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EAHM Seminar Report

Towards a Balanced Cooperation of Public and Private Actors

Most countries in Europe have evolved to a mixed system with two or three types of hospitals: public, private not-for-profit and private for-profit. The purpose of this seminar was to create an understanding of these different models and illustrate how they can work together.

European (Over) View

Prof. Hans Maarse, *University of Maastricht*

Prof. Maarse gave the first presentation of the day, providing us with a European overview of the situation of public and private actors. Describing the landscape of healthcare and its history he explained the roots of both public and private healthcare but stressed that there has always been inter-country variations.

For Prof. Maarse the public-private distinction is too simple; it is not an either-or distinction, but a mix with no clear dividing lines. For example, in Germany public regulations ensure access to private health insurance for the elderly and in France, complementary health insurance is mandatory. There are more distinctions than just public and private- private not for profit, private for profit, etc. Financial arrangements, political administration structures and the degree of management autonomy also vary between institutions and countries and public and private establishments.

Which is best? Some countries have successful public systems, others successful private systems. Success depends on concrete arrangements and institutional context; there is no clear evidence for which is best, what works in one country will not necessarily work in another. There is also a European dimension: the more private elements in place in the hospital sector, the higher the probability that EU competition law applies. Public agencies can be engaged in activities regulated by EU competition law. There is a considerable amount of legal uncertainty.

Prof. Maarse concluded that there are no clear cut dividing lines with many public institutions moving to a public-private mix (outsourcingetc). Diversity is a big issue: publicprivate relationships are embedded in a complex political, socio-cultural and economic context that creates and constrains scope for further developments.

View From Public Hospitals

Paul Castel, *Director General of Hospices*

Civils de Lyon, *President of EAHM*

For Mr. Castel the hospital landscape varies appreciably from one European state to an other making an analysis of public hospital extremely complex. There are differences in access, weight and models of financing.

He stressed the shared values of public hospitals- humanism, respect for the dignity of every individual, no discrimination and equal treatment for all. Public institutions focus on the social link- their mission is the reception and care of patients, teaching and formation and clinical research.

Public and private is a complex and often difficult relationship. In essence they are competitors. Increased competition does in fact bring advantages although always badly perceived by public hospitals. Competition incites the development of new models of care, the revising and modernising organisations and optimising costs of care. It also leads to the necessary distinction of their missions and does not have to lead to the loss of specificities of the sectors. They do not do the same thing. Mr Castel views the main danger as the evolution of the models of financing. Financing models are based on activity and many people now assume that the same price rates apply to public and private. But the question remains whether these services are comparable. Castel also highlighted that both public and private hospitals need to make a surplus.

Are public and private condemned to oppose? Public hospitals are transformingquestioning their values, missions and financing. This period of doubt can strengthen public hospitals, they can learn from their competitors and transform their services towards greater efficiency.

In conclusion public hospitals must reaffirm their values and the honour of hospital public utility: quality, equity and efficiency. Recent crises have led to questions regarding the role of public hospitals in the coverage of the most deprived, modes of financing and emphasised the importance of quality care. We must accept models that recognise the specificities of each and are the base of a balanced cooperation between the actors.

View from Private Hospitals **Dr. Paul Garassus**,

European Union of Private Hospitals (UEPH)

Dr. Garassus introduced us to the European Union of Private Hospitals and explained the view from private hospitals. He stressed the obvious necessity of cooperation between public and private hospitals in the European Union in respect to patients' free choice. He believes the complementarities and specificities of both sectors have to be respected in an economic stability model. Important increases in medical activity of European private hospitals have been seen in the past few years especially in Germany but also in newer European countries such as Poland. Their goal is to ensure fair competition as a provider according to health priorities determined by national regulators.

Quality of healthcare depends on a stable economic model. Wide application of DRG prospective payment in 27 EU countries determined new benchmarking references but we have to participate in a cost containment discussion determined by DRG tariffs even if tariff discrepancies between the two sectors still exist (e.g. Austria, Portugal and France). Private hospitals would like to see equality in DRG tariffs and have the opportunity to receive more money.

Dr. Garassus stressed that the development and rebuilding of a modern healthcare system in countries that have recently joined the EU such as Hungary clearly depends on private investment. We have to support such enterprise to achieve the right balance for quality of care improvement and social insurance budget affordability in respect of common welfare.

The conclusion from the private perspective was that there is no "gold standard" for healthcare. Private activity is growing across Europe and hospital organisation requires a "community of interest" between managers and medical staff; collaboration is key to success. Public healthcare reforms need to be coached by the application of private management expertise.

The key solution appears to be a clear collaboration between regulator and operator (public and private). We must balance value creation and cost containment, regulator and provider, specialised and global, actual and long term, cure and care and demand and needs.

Experiences from Portugal

Artur Vaz, Director, Hospital Fernando Fonseca Mr. Vaz explained that cooperation between public and private sectors in Portugal has always been characterised by mistrust and a lack of transparency. Although the Portuguese private health sector does play a relevant role in healthcare provision and funding, it is the National Health Service and the public perspective that is stressed. This is mainly because public hospitals dominate while private activity mostly offers ambulatory care. However, both sectors are changing and some experiences of a wider and more clarified cooperation between them were launched during the last few years.

He stressed three key areas of cooperation between public and private health sectors. The first is the contracting out of private healthcare provision by the public sector. This is non-competitive; a list of prices is distributed by the government and private institutions submit an application to the regional health authority. The second area concerns the programme to reduce surgical waiting lists. The third and final area is the Public Private Partnership Programme for the conception, funding, construction, maintenance and management of public hospitals launched in 2003.

Each of these areas has suffered the impact of political changes and of the characteristics of the relationship between the two sectors. Contracting out has been almost paralysed for years, the participation of the private sector in the programme to reduce surgical waiting lists is still very small, the Partnership Programme was recently reduced from 10 to four hospitals and the only experience of private management of a public hospital (Hospital Fernando Fonseca, in Amadora) finished at the end of 2008.

During recent years, the private sector has shown a significant improvement with the creation of several private hospitals and the adoption of a real hospital model for these units but the public sector is also developing internal reforms to improve the quality and efficiency of public primary and hospital healthcare. Mr. Vaz would like to be optimistic but fears that in Portugal, public and private actors do not have an adult relationship. Complexities and regulations teamed with mistrust mean that the balanced cooperation of public and private is extremely difficult.

Experiences in Public-Private Partnerships- Ireland, Italy, UK Michael Costelloe, Senior Vice President- International, UPMC International and Commercial Services While discussions of public-private partnerships in healthcare usually focus on financing, construction and management of physical infrastructure, public health authorities in Europe have begun to explore new partnerships with private institutions for the management and operation of public healthcare programmes.

Mr. Costelloe emphasised that although often complex, true operating partnerships can offer the best of both worlds to patients and the public health service with universal access to privately-operated facilities, accelerated access to the latest treatment technologies and protocols, significant reductions in waiting times, and an overall improvement in the patient experience.

UPMC have been implementing PPPs for over ten years now. Costello cited the main challenges facing PPPs as different perceptions of value for money, governance issues (clinical and managerial), timeliness of payment, differing expectations around operating margins and the task of maintaining government support for the project at both thepolitical and bureaucratic levels. He claims that private healthcare organisations thatknow how to work with the public sector and are capable of managing the risks, can find significant opportunities in operating public- private partnership arrangements.

How to go forward? Costello believes that PPP projects can expand clinical operations to a broader array of services but successfull PPPs require a special managerial skill-set, and a great deal of patience. He also stressed the importance of accounting for financial and political risks. Rewards include the ability to serve the entire population on an equitable basis and also profitability- PPPs can be profitable if well managed.

Experiences From Germany Dr. Ralf-Michael Schmitz, Managing Director, Klinikum Stuttgart Speaking of today's hospital market, Dr. Schmitz believes that in the next 15 years 25 percent of hospitals and 40 to 50 percent of beds will disappear from the market due to increased competition. Many feel that within this market share it is the private hospitals that will prosper. This is not Dr. Schmitz's opinion; he believes the main driver is management. Private providers are not always commercially successful– there are well-managed hospitals and there are badly-managed hospitals.

Describing his experiences in Klinikum Stuttgart, there, the objective is long-term economic security of existence through goal-oriented positioning in the healthcare market. This is a task for the management. With the goals being a positive operating result and an increase in turnover and services on the market. So instead of outsourcing catering services they built their own kitchen and supply eight institutions within one hospital. There is a similar set up for blood- producing it themselves and then supplying other hospitals.

For Dr. Schmitz there are benefits and limitations to PPPs; they are not always the best possible solution. There are limitations regarding complex procurement and contract procedures, dependencies, inflexibility of long-term use of payments and falling real estate and bond deterioration. For example, loans for PPPs are not as advantageous as subsidies, which provide favourable loan conditions. PPPs can be advantageous if you have no equity and are better for bigger building projects for periods in excess of 25 years. They are also favourable when a hospital does not have its own facility management expertise (construction, operation). Schmitz also expressed concerns regarding the ethical issue of hospitals making a surplus; should the money be reimbursed or reinvested?

In conclusion, Dr. Schmitz stated that cooperation between industry and hospitals can be fruitful and it is possible to safeguard your position on the market. Indeed with Germany's new liberal government competition will only increase.

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