

SPECIAL PAPER

Public and Private Sector Relationship in Health Systems and Modern Greek Reality

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Abstract

Introduction: The relationship between public and private sectors is a core characteristic of the way health systems function nowadays globally. At the same time, privatizations seem to have become an important economic factor.

Aim: The aim of the present study was: to examine the relationship between the public and the private sector in health systems, to review the relevant international experience, and investigate the possibility of implementing privatizations in the Greek Health System.

Conclusions: International experience demonstrates that mass privatization programs can lead to the depreciation of public health systems and also to the conversion of health to a marketable commodity. This can have an impact on the quality of health services, and it can also influence workers' rights, and increase insurance costs. In Greece, there is a public demand for a public health system, full-scale primary health care services, and the total re-planning of hospitals with: full financing, appropriate staffing, and high quality health services for all.

Key-words: privatization, public-private partnerships, financing, health system re-planning

Introduction

Over the last 25 years, privatizations have proved to be an important political and financial factor in developed and developing countries, which has contributed to the weakening of public services. The relationship between the public and private sectors is a typical characteristic of health system planning and functions.

The advancement of science and the general economic growth have increased the bulk of knowledge, and also have contributed to the development of the health care sector. On the other hand, the advent of democratic regimes and the development of insurance

organizations in the 20th century, have lead the social security mechanisms out of the market. The differences in the structure and organization of health systems are related to the prevailing attitudes concerning health, the role of the state and the extent of its involvement in health services, the role of voluntary and self-administered insurance companies, the role of the private sector, and also the extent of the health system liability to the society (Liaropoulos, 2010).

Modern perceptions of health, health policy issues, and also resource absorption due to a 'hospital-centered' system, will inevitably lead to the restructuring of the current healthcare system towards a more

decentralized, financially efficient, high-quality one. The development of primary health care (PHC) and the privatization of public services are also discussed, especially as a means for a much needed boost to Greece's problematic economy.

The aim of the present study was to examine methods and reasons for the privatization of health systems, the international experience, and also the possibility of implementing similar policies in the Greek Health System, especially at a time of severe economic crisis.

Privatizations and international experience

Almost all Western economic systems since the '70s have been marked by unemployment, high inflation and fiscal deficits, and also technical inefficiency of public services. For these reasons, most governments are moving towards shrinking the role of the state in financial activities, and creating the conditions for the private sector to deal with emerging problems. In the United States, during the '70s, and in Great Britain in 1980, energetic attempts were made to privatize many public sector activities, in order to achieve financial efficiency, cut down on the cost of public services, and raise revenue. In Greece, privatization of public sector services began in 1990, and this situation has led the State to create competitive conditions by allowing private enterprises to deal with activities previously provided by the public sector (Karayianni, 2008).

Privatizations can be achieved by selling all or part of a public enterprise to private sector agents, by lifting market entry barriers, and by outsourcing activities to the private sector. Theoretically, privatization aims at increasing financial effectiveness and innovation by creating competitive conditions and by decreasing the need for the State to borrow money in order to keep financing the deficits of public enterprises. Another factor in favor of privatizations is the decrease of deficits by selling out public enterprises, lower taxation levels, and the smaller size of public (and semi-public) sector. Moreover, privatization can also be linked to better wealth distribution, more

weakened labor unions, and less political interventions (Arkoumanas, 2005; Karanikolos, 2006; Karayianni, 2008; Liaropoulos, 2010).

Public-private partnerships (PPPs) are the most common form of privatizations; PPPs are long-term partnering relationships between a private party and a public entity, aiming at building the necessary facilities and/or providing a service. In a PPP, the role of the public sector is to monitor whether all efficiency standards are met by the private party (Arkoumanas, 2005; Panagopoulos, 2005; Karanikolos, 2006; Tomadakis, 2006). The international experience regarding the pros and cons of privatizations can be seen in the literature. Boardman et al (2003), after examining privatized enterprises in Canada (1988-1995), conclude that net income and capital investment increased after privatization, profitability was higher, and the number of employees was reduced; they also suggest that privatizations had contributed to the development of the Canadian market (Boardman et al, 2003). Jin Jia et al (2002) compared the financial and operating performance of several firms before and after privatization in Malaysia, and concluded that their turnover and dividend payout increased; the authors also suggest that the presence of institutional investors had a positive impact on the firms' performance (Jia et al, 2002). Bortolotti & Siniscalco (2004), after analyzing privatization-related factors worldwide, argue that privatizations are shaped by economic and budgetary constraints, and also political and institutional factors (Bortolotti & Siniscalco, 2004).

Public-Private Partnerships in Health Systems

Because of economic globalization, PPPs have emerged as a rational cooperative strategy and exist in various forms worldwide. In the last few years, many PPPs have been introduced in several EU countries and especially Great Britain. The number of PPPs is increasing not only because of the fiscal constraints faced by member-states — which leads them to pursue private financing—, but also because the public sector will benefit from the know-how of the

private sector, something that could lead to faster infrastructure development and more efficient services (European Commission, 1998).

But specialists doubt whether PPPs implementation in Greece has been successful. As far as the health sector is concerned, there have been some initiatives on the basis of Act 3389/2005. A number of infrastructures (non-refundable) will be built, albeit under specific limitations concerning the private party's role and involvement (Giannakopoulos et al, 2004).

Healthcare involves a number of intrinsic characteristics affecting the implementation of PPPs. Among those characteristics, we note the patient's uniqueness, his/her inability to take the right decisions, the seriousness of his/her condition, limited choices, and the fact that they are often in need of immediate intervention. One should also note other characteristics too, like the necessity of ethics- and law-abiding, high management intensity, righteous leadership, and the need of dealing simultaneously with multiple serious tasks.

Implementing PPPs can have indirect effects on everyday practice, by influencing in a positive or negative manner several factors, such as the institutional frame, the management and the administration, the work environment, the adequate supply of all necessary means and instruments, etc (Sigalas, 1999; Vincent et al, 2000).

USA and Great Britain: Privatizations in the Health Sector

The US health system sums up modern neoliberal attitudes regarding the privatization of health services. Privatizations began in the 1970's as an attempt to increase competitiveness of the health sector and decrease federal funding. Today, many scholarly papers suggest that this policy had not had a positive effect, since healthcare costs have increased, bureaucracy has become more complicated, social inequality has soared, and provided services are of poor quality. Today, an estimated 43 million Americans have no health insurance; they have to pay the full cost of non-covered services out of their own pockets, while employees do not pay

anything. Chronic patients are denied insurance coverage, private insurance companies cover fewer conditions than public organizations, and an estimated 8%-12% of people with private health insurance do not get proper care when they have to be treated in a hospital. Also, 300,000 beds remain unused, while 1/3 of the citizens are kept out of the healthcare system; thus, mortality rates are increasing and life expectancy has fell.

In Britain, back in 1998 the public health system was broken down into over 300 health trusts, and health services were reformed in order to fit into corporate standards. As a result, healthcare PPPs deal with low-risk, high-profit conditions, while the majority of serious health conditions wind up in public hospitals. Also, physicians have become corporate employees, and Primary Health Care is strictly private. Private companies absorb up to 80% of healthcare public funding, and consequently free-of-charge health services are decreasing. Because the State has no financial control on private companies, the costs for hospital cleaning and supplies have increased, whereas available beds have decreased by 30%, and the number of doctors and nurses also decreased by 25%; also, some large hospitals will have to close down since costs have soared from 6% to almost 23%. Some analysts suggest that public organizations will have to lower quality standards in order to compete with private companies, while health services will gradually become more costly and more inaccessible for many people (Theodorou et al, 2001; Kondylis et al, 2008).

Greek Health System Financing

Sources of financing for health systems internationally can be public (state budget and social security), or private (private insurance, family income, charity, donations). As far as the Greek health system is concerned, public expenditures have increased in the last 30 years, the state budget keeps funding social security, and at the same time funding from private sources keeps increasing (Dikaios, 1999; Theodorou et al, 2001; Siscou, 2007).

The relatively high levels of healthcare expenditures in Greece, as a percentage of GDP, result mainly from fast-growing costs during the period 1995-2008. After 1995, privatization of health services has increased considerably. The fast increase of the 'costs per inhabitant' ratio is also an indicator of fast expanding private health service providers, and also a marker of the conversion of healthcare into a commodity. In OECD countries, public health expenditures make up, on average, 9% of GDP. Private expenditures in Greece in 2007, as a percentage of GDP, were among the highest worldwide. In all the other EU member countries, the level of private expenditures does not exceed 3% of GDP. Healthcare services in Greece are among the most privatized in the developed world, along with USA and Switzerland. It should be noted that although in the United States private expenditures make up 54.4% of all health expenditures, 37% is compensated by private insurance companies; in Greece, the respective percentage is 2.3% (Souliotis, 2000; Mossialos et al, 2005).

A country's social and economic development is directly related to the level of health expenditures, although past a certain point health expenditures have no longer a positive correlation with the general population health level (Souliotis, 2000; Theodorou et al, 2005).

Economic Crisis and the Greek National Health System

The Greek health system is somewhere between central planning and free market, yet with no specific ground rules. Lingering deficits, absence of specific financing mechanisms, unequal resource allocation, black economy phenomena and induced demand—especially for diagnostic tests—, high private expenditures, and intense presence of the private sector in the National Health System, all of the above cumulatively have led to the moral depreciation of the system (Liaropoulos & Tragakis, 1998).

A—so far uncompleted— attempt to “tidy up” the system began with Act 3329/2005, which made a provision for separate hospital budgets that should be approved by the respective District Health Authority; the

same Law also provided for the implementation of PPPs for certain services, such as hospital security and cleaning services, food supplies, etc (The Official Gazette of the Hellenic Republic, Act 3329/2005). It seemed necessary to control financing and compensations, because hospital care can be quite expensive. A recent study on effectiveness and efficiency of several hospitals located in big cities, showed high numbers of human and economic resources, high expenditures for medical supplies and pharmaceuticals, and low efficiency (Gounaris et al, 2006).

Kyriopoulos and Nakas (1991) highlights the inequalities in resource allocation, especially outside the big cities, which inevitably have led to health services of low quality and quantity (Kyriopoulos & Niakas, 1991).

The economic crisis along with the government measures and the poor results of the first Greek Rescue Plan, require drastic cost-containment of health expenditures, an objective completely unrelated to re-planning the health system for better services for all citizens. The Rescue Plan pursues slashing health expenditures below 6% of GDP, and strict monitoring on a three month basis for three main areas: a. Cutting down pharmaceutical expenditures, implementing electronic prescription-writing and reducing the number of pharmaceuticals covered by insurance providers; b. building up a diagnostic tests registry for private diagnostic clinics, and shifting most of the supply expenditures to the biggest insurance organizations; c. reducing hospital operating expenses, implementing of PPPs and also purchasing medical services (Medical Association of Rhodes, 2011).

At the same time, the Ministry of Health and Social Solidarity has announced that old hospitals will be shut down and eight new hospitals (of 300-350 beds each) will be built, which will eventually benefit public funds. This re-arrangement of healthcare units will be funded by borrowing and issuing project bonds of the European Investment Bank, by selling part of the beds to the private sector, and by signing contracts with private insurance companies. Mr L. Liaropoulos, a health economics professor and also the coordinator of the work-group for rearranging the hospitals of Greece, has

pointed out that “by rearranging 2,400 beds there will be a benefit of at least 40 million euros per year for the public funds, considering an extra profit because of the new, modern infrastructures. Thus, the return on investment will be 9% per year. Considering that, even today, bank borrowing costs and certainly the costs of the European Investment Bank project bonds are relatively low, public borrowing for the implementation of this investment would generate profits for the public sector” (Ta Nea Online, 2011).

Conclusions

Today, there is a widespread conception that the private sector should be directly involved in healthcare, and that the public sector should be guided by financial criteria similar to those of the private sector. This way, insured citizens will have direct access to health services and also freedom of choice. Modern-day reforms depend on this free market model, which is propagated by many scholars and by the mass media too (Theodorou et al, 2001).

The main problems of the Greek Health System are the following: lack of specialized staff, wasteful spending and corruption, mainly because of poor planning, mismanagement, and inadequate public funding. The current distribution of hospitals cannot meet the needs of the population, since the bulk of services keeps accumulating in big cities, leaving the rest of the country with scarce and inadequate services. According to official data, currently in Greece there is a 4.2 beds per 1,000 population ratio, yet inadequately distributed, while the same ratio for other European countries is 3 to 3.5 beds per 1,000 population. This situation is the result of political pressures, current events and happenstance, lack of law implementation, and also political clientelism. Since Greece is in the midst of an intense financial crisis, and under the obligations created by the Rescue Plan, it will be difficult for new infrastructure to be built and for specialized staff to be hired (Tountas, 2010).

The total abandonment of Primary Health Care has also facilitated wasting public resources by compensating a huge number of

private diagnostic clinics; it is also one of the causes of corruption in the health sector.

According to WHO data, 44% of total health expenditures are private expenditures; out-of-pocket payments make up 74% of this percentage, leaving a mere 4.4% compensated by private insurance companies. Greece is one of the four countries that have the highest private expenditures among OECD countries, and comes only third to out-of-pocket payments of total health expenditures (WHO, 2007). According to the Hellenic Statistical Authority, in 2000 the private sector owned almost 30% of all hospital beds in the country and also most of high-technology diagnostic tools, and could operate under virtually no government control (Theodorou et al, 2001).

Some specialists conclude that, in order to avoid a dead-end situation, a pilot implementation will be of crucial importance for monitoring the resource efficiency and effectiveness, using population health indicators, and thus ensuring accessibility and equality of the population to the health services. PPPs should be under assessment, but new, long-term social policies should also be formulated, taking into account not only the characteristics of these investments, but social welfare policy as well.

International experience shows that massive PPPs can lead to the depreciation of public health systems, and may turn health to a commodity. At the same time, workers' rights are under attack, insurance contributions are increased, insurance benefits are reduced, physicians are hired under contracts, and staff hiring has dropped significantly. Major cuts to public spending, pay and pensions, insecure working conditions, and higher individual spending on health care, will lead to lower levels of population health and greater social inequality. By abolishing public health services, middle and lower-class citizens will be affected the most. The concept of social state is gradually phased out in the name of free market.

The worldwide decrease in the average length of hospital stay, and the emergence of new, out-of-hospital settings of care, such as day clinics, domiciliary care, and rehabilitation centers, can leave hospitals

with even fewer beds. It is important that the Primary Health Care system be implemented soon; a full-scale re-planning of public hospitals and all available services is also of crucial importance. There is an intense demand for a publicly-funded, high quality health system, which will be adequately financed and staffed. In today's volatile conditions, society seems to readily accept Professor Himmelstein's point of view: "some aspects of life are too precious, intimate or corruptible to entrust to the market" (Woolhandler & Himmelstein, 1999).

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