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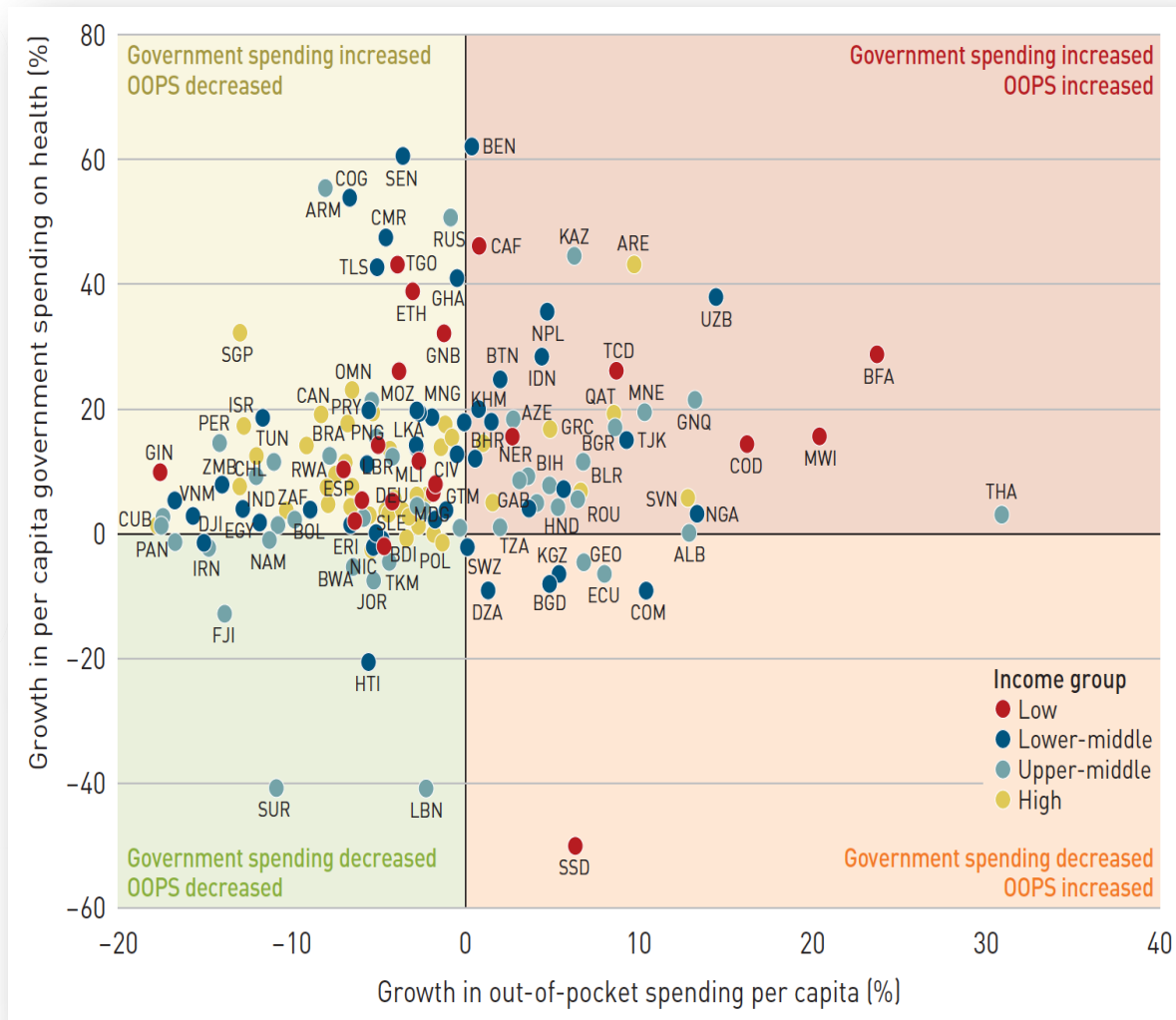
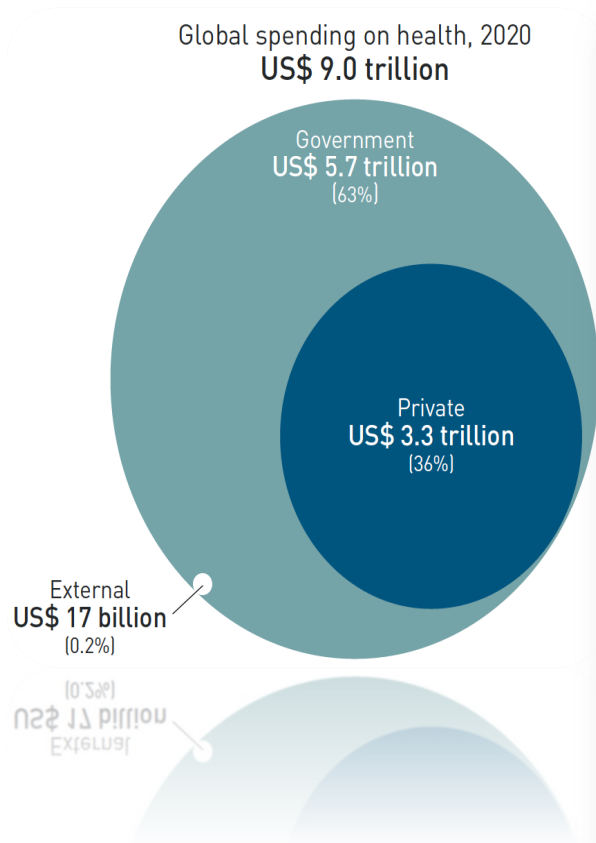


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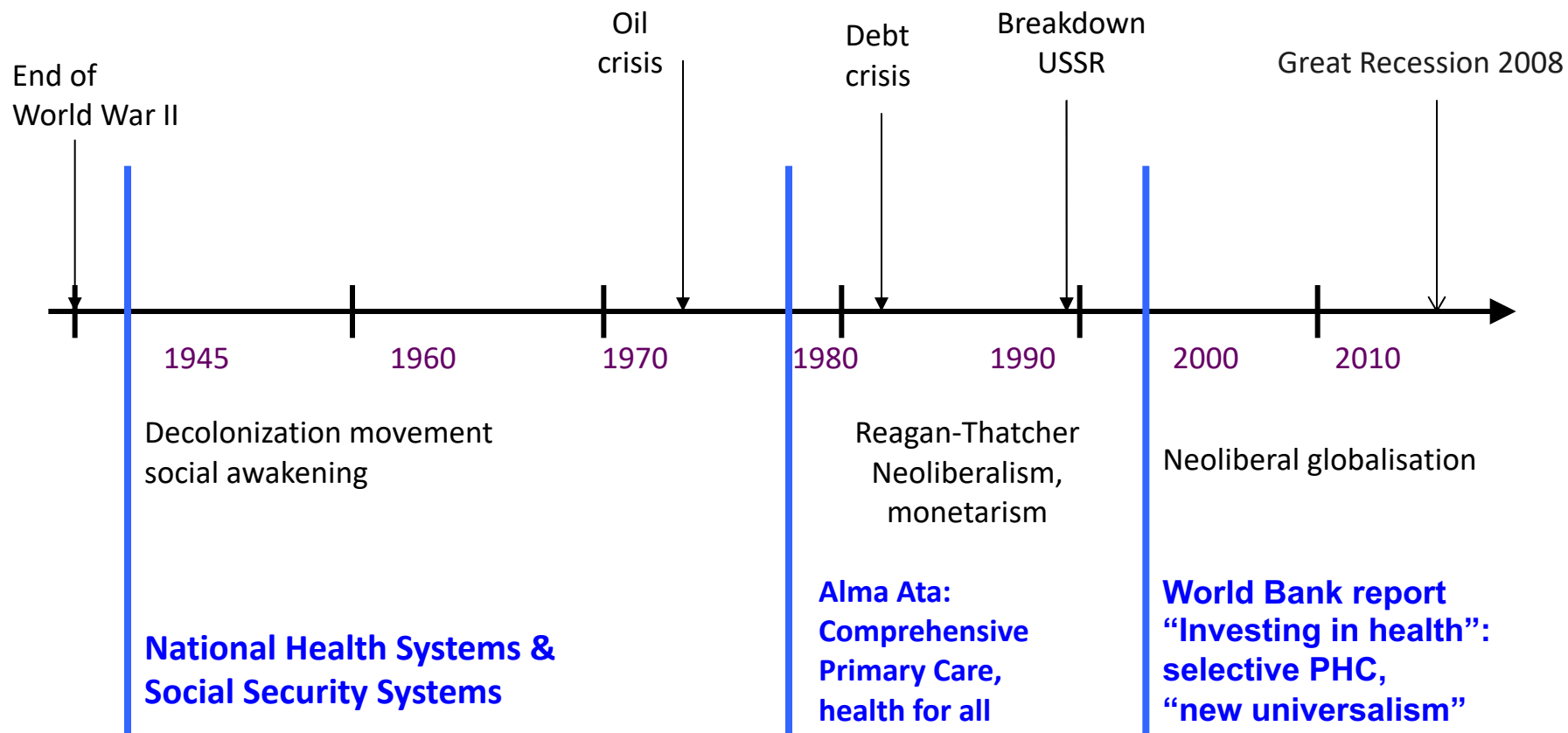
# Privatization and capital exploitation in healthcare in Europe

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# Global Health Expenditure 2020



# Historical evolution of healthcare systems



# Critique of state intervention

- **“State-led development is no longer seen as a viable model (...)** many factors have contributed to this realization:
  - The collapse of centrally planned economies
  - The fiscal crises in welfare states of advanced, industrial economies
  - The recent Asian – crisis calling into question the “miracle” of sustainable state-led growth of the East Asian tigers”

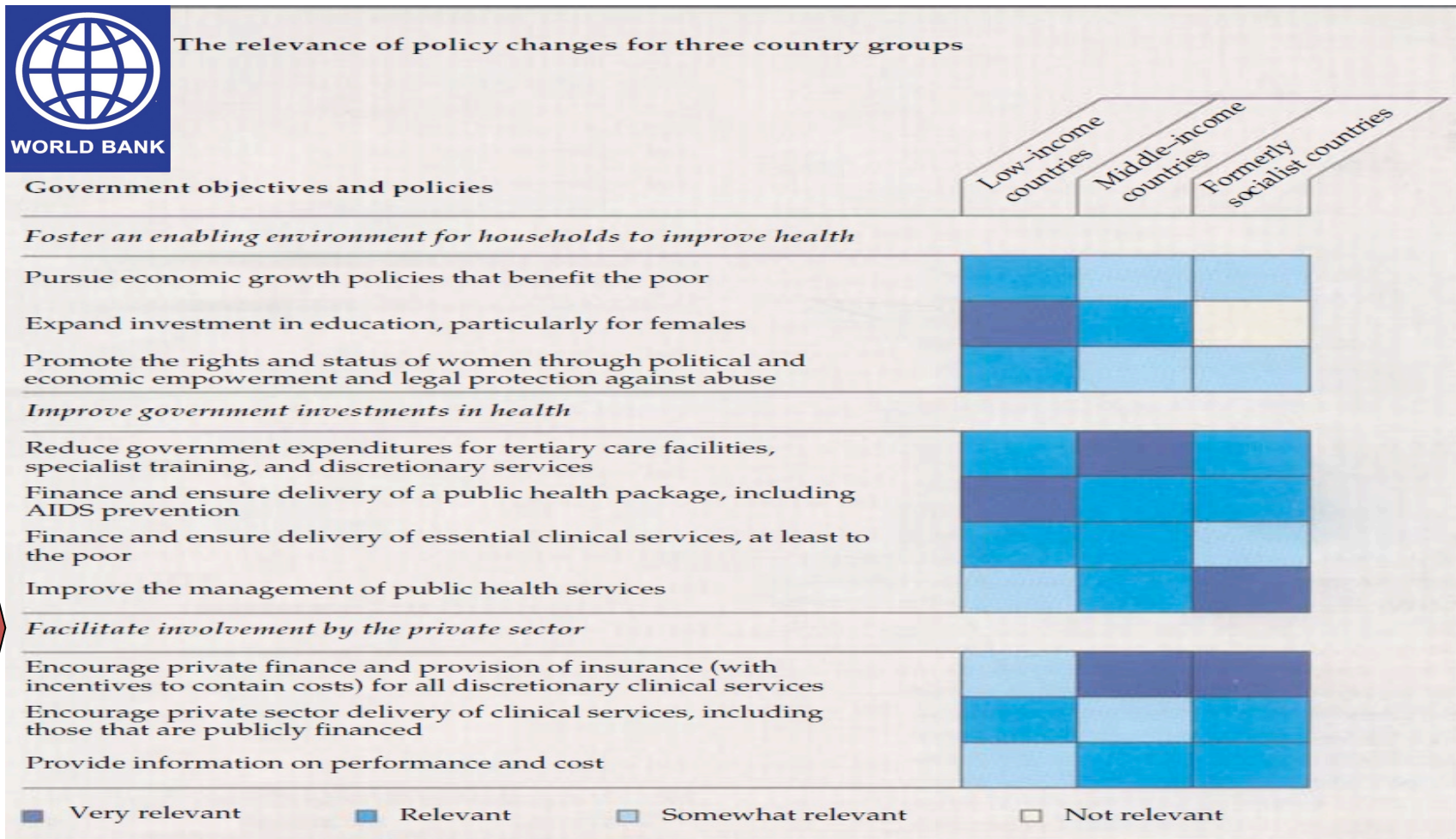
# Critique of state intervention

- Public sector is **technically inefficient**, bloated, overstaffed, performs poorly and costly, and provides inadequate services
- Public administration is distant, undemocratic, **unresponsive, and unaccountable to users**, causing widespread dissatisfaction
- Public sector provides **patronage** instead of service, employment rather than goods and services
- Public sector is **corrupt** and used to secure political support

# Critique of state intervention

- **Public Choice Theory:** it is asserted that state is itself an interest group in pursuit of the interests of those who run it. Politicians can be expected to promote policies which will maximize their chances for re-election; bureaucrats can be expected to attempt to maximize their budgets because budget size affects bureaucrats' rewards either in terms of salary, status or opportunities to engage in corruption.
- **Property Rights Theory:** explains poor public sector performance through the absence of property rights (decision-making rights and rights to revenue flows). Civil servants perform poorly, since they have very few incentives to do well because they cannot benefit personally from goal performance, unlike in a business.

# Healthcare privatization an international trend



# Healthcare privatization an international trend

- “In systems where both financing and delivery of care is a public responsibility, efforts to distinguish the roles of health-care payers and providers, so as to allow markets to function and generate efficiencies from competition, have proved generally effective”



*OECD. Towards high-performing health systems. 2004*

- “Among micro-level reforms, strengthening market mechanisms—increasing patient choice of insurers, allowing greater competition between insurers, relying on a greater degree of private provision, and allowing more competition between providers—is particularly important to contain costs. Management and contracting reforms, such as extending the use of managed care or shifting toward case-based payments, are central to improving the efficiency of spending”



*IMF. Macro-fiscal implications of healthcare reform  
in advanced and emerging economies. 2010*



# Healthcare privatization an international trend



EU Treaty, Article 168:

- **§ 6: “Union shall respect the responsibilities of the Member States for the definition of their health policy** and for the organisation and delivery of health services and medical care. The responsibilities of the Member States shall include the management of health services and medical care and the allocation of resources assigned to them”
- At the heart of the EU law is the **creation of a single European market**; EU law removes all restrictions on the **free flow of goods, services, people and capital** within the EU and ensures **free competition within that market**

# Defining healthcare privatization

- “Privatization is the **turning of public assets over to private ownership**”

Saltman R. 2003

- “Privatization is the **transfer of ownership AND government functions from public to private bodies**”

Albrecht T. 2009

- “In a broader sense privatization can be described as a **process in which non-government actors become increasingly involved in the financing and/or provision of health care services** (...) internal market policies do not fit the precise definition of privatization”

WHO task force on health economics 1995

# Defining Healthcare Privatization

POSSIBLE COMBINATIONS OF PUBLIC AND PRIVATE SECTOR FINANCING AND PROVISION			
FINANCING / PROVISION	PUBLIC	PRIVATE NOT-FOR-PROFIT	PRIVATE FOR-PROFIT
PUBLIC	A) General tax revenues used for direct public provision	B) Public insurance contributions used to purchase the services of NFP providers	C) General revenues used to purchase the services of PFP providers
PRIVATE	D) User fees paid for private use of public facilities	E) User fees paid of NFP facilities	F) Private insurance payments paid to providers in private practice

# Defining healthcare privatization

- “Its too simple to conceptualize privatization as a simple dichotomy between public and private. Such a conceptualization would not only ignore the gray area between public and private but also disregard the evolutionary character of privatization”

- “It is therefore useful to introduce the notion of continuum ranging from precursors of privatization to moderate or radical forms of privatization”

- **Decentralization** (de-concentration / delegation / devolution)
- **Autonomization** / Corporatization
- **Regulated competition** (or internal market policies or liberalization) / Managed competition

Precursors of privatization (healthcare commercialisation, marketisation)

- **Liquidation** (or termination)
- **Contracting out** (or outsourcing)
- **Public-private partnerships** (privatization of investment and management)
- **Privatization of healthcare financing**

Direct forms of healthcare privatization

# Defining healthcare privatization



TABLE B3.1: The seven main types of privatizations in healthcare systems

Type	Definition	Rationale
Termination (or liquidation)	The process of state divestment of public assets (like hospitals or primary care centers). It entails the transfer of shares or the direct selling of public infrastructure to private owners.	To reduce the scope of public intervention so to reduce the “burden of public sector financing.”
Contracting-out (or outsourcing)	The partial or total shift of responsibility for provision of clinical or non-clinical services to the private sector, keeping financing responsibilities with the public sector.	Under contracting, the state releases itself from the “burden of direct provision,” while retaining the political and financial responsibility over the contracted services.
Fiscal decentralization	The transfer of the responsibility for pooling revenues and spending healthcare resources from national governments to local authorities (e.g., regional authorities or municipalities).	The state shifts responsibilities within the public sector. Fiscal decentralization can facilitate direct privatization at local levels.
Autonomization	The transfer of decision-making responsibilities and – often – of revenue rights from central government to providers’ level (e.g., hospitals).	Hospitals or primary care centers remain public or semi-public legal entities but operate as private corporates. Autonomization in many cases is the first step towards full privatization.
Internal (or “quasi”) market reforms	Also known as regulated competition, this involves competition on the supply side of the healthcare system while maintaining a single source of public health financing.	Regulated competition is usually combined with the autonomization of public providers and the introduction of contractual relationships between them and the single public health financing body.
Public–private partnerships (PPPs)	Long-term contractual arrangements between public authorities and corporates, which aim to ensure the funding, construction, renovation, management, or maintenance of new public healthcare infrastructure.	Types of PPPs may vary. In most cases the public sector sets the requirements for the new public infrastructure, while the private sector designs, builds, finances, operates, or manages the new project. The public sector reimburses the private contractors for their services.
Privatization of healthcare financing	The increasing involvement of private actors in the financing of healthcare services.	Usually promoted through increased out-of-pocket payments, or by increased participation of private-for-profit insurance schemes in the health coverage of the population.

Source: Table based on Kondilis (2016).

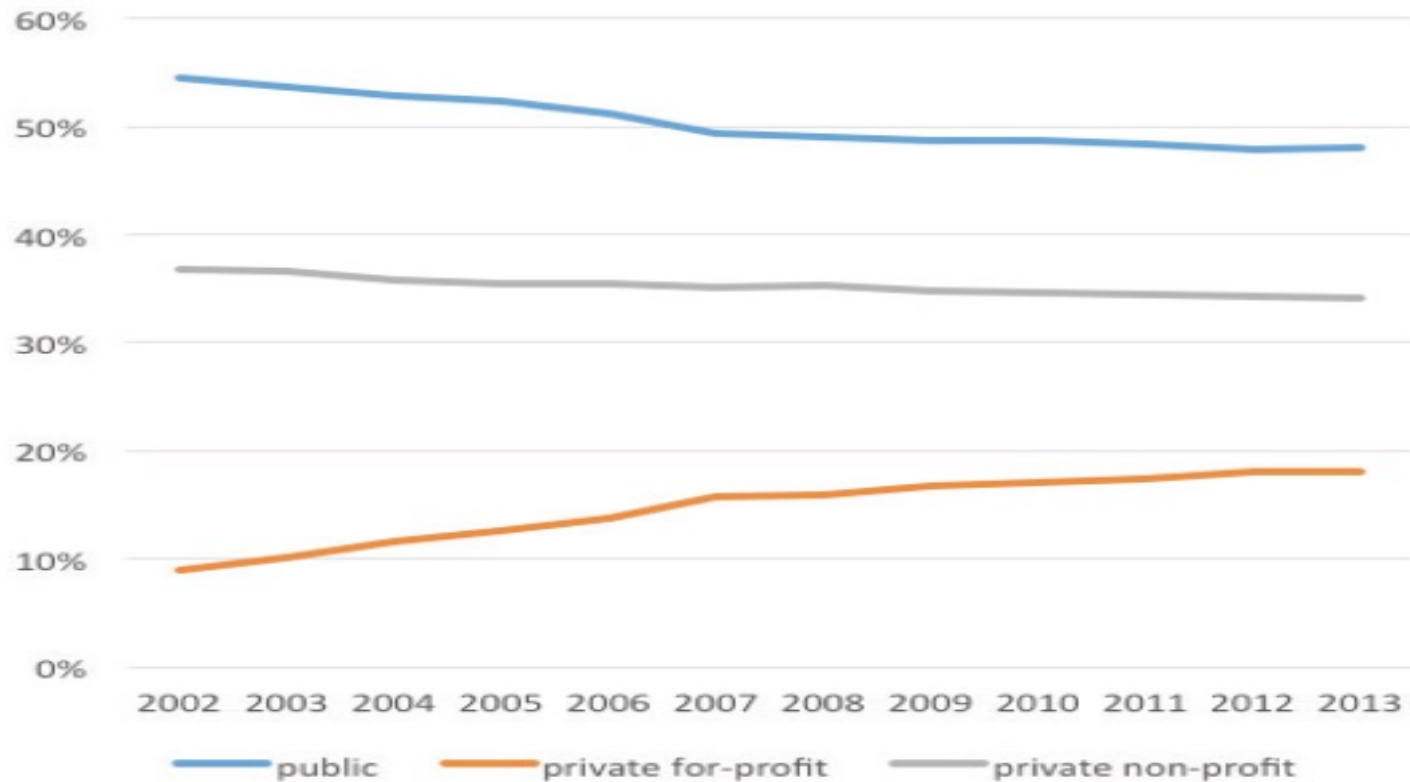
# Types of Healthcare Privatization

- **Termination (or liquidation):** means that the State divests itself of public assets (like hospitals) to private owners.
- The primary objective of liquidation is to reduce the scope of public intervention and as a result reduce the burden of public sector financing.

Liquidation of public and private not-for-profit hospitals, Germany 2001-11	
2001	“Helios” bought the clinic of the city of Erfurt
2003	“Helios” took over 94.9% of the hospital of the city of Wuppertal
2004	“Asklepios” bought the main hospital group of the federal state of Hamburg
2006	“Rhon Klinikum AG” acquired the university clinics of Mamburg and Gieben
2011	The county of Rottweil sold two municipal hospitals for €44m
2011	The city of Wiesbaden in Hesse issued a tender for the acquisition of a 49% share of its municipal hospital

# Types of Healthcare Privatization

**Figure 7: Composition of the German hospital sector (% of hospital beds)**



# Types of Healthcare Privatization

- **Contracting out (or outsourcing):** involves shifting partial or complete responsibility for the provision of clinical or non-clinical services to the private sector, while the responsibility of financing remains with the public sector
- Contracting does not reduce the scope of public intervention. Governments retain their political responsibility over the contracted services

Contracted out clinical and non-clinical services, NHS UK 1983-2010	
1983	Hospital non-clinical support services (catering, cleaning, laundry etc)
2000	Diagnostic services (CT and MRI scanning)
2000	Elective surgery (through ISTCs - "Independent Sector Treatment Centres")
2002	Out-of-hours (OOH) GP services
2005	Regular primary care services (through APMS – "Alternative Providers of Medical Services")
2006	Community health services
2010	Blood transfusion service (storage, collection and delivery of blood supplies)



# Types of Healthcare Privatization

## The contracting NHS: key facts

<b>53,000</b>	estimated number of contracts held between the NHS and the private sector for healthcare in England, including for primary care services.
<b>£22.6bn</b>	total value of NHS contracts with the private sector, including primary care services.
<b>24%</b>	percentage of NHS England's total budget of £95bn which is spent in the private sector, including for primary care services.
<b>£9.3bn</b>	amount spent by CCGs on contracts with the private sector for NHS services in 2013-4.
<b>16%</b>	percentage of the total Clinical Commissioning Group budget of £65bn which is now spent on the private sector.
<b>15,000</b>	estimated number of contracts between CCGs and the private sector.
<b>90</b>	average number of contracts with the private sector held by each CCG.
<b>25,000</b>	number of staff employed in CCGs, CSUs, and NHS Local Area Teams to commission, administer and enforce NHS contracts.
<b>£1.3bn</b>	combined budget of CCGs and NHS England Local Area Teams for commissioning, administering and enforcing NHS contracts.
<b>£700m</b>	amount spent by CCGs on CSUs to administer, monitor and enforce their contracts with NHS and private sector providers.

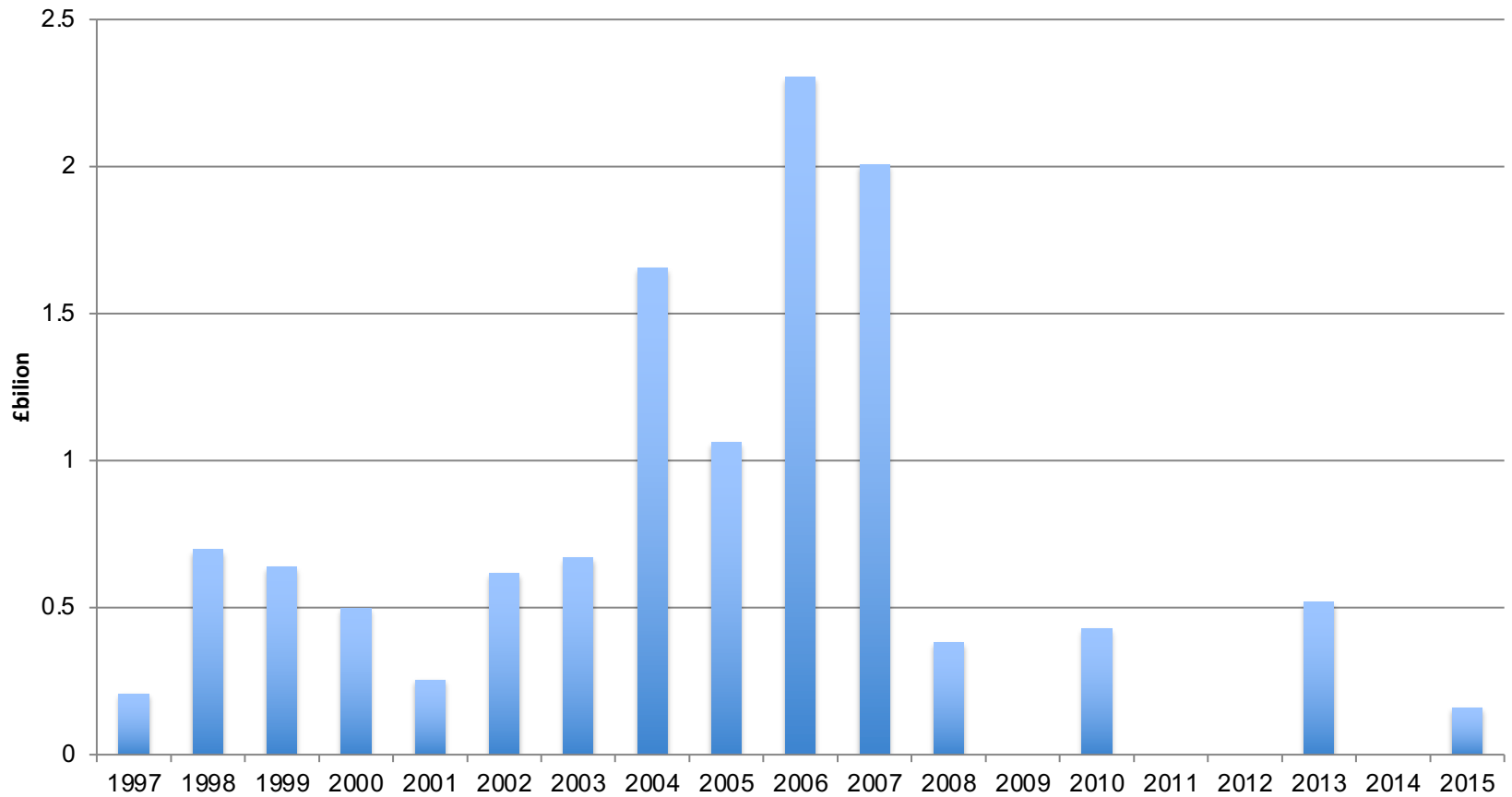
# Types of Healthcare Privatization

- **Public-Private Partnerships:** “the term refers to forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure”

Public-private hospital partnerships	
UK	By April 2009, 101 of the 133 new hospitals built between 1997 and 2008, were privately financed
Europe	\$4 billion in hospital PPP deals were announced during the first half of 2010
North America	Between 2005 and 2010 British Columbia, Ontario, and Quebec had completed \$10 billion in healthcare PPP projects
Africa	In South Africa the government was planning to refurbish the giant 2,964-bed Chris Hani Baragwanath Hospital through PPP

# Types of Healthcare Privatization

Capital value NHS England PFI projects 1997-2015 (£bn)

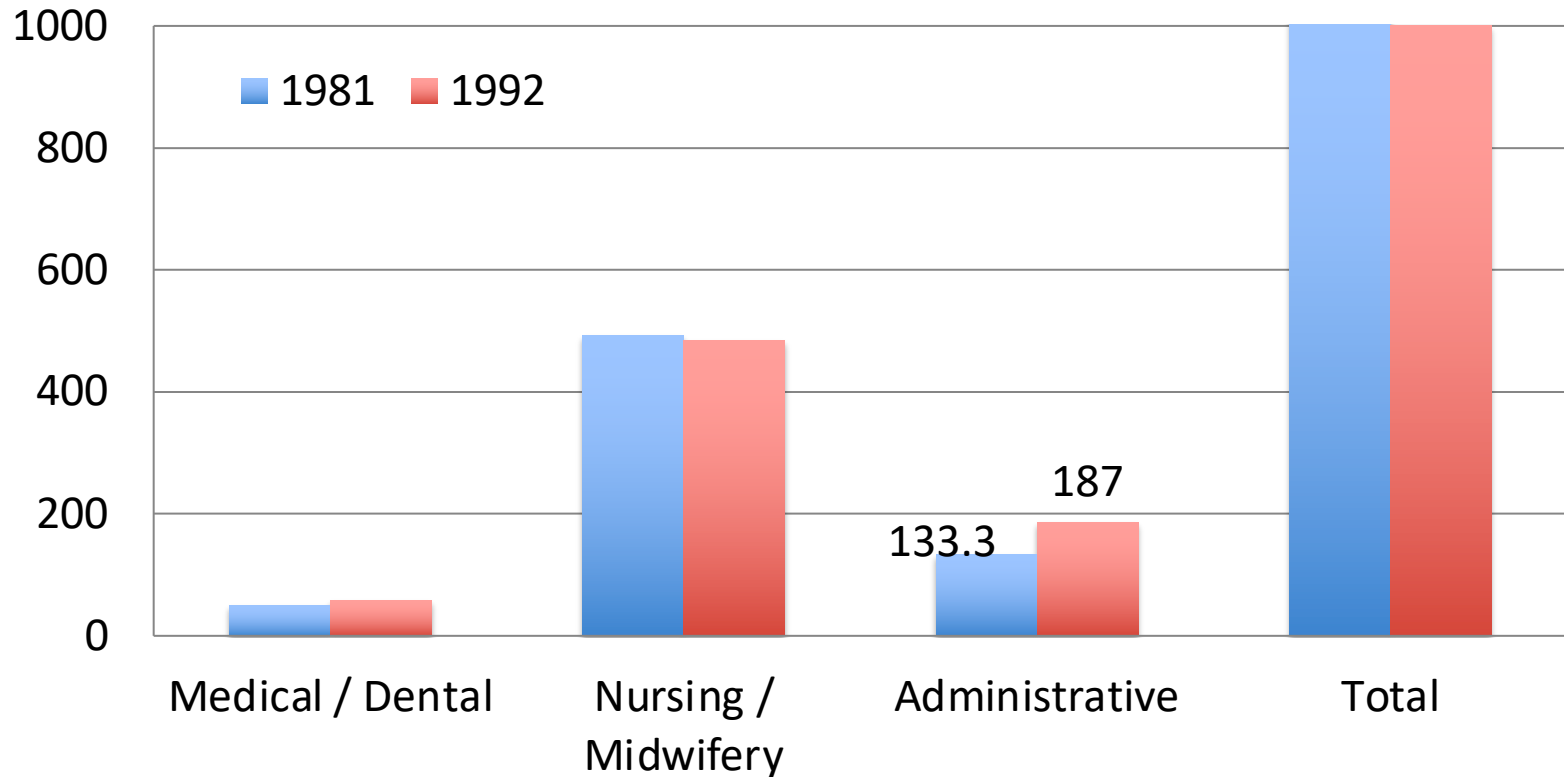


# Impact of healthcare privatization

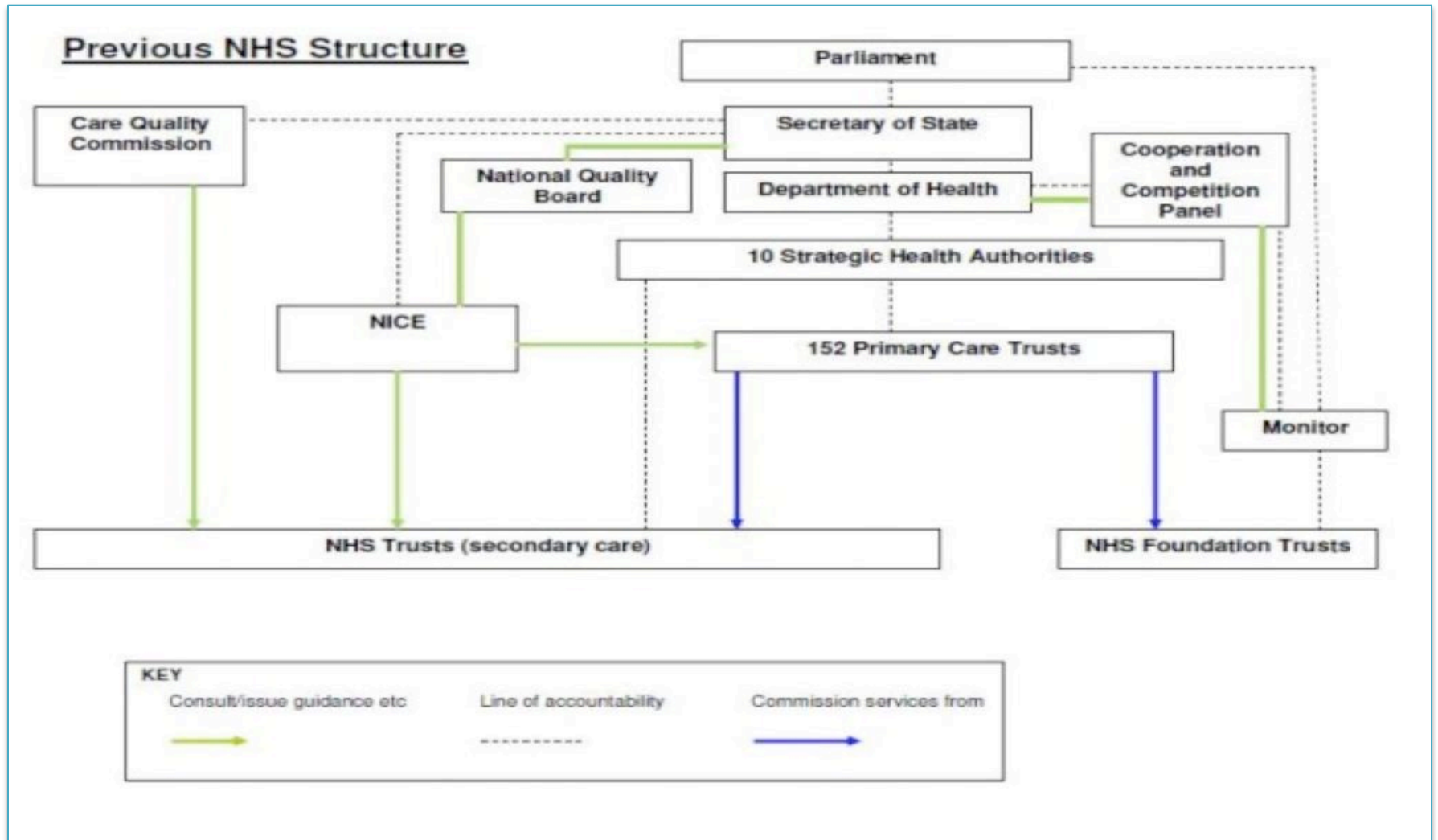
Estimated percentage of NHS budget spent on administration	
Mid-1970s *	5-6%
Mid-1990s with “internal market” *	11-12%
2006 with PFI, Foundation Trusts, patient choice and payment by results **	20%
<i>* estimates by Charles Wheeler, official historian of the NHS</i>	
<i>** estimates by Colin Leys 2006</i>	

# Impact of healthcare privatization

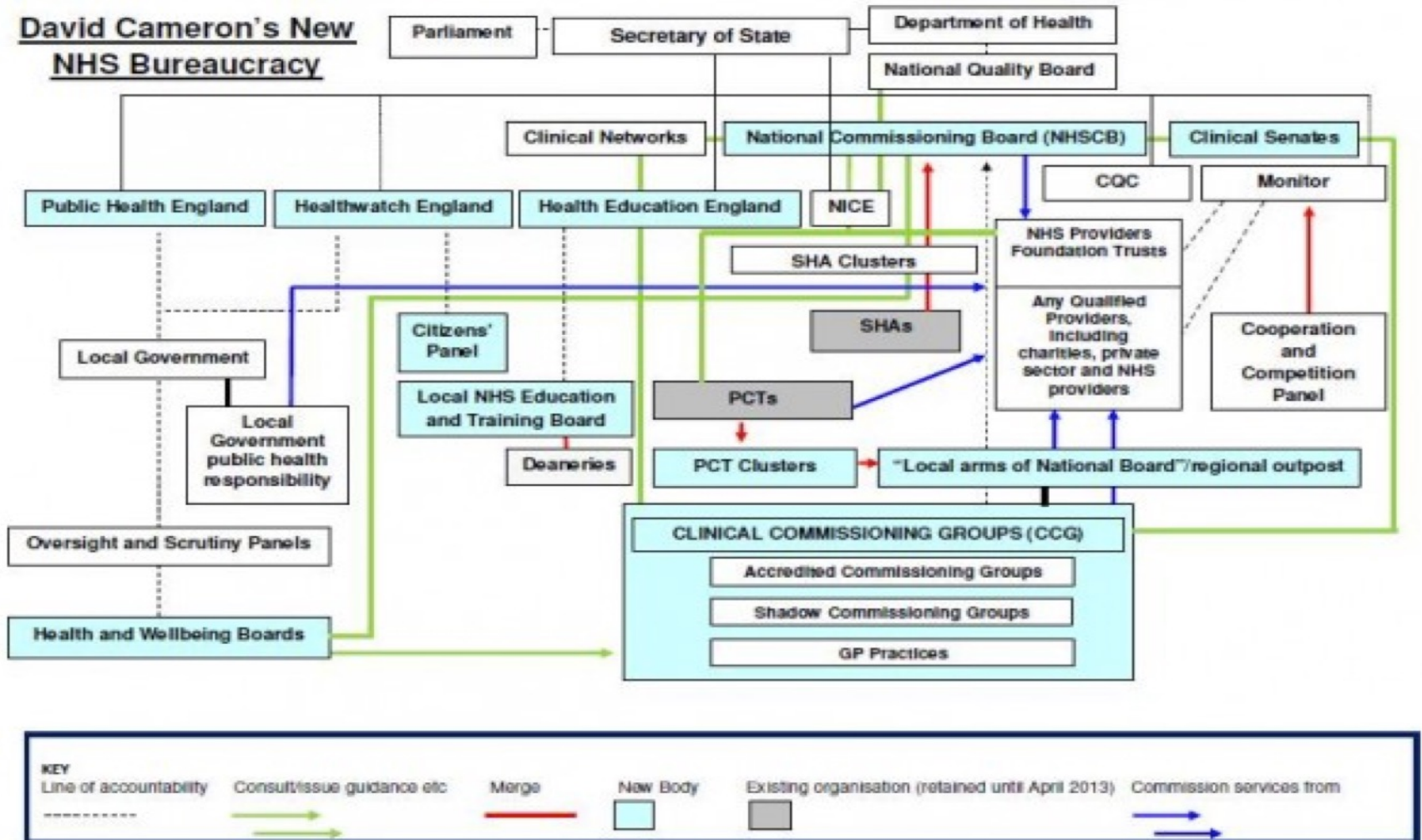
NHS employment (in thousands), UK 1981-1992



# Impact of healthcare privatization

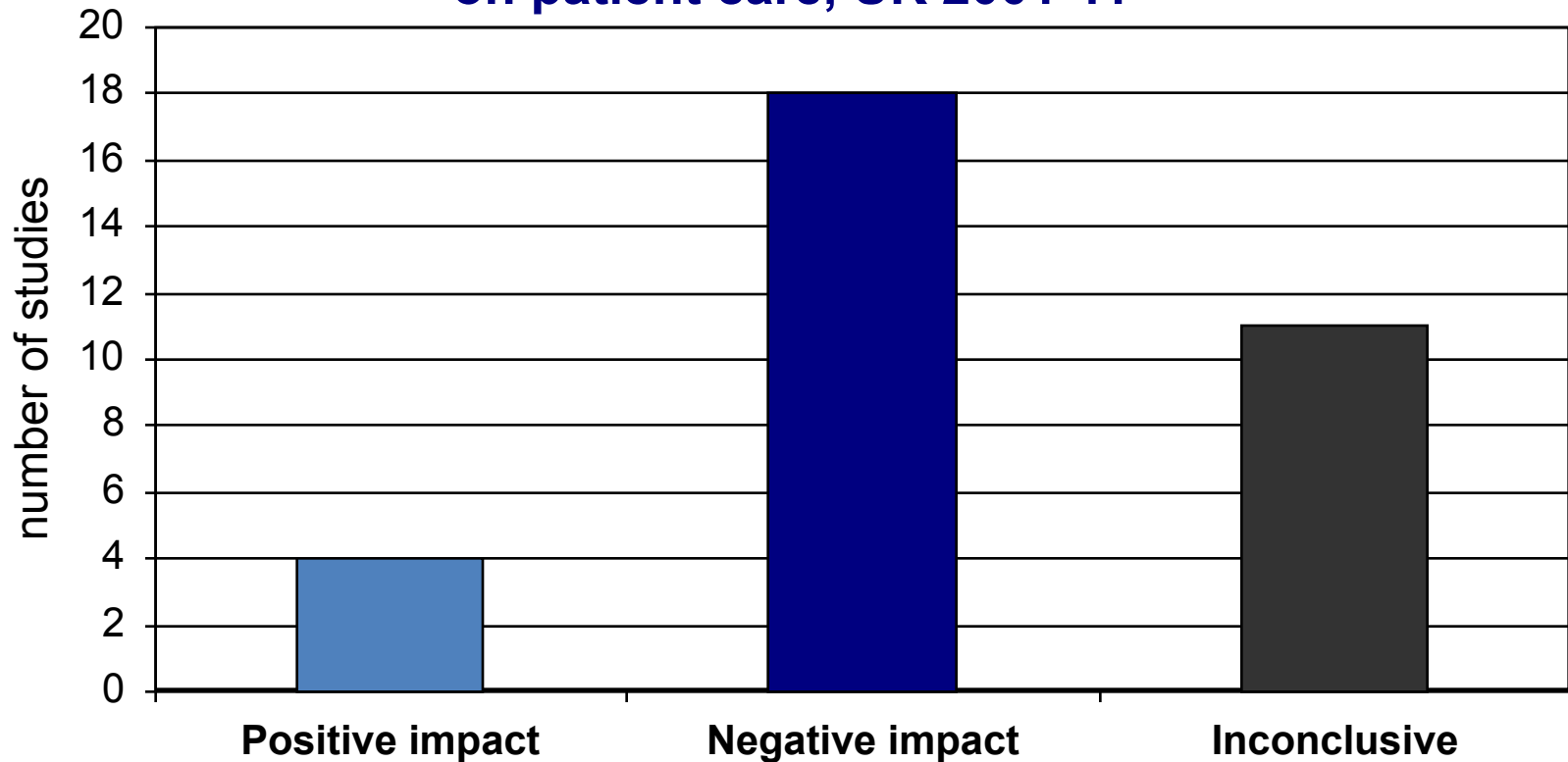


# Impact of healthcare privatization



# Impact of healthcare privatization

## Studies assessing the impact of outsourcing on patient care, UK 2001-11

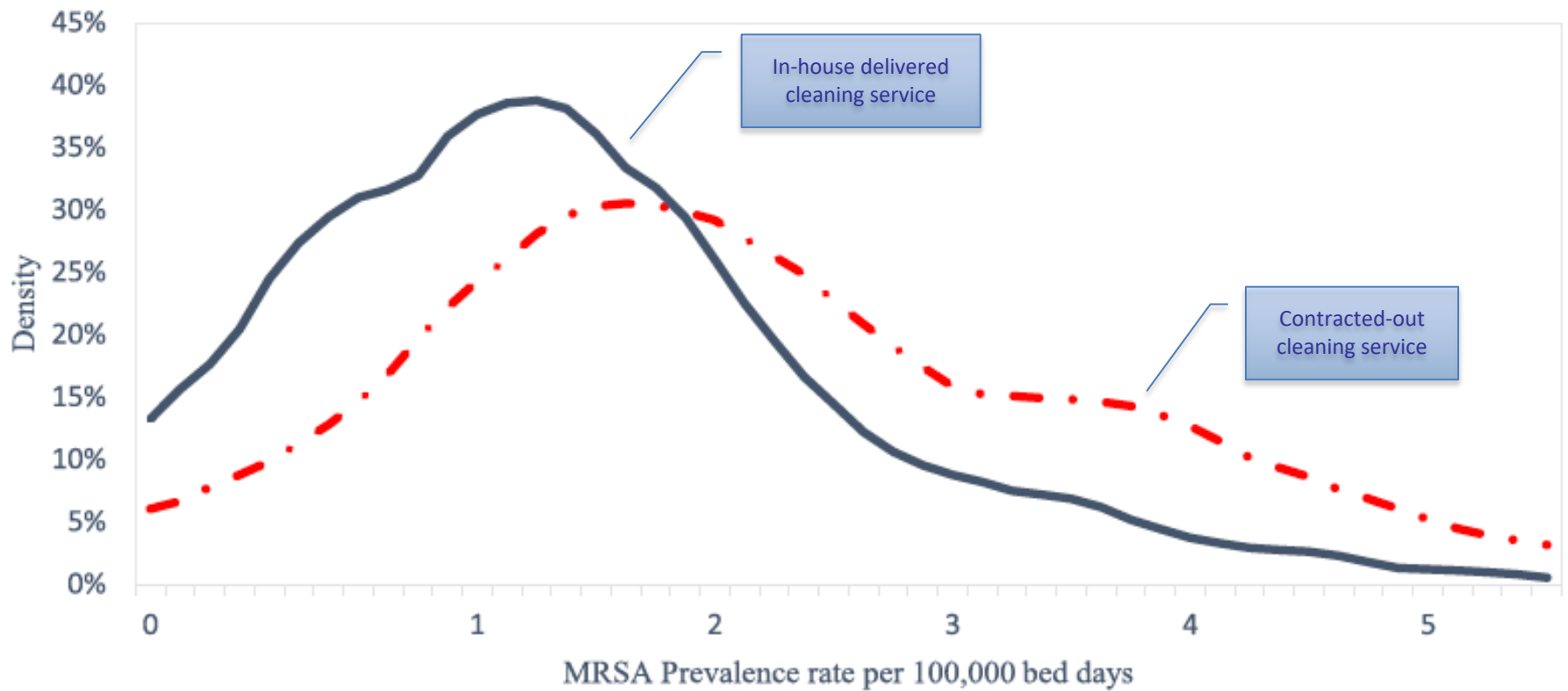


*Note: the review covered 7 different types of outsourced services – cleaning services, facility management, ISTCs, OOH GP services, clinical services, shared services & IT, voluntary/third sector*



# Impact of healthcare privatization

MRSA Incidence Rate by type of cleaning service, England 2010



# Impact of healthcare privatization



- On Jan 15<sup>th</sup> 2018 Carillion one of the largest contractors of UK government went bankrupt, leaving a debt of approximately £2bn
- Carillion had won over the last few years more than 450 government contracts (*including contracts for the construction of two new PFI hospitals in Liverpool and Birmingham, worth £685million*)
- Most of these contracts were outsourced to private sub-contractors
- After the collapse of Carillion the UK government stepped in to rescue those sub-contractors doing public sector work

# Impact of healthcare privatization

