

Public-Private Participation in Health Care

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Economic Conditions for Health Care Markets?

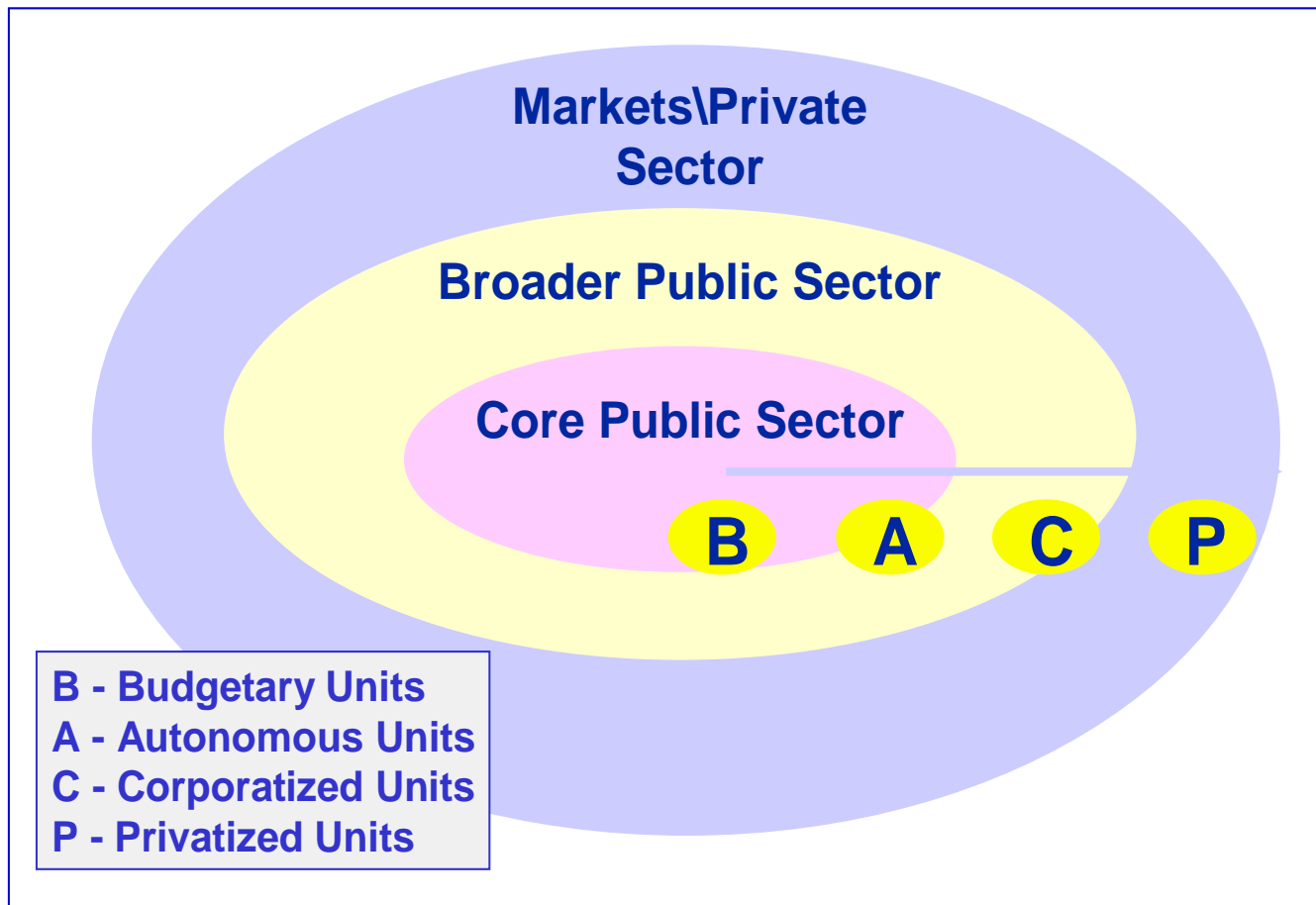
- Consumer sovereignty (consumer ignorance or information asymmetry)
- Free entry and exit of suppliers (barriers to entry and exit)
- No natural monopolies (barriers to competition)
- No externalities (external costs and benefits)
- Divisibility and substitutability
- Little risk and uncertainty

(Arrow Kenneth, 1963, “Uncertainty and the Welfare Economics of Medical Care”, American Economic Review, 53: 941-973)

Economics of Public Provision

<u>REASONS FOR PUBLIC PROVISION</u>	<u>PUBLIC HEALTH SERVICES</u>			
	HEALTH EDUCATION	IMMUNISATION	SCREENING	PERSONAL MEDICAL SERVICES
PUBLIC GOOD	✓	✓	(✓)	
MERIT GOOD	✓	✓	✓	✓
EXTERNALITIES (SOCIAL COSTS & BENEFITS)	✓	✓	✓	✓
INCOME DISTRIBUTION	✓	✓	✓	✓
ECONOMIES OF SCALE	✓	✓	✓	✓
RISK & UNCERTAINTY	(✓)	✓	(✓)	✓
P (Provision) F (Financing) S (Subsidy) R (Regulation)	P + F (general programmes) S, R +/- (special programmes)	P + F (scheduled immunisations) F, S, R (special programmes)	P + F (routine) F, S, R (special programmes)	P, F, S, R (target groups – low income, high-risk)

Organizational Modalities in Health Care Reforms (World Bank)



World Bank Study of Organizational Reforms of Public Hospitals

Budgetary

Albania

China

Vietnam

Egypt

Bolivia

Autonomized

Hong Kong

Indonesia

Argentina

Chile

Lebanon

Tunisia

Corporatized

Singapore

New Zealand

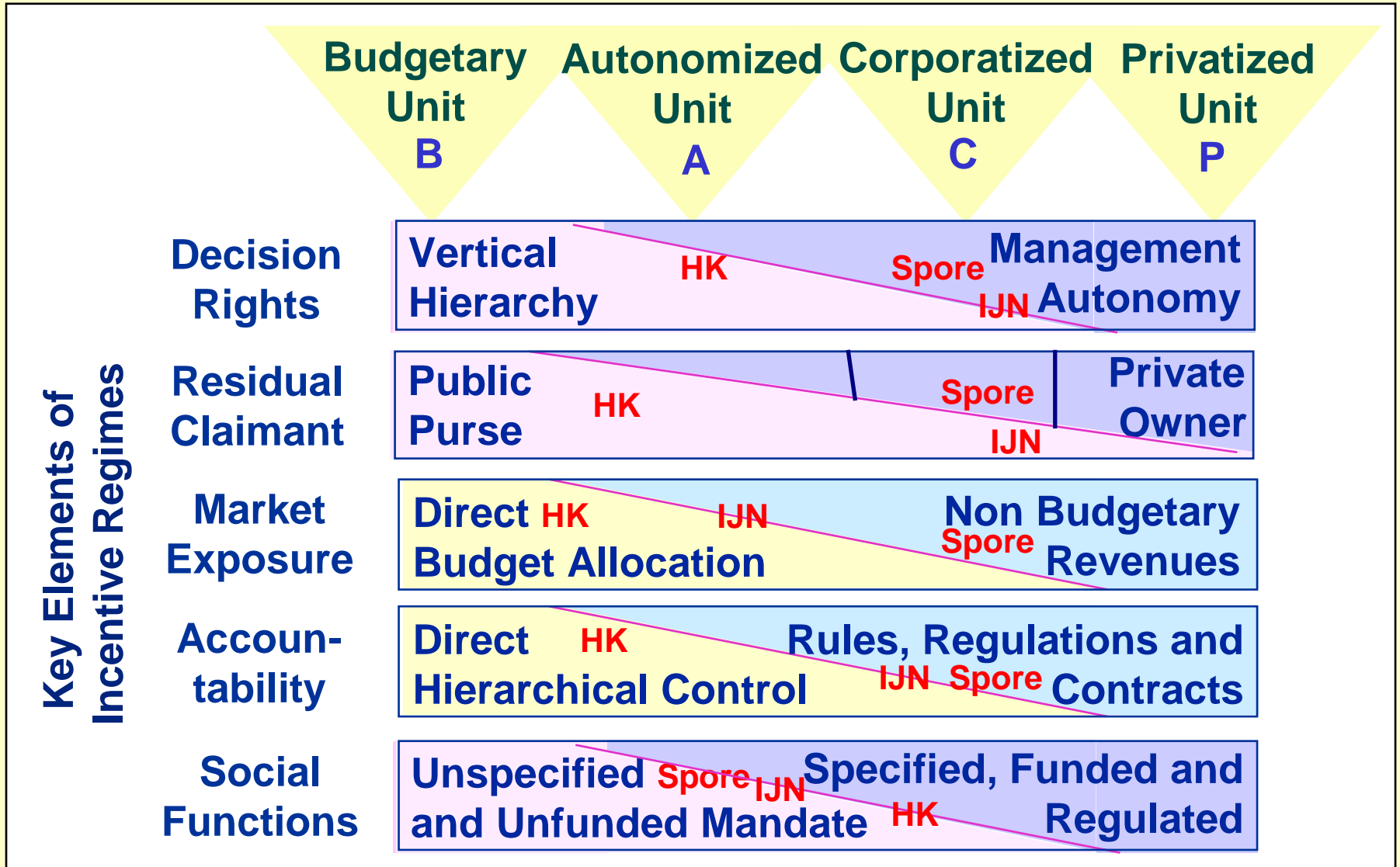
Australia

Malaysia

United Kingdom

Kenya

Comparisons of Incentive Regimes for Hong Kong, Malaysia and Singapore



World Bank Study of Hospital Reforms

- Successful Characteristics

Harding A and Preker AS (eds), 2003

- Coherent incentive regime
- Covered all critical elements
 - Human resource
 - Financing
- Complementary reforms
 - Stewardship
 - Good governance
 - Performance-based purchasing
 - Functioning markets
 - Information

World Bank Study of PPSS in East Asia Pacific Region, 2001

- Private Participation in the Social Services
(Health, Education & Social Security)
- Newly industrializing economies in the Asia-Pacific
– China, Indonesia, Malaysia, Philippines, Thailand
and Vietnam
- Health services at all levels
 - innovative forms and services for targeted groups
 - private health insurance and payment
 - pharmaceuticals, medical supplies and equipment
 - biotechnology and related industries

Health Care Reform Models: US, UK and Singapore (Aldridge 1995)

- **United States**

Managed competition through health maintenance organizations and preferred provider organizations.

- **United Kingdom**

Quasi-markets creating competition between autonomous hospital trusts and directly managed hospitals. HMO-type health care provision (managed competition) through use of general practitioner fund-holders.

- **Singapore**

A hybrid model combining components of UK quasi-market (competition between public-private sectors) and the US public-private mix

Health Care Organizational Functions

- ★ Governance – ownership and control, board of directors (defined powers and responsibilities), policies, rules and regulations
- ★ Management – professional health administration, separation of clinical from executive functions, business methods
- ★ Human resource – personnel functions, terms & conditions, contractual agreements, performance and incentives
- ★ Financing – revenue and expenditure, costing and accounting, payment, subsidies and pricing
- ★ Information – feedback and communications, MIS, monitoring and evaluation

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