Public Hospital Autonomy Global Experience

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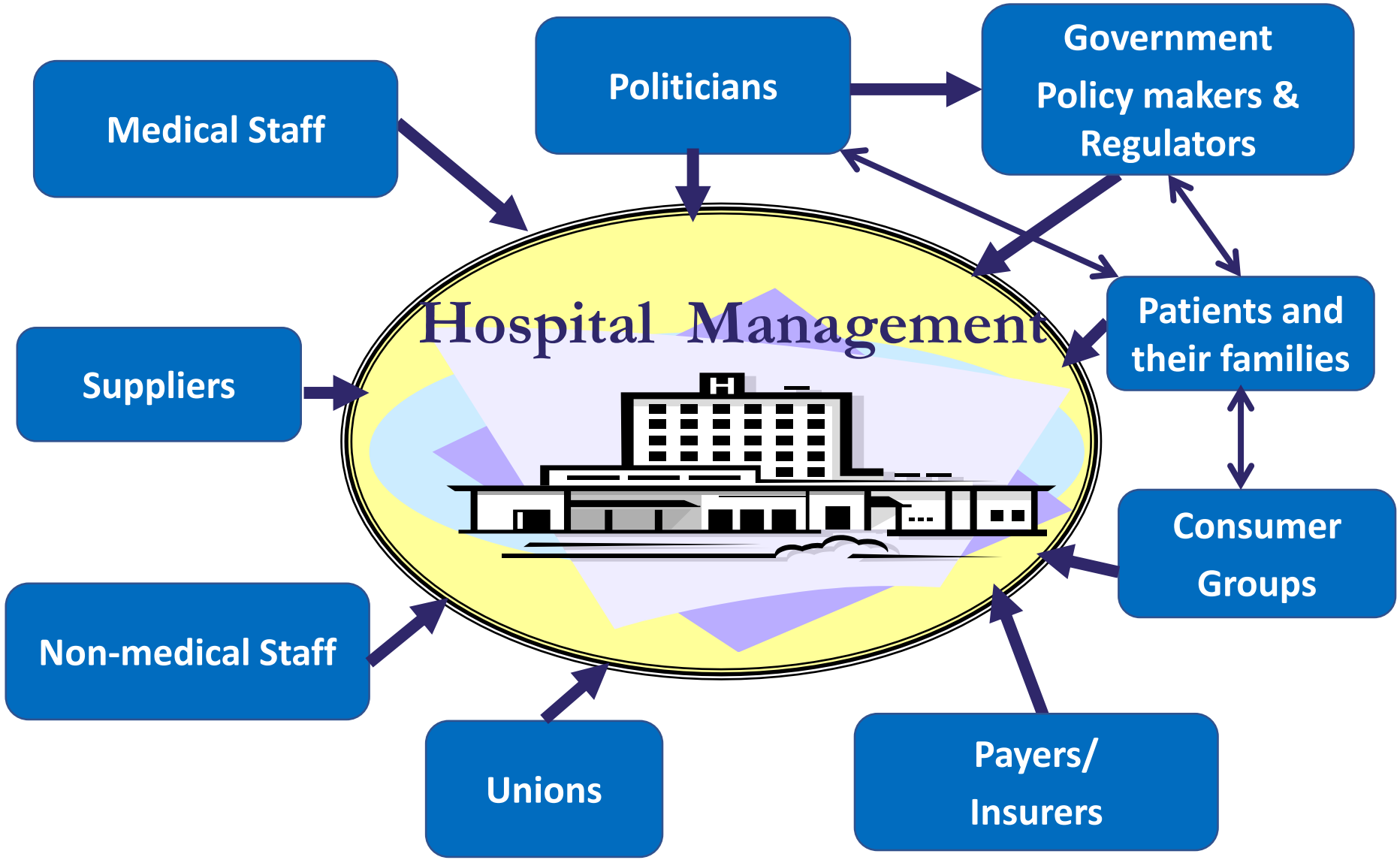
Summary

- Rationale: Challenges facing public hospitals
  - Performance, governance, management
- Reforms
  - Framework;
  - Operational models and features
  - Impact
  - Short case study from Brazil
- Lessons Learned

Rationale

Public Hospital Managers Face Many Conflicting Interests and Pressures



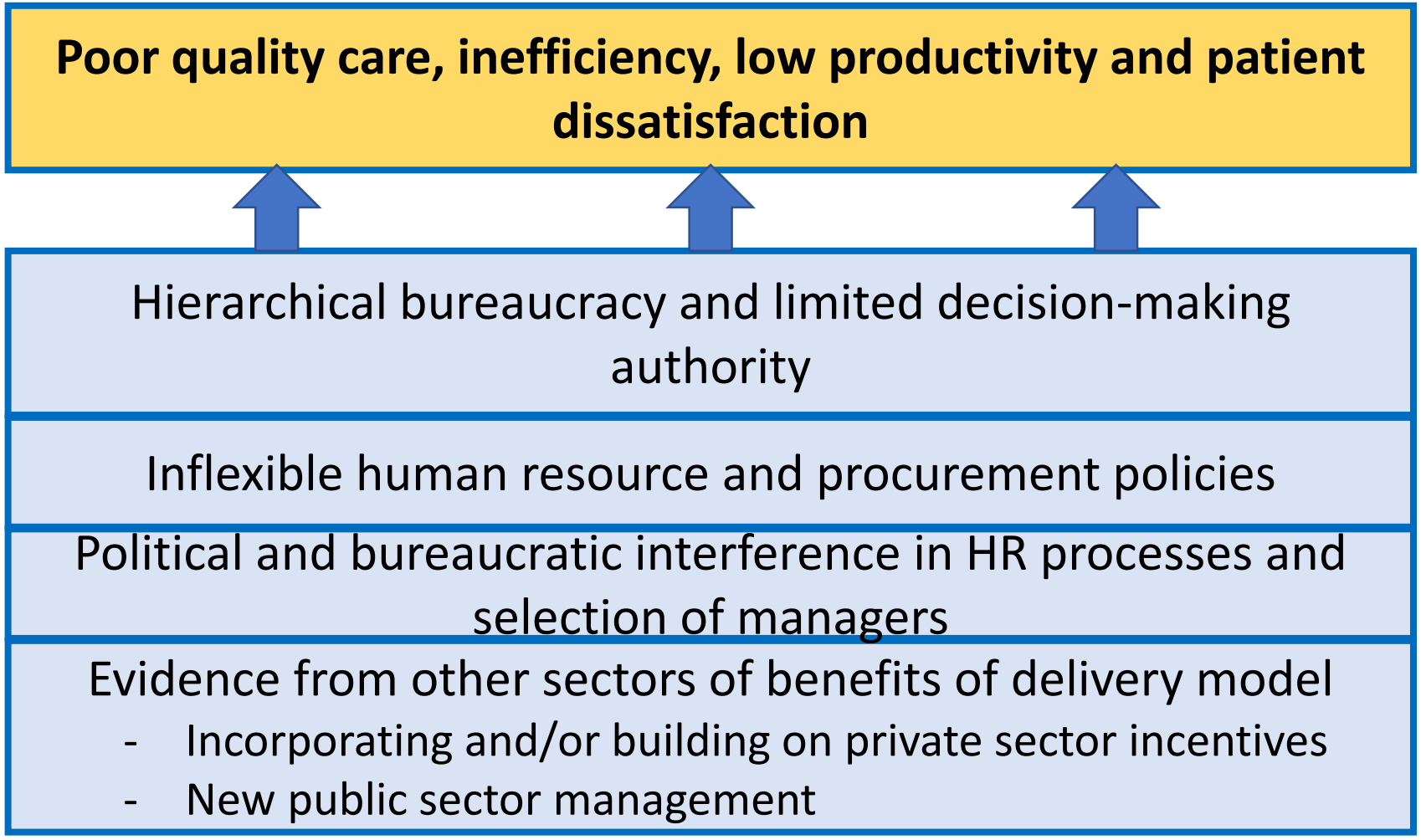
Global Experience: Focus Groups with Public Hospital Managers in Latin America

Public Hospitals: Common Challenges

- ✓ Strong social symbolism; face of the health system
- ✓ Fragmented silos inside the hospital
- ✓ Consumes largest portion of health investments, but financing is insufficient
- ✓ Provides a confusing mix of first, second and third level of care services
- ✓ Feeling of being "overwhelmed and alone at the peek of the pyramid" called the health system
- ✓ Poorly managed: managers lacking the appropriate competencies
- ✓ Too much political interference
- ✓ Lack of decision-making authority

Source: Adopted from Holder, 2014

Why Autonomy Reforms for Public Hospitals?



Can managers manage under these conditions?

Does it matter if managers are able to manage?

"I would like you to be more self-reliant, show more initiative, and take greater personal responsibility — but check with me first!"

World Health Survey: Hospital Management Practice Domains

1. Standardizing Care & Operations

- Hospital layout & patient flow
- Patient pathway management
- Standardization & clinical protocols
- Good use of human resources

2. Performance Monitoring

- Continuous improvement
- Performance tracking, review, dialogue
- Consequence management

3. Target Management

- Target balance & interaction
- Clarity, comparability of targets
- Time horizon of targets
- Target stretch

4. Talent Management

- Rewarding/promoting high performers
- Removing poor performers
- Managing, retaining, attracting talent

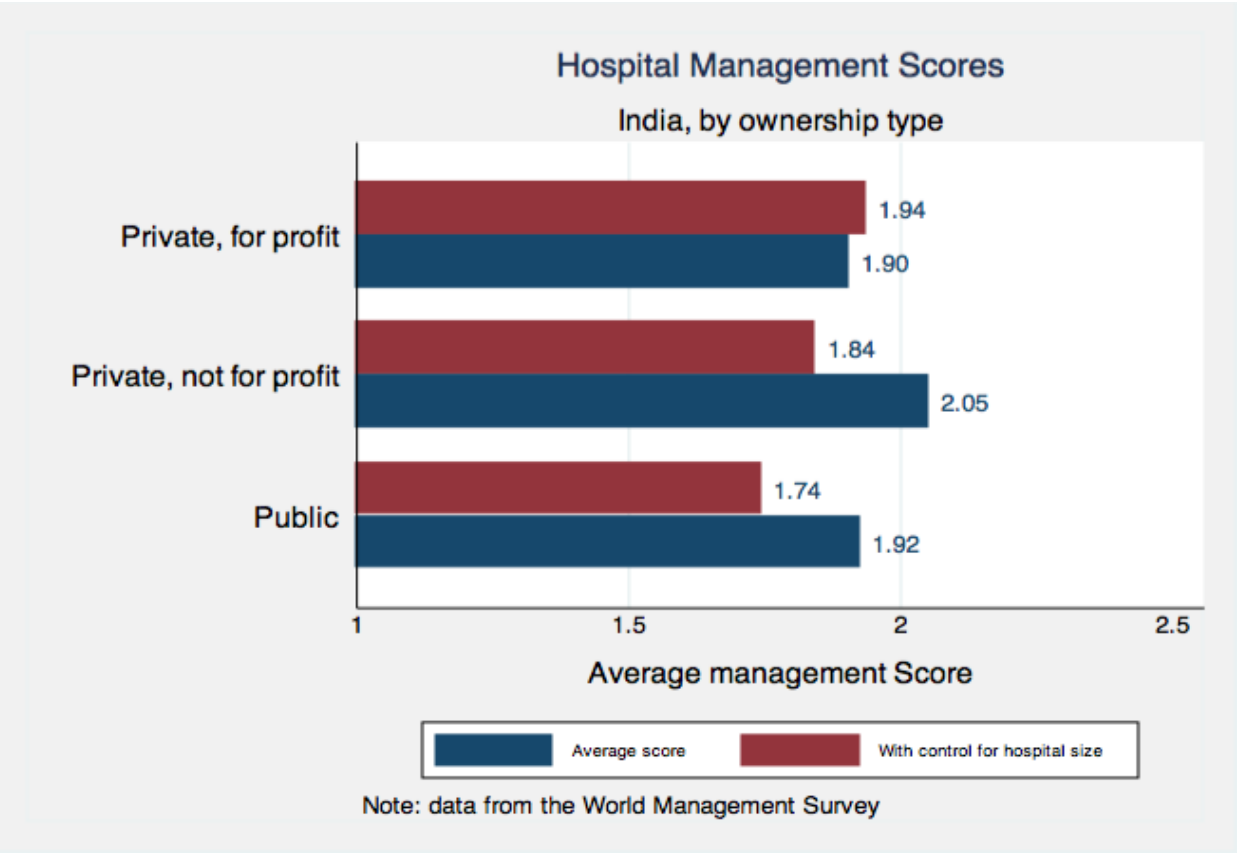
Source: Bloom and Van Reenen (2007)

World Management Survey Results:

Comparative hospital results show that India is lagging, and poor management permeates both public and private sectors (India, 2011)

Notes: 1,971 acute care hospitals with a cardiology and orthopedics department

Source: Bloom, Sadun & Van Reenen (2013)



India sample. N=449; median 100 beds, and 140 employees

Source: Lemos and Scur (2012)

Hospital Management Matters:

A one point increase in management practice is associated with…

UK Hospitals

- *Health:* 6.5% reduction in risk adjusted 30 days AMI mortality rates
- *Financial:* 33% increase in income per bed
- *Patient:* 20% increase in above average patients satisfaction

US Hospitals

- *Health:* 7% reduction in risk adjusted 30 days AMI mortality rates
- *Financial:* 14% increase in EBITDA per bed
- *Patient:* 0.8 increase in % people would recommend the hospital

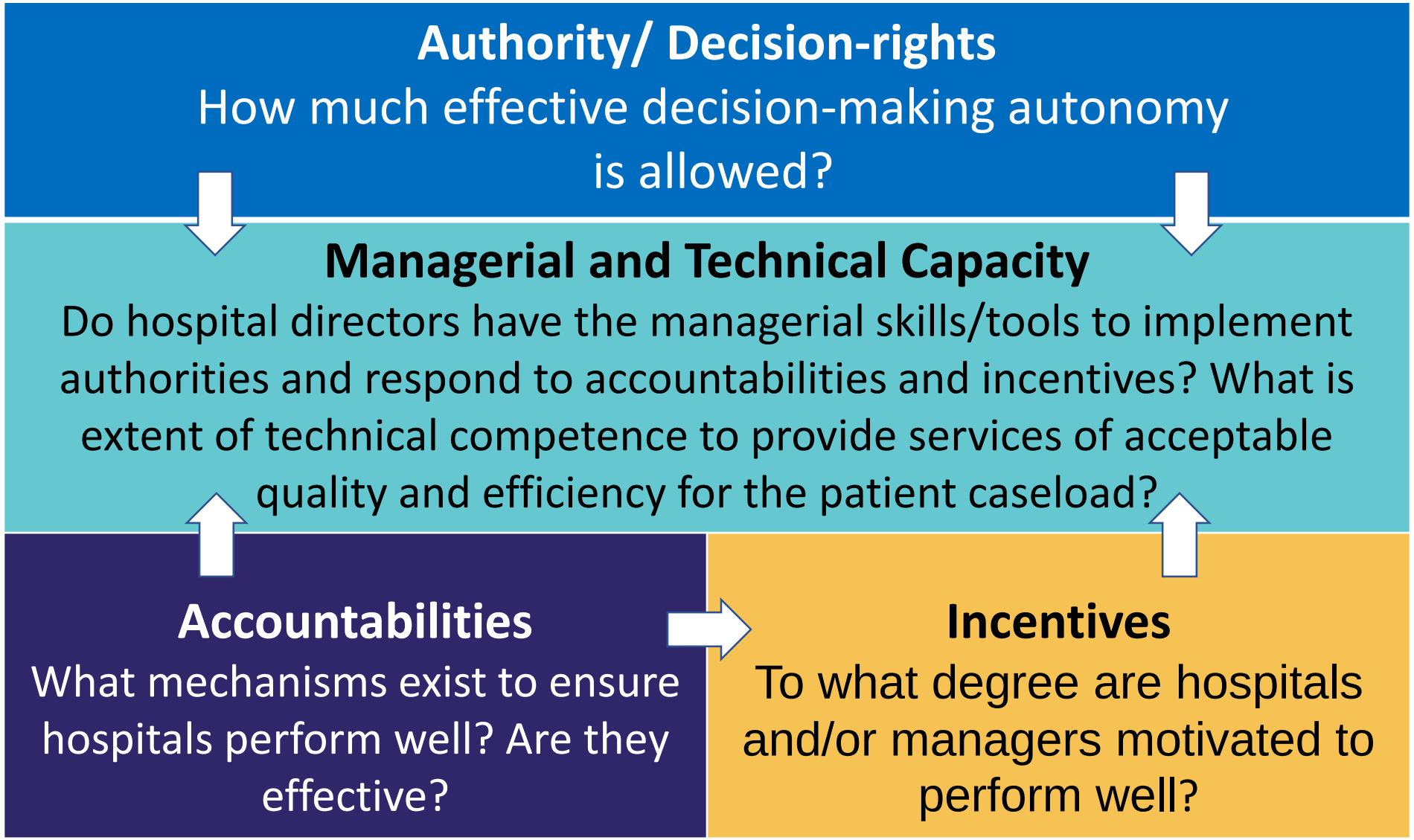
Source: http://worldmanagementsurvey.org/wp-content/images/2010/10/Management_in_Healthcare_Report_2010.pdf

Improving Public Hospital Performance
The Roads Taken

- **Autonomy Reforms**
  - **Governance + Management + Finance: Transferring decision-making authority from government administration to the hospitals**
- Management interventions
  - Managerial capacity building
- Finance interventions
  - Pay for performance

Autonomy-based Reforms Global Experience

Framework for Developing and Analyzing Public Hospital Reforms



Main Messages

- **Uncertain Impact** – Evidence is hard to find
  - Limited range of well-designed scientific evaluations; much of the work is of a case comparison type
  - Some successes, but also a number of less successful efforts
- Despite variable record, **hospital autonomy remains on the policy agenda**
- **Raising revenue is not a good rationale** (e.g., China, Vietnam)
- **Accountability is the Achilles heal of autonomy models**
  - Financial performance, access/social functions, quality of care, patient safety, professional competence, ethical conduct
  - Requires strong government/bureaucratic capacity
- **Incentives matter**
- **Human resource issues should be addressed openly prior to implementation**
- **No quick fixes**
  - Design and implementation: long, complicated and highly politicized process
  - Local context matters (even within a country)
  - Need to consider upfront investments and "transition costs"`

Organizational Models for Autonomy-Oriented Reforms: Global experience – What are the choices?

Autonomization	• Formal institutional grant of autonomy, but actual decision making rights vary considerably • May involve creation of governance structure such as a board or council • Usually involves a limited number of facilities
Corporatization	• Creation of legalized organizational forms (e.g. trust, foundations, state enterprises, etc.) that are separate from government administration • Usually applied to a number of facilities, but may involve single facilities with "own" legislation • Ownership remains public • Autonomy usually stronger than under autonomization
Public-Private Partnerships (contract management PPPs)	• Long-term contract between government and a private entity • Joint investment in the provision of publicly financed health services • Different models: can include or exclude infrastructure, clinical and non-clinical operations • Private sector assumes financial risk • Ownership usually remains public (not privatization)

Authors' elaboration

Public Hospital Autonomy Reforms: Examples of Organizational Models

Country	Organizational Models	Organizational Nomenclature
Czech Republic	Corporatization	• Limited liability companies • Joint-stock companies
Brazil	PPP	• Social Health Organizations (OSSs)
Estonia	Corporatization	• Joint-stock companies • Foundations
Portugal	Corporatization	• Public enterprises
Spain	Autonomization Corporatization PPP	• Public corporations, • Foundations, consortia • Administrative concessions (to private firm)
Singapore	Corporatization	• Private company solely owned by government
Sweden	Corporatization	• Public-stock corporations
UK	Corporatization	• Self-governing trusts • Foundation Trusts
Autonomous Public Body Managing a Hospital Network		
Hong Kong	Corporatization	• Public Authority
New York City	Corporatization	• Public Authority

Examples: Autonomous Hospital Governance Structures

Model	Governance	Jurisdiction	Membership
Brazil: OSS	Board	One or more hospitals under OSS contract	NGO Board
Hong Kong: Hospital Authority	Board	All publically funded hospitals	Government representatives & community leaders
Portugal: PEEHs	Hospital Administration Board	Single Hospital	Medical staff, members appointed by MoH & MoF
Spain: AC	Board	Network of hospitals & associated clinics under AC contract	Company representatives
UK: Foundation Trusts	Board of Governors & Board of Directors	At least one hospital	BOG: patients, citizens, staff BOD: Hospital CEO, executive directors, BOG representatives

Examples of Accountability Mechanisms

Model	Types of Accountability
Brazil: OSS	• Contract payments linked to volume, quality and efficiency targets • Data reporting requirements • Internal and external audits • "Social audits" • Contract termination/firing of management for consistent underperformance
Hong Kong: Hospital Authority	• Financial assessments against annual budget targets
Portugal: PEEHs	• Annual financial reports • Data reporting requirements • Government can dismiss board for budget deviations, quality deterioration and contract violations
Spain: AC	• Penalties for patients seeking care outside of catchment area • Sanctions for non-compliance with contract • Data reporting requirements (clinical, financial, operational) • Internal and external audits
UK: Foundation Trusts	• Hospital payment partially linked to basic quality targets • External performance and financial monitoring

Human Resource Options

- Transfer
- Attrition (and replace)
- Transitioning civil servants to alternative (private) labor contracts
  - Grace period
  - Temporary placement elsewhere with reentry guarantee
- Performance incentives

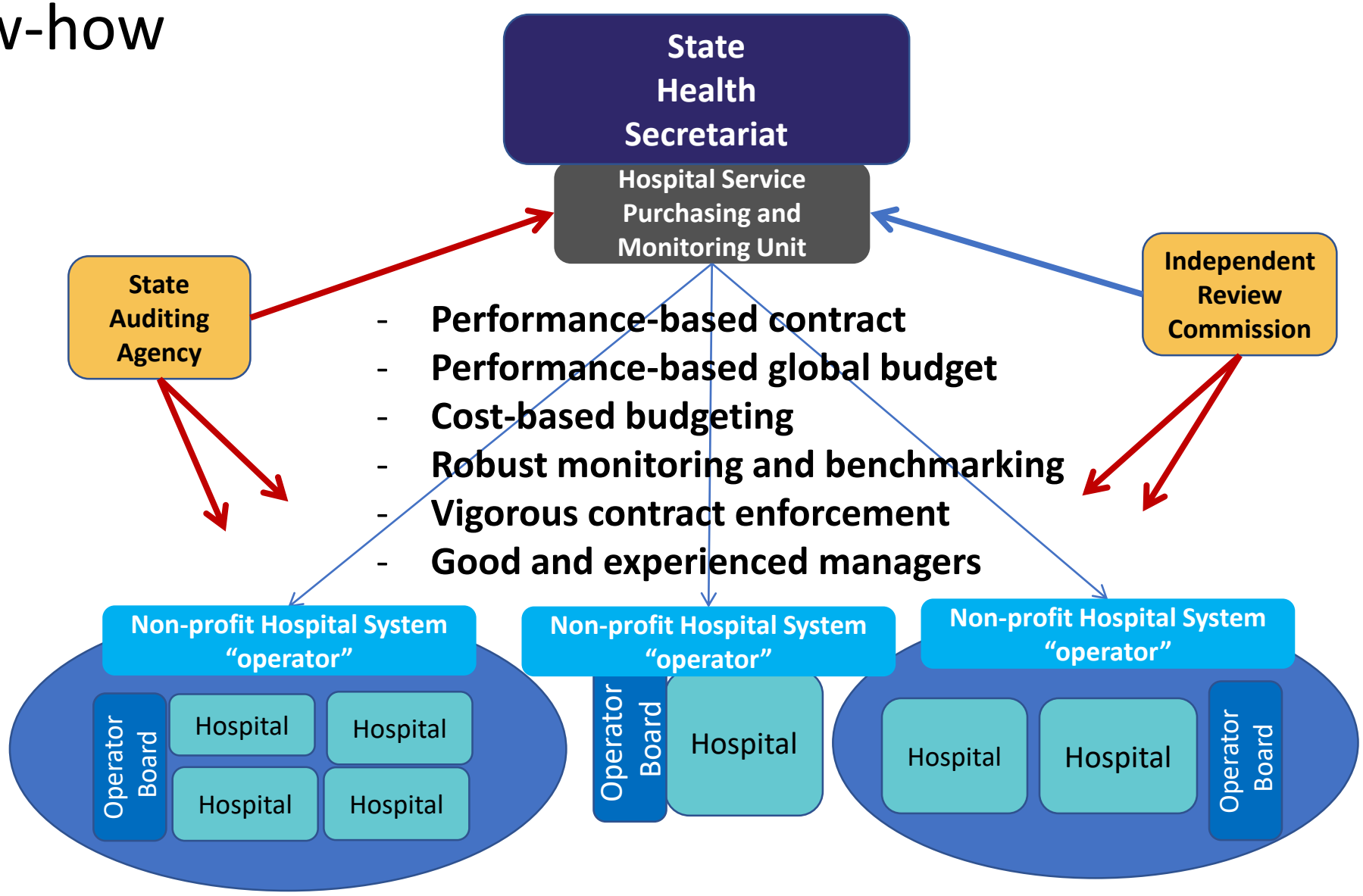
What about Impact?

	Revenue	Production	Efficiency	Quality	Equity	Patient Satis.
Brazil (OSS)	↔	↑	↑	↑	↔	↑
Indonesia	↑	↑	↓	N/A	↓	N/A
Spain (Alzira)	↔	↑	↑	↑	↔	↑
Vietnam China	↑	↑	?	?	↓	↓

Source: Maharani, 2017; Wagstaff and Bales, 2012; NHS Confederation, 2011; London 2013; La Forgia and Couttolenc, 2008

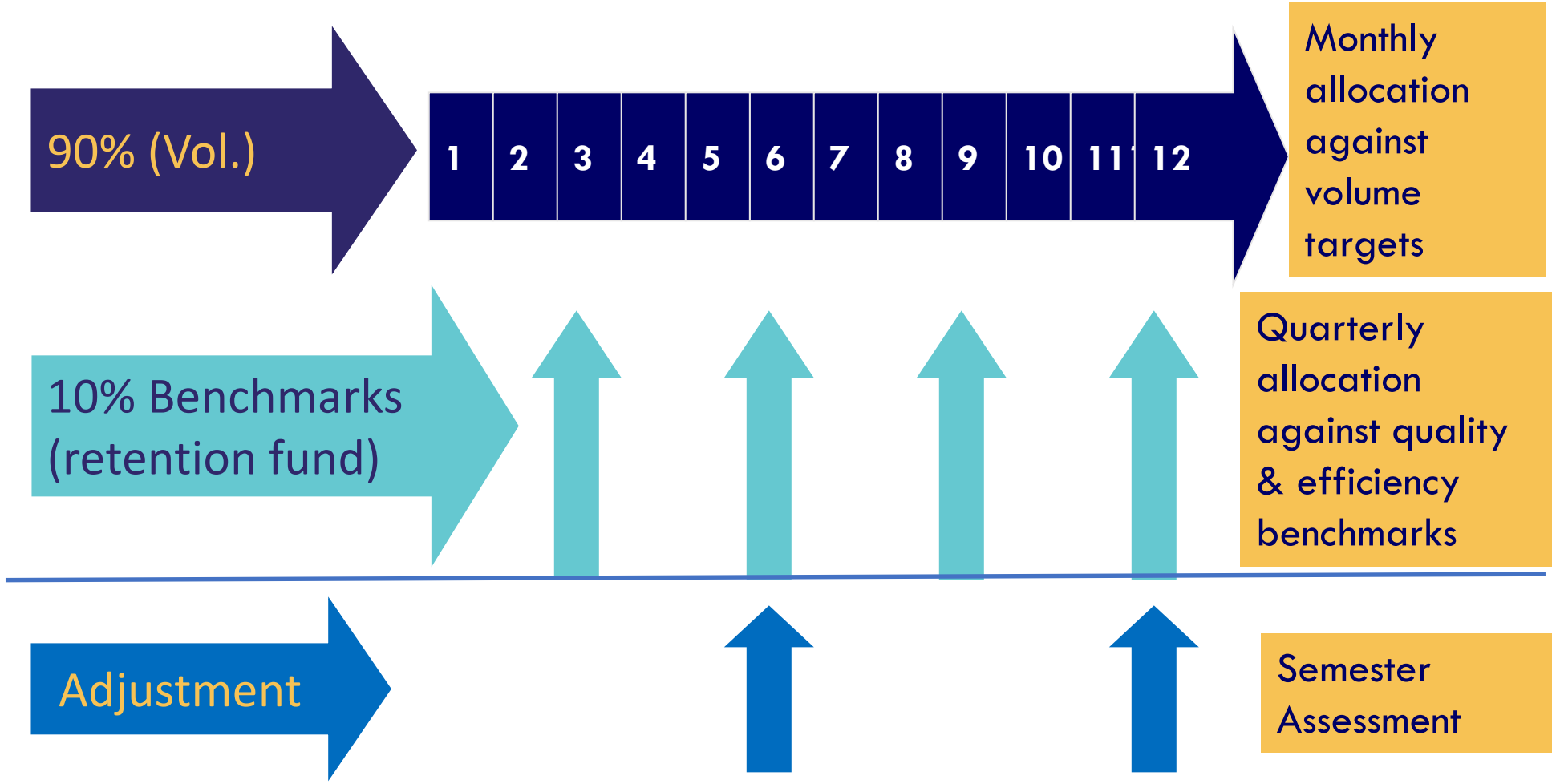
Social Health Organizations (OSSs) in Sao Paulo, Brazil [Corporatized PPP model]

Sao Paulo, Brazil: Accountabilities, Incentives and Managerial Know-how



Source: La Forgia and Couttolenc, 2008)

Brazil OSSs in Sao Pablo: Performance-based Global Budget – Two Payment Streams



Sao Paulo, Brazil: OSS hospitals found to be:

- **Significantly more productive and efficient than comparators**
  - Use of beds, operating theaters,
  - Lower ALOS, higher bed turnover and substitution rate
  - Cost per discharge:
    - OSS -- R$: 2,900 vs. Dir. Adm.-- R$ 4,300
  - Regression analysis: 1% increase in spending would result in 0.47% increase in discharges in OSS-managed hospitals compared to 0.22% increase in matched hospitals.
    - OSSs use one-third fewer physicians and one-third more nurses
- **But quality was also higher**
  - Lower Mortality rates
    - No evidence of cream skimming or patient dumping
    - No evidence of treating less severe patients

Global Experience Lessons Learned

Reasons for Limited Success of Some Reforms

Hong Kong: Hospital Authority	• Reforms led to transfer of authority from one bureaucracy to another (the HA) • Minimal accountability & poor incentives
Portugal: PEEHs	• Persistence of central control • Lack of transparency • Uncoordinated & inconsistent accountability efforts across facilities
UK: Foundation Trusts	• Limited financial and managerial independence • High government interference
China Vietnam	• Focus on increasing financial autonomy and hospital revenues without corresponding emphasis on accountability and incentives for performance, social functions and public objectives

Key Components of Effective Public Hospital Reforms

1. Clear policy and legal framework
2. Well-defined and legally constituted governance and corporate entities
3. Autonomous managerial authority
4. Incentives for efficiency, cost containment and equity
5. Government or other authority holds autonomous hospitals accountable for: • Financial performance • Service quality and scope • Contract compliance
6. Data to tracks hospital performance and financial accounts; strong government capacity to monitor and enforce contracts
7. Managerial capacity

Concluding remarks

- Autonomy is often a prerequisite for improving management because it empowers managers to manage.
- Autonomy does not mean a license to do what you want.
  - Any reform involving autonomy requires accountability mechanisms and incentives appropriate for independent hospitals.
  - Without such mechanisms hospitals may deviate from public objectives.
- Any incentive embedded in a provider payment mechanism, contracts or regulations requires autonomy to empower hospital managers to respond to the incentive.

Thanks

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