



Healthcare Systems and the Commercialisation of Healthcare. A Glossary.

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Introduction

National healthcare systems are fundamental for the realisation of the right to the highest attainable physical and mental health (i.e., right to health) for everyone, everywhere. Through healthcare systems, States deliver medical services, including prevention, treatment, and rehabilitation for a wide range of physical and mental health conditions or diseases, temporary or chronic, that can occur at any stage of human life. Well-functioning healthcare systems also play a fundamental role in protecting public and environmental health as well as in ameliorating health inequalities.

Understanding how national healthcare systems work is fundamental for those advocating for the realisation of the universal right to health for all. At the same time, it is essential to understand the role played by public and private actors in health systems and how this interacts with the growing concern over the commercialisation of healthcare.

The glossary defines key concepts such as healthcare financing, provision, and governance; healthcare actors; and typologies of healthcare systems. Particular attention is given to the relative role of the State, the market, or societal/non-governmental actors in contemporary healthcare systems. Finally, the glossary explains what commercialisation, privatisation, financialisation, and marketisation of healthcare mean.

This glossary is intended as an easy-access guide for policymakers, researchers and activists willing to familiarise themselves with how national healthcare systems work and with the human rights problems associated with the commercialisation of healthcare.

1. Healthcare Financing, Provision and Governance

Healthcare Financing

Healthcare financing is the act of providing funds for healthcare. Focusing solely on the domestic level, financial resources for health can be obtained through various ways, including general taxation, social insurance schemes, user fees, co-payments and private insurance. A variety of actors can be responsible for healthcare financing, including the State, societal actors, such as non-profit insurance funds, or private insurance companies.

These different forms of national healthcare financing can be divided in two main groups:

- **Pooled financing mechanisms.** Pooling is the collection and management of healthcare resources on behalf of the population. These financing mechanisms are normally coordinated by the State by way of general taxation or social health insurance schemes. This shifts the burden of paying for healthcare from the individual onto the public and society at large.¹
- **Un-pooled healthcare financing.** Un-pooled healthcare financing includes out-of-pocket payments made by the user at the point of using healthcare services as well as premiums paid to private healthcare insurance. In this way, the burden of paying for healthcare is left to the individual.

Healthcare systems can be financed by one or more actors. These creates two different healthcare financing systems:

- **Single-payer systems.** In single-payer settings, all funds for healthcare are managed through one institution, as in the British National Healthcare Service (NHS).
- **Multi-payer systems.** In multi-payer financing arrangements, more than one institution is involved in financing healthcare, as in the case of the German Social Health Insurance (SHI) system.

Healthcare Provision

Healthcare provision is the act of delivering healthcare services, treatments, and goods, including inpatient and outpatient care, rehabilitation, nursing services, prescribing medications, and diagnostic services, among others. Different services, functions or sectors are involved in healthcare systems.³

- **Core healthcare delivery** includes medical healthcare services including inpatient, outpatient, day-care, home care, long-term care and rehabilitation at primary, secondary and tertiary levels, encompassing general and specialised medicine.
- **Ancillary medical provision** refers to services that can be directly delivered to outpatients (with or without medical supervision) and the retailing of medical goods, e.g., ambulance; diagnostics and tests such as blood tests, lab tests, ultra-sounds, X-rays; pharmaceuticals and other retailers of durable medical equipment.
- **Medical research and development (R&D)** refer to the creation and advancement of health-related scientific knowledge, including drug development.
- **Manufacturing of drugs and other medical devices** involves the production and distribution of drugs and any software, instrument, or equipment used in healthcare settings.⁴
- **Non-medical provision of services and non-medical devices** refers to the delivery of instruments and services that are not strictly medical but are essential to healthcare provision and financing (e.g., cleaning services, reservations, and computers).

Healthcare Governance

The World Health Organisation (WHO) defines health governance as ‘the attempts of governments or other actors to steer communities, countries or groups of countries in the pursuit of health as integral to well-being through both whole-of-government and whole-of-society approaches.’⁵ In brief, healthcare governance refers specifically to healthcare services and refers to how decisions are made and implemented.⁶

2. Healthcare Actors: a Nuanced Typology

Healthcare actors can be a wide range of individuals, entities, and institutions. A non-exhaustive exemplary list includes:

- **Individuals**, such as doctors, midwives, nurses, psychologists, and social workers.
- **Institutions**, such as national governments; sickness and healthcare funds; retailers; and providers of durable medical goods such as pharmaceutical companies.

Therefore, healthcare actors are those responsible for financing, provisioning, and governing healthcare systems. In comparative health policy, several scholars argue that there are either *State*, *market*, or *societal/non-governmental* healthcare actors in contemporary healthcare systems.⁷

Following this distinction, this briefing proposes the following nuanced typology:

- **Public healthcare actors.** This category of actors includes, but it is not limited to, public clinics, hospitals, and laboratories; public research institutes; public prevention and public health departments. The State is central in financing and administering the services that public actors provide.
- **Private healthcare actors.** These actors can be driven by either *commercial* or *non-commercial* motivations.⁸

This distinction is crucial, as it has massive implications in terms of public health and human rights impacts, as shown by civil society and academic research.⁹ It is explained in the Box Below.

Commercial private actors. Commercial private actors are driven by profit or economic motives. They operate in healthcare services as a market actor. The typical examples of private commercial actors are for-profit hospitals, clinics, laboratories and pharmaceutical companies. These actors are accountable to their investors, shareholders and/or private governance bodies. This category also includes non-profit healthcare actors operating under *de facto* market logic. This dynamic has been well-documented in the case of non-profit hospitals in the United States.¹⁰

Non-commercial private actors. Non-commercial private actors are driven by human rights, moral, ethical, religious, public health, or clinical imperatives. They can also be identified as societal healthcare actors. Examples of non-commercial healthcare actors societal sickness funds, as well as NGOs or faith-based organisations working to realise moral, ethical, or social justice imperatives.

The typology, as outlined above, is summarised in Figure 1.

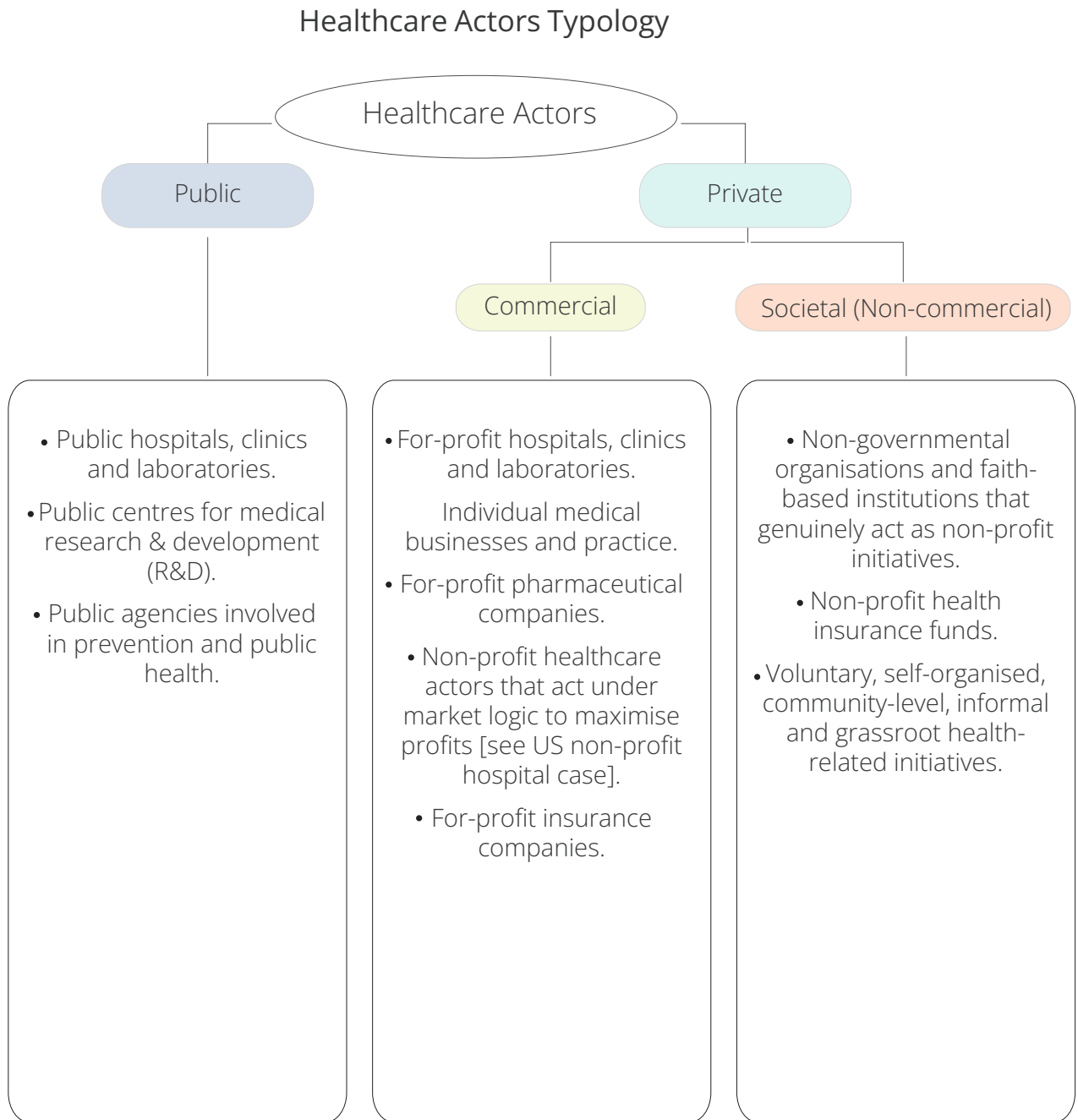


Figure 1. A Typology of Healthcare Actors

The typology presented in Figure 1 is proposed as a basis for further discussion and analysis. Coming up with a unifying typology that adequately reflects every case is, in fact, complex. Some questions still should be explored. For instance, can public healthcare actors ever operate under market logic? We thus invite you to always look at the specific context and adapt the typology proposed above based on the situation in each country.

3. Types of Healthcare Systems

A vast literature in comparative health policy analysis attempts to classify national healthcare systems worldwide.¹¹ A 1987 study,¹² from the Organisation for Economic Cooperation and Development (OECD) proposed a simple, tripartite classification:

- National Health Service Model
- Social Health Insurance Model
- Private Health Insurance Model

This classification has been highly influential in shaping successful scholarship in the field and practitioners' health policy analysis. We unpack this tripartite classification below.

National Health Service Model

In this model, healthcare services are funded by general taxation. The government usually owns most medical facilities, and the State employs most healthcare staff. Thus, there is universal access to State-funded healthcare services usually free at the point of use. The British National Health Service (NHS) is the classic example of this model. This model is also called the Beveridge model, from the name of the economist Sir William Beveridge, who was one of the leading architects of the British welfare state in the aftermath of the Second World War.¹³ At the time of writing, New Zealand, Italy, Greece, Cuba, and Spain are other examples of this category.¹⁴

Social Health Insurance Model

In the Social Health Insurance (SHI) Model, also called the Bismarck system, healthcare is financed through payment made by citizens to a national health insurance or social security fund.¹⁵ Patients paying these premiums access different healthcare insurance funds based on their status (e.g., employed, student, unemployed, etc.). Germany is a classic example of this system. At the time of writing, France, Ghana, Japan, Kenya and Switzerland also belong to this category. In SHI systems, most hospitals are owned by private institutions, while the sickness funds are public. The insurers are not allowed to make profits, and the price of health services is strictly controlled by law.¹⁶

Private Health Insurance Model

This model includes countries in where citizens mainly access healthcare services through private insurance and where the private sector is predominant in financing and providing healthcare. The United States of America (US) is a classic example of a private healthcare system. Unlike in many other high-income countries, in the US, no universal healthcare scheme covers the entire population. Most people can either subscribe to a private healthcare insurance plan or pay out of their pocket for health services at the point of use.¹⁷ Efforts have been made over the years to widen the role of the State in financing healthcare services, such as with the Affordable Care Act of 2010.¹⁸ Certain low and middle-income groups are now eligible for Federal or State public healthcare insurance programs, like Medicaid or the Children's Health Insurance Program (CHIP).¹⁹ This creates a tripartite system, where individuals access healthcare by purchasing private insurance coverage, through public healthcare insurance programs if eligible, or paying out-of-pocket at the point of using healthcare.²⁰

Successive Typologies

The tripartite typology outlined above is a good start for analysing national healthcare systems from a comparative perspective. However, subsequent studies criticised it for not being sufficiently nuanced and inclusive, as some national health services would not easily fit into any of the categories. For instance, scholars noted that countries such as Canada or South Korea take elements of the Beveridge and the Bismarck models, creating a new category described as National Health Insurance model.²¹ Thus, several authors worked on more complex classifications.²² For instance, Katharina Böhm and others have developed a nuanced typology classifying five main categories and several sub-categories of OECD healthcare system²³. Likewise, Ly and others offer an in-depth review of different healthcare insurance models in Africa.²⁴



The articles in the references provide additional information if you would like to know more about healthcare systems classification.

What are out-of-pocket payments for healthcare? Why can they represent a barrier to accessing healthcare services?

Out-of-pocket payments (OOPs). OOPs refer to direct payments made by the user when using healthcare services. This is a highly regressive form of healthcare financing and results in inequality in accessing healthcare, catastrophic healthcare expenditure,²⁵ and exclusion of marginalised groups from healthcare.²⁶ OOPs also have negative human rights impacts and health equality implications. This is evident, for instance, in the informal urban settlements in Nigeria or Kenya.²⁷ In these two countries, even if there is a nation-wide health insurance system in place, several uninsured individuals, such as those too impoverished to pay monthly premiums, as well as informal workers, may end up paying for health care out-of-pocket.²⁸ In rural areas of China,²⁹ which has a highly fragmented healthcare sector, research has signalled that financial barriers in accessing healthcare services are widespread, especially among women and marginalised groups.³⁰

4. Commercialisation of Healthcare: Definitions

Increasingly, civil society actors, researchers, institutions, and academics are paying attention to the role of commercial private actors in healthcare systems.³¹ In this context, terms like privatisation, commercialisation or financialisation of healthcare are often used. We detail their meaning below.

Privatisation of Healthcare

Privatisation of healthcare is the growth of the share of private sector involvement or the adoption of private practices in the health sector. Privatisation means that the control, ownership or management of a healthcare service, programme or facility shifts from the public sector to a private actor.³² Examples of privatisation include selling public healthcare facilities to private actors,³³ as well as shifts in governance or administration of healthcare services from the public onto the private sphere.

Commercialisation of Healthcare

Commercialisation is incorporating market mechanisms into the healthcare sector to gain private benefits. Involvement of private actors in healthcare might not necessarily result in commercialisation if these private actors are genuinely non-profit or if for-profit, they are strictly controlled and organised by the State to ensure compliance with human rights and public health obligations.

Marketisation of Healthcare

Marketisation is a process by which State-owned entities operate as market-orientated firms. Examples of market mechanisms that can be introduced in healthcare are competition among facilities, rewards based on performance or financial incentives.³⁴

Financialisation of Healthcare

Financialisation is defined as: 'the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international levels.'³⁵ Therefore, it is a process whereby financial markets, financial institutions and financial elites gain greater influence over health policy and outcomes.³⁶ The growth of international private investment in for-profit healthcare services is an example of financialisation in healthcare.³⁷

Commodification of Healthcare

Commodification represents the extent to which workers and their families depend upon the market sale of their labour to live.³⁸ The concept of commodification emerged in the context of comparative welfare states' studies when scholars were analysing different levels of welfare generosity regarding cash benefits in social security. Its contrary is decommodification, which occurs when the welfare benefit 'is rendered as a matter of right, and when a person can maintain a

livelihood without reliance on the market'.³⁹ Later, scholars also applied the concept of commodification to public services like healthcare. An example of decommodification in healthcare is when someone can access free healthcare services at the point of use through universal public healthcare schemes.⁴⁰

Public-private Interactions

There are instances in which public and private healthcare actors interact in financing or providing healthcare services. This can happen in several ways. For example, in public-private partnerships (PPPs). PPPs are arrangements between a government, a statutory entity or a government-owned entity on one side, and a private actor on the other, for the design, construction, financing, and operation of public assets and/or public services.⁴¹ PPPs are very common in healthcare.⁴²

Related Publications

For more information, please consult:

Global Initiative for Economic, Social and Cultural Rights (2021), '[Compendium of United Nations Human Rights Treaty Bodies' Statements on Private Actors in Healthcare](#)'.

Global Initiative for Economic, Social and Cultural Rights (2021), '[Italy's Experience during COVID-19: the Limits of Privatisation in Healthcare](#)'.

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Global Initiative for Economic, Social and Cultural Rights (2022), '[States' Human Rights Obligations regarding Public Services Essential for the Enjoyment of Economic, Social and Cultural Rights - The Regional Perspective](#)'.

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[Santiago Declaration](#) (2022).

[The Future is Public: Global Manifesto for Public Services](#) (2021).

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About GI-ESCR

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Together with partners around the world, GI-ESCR works to end social, economic and gender injustice using a human rights approach.

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