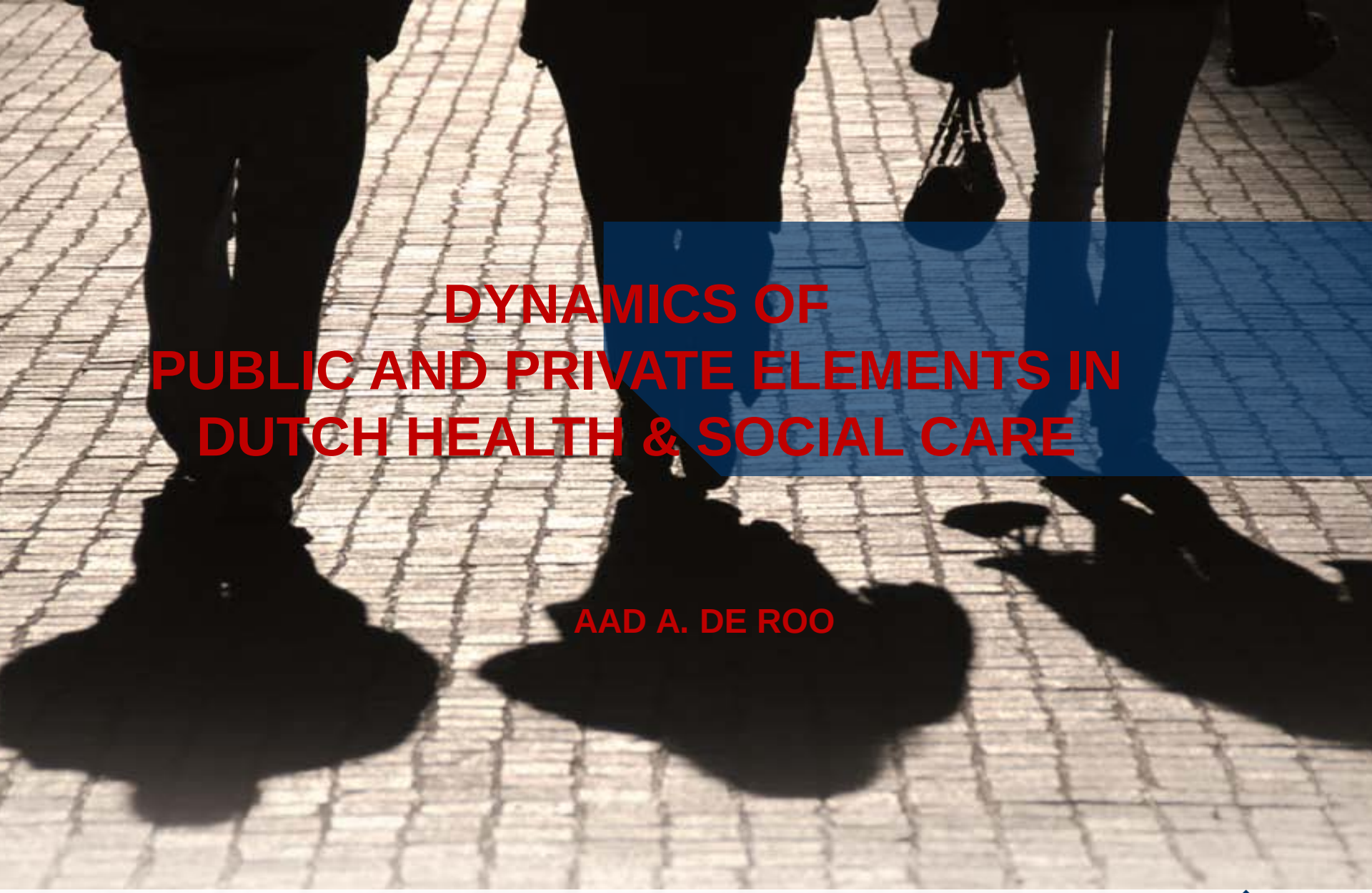

# DYNAMICS OF PUBLIC AND PRIVATE ELEMENTS IN DUTCH HEALTH & SOCIAL CARE

AAD A. DE ROO

TILBURG UNIVERSITY

Tranzo
Wetenschappelijk centrum voor zorg en welzijn

# OVERALL PICTURE:

1. STATE WITHDRAWS FROM HEALTH PROVISION
2. STATE WITHDRAWS FROM FINANCIAL RISK
3. NON-PROFIT PROVIDERS & INSURERS IN THE LEAD
4. LOCAL COMMUNITIES EMERGE AS PURCHASERS
5. ENTRY OF FOR-PROFIT PROVIDERS AND VENTURE CAPITAL
6. ENTRY OF NON-PROFIT PROVIDERS TO FOR-PROFIT MARKETS
   - ON THEIR OWN
   - BY JOINT VENTURES WITH FOR-PROFIT PARTIES

# PRIVATISATION AS A POLICY GOAL

**THREE COMPLEMENTARY LINES OF DEVELOPMENT SINCE 1992**

**A) PRIVATISATION OF PUBLIC PROVIDERS**

- FOUNDATIONS
- INDEPENDENT SUPERVISORY BOARD (NON-POLITICAL)
- REAL ESTATE AND GROUND SOLD AT MARKET PRICES

**B) PRIVATISATION OF STRATEGIC DECISION MAKING AND BUSINESS RISK**

EXPLOITATION DEFICITS FROM STATE TO PROVIDERS AND INSURERS

**C) RETREAT OF GOVERNMENT TO 'SYSTEM RESPONSIBILITY"**

- ACCESS
- QUALITY
- MACRO BUDGET

# GOVERNMENT - HEALTH INSURER RELATIONS

## HEALTH INSURERS CAN GO BROKE:
NO DEFICIT COMPENSATION BY GOVERNMENT

## TWO EFFECTS OF BUSINESS RISK:
- FINANCIAL BUFFERS IMPOSED BY NATIONAL BANK
- STRATEGIC COST MANAGEMENT BY CONTRACTING

COMMERCIAL INSURERS QUIT MARKET IN 2006,
REGIONAL MUTUALS MERGED INTO
FOUR NATIONAL INSURERS (90% MARKET SHARE)

PUBLIC IMAGE: MUTUALS ARE FOR-PROFIT
AS THEY TOO NEED A SURPLUS IN EXPLOITATION

# NEW RELATIONS INSURER - PROVIDER

## FROM BUDGETS TO OUTPUT-PRICED CONTRACTS

- PROVIDERS BID FOR DELIVERY CONTRACTS
- FOR - PROFIT PROVIDERS ARE WELCOME
- BID BOOKS PENETRATE DEEP INTO PROVIDER STRUCTURES AND PROCESSES
- BID BOOKS CAUSE A LOT OF RED TAPE
- SELECTIVE CONTRACTING FOR TECHNICAL QUALITY

## PROVIDER MARKET SEGMENTATION BY INSURERS INTO THREE KINDS OF CONTRACTS / PRICE LEVELS

# PASSING OR SHARING THE BURDEN?

## *PASSING* THE BURDEN BY AGGRESSIVE PRICE SETTING

- PROVIDERS MERGE TO COUNTER POWER OF INSURERS
- COMPETITION AUTHORITY RESTRICTS MERGERS
- GROWING POLITICAL RESISTANCE TO BIG PROVIDERS

## *SHARING* THE BURDEN: VERTICAL INTEGRATION

**CASE 1:**
**REGIONAL INSURER Z&Z USES A SOCIAL NETWORK FORMAT**

**CASE 2:**
**NATIONAL INSURER MENZIS PARTICIPATES IN COMMERCIAL COMMUNITY HEALTH CENTER CHAIN, BUT POLITICAL RESISTANCE**

# HEALTH GROUPS, HOLDINGS & COOPERATIONS

## HORIZONTAL & VERTICAL INTEGRATION:

**TO REDUCE COSTS, IMPROVE ADDED VALUE AND TO NEGOTIATE WITH INSURERS AND BANKS**

**MERGERS & COOPERATIONS RESTRICTED BY THE COMPETITION AUTHORITY**

## GROUPS & HOLDINGS CREATE FOR-PROFIT SUBSIDIARIES:

**51% - 100% OWNED COMPANIES LIKE DAY CLINICS, E-HEALTH, PRIVATE HOME CARE, CONVENIENCE SERVICES**

## CASE 1:
## CITY- LEVEL ZORGGROEP ALMERE:
## A NON-PROFIT CHAIN FROM PRIMARY CARE TO SOCIAL WORK

## CASE 2:
## REGIONAL-LEVEL (PSYCHIATRY) HOLDING PARNASSIA: A 100% OWNED REAL ESTATE COMPANY AND A FRANCHISE FORMULA

## CASE 3:
## JOINT VENTURES OF SEVERAL HEALTH GROUPS WITH COMMERCIAL COMPANY AS A MINORITY (49%) SHAREHOLDER

# CHANGING RELATIONS OF PROVIDERS WITH BANKS AND VENTURE CAPITAL

**HIGHER PROVIDER RISK: HIGHER INTEREST + BANK CONSORTIA**

**BANKS REQUIRE BUSINESS CASES FOR CAPITAL INVESTMENT AS WELL AS HIGH FINANCIAL BUFFERS (+18%)**

**VENTURE CAPITAL LOOKS FOR OPPORTUNITIES:**

- **BUYING BANKRUPT PROVIDERS**
- **INVESTING WHERE BANKS DARE NOT TO GO**

# VENTURE CAPITAL BUYS PROVIDERS AND TAKES MANAGERIAL CONTROL

**CASES:**
**TWO HOSPITALS (SLOTERVAART, LELIESTAD), DAY CLINICS**

## COMMERCIAL PARTIES ALSO INITIATE:

**DAY CLINICS, COMMUNITY HEALTH CENTERS, HOME CARE AND HOUSEHOLD SUPPORT**

**COMMERCIAL TAKE-OVER OF HOSPITAL LABORATORIES FAILED**
**AS DID PRIVATE INVESTMENT IN**
**HIGH QUALITY ALTERNATIVES FOR HOMES FOR ELDERLY**

# OUTCOMES:

- **PRESSURE ON ESTABLISHED PROVIDERS FOR HIGHER SERCICE QUALITY AND LOWER COST LEVELS,**
  BECAUSE NEW ENTRANTS COMPETE ON USER-FRIENDLY SERVICE QUALITY,
  THEY DELIVER GOOD TECHNICAL QUALITY AND STILL MAKE A PROFIT

- **GROWING DIVERSITY IN PROVIDER BUSINESS MODELS:**
  LOCAL – REGIONAL - NATIONAL , FRANCHISE,
  DIVERSIFIED PORT-FOLIO – NICHE OR FOCUSSED FACTORY,
  VERTICAL INTEGRATION BETWEEN ACUTE AND LONG TERM CARE PROVIDERS

- **VENTURE CAPITAL INVESTMENT FOCUS ON FACILITIES**
  PROVIDING PROFESSIONALS WITH BUILDINGS, ORGANIZATIONAL SUPPORT, ETC

- **PRO-ACTIVE QUALITY CONTROL ROLE OF GOVERNMENT**
  PERFORMANCE INDICATORS

- **INSURERS LEARN TO CONTRACT ON QUALITY DIFFERENCES**

# BOTTLENECKS:

- BANKS & INSURERS REQUIRE HIGH CAPITAL BUFFERS
- INADEQUATE ENTREPRENEURIAL COMPETENCIES RESULT IN UNDERPERFORMING AND BANKRUPT PROVIDERS
  COMMERCIAL NAIVETY AND LACK OF FINANCIAL MANAGEMENT COMPETENCE
- IT IS EASIER TO CONTRACT ON PRICE THAN ON QUALITY
- NEW GOVERNANCE RELATIONS CREATE NEW FORMAL RULES
  THAT JOIN THE OLD RULES INSTEAD OF REPLACING THEM
- PERMANENT TENSION BETWEEN MACRO-BUDGET AND PROVIDER GROWTH STRATEGIES
  PROVOKES POLITICAL INTERVENTIONS, RESULTING IN STRATEGIC UNCERTAINTY FOR PROVIDERS & INSURERS
- HOLDINGS AND GROUPS STRUGGLE TO REALISE SYNERGY

# SOME PERSPECTIVES FOR THE NEXT YEARS:

- **LESS BARRIERS FOR VENTURE CAPITAL**
  **TO INVEST IN COMMUNITY- AND CLINICAL CARE**

- **FURTHER DIVERSIFICATION**

- **GROWTH OF PORT-FOLIO MANAGEMENT**
  **WITH DEMARKETING OF NON-PROFITABLE CLIENT GROUPS**

- **DISCUSSION ON TAX EXEMPTION OF HEALTH PROVIDERS**
  **CREATING A LEVEL PLAYING FIELD FOR PROFIT AND NOT-FOR-PROFIT**