

Harnessing Entrepreneurialism in **European Health Systems**

Richard B. Saltman, Ph.D.

Professor of Health Policy and Management

Rollins School of Public Health

Emory University

Atlanta, USA

European Observatory on Health Systems and
Policies

www.euro.who.int/observatory

Moving from Market Theory to Market Practice

The Central Mechanism:

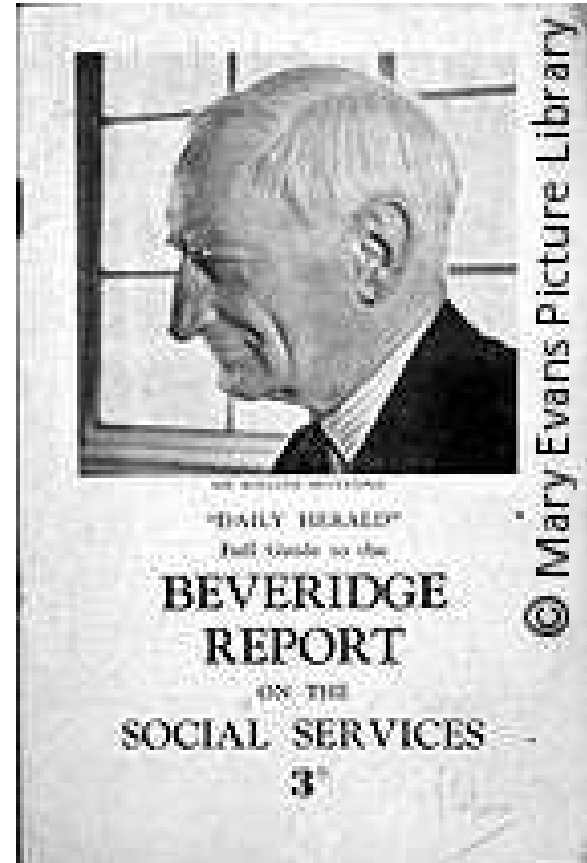
- Stimulating Entrepreneurial
Behavior
- Implementing New Public
Management (NPM)

SHI



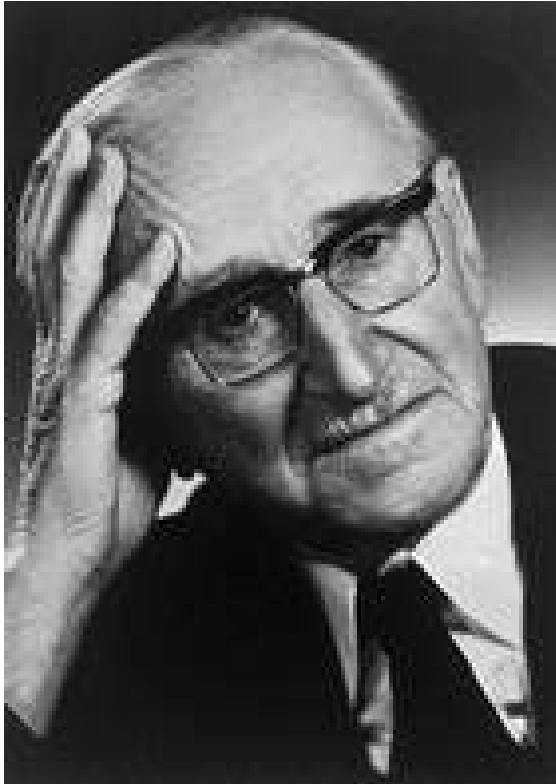
Otto von Bismarck

Tax

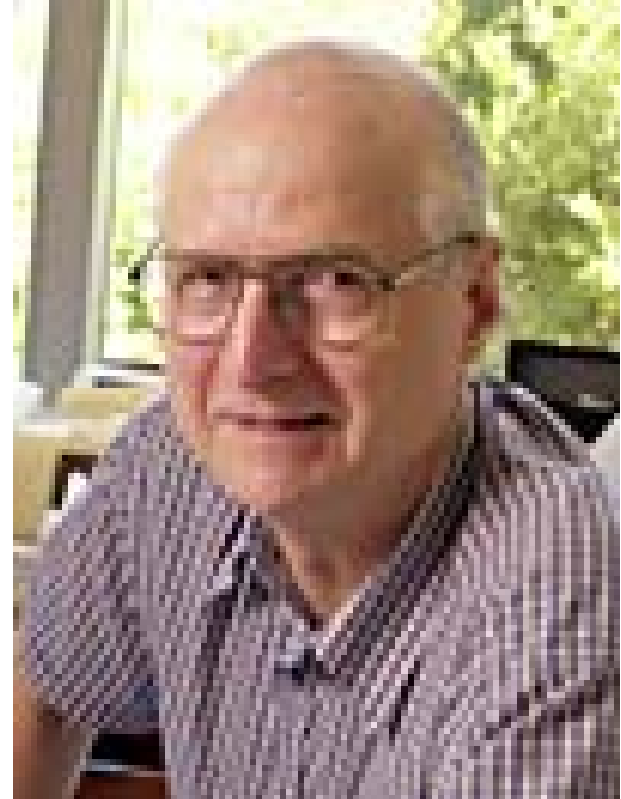


William Beveridge

Market



Friedrich von Hayek



Alain Enthoven

National policymakers face
four policy decisions

First Policy Decision

Where to facilitate the growth of entrepreneurial behavior in the health system?

- Within the private sector?
- Within the public sector?

Second Policy Decision

In what sub-sectors within the health system will entrepreneurial behavior be encouraged?

- On the provider side in hospitals, primary care, dental, etc.?
- On the funding side among payers/insurers?

Third Policy Decision

What type of entrepreneurs will be encouraged/facilitated:

- private for-profit?
or
- social entrepreneurs?
(inside the public and private not-for-profit sectors)

What an Entrepreneur Does

“shifts economic resources out of an area of lower and into an area of higher productivity and greater yield”

- J.B. Say, circa 1800

What Private For-Profit Entrepreneurs Do

- Buy and sell “commodities”
- Make financial “profits”
- Goal: personal wealth

What Social Entrepreneurialism Does

“combines the passion of a social mission with the image of business-like discipline, innovation and determination”

A.R. Hunt,
Wall Street Journal,
13 July 2000

What Social Entrepreneurs Do

- Deal in “social goods”
- Are not-for-profit or publicly owned
- Goal: improved service to community

Fourth Policy Decision

How much State Regulation is necessary to ensure that new entrepreneurial behavior serves the public interest?

- None
- “light-touch” de-regulation?
- “heavy hand” controls?

Sum: The Four “Market Practice”

Decisions:

1. Where will entrepreneurial behavior be encouraged – private or public sector?
2. What part of the health system should entrepreneurialism be applied to – providers or funders?
3. What type of entrepreneurialism to create – for-profit or social?
4. What should the role of State regulation be – light-touch or controlling?

7 Representative Examples from Across Europe

- Tax-funded health systems
- Social Insurance funded health systems
- Western Europe
- Central Europe

#1. Social Entrepreneurialism in Tax-Funded Systems

England, Norway, Estonia, also Spain:

Transforming Hospitals into “Public Firms”

- public hospitals w/quasi-independent mgmt
- hospital mgr hires and fires, determines services
- hospital “earns” budget from contracts
(purchaser-provider split)
- publicly accountable for universal access
- creates diversity – breaks up public monopoly

Social Entrepreneurialism in Tax-Funded Systems

Assessing the reform:

- inside public system
- on provider side of health system
- “social” entrepreneurialism
- heavily regulated by state frameworks

#2. Social Entrepreneurialism in Tax-Funded Health Systems

Sweden: Linking Regional and Municipal Public Budgets (ADEL Reform 1993)

- Muni/elderly care must take “finished” patient or pay full cost to County/hospital
- 20% of hospital beds “blocked”
- Muni took back 85% patients in first year
- Stockholm: empty beds, closed 3 hospitals
- Stockholm: specialists ended waiting lists

Social Entrepreneurialism in Tax-Funded Health Systems

Assessing the reform:

- inside public sector
- on provider side
- “social” entrepreneurialism
- light-handed regulation

#3. For-Profit Entrepreneurialism in Tax-Funded Systems

Finland: Managing Primary Health Centers for municipal governments

- Municipalities can't hire enough doctors
- Private firm pays more, gives perks (fancy phones, etc)
- Private firm manages and staffs growing number of Centers (70 in early 2009)

For-Profit Entrepreneurialism in Tax-Funded Systems

Assessing the reform:

- in private sector
- on provider side (primary health ctrs)
- private for-profit entrepreneur
- no regulation (child hlth ctr rules coming)

#4. For-Profit Entrepreneurialism in Tax-Funded Systems

Sweden: Outpatient Blood Tests from Public Hospital to Private For-Profit Lab

- Lab was 5 hours away by train
- No due diligence done (lab had no capacity)
- Tests came back w/ useless readings
- Worker in lab called police, raided, closed
(Medanalyse Lab, Gothenburg, 1995)

For-Profit Entrepreneurialism in Tax-Funded Systems

Assessing the reform:

- in private sector
- on provider side
- private for-profit entrepreneur
- no regulation (law only on public activity)

#5. Social Entrepreneurialism in Central European Social Insurance System

Macedonia: Transforming University

Hospital Clinics into “public firms” (2008)

- independent mgmt in 32 clinics
- public clinics compete w/ private hospital
- Social Ins. Fund pays clinics on DRG-basis
- Clinic administrators get managerial training
- University clinics keep universal access

Social Entrepreneurialism in Central European Social Insurance Systems

Assessing the reform:

- in public sector
- on provider side
- “social” entrepreneurialism
- strong regulatory controls

#6. For-Profit Entrepreneurialism in Social Insurance Systems

Switzerland: for-profit private insurers provide mandatory universal policies

- fixed/comprehensive benefit package
- all applicants must be accepted
- no profits allowed on mandatory policies
- all expenses (incl. new bldgs) require state approval

For-Profit Entrepreneurialism in Social Insurance Funded Systems

Assessing the reform:

- in private for-profit sector
- on funding side of system
- private profit-making entrepreneurialism
- heavy regulation

#7. For-Profit Entrepreneurs in Central European Social Insurance Systems

*Macedonia: Polyclinic doctors became
private for-profit GPs (in same offices)*

- State Health Ins Fund paid capitation
- Health Houses rent same office to new private GP
- Patients can choose GP, among known doctors

For-Profit Entrepreneurs in Central European Social Insurance Systems

Assessing the reform:

- from public to private for-profit (shift)
- on provider side of system
- private profit-making entrepreneurs (GPs)
- heavily regulated

Drawing Conclusions I

Public/Private:

Traditional Public-Private Boundaries
are “melting” across Europe:

Wide range of new/mixed models being
put into place

Drawing Conclusions II

Health System Structure:

Most market approaches are on the provider side of health systems – hospitals, physicians, laboratories, etc

Fewer market approaches on funding side - in some SHI countries (Netherlands, Switzerland)

Drawing Conclusions III

Entrepreneurialism:

There is at least as much “social” as private for-profit entrepreneurialism underway in the health sector across Europe.

Much of the provider side entrepreneurialism is “social”

Drawing Conclusions IV

Regulation:

Lots of experimentation with how to regulate
“less” but still “enough”

Rules of the Regulatory Road

Regulate strategically

- Regulation is part of strategic planning
- Regulation is a means rather than an end
- Regulation should further core social and economic policy objectives
- Regulation is long-term as well as short-term

Regulate complexly

- Regulation involves multiple issues simultaneously
- Regulation can combine mechanisms from competing disciplines
- Regulation requires an integrated approach that coordinates multiple mechanisms
- Regulation should fit contingencies of each health system
- Regulation requires flexible public management

- Source: Saltman et al, 2002

Rules of the Regulatory Road (cont.)

No deregulation without re-regulation

- Deregulation requires a new set of regulatory rules
- Re-regulate BEFORE you deregulate

Trust but verify

- Regulation requires systematic monitoring and enforcement
- Self-regulation requires systematic external monitoring and enforcement

The Cultural/Social Dimension:

Beyond pressures for radical reform;

Beyond siren call of market theory;

Beyond “new institutionalist”

assumptions:

the predominance of

cultural/social values

A Policymaker's View:

“... Health policy is a political sector that, more than others, absorbs and reflects national developments, traditions, and cultures. Health systems are the results of decades of development and the rather individual response to a country's social situation and profile.”

Hans Stein, 2003
(Eurohealth)

Future Challenge

Harmonizing market mechanisms with
cultural/social imperatives

in a period of rapidly changing context:

- aging populations
- advancing technologies
- globalizing/regionalizing economies
- growing European Court of Justice role