Quasi-market and Reforms of Health Care System:

”Trust, Mistrust, Voice and Choice: Models for Health Care Reform.”

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Presentation Structure

- Question: what is the best way to deliver health care in a publicly funded system?
- Models of health care delivery: their advantages and disadvantages.
- The politics of health care reform: a ‘case study’ of the UK.

Ways to run a (publicly funded) health care system

Four models:

- Trust.
- Mistrust. Command and control. Targets and performance management.
- Voice.
- Choice and Competition. Quasi-markets.

TRUST

Types of trust-based system:

- Government sets budget. Professionals (doctors, nurses, managers) determine how budget is spent.
- Fee-for-service system without payer controls

Advantages:

- No monitoring costs
- Professionals like it. High morale.

But:

- Makes crucial assumption about the motivation of professionals (doctors, nurses, hospital managers. Assumes they are motivated by altruists. They are public-spirited professionals and are not self-interested.

Problems of relying upon altruistic motivations

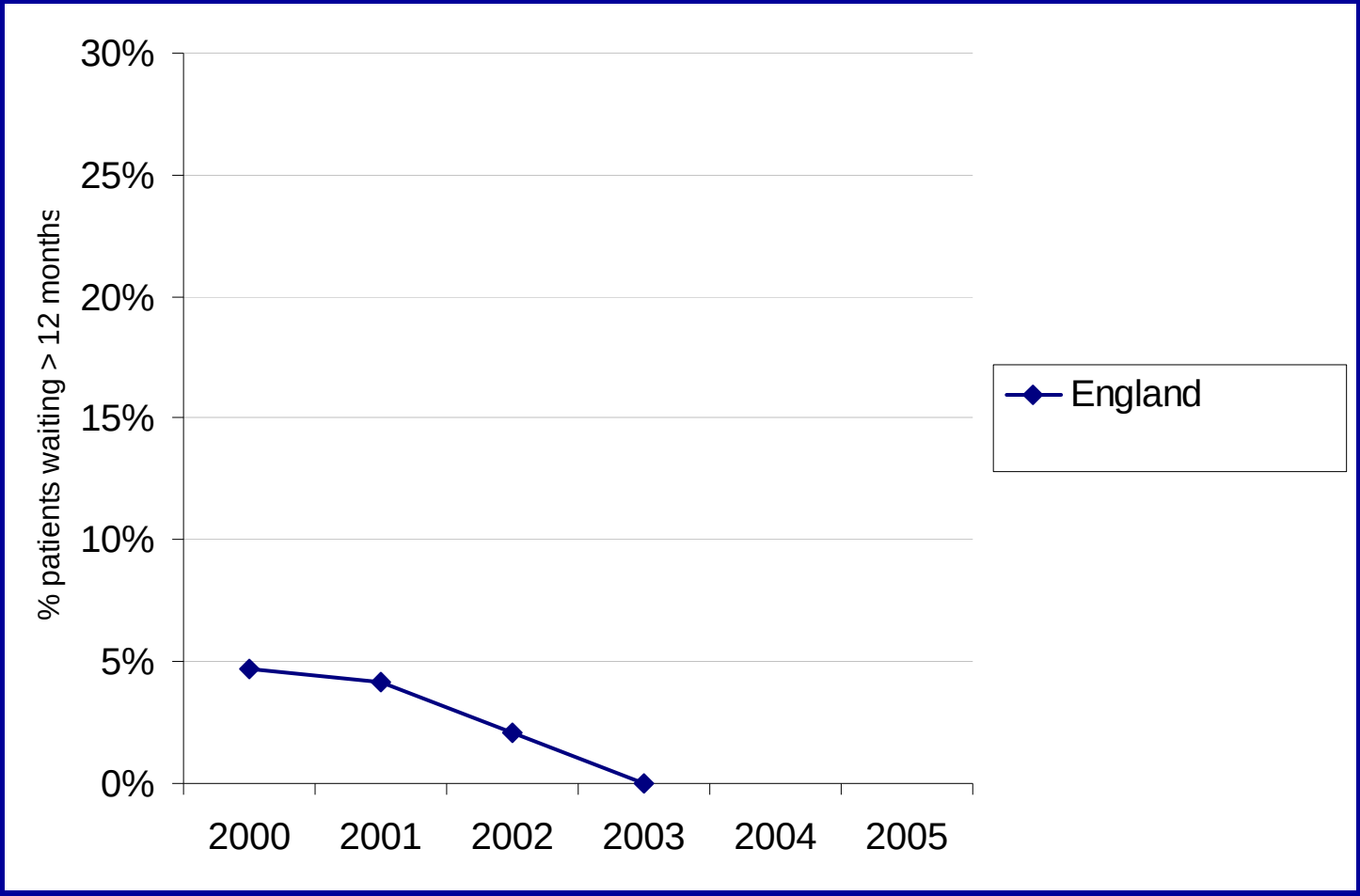
- Altruists have weak incentives for efficiency (maximising benefit from given resources). ‘Doing some good’ sufficient motivation.
- Perception of wider needs limited. When faced with individual distress, altruists find it difficult to recognise limits to others’ resources.
- Altruists prefer passive patients
- What if motivations are in fact (partly or wholly) self-interested? Incentives not aligned. Leads either to under-provided and unresponsive services (government) or over-provided and wasteful services (fee-for-service).

TARGETS AND PERFORMANCE MANAGEMENT

- Set targets and monitor performance
- Provide rewards to staff for achieving the target and penalties for failing to achieve the target. Promotion /demotion/losing job

Advantage: can work, at least in short-term.

% patients waiting for hospital admission > 12 months



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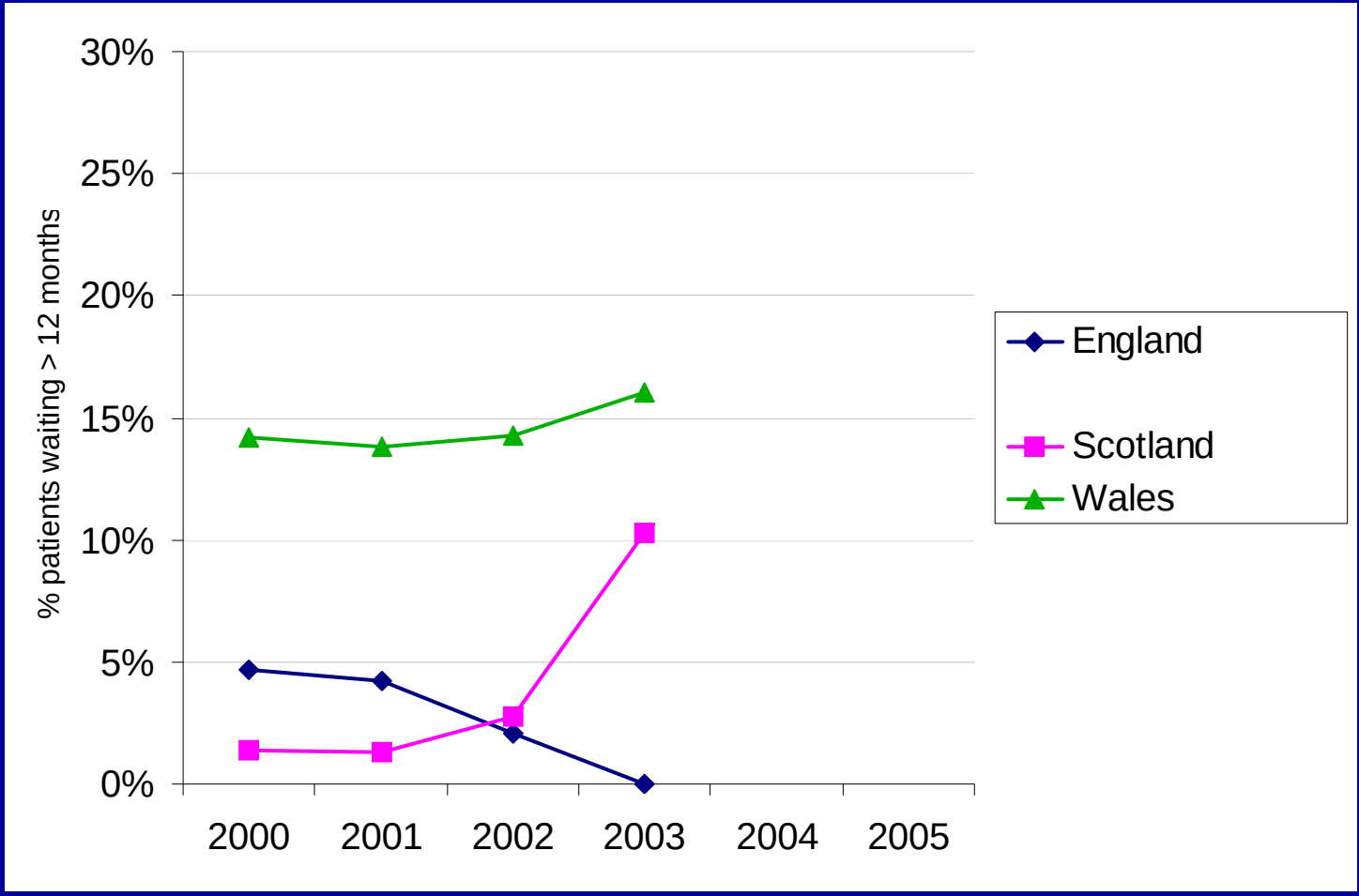

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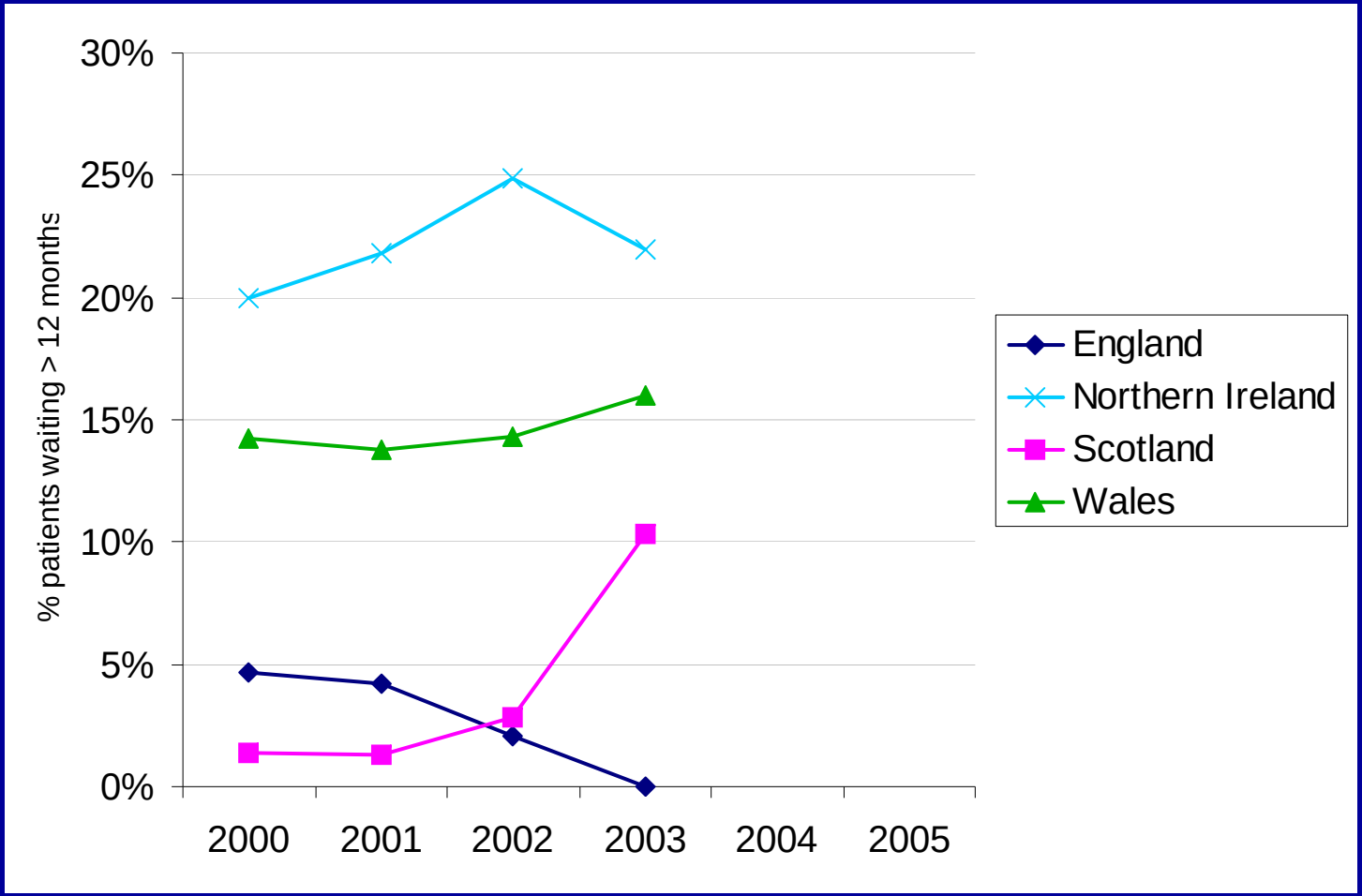

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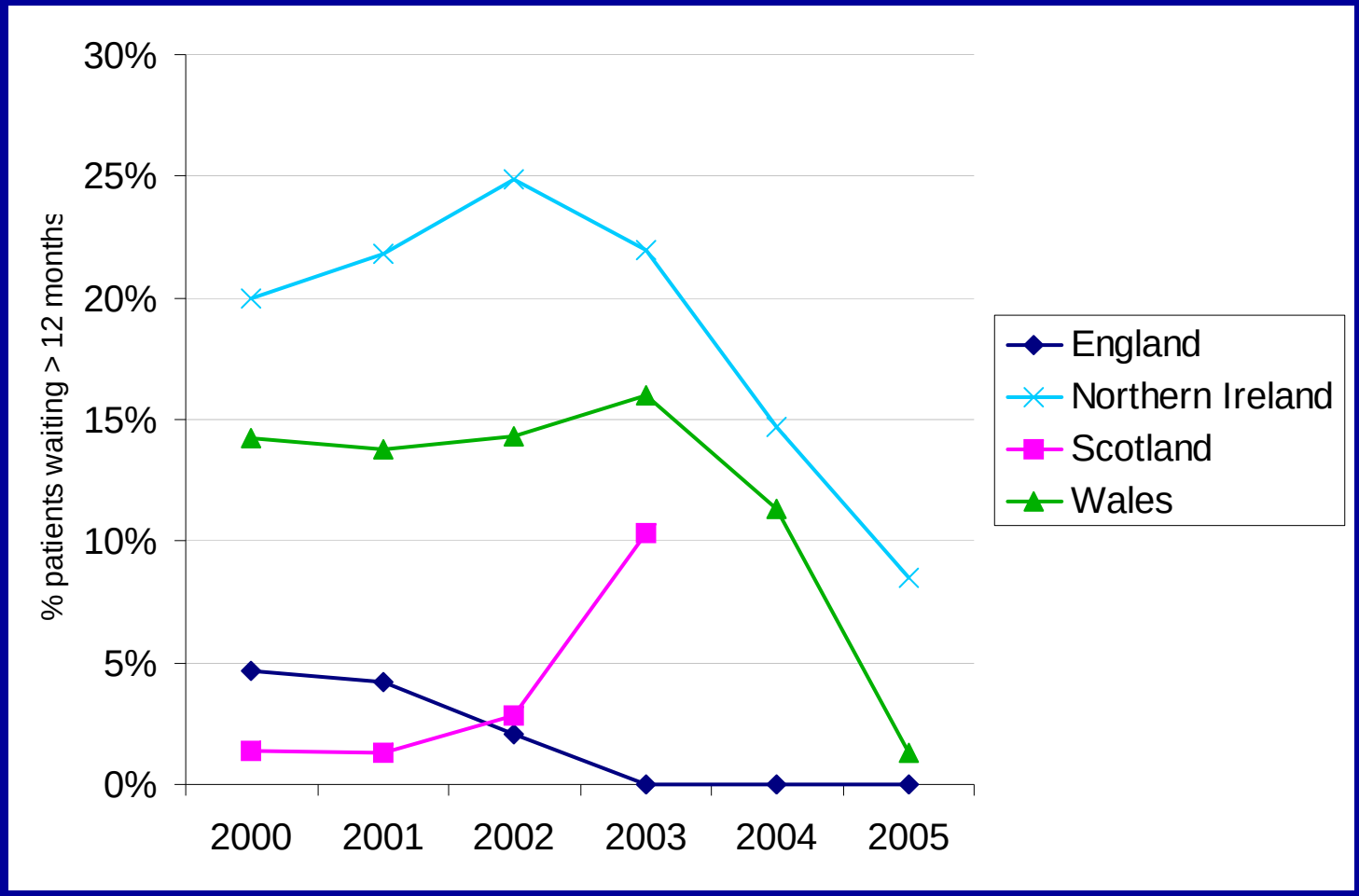

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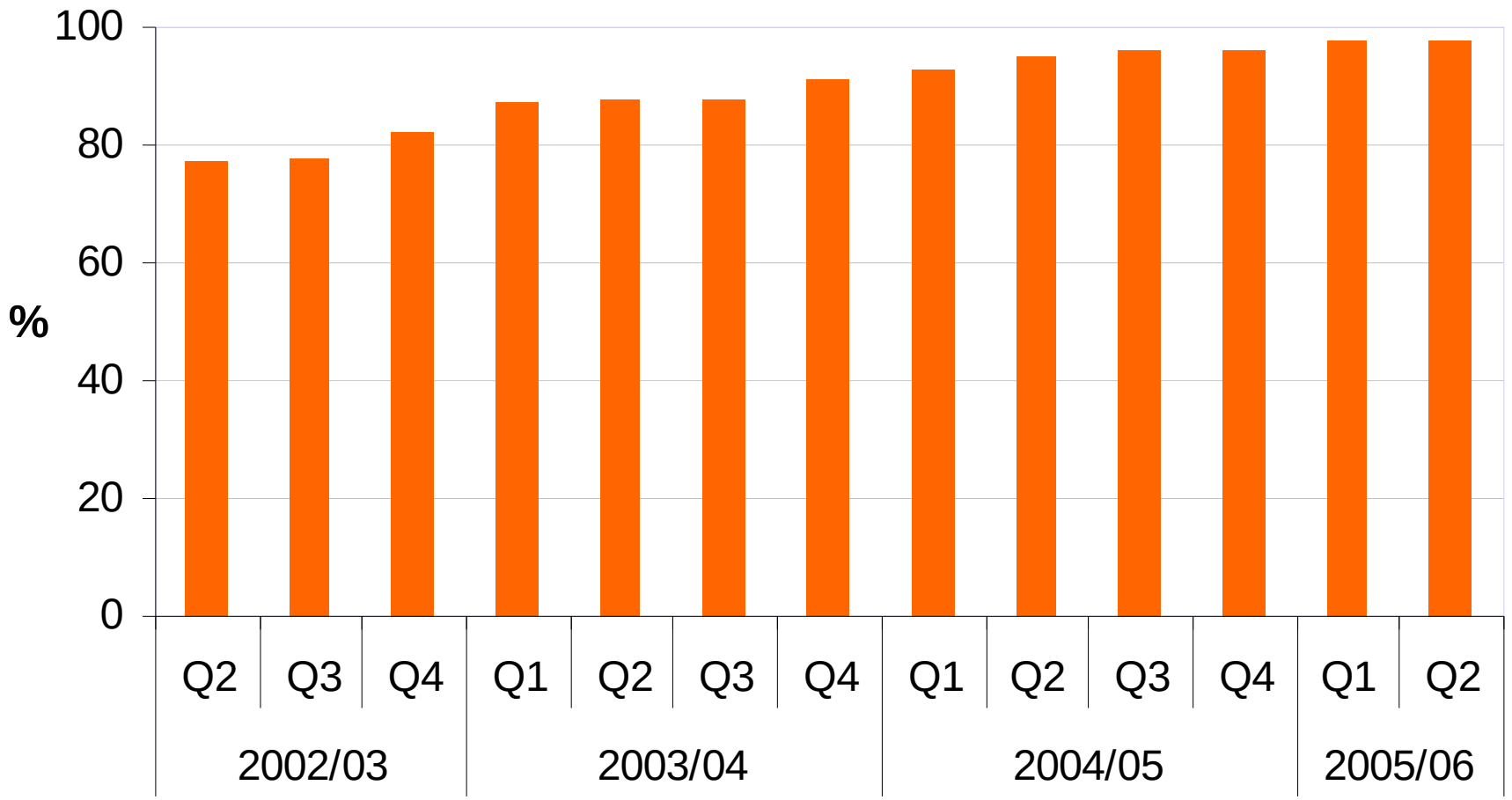
% Patients spending less than 4 hours in major A+E Departments



+ 24% increase in A+E admittances

Source: Chief Executive's Report on the NHS - Statistical Supplement (December 2005)

Problems with targets

- Distortion: hospitlas concentrate on the target but ignore other important (non-targeted) areas. But is this true?
- Demotivation and demoralisation - especially for professionals
- Stifles initiative and innovation.

VOICE

Mechanisms:

- Informal face to face talks with professionals and managers
- Board membership
- Consultative fora
- Complaints procedures
- Petitions
- Elected representatives

Voice: Advantages/Disadvantages

Advantages:

- Rich range of information about users find good and and bad about service. Bottom-up
- Personal interaction

Disadvantages:

- Sometimes difficult to mobilise
- Lack of incentives without adding in other models
- Inequity

Inequity Problem with Voice

Favours better off:

- Through their greater confidence and ability to manipulate system.
- Choice of residence

Inequity and the British National Health Service

- Unemployed, and individuals with low income and poor educational qualifications use health services less relative to need than the employed, the rich and the better educated
- Intervention rates of coronary artery bypass grafts or angiography following heart attack were 30% lower in lowest group than the highest.
- Hip replacements 20% lower among lower income groups despite 30% higher need.
- A one point move down a seven point deprivation scale resulted in GPs spending 3.4% less time per consultation

Types of Choice

- Choice of Insurer (who pays?)
- Choice of Provider (where?)
  - Hospital, Primary care facilities
- Choice of Treatment (what?
  - Treatment, procedures
- Choice of Time (when?)
  - Appointment time, opening hours
- Choice of Access Channel (how?)
  - Face to face, phone, web

Choice of Provider

- Providers are independent. Non-profit or for-profit. Keep any surplus they make on their budget
- Users choose provider. Money follows the choice. So hospitals get more resources through the number of patients they attract.

Choice and competition: advantages

- Provides strong incentives for responsiveness and efficiency. Evidence (chiefly from US) suggests that fixed price systems lower costs and increase quality.

- Promotes equity through diminishing the power of voice. But depends on payment system

- Can appeal to both the altruist and the self-interested.

But:

- Alternatives must exist, so that competition is possible.
- Users must be properly informed, or have an informed agent. Problems for less well off
- Transactions costs low
- Opportunities for cream-skimming low. Cream-skimming: selecting easiest, least costly patients. Favours less needy and better off.
- Payer control on referrals and utilisation. Need monopoly insurer; no choice of insurer.

Ways of dealing with cream-skimming

- Stop-loss insurance
- No discretion over admissions
- Incentives. Larger amounts of money associated with high risk patients. Risk-adjusted funding formulae. But complex.

Overall

- All health care systems use some combination of all four models: trust, mistrust, voice and choice
- Reforms usually involve shifting the balance between the four models.
- Some countries shifting balance to more choice and competition between providers (UK), some between insurers (Netherlands) some to less choice and competition (Germany, US?).

The politics of reform: a case study of introducing choice and competition in the UK

- People don't want choice; they want a good local service
- The better off will make good choices; the poor will be left with the 'sink' hospitals
- Choice and competition in public services – especially from the private sector- will undermine the public service ethos. More generally, choice threatens the public realm

Political Interests

- Social Democrats/Socialists
- Conservatives/Neo-liberals
- Providers (Medical professionals, ancillary workers)
- Users

Model Preferences: Social Democrats

- Default: trust.
  - Many social democrats are professionals
  - Professionals are knights
- Back-up (1): voice
  - Collectivist tradition. Belief in effectiveness (and knightliness) of political processes.
  - Distrust of market, especially generation of inequalities
  - Dislike of commercialisation

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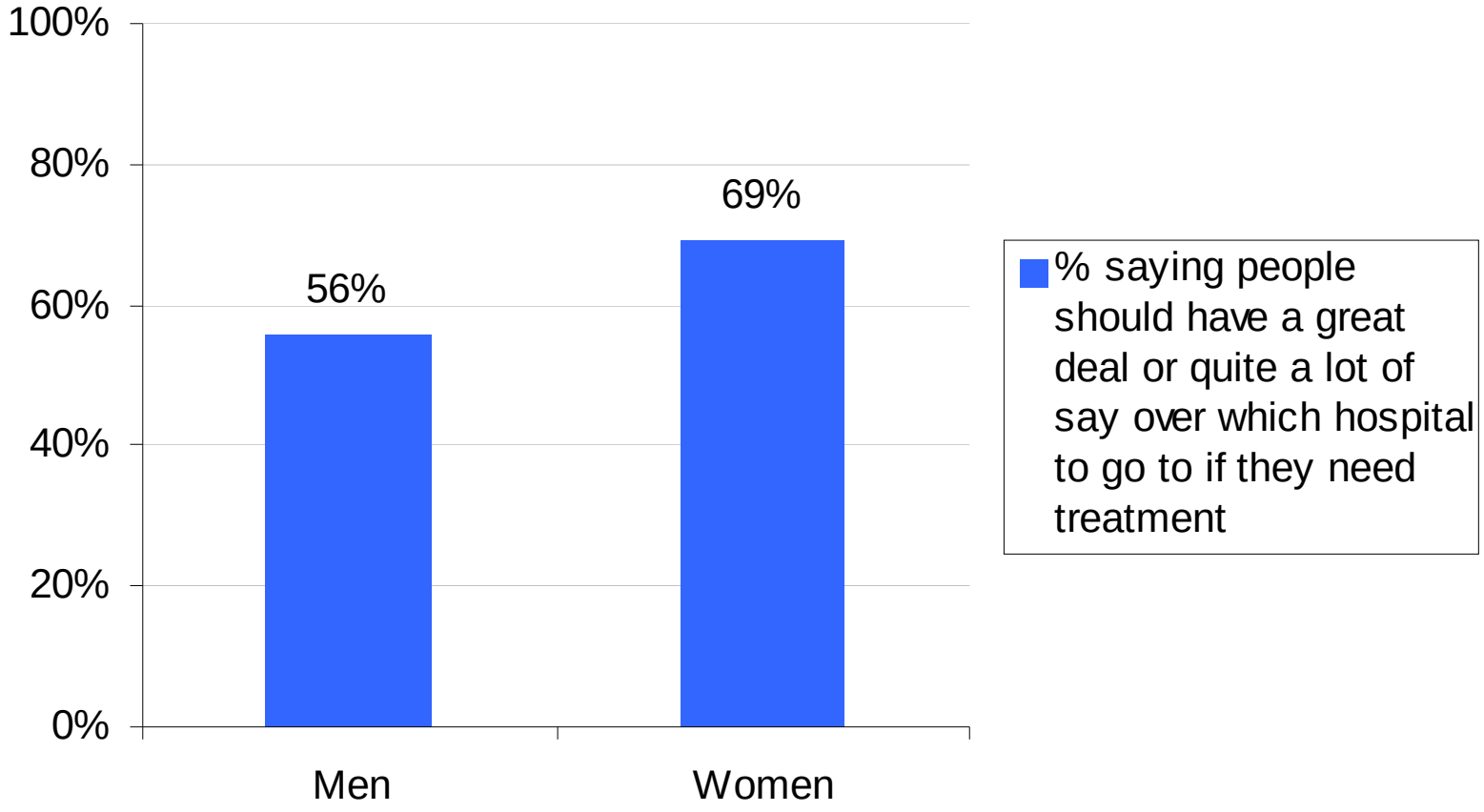
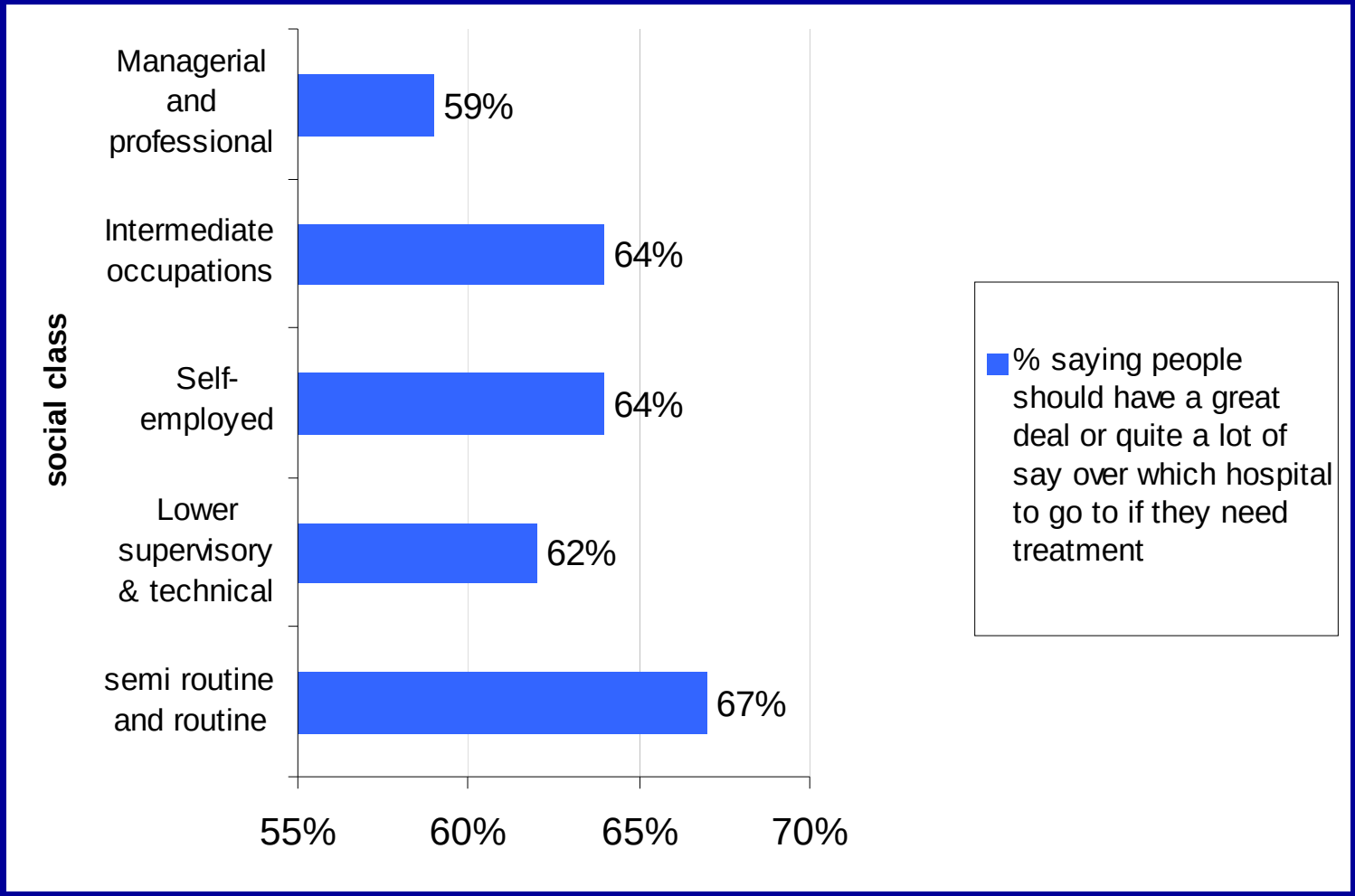
- Back-up (1): voice
  - Collectivist tradition. Belief in effectiveness (and knightliness) of political processes.
  - Distrust of market, especially generation of inequalities
  - Dislike of commercialisation
- Back-up (2): command and control.
  - Belief in planning and in effectiveness and benevolence of government.

Who wants choice: Gender



Source: Public Responses to NHS Reform, John Appleby + Arturo Alvarez, British Social Attitudes Survey 22nd Report (2005)

Who wants choice: Social Class



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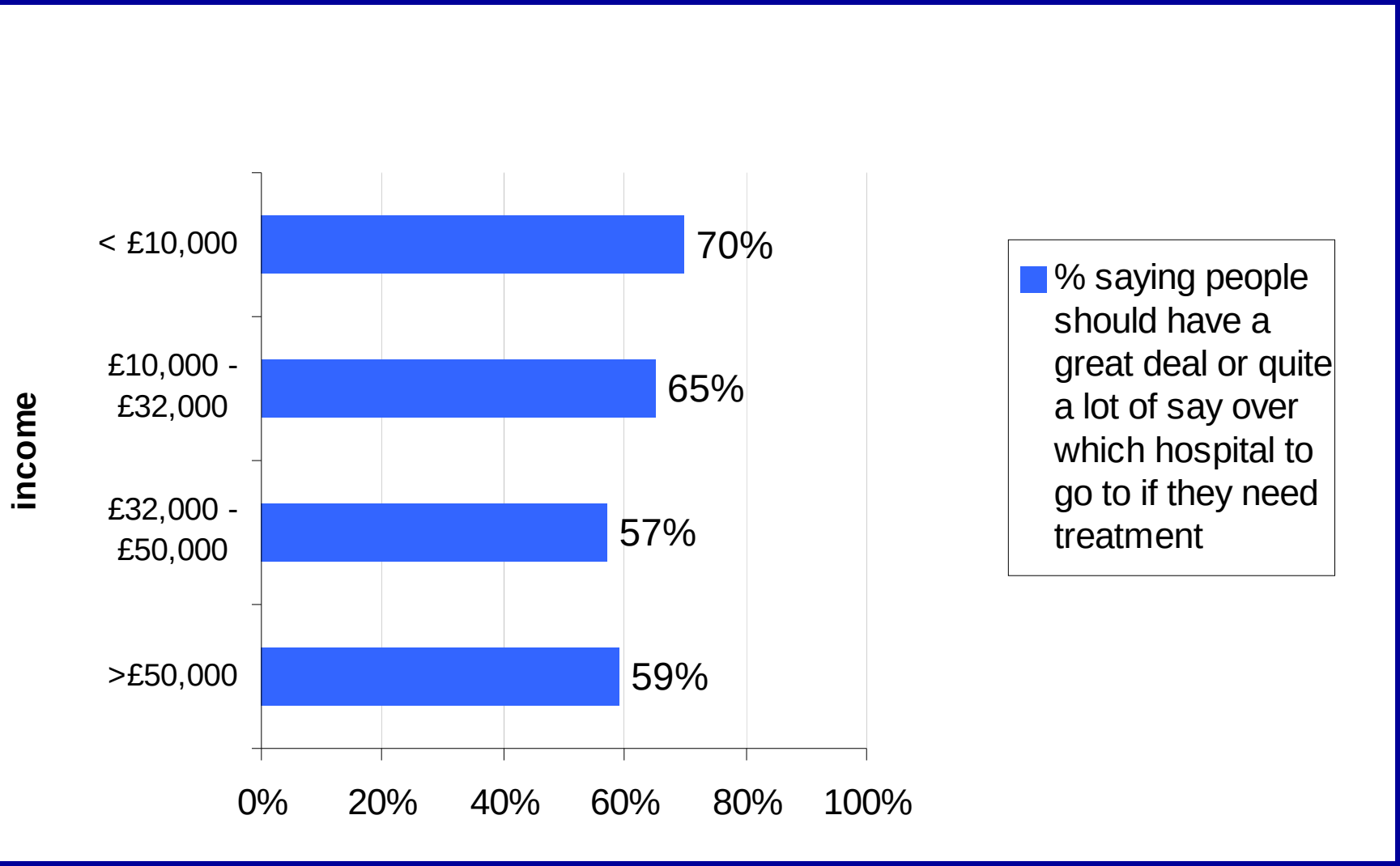
Who wants choice: Income



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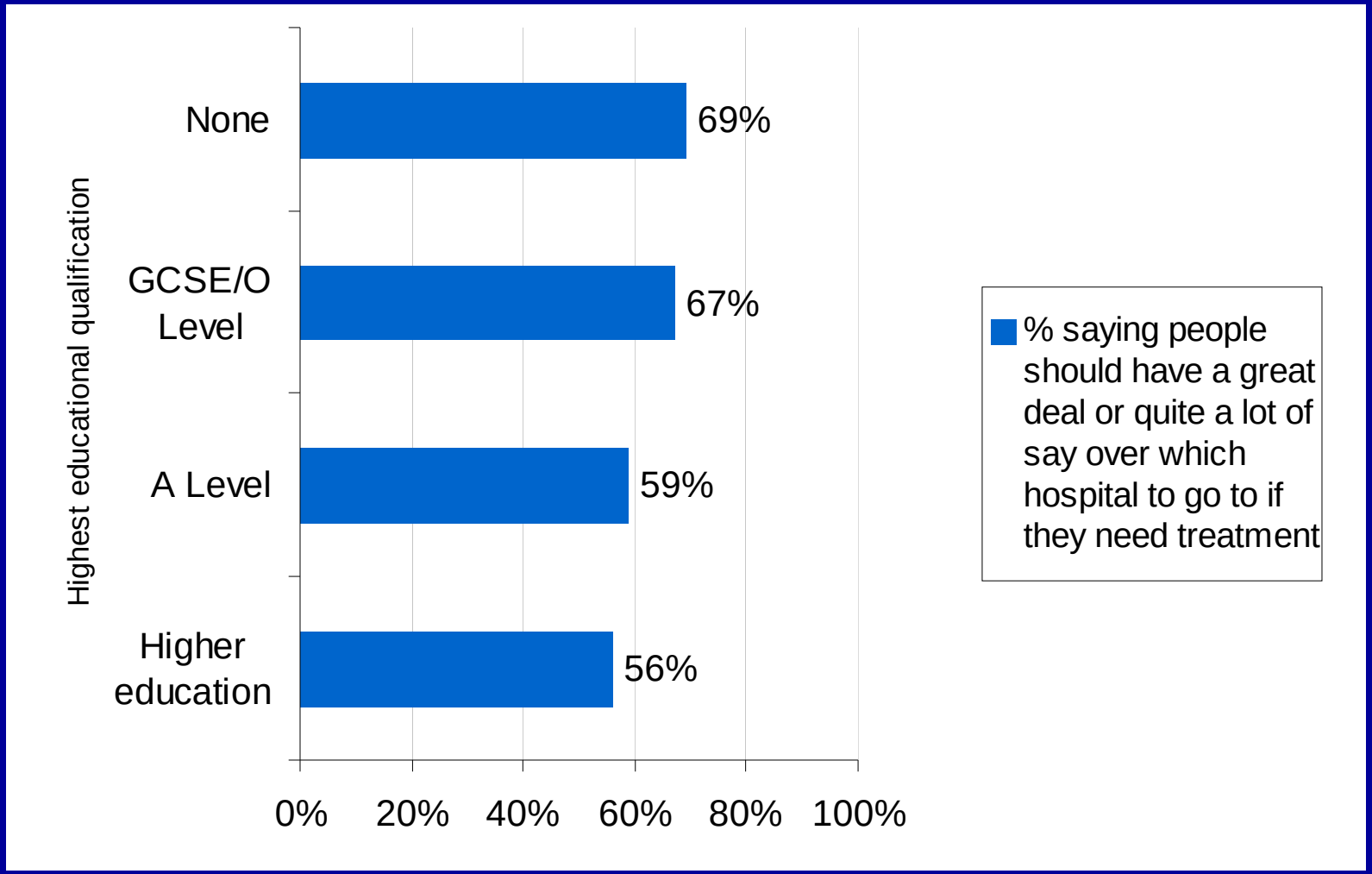
Who wants choice: Educational Achievement



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Minorities and Choice in the US

- 52 per cent of parents, and 59 per cent of public school parents, supported school choice.
- 60 per cent of minorities supported vouchers.
- 87 per cent of black parents aged 26-35 and 66.4 per cent of blacks aged 18-25 supported vouchers.

Parental Choice in New Zealand

- 96% of parents indicated they would like to select the school their child goes to
- 80% of parents agreed that education should be funded such that parents can afford to send their children to the school of their choice.
- A higher proportion of parents with annual income of $30,000 or less strongly agreed with the statement than parents with an annual income of over $30,000.
- Source: Steven Thomas and Ruth Oates *The Parent Factor Report Four: Access to Education.* Auckland: the Maxim Institute, 2005

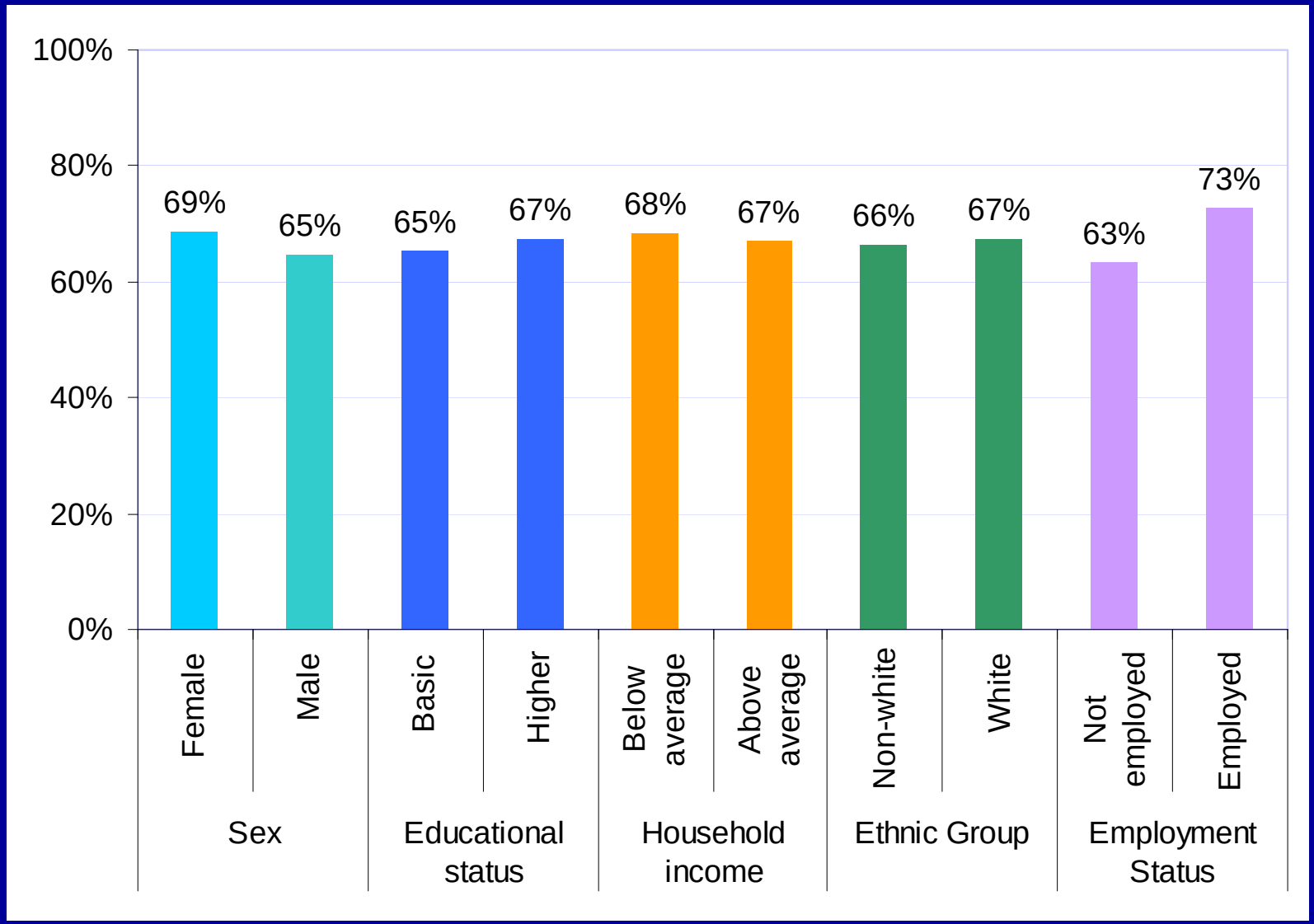
Social democratic challenges

- People don’t want choice; they want a good local service.

  Response. False dichotomy: they do want a good local service: and choice is the way to get it.

- Inequity. The better off will make good choices; the poor will be left with the ‘sink’ hospitals

London Choice Pilot: % opting for an alternative hospital



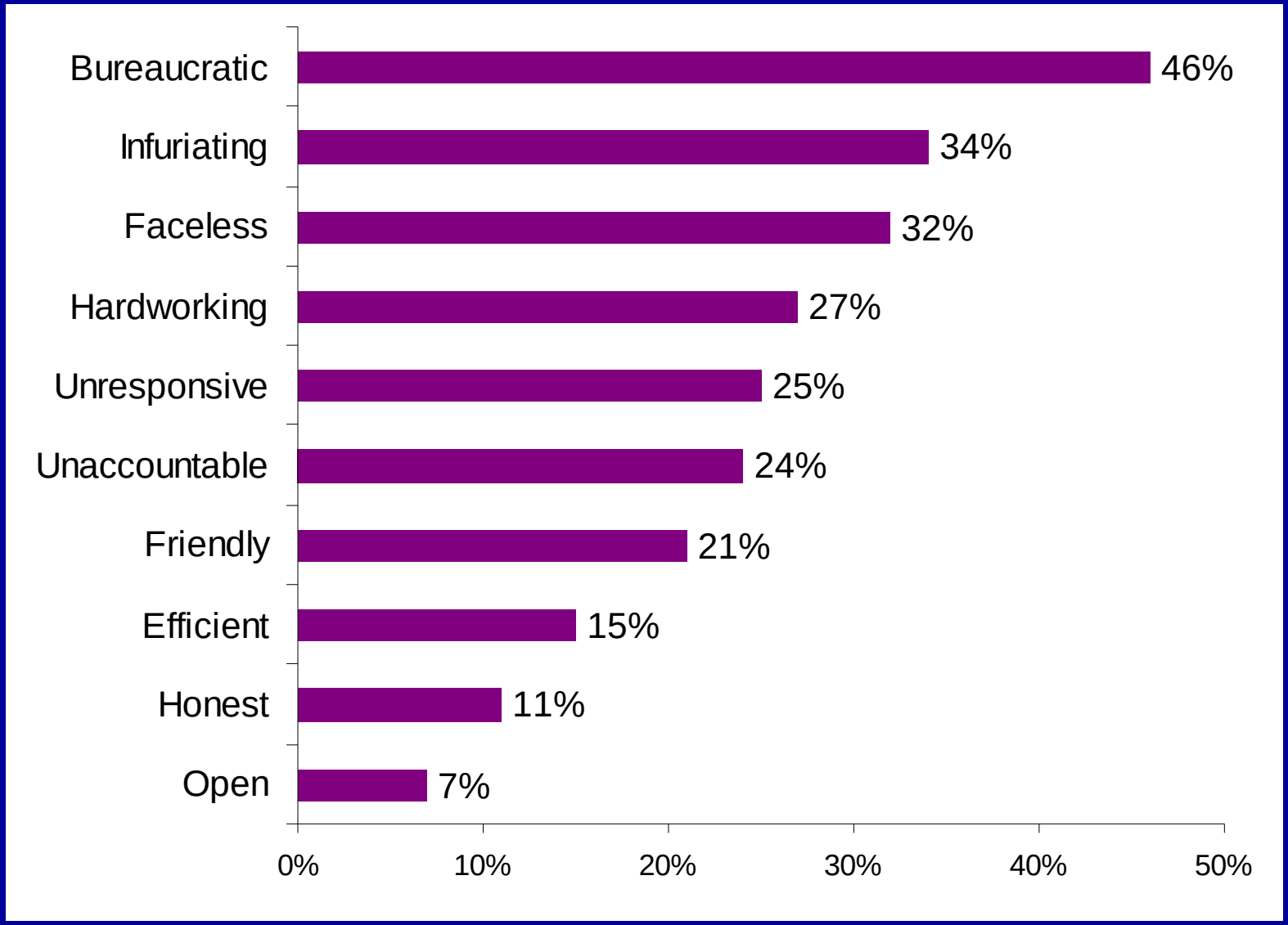
Source: Evaluation of the London Patient Choice Scheme, Picker Institute (July 2005)

Social democratic challenges

- People don’t want choice; they want a good local service
- Inequity. The better off will make good choices; the poor will be left with poor facilities.

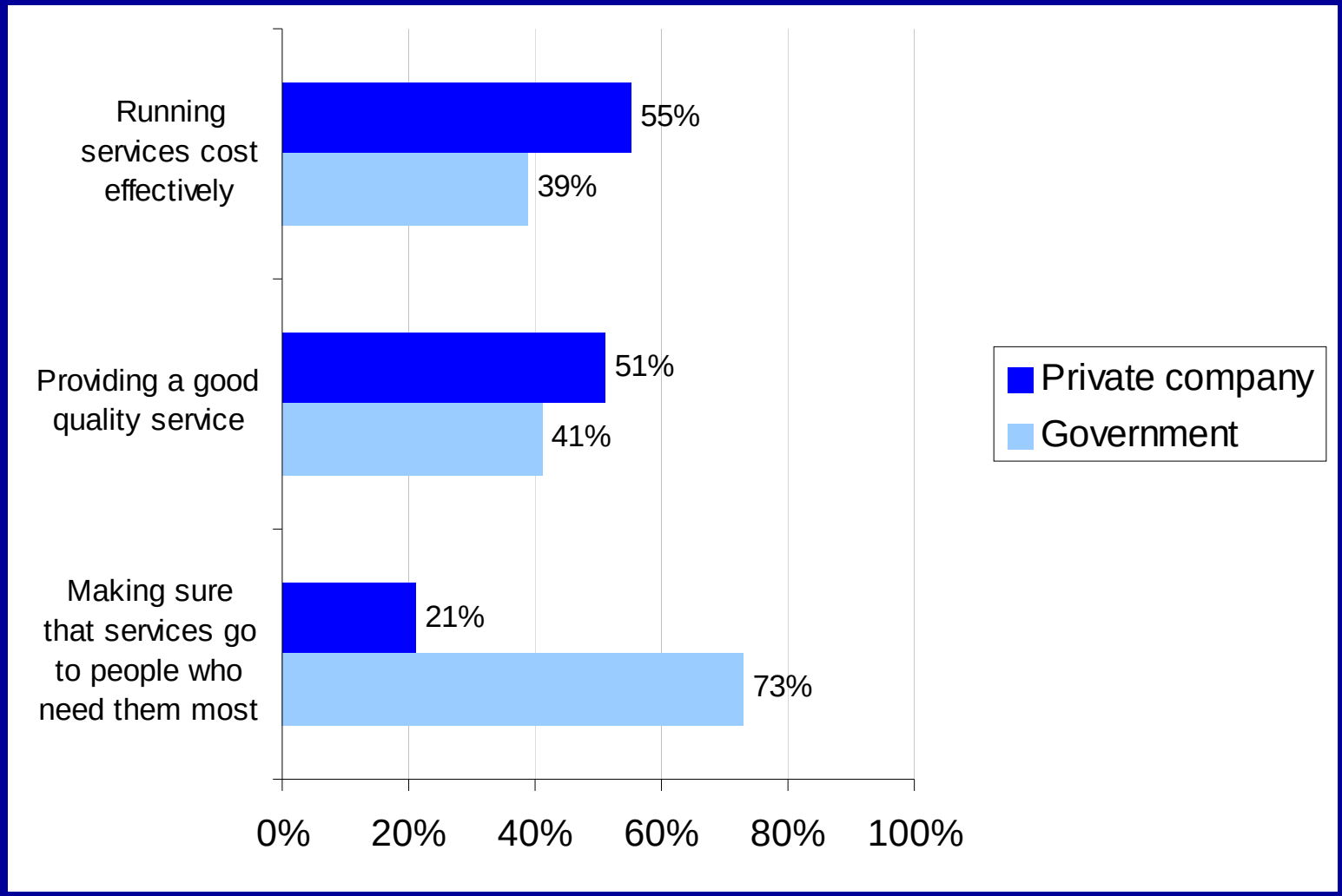
  Response. Choice gives power to poor and lessens power of middle class voice
- Choice and competition in public services – especially from the private sector- will undermine the public service ethos. More generally, choice threatens the public realm

Which words do you think apply to public services in Britain these days?



Source: MORI (2005) survey of 2000 GB aged 18+

Who is best at….



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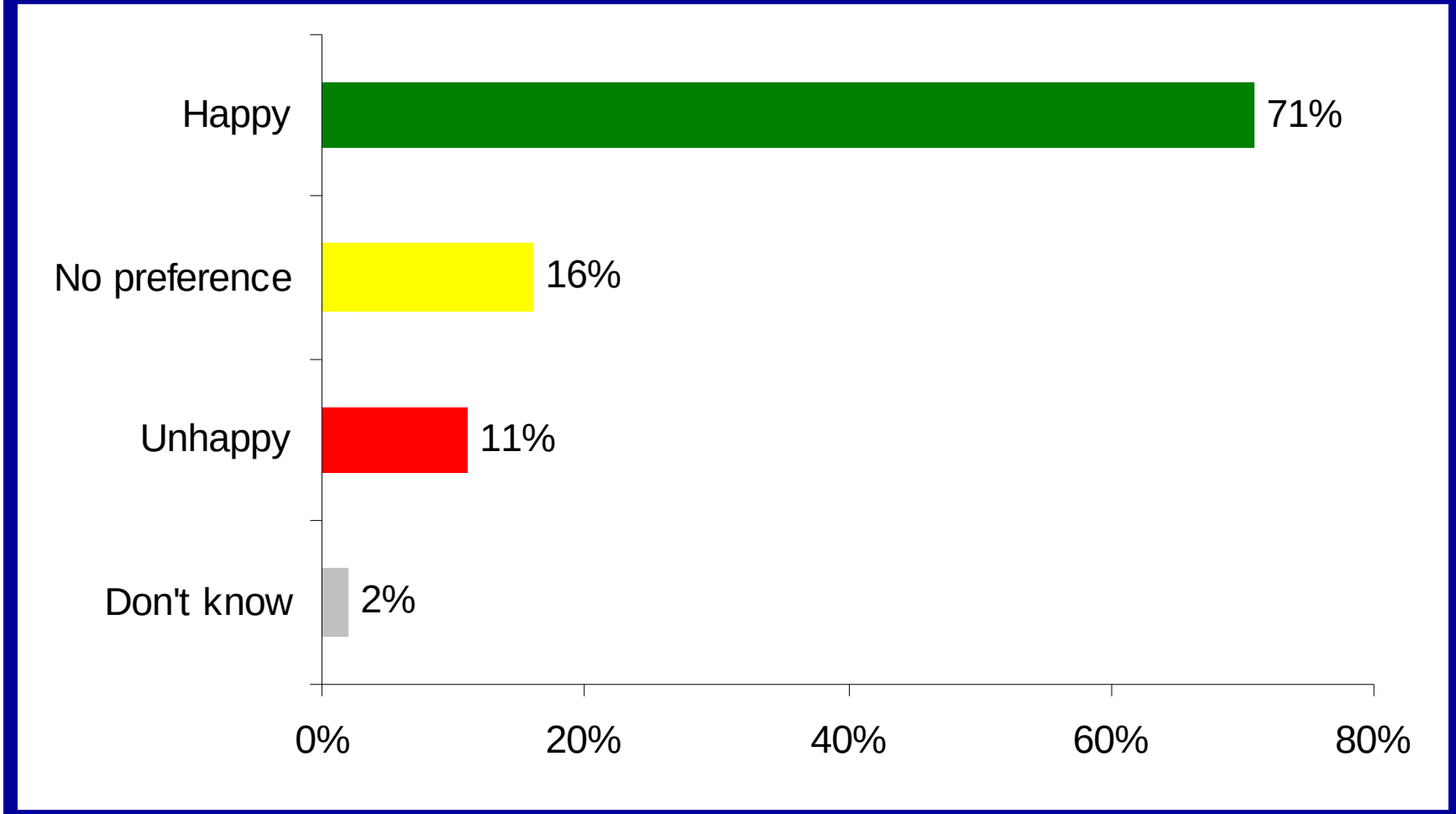
The NHS will now pay for patients to have their operations in private hospitals - how do you feel about this?



Source: MORI survey (April 2005) of 1,201 Birmingham and the Black Country residents 16+

Social democratic challenges

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- Inequity. The better off will make good choices; the poor will be left with poor facilities.
- Choice and competition in public services – especially from the private sector- will undermine the public service ethos. More generally, choice threatens the public realm.

  Response: The public do not mind about the public realm. They want a good service.