

THE IMPACT OF THE 2008-2009 RECESSION ON THE HEALTH SYSTEM OF THAILAND

Sathirakorn Pongpanich*

College of Public Health Sciences, Chulalongkorn University, 10th Floor, Institute Building 3,
Soi Chulalongkorn 62, Phyathai Road, Patumwan, Bangkok 10330, Thailand

ABSTRACT: The 2008-2009 worldwide economic recession is threatening the sustainability of a well-developed public and private health care system in Thailand. Among the many problems evolving from the recession, which the Thai government needs to address are declining public health budgets, increasing unemployment and demand for health services, political pressure to limit free trade, a heavily indebted private health system unable to sustain ongoing services, a somewhat restrictive WTO legal and regulatory framework, and diminishing assistance from private and foreign sources of support. In addition, the expansion of transnational business activity in Thailand as home markets shrink or become increasingly regulated might also threaten the affordability of domestic health services, medicines and equipment. The purpose of this paper, therefore, is both to identify major elements of the health system in Thailand that are at risk as a result of the current economic environment, and to provide general proposals as to how the Thai government might deal with the challenges it faces. The paper is meant to be a catalyst for helping to strengthen Thailand's health care services within the context of His Majesty the King's "Self-Sufficiency" philosophy. This philosophy encourages individuals and nations to use only what they need and to avoid conspicuous consumption, it is a most appropriate context for dealing with the current situation both in Thailand and globally.

Keywords: Health system, Thailand

INTRODUCTION: The worldwide economic downturn of 2008-2009 is affecting every country. Although developed and developing nations alike are implementing remedial measures, either independently or collectively to lessen the negative impact, each nation's approach is somewhat different due to legal, cultural and governmental systems. The various strategies being utilized are based upon each country's specific needs, and upon how global economic problems manifest themselves locally. To date, governments have concentrated primary on assisting the financial and business sectors of their economies, and on working together to develop the most effective intervention methods. This represents a macroeconomic approach which, while essential to restoring prosperity, can overlook important microeconomic issues. The purpose of this paper, therefore, is to identify major elements of the health system in Thailand

that are at risk as a result of the current economic environment, and to provide general suggestions as to how the Thai government might deal with the challenges it faces. The paper is not meant to be a comprehensive analysis or measurement of socio/financial impact, but rather a starting point to determine how best to protect the health sector, both public and private, in Thailand.

IMPACT OF RECESSION ON THE HEALTH SYSTEM OF THAILAND:

Given that the Thai health system represents a complex network of interrelated institutions, organizations, businesses and agencies regulated, administered and affected by a dynamic and constantly changing constellation of factors and players, it would be difficult to construct an accurate model for testing the impact of any given set of factors. However, it is possible to identify certain threats that arguably are most dangerous in terms of public health during

* To whom correspondence should be addressed.
E-mail: sathirakorn.p@chula.ac.th.

economic downturns, and it is possible to develop interventions aimed at alleviating their negative consequences.

Among these threats are: (1) political pressure to increase or place tariffs on international trade, thereby increasing the costs of imported medicines and health equipment; (2) the reduction of government income as economic activity slows down resulting in curtailment of public health expenditure and programs; and (3) a general rise in social and financial volatility and pressure, potentially leading to higher rates of illness/disease and greater demand for health services. These problems constitute a malignant positive feedback where each threat reinforces the negative impact of the others. As higher rates of illness due to unemployment and socio/economic stress increase demand for health care, the government's ability to provide an adequate response is further impaired, leading to even greater systemic volatility and stress and a consequential additional increase in illness and demand. This cycle must be stopped before the health system is overwhelmed¹⁾.

However problematic these initial general threats appear to be, they represent a relatively small part of the overall picture. Additional concerns include the inability of private hospitals and health facilities to service debt, particularly foreign debt, and to maintain access to credit needed to sustain their daily operation; the viability of private insurance companies; the willingness of the financial sector and foreign governments/foundations to provide student loans and credit for purchases of health equipment and medicine; the expansion of transnational business activity into Thai markets as their home markets shrink or become increasingly regulated; and a reduction in the Thai government's regulatory and monitoring capacity²⁾. What can be done to begin dealing with these issues will be the subject of the last part of this paper.

Before suggesting remedial measures, however, there are further threats or concerns

to be listed. These include, but are not limited to, what is commonly called "health tourism" from which many private hospitals in Thailand derive a large portion of their income. Any diminution of numbers of foreign patients will have a significant negative financial impact on the private health sector and its ability to serve the indigenous population. Another concern is foreign exchange rate volatility which is increasing dramatically, creating uncertainty in the cost of health services, essential drugs and equipment which potentially could result in disruptions to the supply of all three. Perhaps the greatest concern is rising unemployment which will make it more difficult for poor Thai families to access an adequate level of health care and medicine. There is the corollary problem of rising unemployment leading to personal behavior that is inimical to good health such as increased consumption of alcohol and commercialization of sex. This could aggravate the aforementioned widening cycle of need for public health services.

Another threat the Thai government should consider is the reduction of international and national public and private funding for research. As the economic downturn worsens, foundations, corporations and governmental agencies will cut back on their support of research in new product development, in essential biomedical research and in the socio/economic consequences of changes in Thai health policies and services resulting from financial budgetary pressure. A related issue might be a reduction in scholarships for Thai students and international students who wish to attend Thai universities. In order to effectively cope with these possibilities, the government needs to take a proactive rather than reactive stance, and should plan to intervene where and when necessary³⁾.

Although this brief compilation is far from comprehensive, it represents a starting point from which to begin to build a thoughtful broad-based strategy for dealing with the problems arising from the economic downturn.

Before beginning this process, however, there another important contextual issue to be considered, one which currently limits the ability of developing and weaker developed nations to solve economic problems related to public health.

This issue is the legal and regulatory framework of WTO and its multilateral trade agreements. Although it is beyond the scope of this paper to analyze WTO limitations, Bhagirath Lal Das, the former Director of International Trade Programs at the United Nations Conference on Trade and Development (UNCTAD) has done so in a concise and useful short book entitled "WTO: the Doha Agenda; The New Negotiations on World Trade". The information in this book should be widely disseminated and studied before planning responses to the challenges the Thai health system is facing. For example, "Article 301 of the US Trade Act provides for retaliation against a country for the protection of intellectual property rights (IPRs), even if the country has complied with the obligations of the Agreement on TRIPS." Therefore, even if a country complies with WTO regulations for compulsory licensing, it is subject to retaliation by the United States. So, although this is antithetical to both the spirit and legal parameters of global free trade and WTO agreements, it is a fact of life until WTO members decide explicitly and clearly to prohibit the use of such unilateral measures, Bhagirath Lal Das' book is an excellent, concise analysis of defects in the WTO system, knowledge of which is essential before meaningful planning to address international economic challenges to the Thai health system can occur⁴⁾.

As it is relatively easy to identify problems, this paper will also attempt to make a preliminary list of possible remedial measures that hopefully will act as a catalyst for more in-depth analyses and responses. The first identified threat is the possibility that domestic political pressure on the Thai government to find new revenue sources, to replace declining tax and trade income, might result in the temptation to place or increase tariffs on international trade. This pressure could

become irresistible particularly as foreign companies, supported politically by their home countries, attempt to make up for declining sales by expanding into new markets in Thailand and elsewhere. Rather than succumbing to such domestic political pressure and inviting retaliatory measures such as the one described above, the Thai government should formally establish a knowledgeable committee to negotiate bilateral trade measures based upon *quid pro quo*. An example of this might be increased market access for foreign companies that ensures indigenous business fair market share but reduces the price of imported medicines and equipment for a given number of years. This would diminish domestic health care costs and establish a dialogue to create additional, mutually beneficial arrangements such as research partnerships and shared patents. A variety of other reasons for eliminating or not increasing tariffs are presented in "The Political Economy of the World Trading System: The WTO and Beyond" ⁵⁾.

The second threat is reduction of government income as economic activity slows down resulting in curtailment of public health expenditures and programs at a time when demand for health services is increasing. Such curtailment would contribute to the cycle of inadequate health care creating systemic volatility and stress and further illness and demand. In order to avoid such a self-sustaining and ever-widening cycle, the Thai government should consider temporarily using its accumulated foreign reserves, currently over one hundred billion U.S. dollars, to maintain, or increase if necessary, the national health budget. An alternative to this stratagem would be to increase the presently low property tax rate on investment or to combine both approaches thereby limiting political opposition. These proposals are not the only solutions available to the Thai government they are meant to stimulate thoughtful consideration of how to deal with the problem. Once sufficient funding is available, the government also will need to clearly define health and nutrition services to be provided, specify financing on a per capita basis in real terms, identify the most affordable services and specific beneficiary populations, and establish appropriate monitoring and evaluation mechanisms⁶⁾.

The third threat is a general rise in social and financial volatility and pressure leading to higher rates of illness and disease This process already is occurring and worsening, and commands the Thai government's attention and resources. A wide array of

corrective measures has been implemented social suffering. However, these measures are not enough and more will need to be done. Perhaps government-funded employment programs such as the 1930s American Work Projects Administration (WPA) can be used for reforestation and flood control, and, might be financed by the aforementioned utilization of foreign reserves or property tax increases. Although this is not directly health related, it will reduce the financial volatility and stress that create higher levels of illness and disease.

The fourth threat is the inability of private hospitals and health facilities to service debt and to maintain access to the credit needed to sustain their daily operations, this issue is inseparable from "health tourism" which provides significant income to private sector hospitals and health facilities. Therefore, a strategy that solves debt service/credit access also must also deal with declining numbers of foreign patients. Such a strategy might be based upon the arrangement between Venezuela and Cuba which trades oil for health services, and might include foreign policy agreements with oil producing countries which subsidize their citizen travel to Thailand for health care. These agreements could provide the exchange of oil deliveries to the Thai government for health services, thereby reducing the foreign currency cost of importing oil for Thai Airways, a state-owned enterprise, and the Thai military *inter alia*. Money saved by the Thai government then could be temporarily loaned, at no interest, to private hospitals and health facilities until the financial crisis or credit "freeze" has passed. Repayment could even be on a partially deferred basis. Such a plan can succeed only when oil prices are depressed, as they are during the current global economic recession, when oil-producing countries cannot earn enough to continue fully subsidizing their citizen's health care in Thailand without using valuable foreign reserves. An additional benefit would be stabilization of the value of the Thai baht, which would facilitate the competitiveness of Thai exports, tourism, and health services in international markets, and would serve to ensure that the private health sector's capacity to assist the Thai people will be undiminished⁷⁾.

The viability of private insurance companies is another problem that needs to be examined. Most of these companies have suffered enormous losses on their investments, and might not be able to pay on future claims, be they for health care or death. Presently, their exact financial status is uncertain, with some U.S.-based firms requiring significant

government assistance. Given this uncertainty, the Thai government should create a study group to look into the matter, report its findings and make suggestions about how to correct weaknesses in this sector. One measure adopted in the U.S.A. is the new health savings account (HSA) for health insurance, which allows a person to buy the minimum insurance needed and pay for the rest from his/her own tax-deductible investment account, which continues to grow if the funds are not used. Of course this applies to private insurance only and most Thais are currently covered by government health schemes. However, as the country prospers and grows, the cost of these schemes is becoming prohibitively expensive. Some privatization may be necessary and the suggested study group might be able to develop a plan on how this can be expedited without reducing the affordability of health services⁸⁾.

Another potential major problem is the possible unwillingness or inability of the financial sector and foreign governments and foundations to provide student loans and credit for purchases of health equipment, medicine and other items essential to the Thai health system. The Bank of Thailand (the government's central bank) might consider acting as a guarantor of student loans to Thais whenever there is a probability of their discontinuance or acting as lender of last resort. In addition, the Bank could extend credit, on a case-by-case basis depending upon the circumstances, whenever previously available credit is being withheld. Once again, the government would have to study the problem to determine what actions might be most feasible given myriad scenarios⁹⁾.

The expansion of transnational business activity in Thailand as corporate home markets shrink or become increasingly regulated need not be a problem and could represent an opportunity, as described above in the paragraph on foreign trade and tariffs, for mutual benefit. However, such an outcome is possible only if the Thai government takes a proactive approach anticipating positive results and how best to engender such results. It will also require the cooperation and reasonable participation of foreign interests.

The Thai government will barley need to maintain its regulatory and monitoring capacity, particularly in view of the current

turmoil and uncertainty. What is less obvious is the need to strengthen actual implementation of oversight to ensure compliance with existing laws and regulations. Thailand has a well-developed legal and regulatory infrastructure; the weakness is in actual enforcement. The country needs to establish more responsible, conscientious and objective implementation of oversight and enforcement procedures if it is to avoid serious problems in the future.

Exchange rate volatility which affects the costs of health services, essential drugs, and equipment and could potentially cause disruptions to the supply of all three, are another concern. Ongoing consultations with other governments, the financial sector and international institutions to ensure foreign exchange rate stability is a critical necessity that the Thai government recognizes. In an emergency, however, extreme innovative measures might be required. For example, during the 1997 Asian Crisis, the Thai people donated large quantities of gold for government use in maintaining the value of the baht in future crises. Should it become necessary, the Thai government could use this supply to protect the national currency from drastic depreciation, attacks by international speculators or a variety of threats. In addition, should the health care budget increase, some of this gold might be sold as commemorative health care coins to offset the government deficit¹⁰.

The increased government revenue from the sale of gold for health care should be used primarily to treat and educate the unemployed who are susceptible to unhealthy personal behavior as a result of financial stress. Health education information campaigns through the media, institutional networks, schools and grass roots organizations should continue at an enhanced level and individual/family counseling and intervention services should be organized and strengthened to deal with problems on a case-by-case basis. Perhaps something like a national Health Conservation Corps, under supervision of the Thai Red Cross and Health Ministry, can be created to assist health professionals in this effort. Above all, it will be imperative to maintain the current level of health services and target those most in need¹¹.

Continued funding for research and scholarships could well become a problem as corporations, foundations and governments cut their budgets and become more selective in the activities they support. An essential recourse is more Thai government support, but where the additional resources are to be found is difficult to determine. Perhaps a committee

of members from the ministries of health, finance and commerce, along with representatives of the research community can be formed to address this issue and formulate corrective measures. One possible solution would be to use a small portion of the foreign reserve to support research and scholarships. Another might be the formation of functional research partnerships with foreign universities and private companies. Solutions from other countries can also be adopted¹².

CONCLUSION: In Thailand His Majesty the King's "Self-Sufficiency" philosophy serves as an ideal for guiding the nation. This philosophy encourages individuals and nations to use only what they need and to avoid conspicuous consumption. Today Thailand has a very good health system that meets the requirements of the people at low or no costs and which represents an efficient use of resources and an excellent example of the King's philosophy. But the requirements of self-sufficiency are now changing, exacerbated by the challenge of global financial crisis. To meet this challenge and fulfill the promise of evolving self-sufficiency principles, the Thai government will need to take a proactive approach, and to implement rational responses to threats and problems created by the economic downturn. In this way can the country best deal with the current crisis and honor its guiding ideal¹³.

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