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More Market Competition in Healthcare?

The long-term impact of globalisation on the European single market is undeniable. Although competitive forces deliver benefits to consumers, the globalisation trend also causes displacement as companies shift production and employment to low-wage economies. The market for healthcare services is somewhat different however. The one-to-one nature of treatment, from both the patient and provider perspective, leaves only minimal scope for reducing manpower by moving the point of service delivery elsewhere. Healthcare services continue to be provided by people for people and most patients want to undergo medical treatment as near as possible to home.

The role of globalisation is evident in the growing private sector penetration of healthcare markets in a number of European countries where service providers compete for patients. In political circles this form of market orientation is widely viewed as a welcome opportunity to contain spiralling expenditure on healthcare. It is worth noting three interesting facts in this context.

First, the market system which dominates the US health system is the focus of a growing chorus of criticism. Critics note, for example, that rising healthcare costs have not been matched by increases in output. For this reason, demands for greater market orientation deserve scrutiny. Those who advocate a market approach must first produce data to show that this model for healthcare services and processes has improved the health status of populations. According to Professors M. E. Porter and E. Olmsted Teisberg, the goal of the principal players in the current US system is not to deliver added value for patients from each additional dollar spent but to generate additional revenue, increase their market share, cut costs and shrink services. In other words, the typical behaviour and rules of the market apply.

The German Hospital Association's (DKG) spring meeting in Berlin heard similar warnings about the consequences of blindly following the market. In an allusion to the recent experience of many German hospitals, DKG President, Dr. Rudolf Kösters, noted that "restructuring in the health insurance market has caused hospitals to go to the wall." In the inpatient sector alone, cost-cutting measures have produced a funding gap of 1.2 billion euros. Competition can only deliver cost reductions when hospitals are free to set prices and current legislation is amended to make the obligation to provide a service conditional on the ability to provide a service. The cap on reimbursement for hospitals precludes the introduction of market rules.

The French President, Nicholas Sarkozy, established the Larcher Commission to encourage new thinking on healthcare. Sarkozy noted the values hospitals embody. Serving the public, offering permanent access and, not least, being rooted in communities where they provide significant employment are all values to be protected in the face of emerging challenges, he said. High quality services must be maintained with a view to delivering top class services. Sarkozy also noted that half of all public hospitals are operating at a loss. To address this deficit and meet the imminent challenges, hospitals must be given greater autonomy, he said. This will mean providing more appropriate levels of funding based on actual levels of service. Hospital management is the second building block. Managers must be given greater discretion and responsibility and the hospital director must once again become the real boss. President Sarkozy stated it is unacceptable that certain interests can effectively veto the decisions taken by the hospital director. Directors must take responsibility for providing health services to the population in the hospital's catchment area. This includes partnerships with the private sector, which must become the rule.

It is unusual to hear such sentiments expressed by a head of state. They force us to think about the market position of hospitals. It is also interesting to note that France is next in line to take the Council Presidency. Perhaps this will stimulate debate across Europe. The EAHM certainly intends to stay ahead of the game.



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