The puzzle of economic growth and stalled health improvement in the Philippines

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This is the first in a series of three policy notes on health prepared for the 11th Development Policy Research Month in September 2013 themed “Making Health More Inclusive in a Growing Economy”. The second policy note explains the large disparities in health status between the poor and the nonpoor in the Philippines while the third identifies opportunities for making health services and financing more inclusive. Due to space limitations, the extensive tables generated for these notes were not included, but will be available in a forthcoming PIDS discussion paper.

Overview

The Philippine economy has grown respectably in the past few years, but the overall health status indicators have not markedly improved commensurate with that growth. A recent United Nations review (2012) shows that while the Philippines is likely to achieve its Millennium Development Goal (MDG) target in the reduction of under-five mortality, it is unlikely to do so for maternal mortality ratio. Achievement of the MDG target for the reduction of infectious diseases (malaria, HIV, TB) is also shaky.

Thus, while gross domestic product (GDP) grew by an annual average rate of five percent in recent years, health indicators have largely stalled. A prime reason for this underachievement is the continuing social inequity in the financing and delivery of health services. Inequity in health status, financing, and services has been a long-running development problem in the Philippines, but has sharpened as the economy grew, making better for some groups but not for others.

Economic growth has also been uneven in terms of its spatial distribution: the poorest regions have lagged behind in health access, service ...
A major reason for the country’s wide inequity in health is the persistence of poverty. While nearby Asian countries (Malaysia, Thailand, Viet Nam, and Indonesia) have been able to move a significant proportion of their respective population out of poverty, and while such poverty reduction has led to major health improvement, the Philippines has not been as successful in reducing poverty. Poverty remains deeply entrenched.

In general, varying health status and service coverage indicators have resulted in four distinct categories in descending performance: (a) Metro Manila, Central Luzon, CALABARZON, and other highly urbanized areas that are similar to other large middle-income countries; (b) Ilocos, Central Visayas, and other advanced regions that mimic small southern European countries; (c) Eastern Visayas, MIMAROPA, and other lagging regions in Mindanao that have health indicators like those of South Asian and other non-African lower-income countries; and (d) Autonomous Region in Muslim Mindanao (ARMM), the health indicators of which look like the countries in sub-Saharan Africa (NSO 2008).

A major reason for the country’s wide inequity in health is the persistence of poverty. While nearby Asian countries (Malaysia, Thailand, Viet Nam, and Indonesia) have been able to move a significant proportion of their respective population out of poverty, and while such poverty reduction has led to major health improvement, the Philippines has not been as successful in reducing poverty. Poverty remains deeply entrenched. The Philippine poverty rate of 33.1 percent in 1991 only marginally declined to 28.6 percent in 2009 and 27.9 percent in 2012 (NSCB 2013).

The Philippines has also been slow in adopting social protection mechanisms and adopting pro-poor policies to buffer poor households. A 2013 study by the Asian Development Bank indicates that the Philippines lags behind Asian countries in providing social protection to its poor citizens; its social protection index—which covers social protection expenditures, coverage, distribution, and impact on beneficiaries—is only 0.085, lower than the Asian average of 0.110, and lower than the Southeast Asian average of 0.095.

Inequity in health financing, services, and status

Despite economic growth, the gap between the richest and the poorest Filipino households in terms of health financing, access to services, and health status has not markedly improved. Based on data generated from the National Demographic and Health Survey (NSO 2008), the coverage rate of the social health insurance program (PhilHealth) in 2008 was 21.0 percent for quintile 1 or Q1 (the poorest), 27.2 percent for Q2, 32.8 percent for Q3, 44.4 percent for Q4, and 52.8 percent for Q5 (the richest). Thus, the difference in coverage between the richest quintile households and the poorest quintile ones is 31.8 percentage points. Use of inpatient and outpatient services also diverges between wealth groups, but what is most disheartening is the large non-use of PhilHealth benefits across quintiles. Finally, health status by wealth quintiles remains as wide as ever. Infant mortality rate is as high as 40 per 1,000 live births for the poorest while it has gone down to 15 per 1,000 live births for the...
richest. For under-five mortality rate, it is as high as 59 per 1,000 live births for the poorest while it has gone down to 17 for the richest. Compared to other countries in the region, the Philippines was consistently outperformed in the reduction of infant mortality by Singapore, Malaysia, Thailand, Brunei, and Viet Nam since the 1980s, and large infant mortality reductions in Indonesia, Laos, and Cambodia in the 1990s mean that these countries will also soon overtake the Philippines (NSO 2008; World Bank 2013).

Admittedly, Philippine economic growth has not been as robust as in other middle-income Asian countries until very recently. However, even the modest gains in economic growth should have brought more perceptible impact in health improvement. This has not happened; indeed, while the economy has been growing steadily—and even as it quickly got out of the Asian crisis in the early 2000s—health indicators on maternal health and infectious diseases (HIV/AIDS, TB, dengue) have worsened or stalled. The non-improving maternal mortality ratio is particularly disturbing as it is a key indicator for service delivery and household access to care.

The paradox of accelerating economic growth and slow improvement or even reversal in health indicators requires serious policy discussion about the causes of the problem, the current status of the country’s health system, and the direction such a system should take in the future so that universal health care can be enjoyed by all Filipinos, not just by some.

Why is it important to mull over the puzzle of economic growth and health inequity? In the country’s dash to development and to catch up economically with its neighbors, emphasis has been placed on growth and financial stability. Media accounts and official reports are fraught with the jargon of macroeconomics, trade, and finance. Official discussions are often focused on such issues as competitiveness, foreign direct investments, stock market records, currency strengthening, gross international reserves, net creditor status, fiscal balance, and credit-rating upgrades. Much has been said and written about these macroeconomic fundamentals, and yet in an important sense, they are just the means—not the end—of development.

While macroeconomic growth, international competitiveness, and financial stability are necessary conditions for development, they are not sufficient. The goal of a country’s growth efforts is human development in a sustainable environment, and policymakers need to be reminded of this end. Thus, analysts and policymakers should increasingly inquire about the quality of the country’s growth and its distribution, especially as it concerns health and other social goals. In parallel with macroeconomic fundamentals, one should equally be concerned with social fundamentals. The inclusive principles of health as a right and preferential option for the poor are already enshrined in the Philippine Constitution, but these remain largely “paper rights” for many Filipinos. Thus, it is useful to re-examine these government commitments to its citizens in light of the country’s improving economic growth.

Persistent social inequity within an improving economic environment breeds political instability, exclusion, and disenchantment among the poor, as well as crime and other social
pathologies. Some would argue that growth eventually trickles down to the masses, but the masses are impatient and want to have a fairer share of the growth pie as soon as possible. Indeed, some economists would even argue that, “More inclusivity is socially preferable to less inclusivity, regardless of growth” (Mangahas 2013). And so policymakers would do well to think about development quick-wins—financing those cost-effective social interventions that would alleviate poverty and giving the poor productive employment—which do not needlessly crowd out investments for productive endeavors.

The lynchpin to any vibrant economy and polity is social participation, and more active social participation can only be achieved under a regime of more inclusive growth and reduced social inequity. Health services and financial protection in case of sickness are a basic need, and investments in health are a key ingredient to fill this need. A high level of social exclusion and inequity—as indicated by a large proportion of households with no or limited access to basic social services—is harmful to economic growth and social stability for many reasons, including the fact that frequently sick persons have limited involvement in economic production; infection has large social and economic externalities; higher economic costs are entailed in treating diseases of the socially excluded poor that could be prevented through better public/preventive health services; and government eventually will incur higher safety-net costs in rescuing poor household who are impoverished from ill health due to inequity in health service provision and lack of financial protection.

Finally, equity has also become a global benchmark, especially in health. At the international level, it should be a cause of national embarrassment if the country records high economic growth but has continuing inequitable maternal and child health indicators. Conversely, the Philippines should consider it a matter of national pride if it is able to achieve all its health MDG goal and being one of the best performing economies in East Asia at the same time.

References