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Towards an optimal balance between public and private in European hospital care

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Overview

- This historical trend. Health care at the cross-roads?
- The problematic public-private distinction
- Public and private in hospital care
- The so-what question
- The European dimension
- Optimal balance?
- Conclusions
- Upcoming policy issues

The historical trend in public-private

History of health care in Europe

Health care increasingly part of the public domain

Moral principles important driver: universal access, solidarity, quality

Health care financing (social health insurance, tax financing)

Idem health care delivery (hospitals)

Much inter-country variation!

Rise of private models

Neo-liberal wave in public policy-making

Public failures (also lack of capital investments)

Claim: 'Private sector can do better'

- privatisation
- marketization
- entrepreneurship

Much inter-country variation

The public-private distinction is too simple

- It is not an either-or distinction
- It is always a mix
- There are no clear dividing lines between public and private
 - Neither in health care financing
 - Nor in health care delivery
- It has many other dimensions (e.g. investments, management)
- The regulatory dimension is also important

Germany: Many public regulations to ensure access to private health insurance for the elderly

France: complementary health insurance mandatory

Netherlands: too complicated for the OECD

The concept of social private health insurance

The public-private dimension is deceptive!! Avoid unproductive discussions.

Yet, it would not be very helpful to abandon the distinction altogether.

The public-private distinction is too simple in hospital care

Legal status

- Public hospitals
- Private not-for-profit hospitals
- Private for-profit hospitals

Financial arrangements

- public money → public hospitals
- private money → private hospitals
- public money → public and private hospitals
- private money → private and public hospitals

Political-administrative structure

- central control
- regional control
- local control

Degree of management autonomy

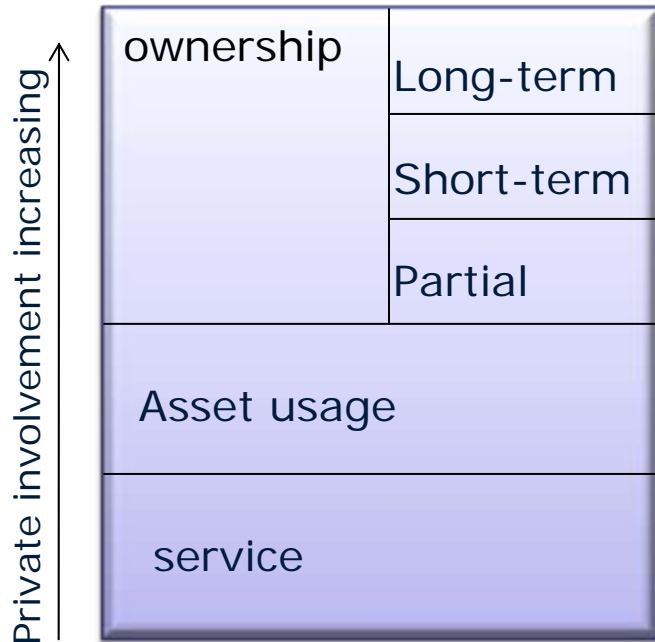
High -- medium – low
Who bears financial risk?

Institutional impact

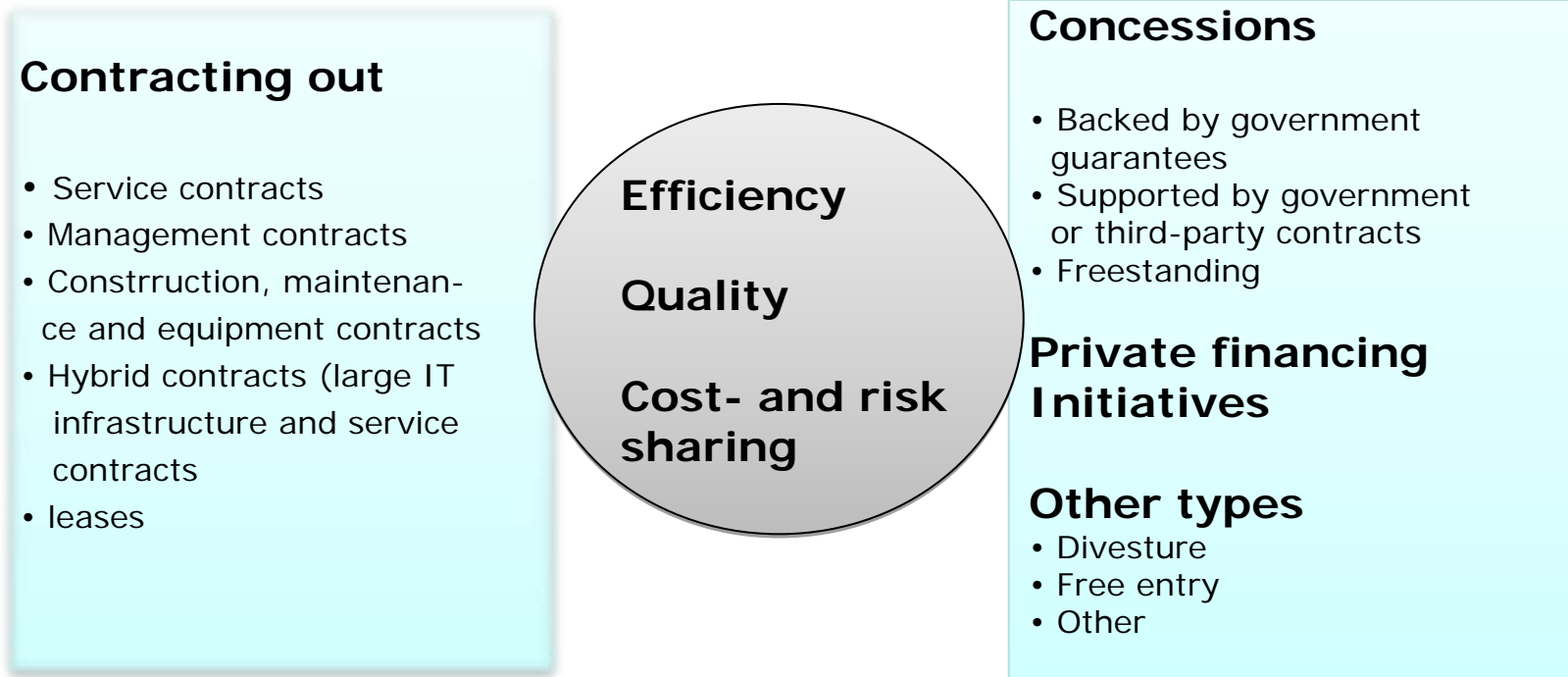
Each of these factors implies specific requirements for hospital management and will impact upon upon hospital performance!!

Different private involvement levels (Li & Akintoye, 2003; Blanken 2008)

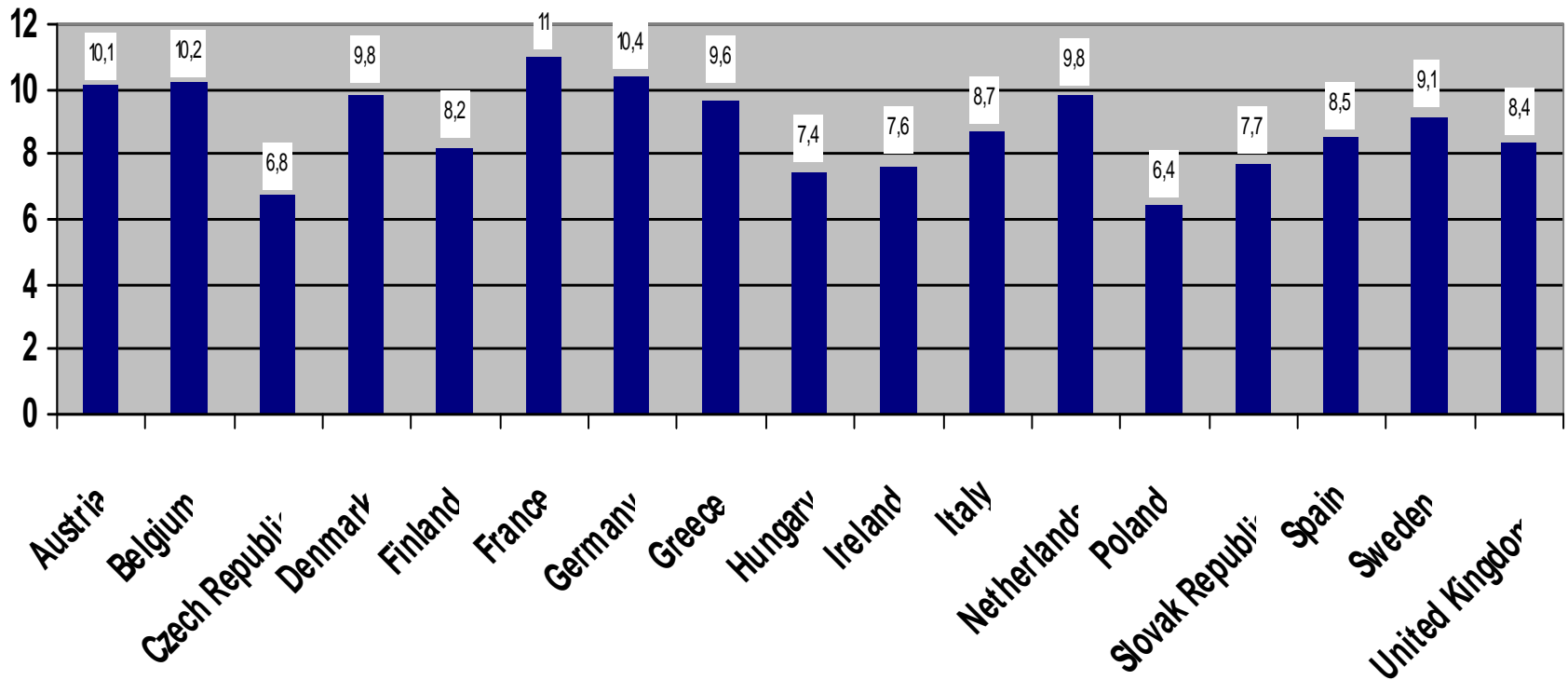
Public-private partnerships



Key types of public-private partnerships (Nikolic, Maikisch, 2005)



Total health care expenditures as percentage of GDP (2007)



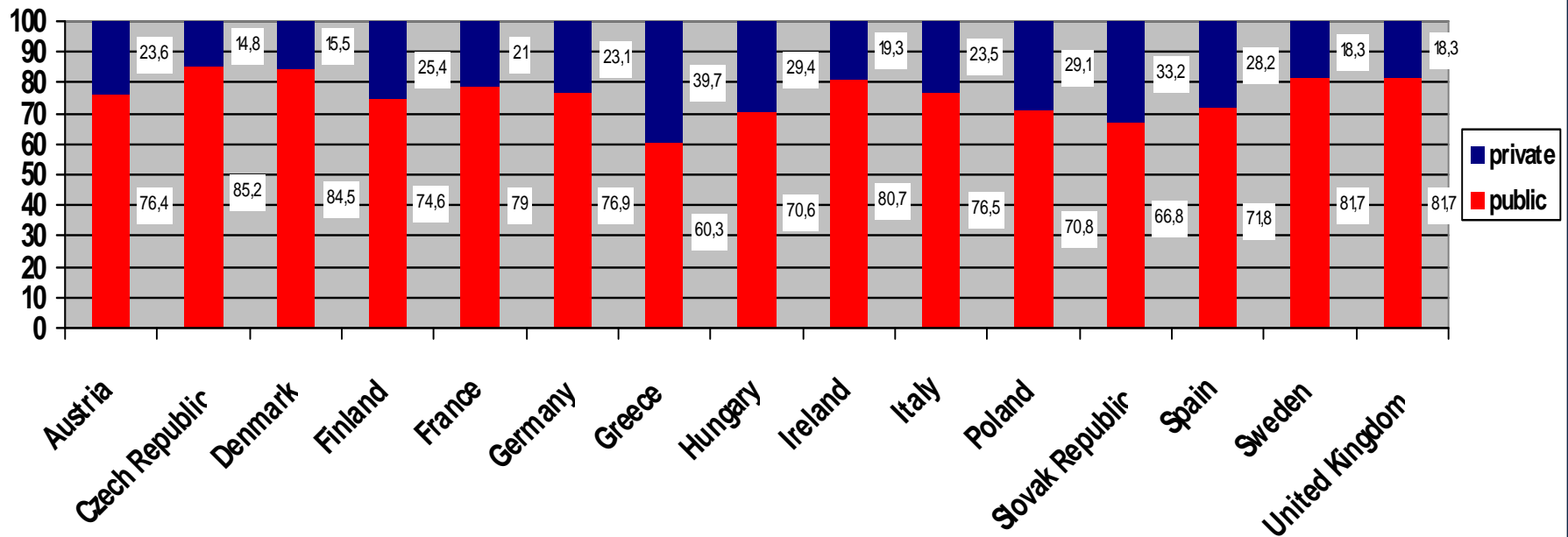
OECD, Health Data 2009

Range: 6,4 – 11,0%

Most countries: > 8%

Eastern Europe: < 7,5%

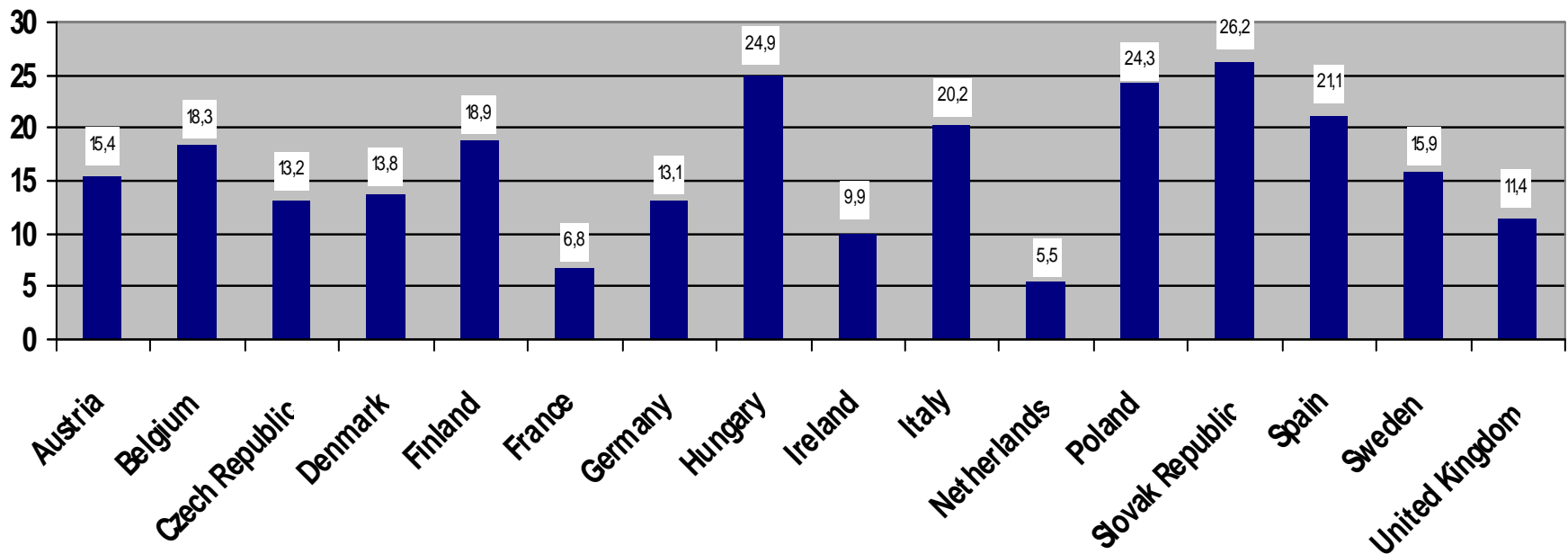
Fraction public and private in health care financing (2007)



OECD, Health Data 2009

Mainly public financing
 Range private fraction: 18,3 – 39,7
 Greece as outlier

Fraction out-of-pocket payments for health care (2007)

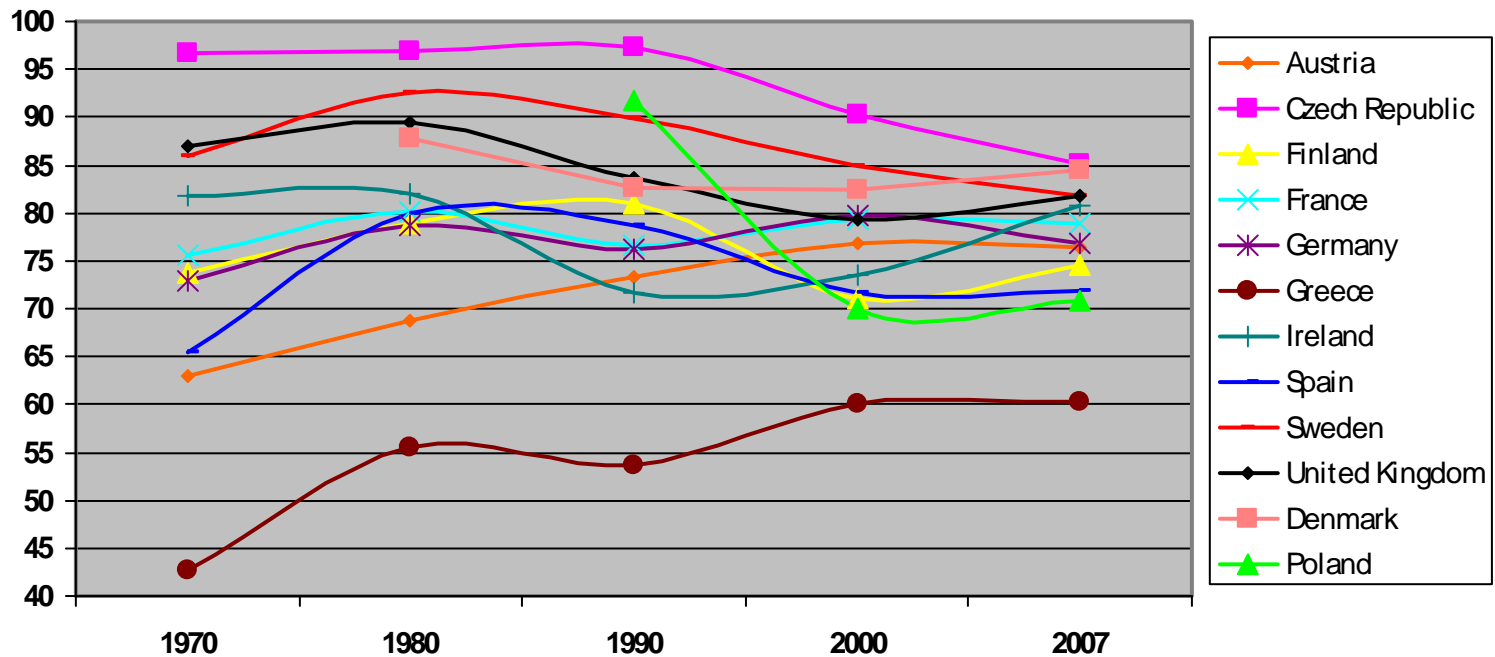


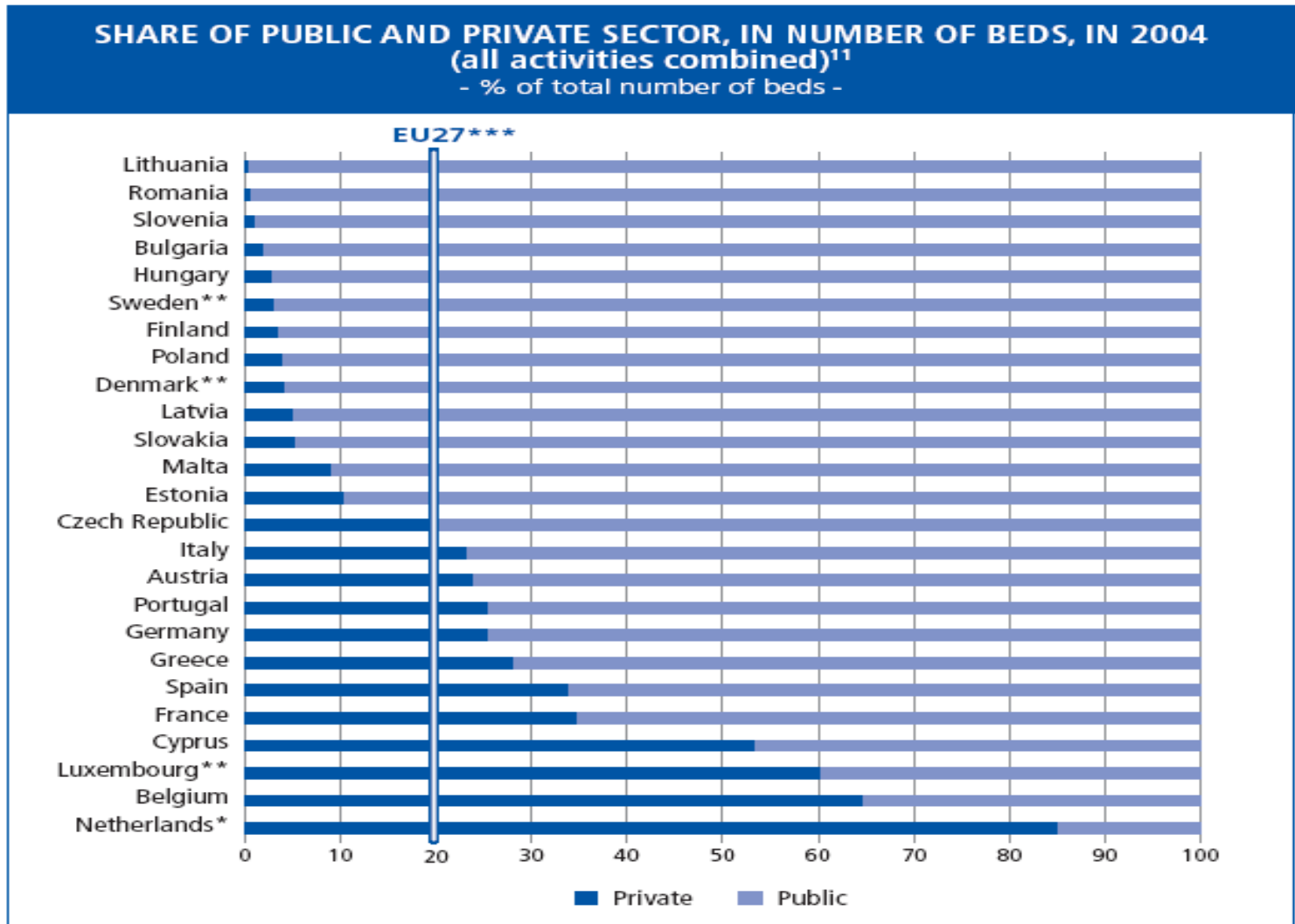
OECD, Health Data 2009

Range: 5,5 – 26,2 %

Eastern Europe: > 24% but
Czech Republic is exception

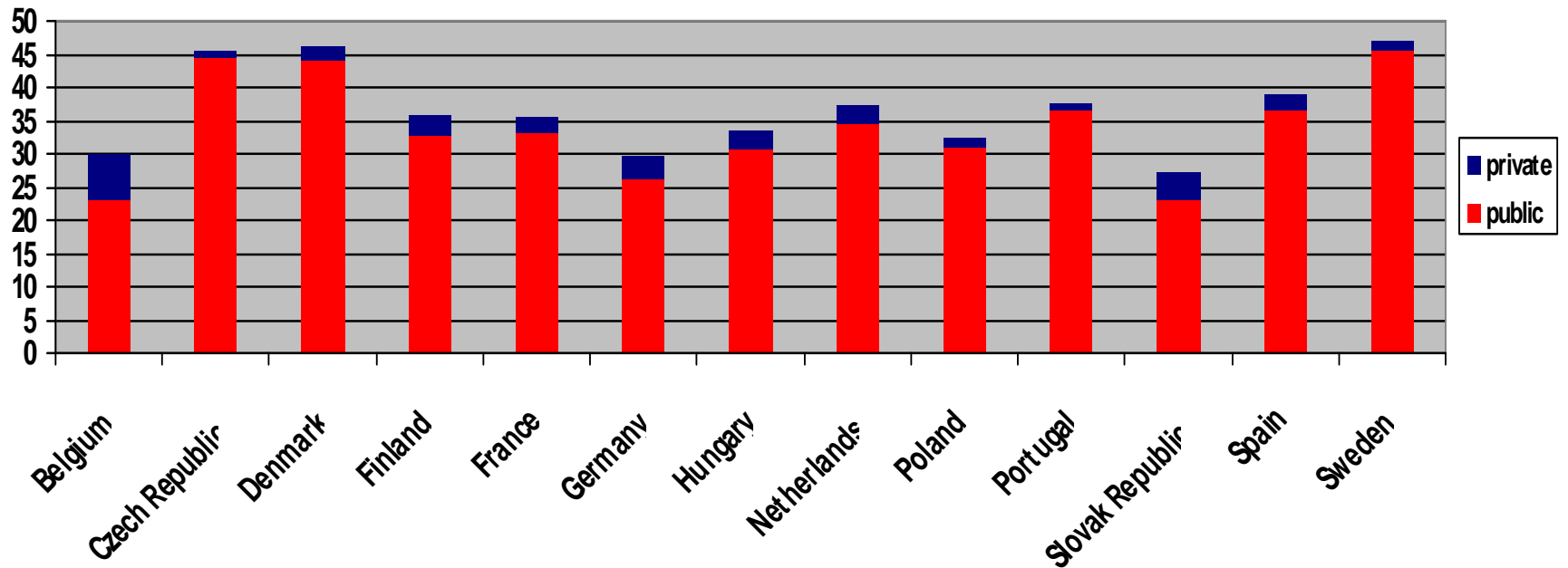
Trend in public fraction of health care expenditures, 1970-2007





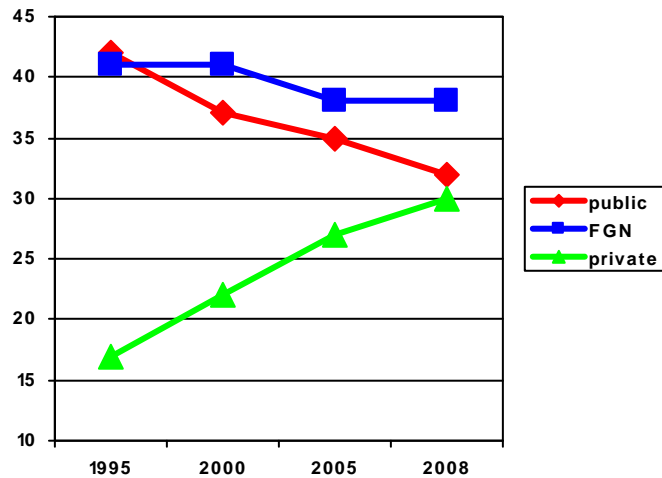
Source: WHO, Regional office for Europe, 2007.
 *** : excluding United-Kingdom and Ireland
 **: country data
 *: estimates

Expenditure on hospital services in proportion to total expenditure on health, percentages, 2007

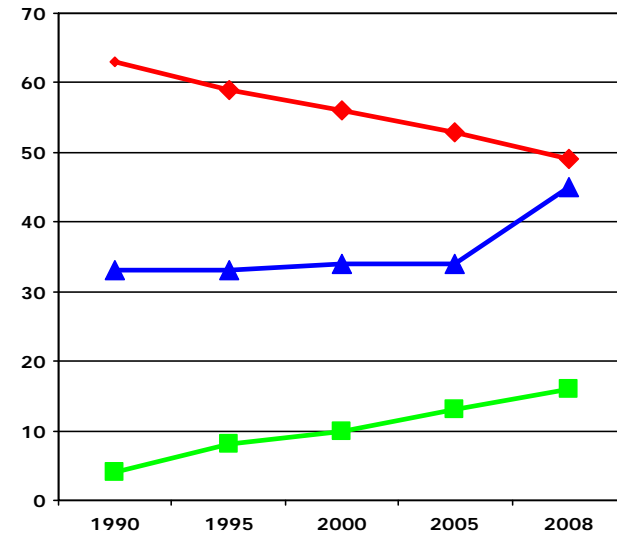


The growth of the private hospital sector in Germany

percentage of hospitals



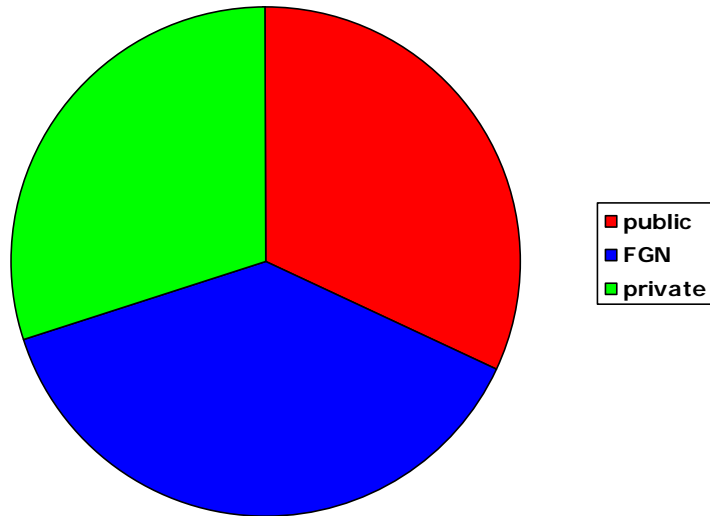
percentage of beds



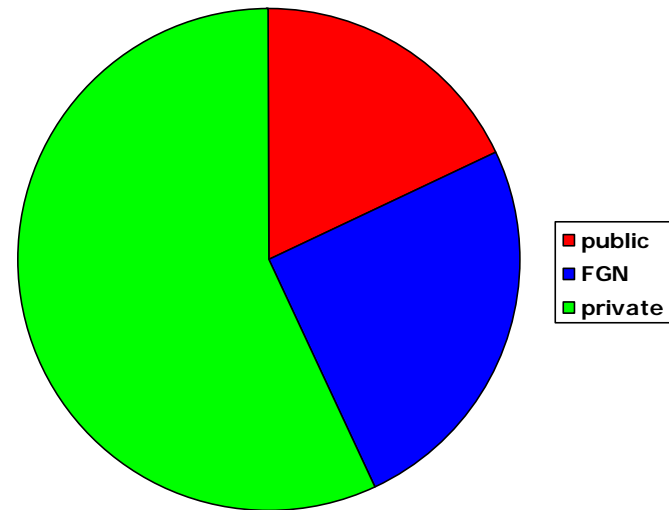
www.bmg.bund.de

Public-private mix in Germany

percentage of hospitals (2007)



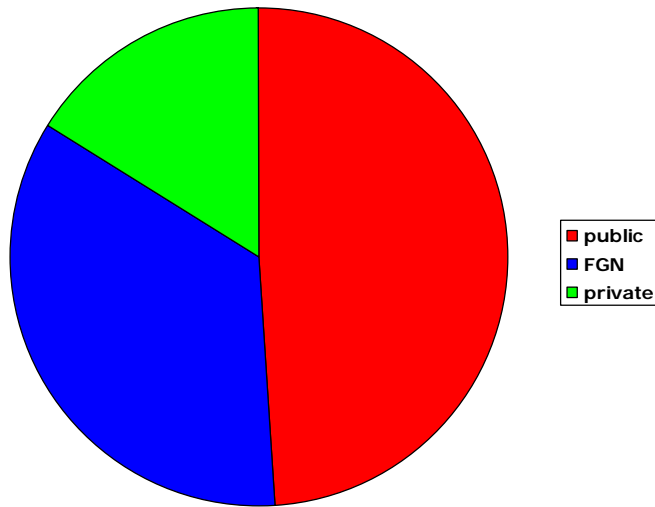
percentage of residential rehabilitation centers (2007)



The private sector dominates residential and rehabilitation care

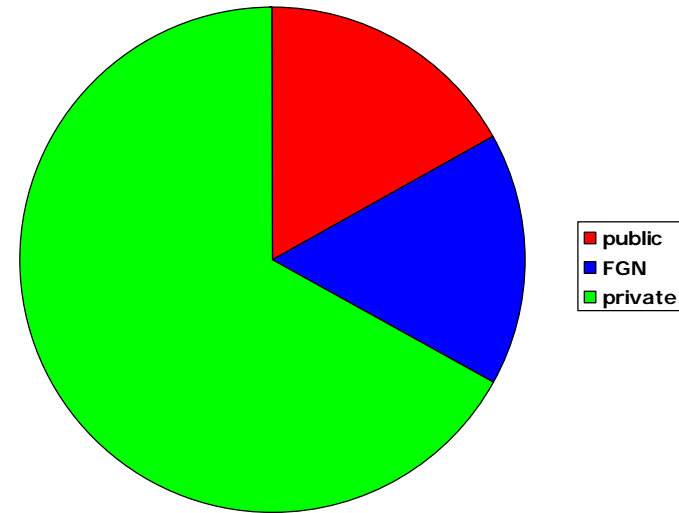
Public-private mix in Germany

percentage of beds (hospitals) (2007)



Public sector (still?)
dominant

percentage of beds (rehab.) (2007)



Private sector dominates

So what?

Which sector performs best? What is the optimal balance

Much depends upon concrete arrangements. 'Devil may be in the detail'

No clear evidence. An unproductive ideology-driven debate

The importance of the institutional context

What may work well in one country, may not work well in another country.

Be careful with drawing lessons!



The impact of the EU

The more private elements in place, the higher the probability that EU competition Law applies (articles 81,82 and 86 EC)

The concept of an undertaking

Functional approach

Undertakings are classified not by structure, but by their actions. the context in which they act, the purpose and effects of their actions.

→ public agencies can be engaged in activities regulated by EU Competition Law

Excluded are activities that are an exercise of **sovereign power** or social activities based upon **solidarity**

+

Services of general economic interest

Legal uncertainty

Conclusions

- A clear-cut and simple dividing line between public and private does not exist.
- From public to public-private.
- Diversity: public-private relationships embedded in a complex political, socio-cultural and economic context that creates and constrains scope for further developments.
- A single model for an optimal public-private balance does not exist.
- the public-private debate has an EU dimension

Policy issues

- moral implications e.g. for universal access, freedom of choice, solidarity?
- commercialization?
- the marching in of new players
- consequences for relationships:
 - state – citizen/patient
 - physician – patient
 - physician/management – funding agency (state/insurer)
 - other