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Public and private health services: can they co-exist effectively?

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European Observatory on Health Systems and Policies

What a question …
if you come from a country like this:

- Ambulatory care, dental care, pharmacies: 100% private delivery
- Acute care beds: 54% public, 38% not-for-profit, 8% private for profit
- Rehabilitative beds: 17% public, 16% not-for-profit, 67% private for profit
- Nursing home beds: 11% public, 62% not-for-profit, 28% private for profit

Development of the public-private mix in ownership of general hospitals in Germany, 1990–2002

	Public		Not-for-profit		Private		Total
	beds	% share	beds	% share	beds	% share	beds
1990	387 207	62.8	206 936	33.5	22 779	3.7	616 922
2002	272 203	53.9	190 426	37.7	41 965	8.3	504 684
Change	-29.7%		-8.0%		+84.2%		-18.2%

Source: own calculations based on Federal Statistical Office 2004.

However, the debate is often …

- Biased
- Confused by inconsistent terminology
- Missing concepts (and therefore data)
- Prejudice & Ideology (in both directions)

The European Observatory‘s aim is to provide evidence, not ready-made solutions …

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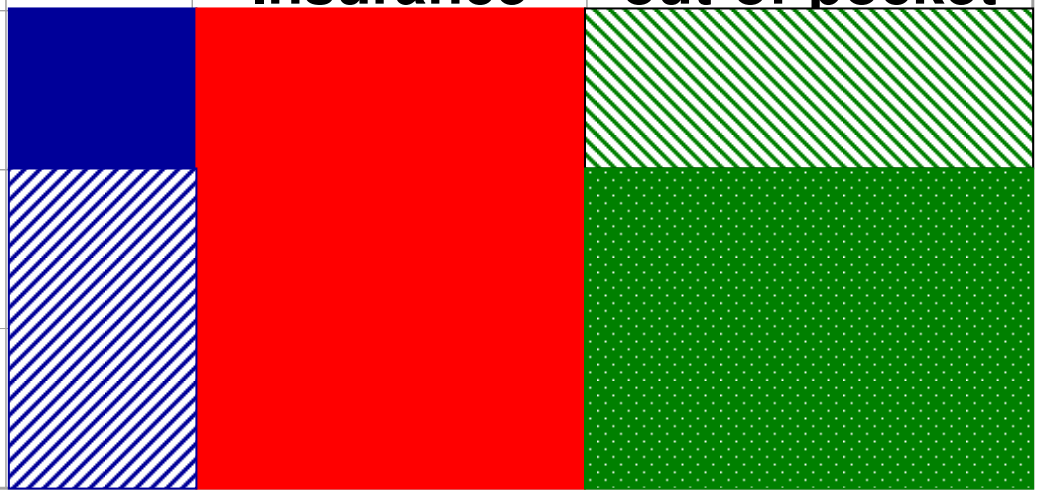
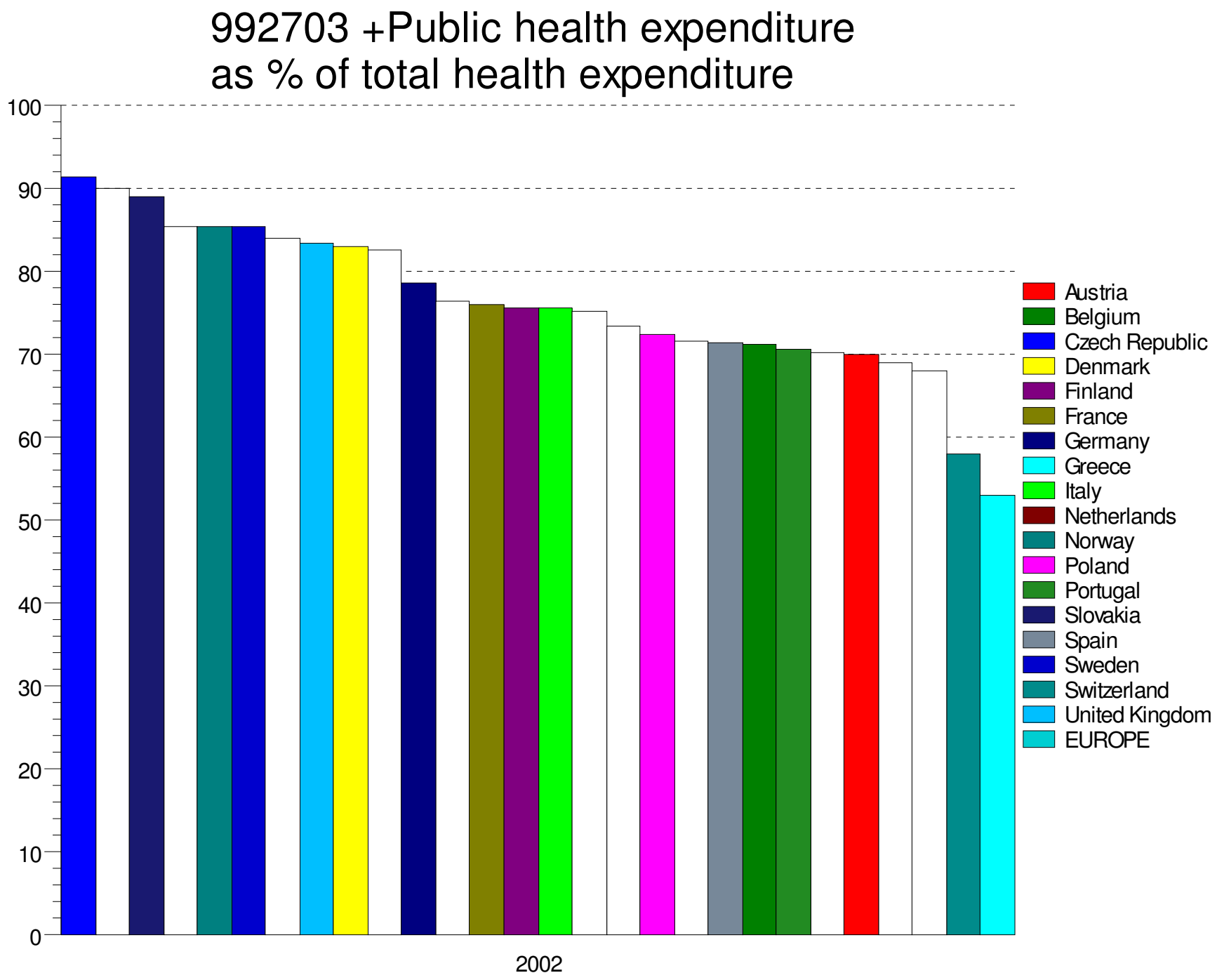
What is public, what is private?

			Funding		
			“public”		“private”
			pub -lic	Statutory Health Insurance	private insurance, out-of-pocket
Deli-very	“pub-lic”	public			
	“pri-vate”	not-for-profit			
		for profit			




992703 +Public health expenditure
as % of total health expenditure
100
90
80
70
60
50
40
30
20
10
0
2002
Austria
Belgium
Czech Republic
Denmark
Finland
France
Germany
Greece
Italy
Netherlands
Norway
Poland
Portugal
Slovakia
Spain
Sweden
Switzerland
United Kingdom
EUROPE

Private financing of health care and financial fairness

	% of private finance of total health care expenditure		Fairness in financing (max. 1.00)	% of households which spend >40% of income on health	% of households which spend >40% of income on health out-of-pocket
	2002	1990			
Greece	47.1	46.3	0.858	3.29	2.17
Switzerland	42.1	47.6	0.875	3.03	0.57
Austria	30.1	26.5	n.a.	n.a.	n.a.
Portugal	29.5	34.5	0.845	4.01	2.71
Belgium	28.8	n.a.	0.903	0.23	0.09
Spain	28.6	21.3	0.899	0.89	0.48
Poland	27.6	8.3	n.a.	n.a.	n.a.
Netherlands	26.7	32.9	n.a.	n.a.	n.a.
Italy	24.4	20.7	n.a.	n.a.	n.a.
Finland	24.3	19.1	0.901	1.36	0.44
France	24.0	23.4	0.889	0.68	0.01
Germany	21.5	23.8	0.913	0.54	0.03
Denmark	16.9	17.3	0.920	0.38	0.07
United Kingdom	16.6	16.4	0.921	0.33	0.04
Norway	14.7	17.2	0.888	1.22	0.28
Sweden	14.7	10.1	0.920	0.39	0.18
Slowakia	10.9	n.a.	0.941	0.00	0.00
Czech Republic	8.6	2.6	0.904	0.01	0.00

Sources: OECD Health Data, first ed. 2004, WHO Health for All Data base 2004, Murray & Evans 2003: pp. 525-6

Public-private ownership of acute care hospital beds in SHI countries

	Public	Not-for-profit	For profit
Austria	69%	26%	5%
Belgium	60%	40%	
France	65%	15%	20%
Germany	54%	38%	8%
Luxembourg	50%	50%	
Netherlands	14%	86%	

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But reality is more complex:

- public hospitals encompass wide range from “budgetary“ via „autonomous“ to „corporatized“
- public hospitals may be under public or private law
- public autonomous = private not-for-profit?
- what about “public enterprises“ with partly private ownership?
- big differences between contracted and other private for-profit hospitals

What differentiates public from private (if not ownership per se)?

	Core public bureaucracy		Private organization
Autonomy	Few decision rights	→	Full autonomy
Market exposure	None	→	At full risk for performance
Residual claimant	Public purse	→	Organization
Accountability	Hierarchical direct control	→	Regulation and contracting
Social functions	Unfunded mandate	→	Explicitly funded mandate

Is common regulation the answer to ensure effective co-existence?

If yes, what areas need to be regulated?

- To **enable hospital care**: establishment of hospitals, capacity and technology
- To **specify and reward hospital services**: access, types, quality and prices
- To **protect hospital employees**
- To **steer the business behaviour** of hospitals: e.g. mergers, financial reserves, advertisements

http://www.observatory.dk

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