to reside in their home provinces and thus would be unable to use the services of medical centres with which they had entered and registered their service contracts.

2) After the completion of the 8-month period, the unemployed would normally receive their medical protection from the Universal Health Coverage Scheme. But because of lack of sufficient co-ordination between the Office of Social Security and the Office of National Health Security Office, there tends to be a delay in administering their entitled rights, resulting in health problems for the unemployed. They thus are forced to postpone using needed services in order to save money.

4. The fiscal surveillance system and effects on health

The impact of the current crisis affects not only the unemployed but also medical centres of the public and private sectors, as well as the health service supply chain. Even though the health data and information system has been much developed but considering the current changed situation, the system cannot be properly used for surveillance, analysis, and synthesis to support decision-making responsive to new developments that threaten the current and future health system. Also, the current system cannot generate enough information to help determine the direction policy should take. This is because the data and information system lacks linkages in the form of a network between producers and consumers of information. Moreover, the State has not given enough importance to the need to be vigilant about effects of the crisis on the Thai economy, on public health services, and on the state of health of the people. There is a need to generate adequate data and information to give substance to crucial indicators. For many indicators, we do not have enough quality data in terms of accuracy, comprehensiveness, and timeliness. Thus, there is a need to have a fiscal surveillance system that generates information on financial changes and other essential statistics from the public medical establishments of every ministry concerned, private medical establishments and other related agencies. This is in order to monitor and synthesize policy recommendations that can lessen the economic impact on health system management, which in turn will be beneficial to the health service supply chain as well.

5. Action by the National Health Assembly

The Assembly is requested to consider the draft resolution in the document “Draft Resolution 1/14”.