The Role of the Private Sector in Healthcare Services

Presentation given at
FINANCING MODELS OF HEALTHCARE SYSTEMS
TEL-AVIV, OCTOBER 22, 2012

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Rationale for Private Sector Involvement in Health

- **Efficiency arguments**
  - competition
  - less bureaucracy – quick decision routes

- **Client oriented**

- **Puts competitive pressure on public providers**

- **Considerable collaboration public-private exists already**
Political developments in Sweden

In 2006, change of government from Social Democrats to an Alliance of four parties (Moderates/Liberals/Centrists/Christian Democrats). Re-elected in 2010.

This national government aims to increase competition and efficiency in the health sector by encouraging private health care provision.
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<td>Germany</td>
<td>Insurance (90% public)</td>
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<td>Non-profit 35% Private</td>
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Health care under responsibility of county councils
Sweden

Swedish health services have traditionally been publicly financed and publicly provided.

The private sector has overall been small and its dependence on public financing has been high.
Challenge

Many need health care

- Everybody needs access to health as a “Health insurance” in a public system
- In a year, 80% of population are in contact with health services (for health care, MCH etc.)

But few consume a lot

1% of population consume a third of hospital costs
10% consume 80%
Needs Analysis to 2030
In-patient care
Stockholm County Council

PROGNOS – SLUTENVÅRDENS UTVECKLING 2009-2030
VÅRDTILLFÄLLEN PER VÅRDGREN
Estimated costs and revenues
Stockholm County Council

Snittscenario

Intäkter snittscenario
Kostnader snittscenario
Gap

År
mkr
Actions taken in Stockholm County Council

• Accreditation

Introduction from 2008 onwards of a general accreditation system for ambulatory care providers (“Vårdval”), which facilitates the establishment of clinics; private or public. (National law makes this compulsory for county councils).

This system will be expanded to many medical specialities in the coming years, something that may lead to an increase in private specialist care.

• Contracting out

Public purchasing in family medicine (general practice), geriatrics, psychiatry, laboratory services and more.

• Project to support entry of smaller private companies in the health care market
Development of private primary care 2000-2010

Stockholm

Private share of public purchasing, Primary Care 2000-2010

![Graph showing the development of private primary care in Stockholm from 2000 to 2010. The graph indicates an increasing trend in the private share of public purchasing over the years.]
Share of county councils total budget in 2011

- Hospitals: 45%
- Primary care: 17%
- Dental care: 2%
- Psychiatry: 11%
- Geriatrics: 5%
- Appliances: 3%
- Pharma: 11%
- Other: 5%
- Habilitation: 1%
Private share of public purchasing, Stockholm

- Hospitals
- Psychiatric care
- Primary care
- Geriatrics
- Other
- Dental care
- Total

2000 vs 2010
Private/Public share of Stockholm county council’s total expenditure
Hospitals

• No concrete plans exist for privatisation or contracting out of more emergency hospitals. Today, only one out of six publicly financed emergency hospitals in Stockholm is managed by a private company.

• The privately financed hospital sector is small. Its focus is on elective care.
Private health insurance?

• The private health insurance sector is mostly employer based

• It has grown but it is still limited in scope and benefits

• Long waiting times used to be a major sales argument for the private health insurance
  – The current government has been successful in stimulating the county councils to reduce waiting times
Evaluation

• What are the effects of privatization so far?
  – Difficult to separate these effects from other parallel developments (like changes in reimbursement system)
  – Indications of effect on efficiency in public sector
  – Public debate has focused on “failures” in private sector
Conclusions

• Private sector is growing – but overall “slowly”

• Certain specialities, including general practice, more involved

• System change so far limited

• Private provision likely to continue to grow but the health system may not change as much as expected from this development

• Daring hypothesis:
  – Public financing leads to strong governance - which limits full impact of market dynamics; negative and positive
What lies beyond the horizon of the future?
Thank you for listening!

Birger Forsberg