

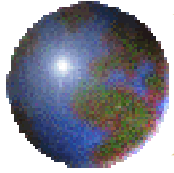
*Markets within States:
Privatization in Healthcare
Systems across Advanced
Capitalist Countries*

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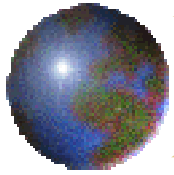
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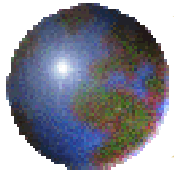
Outline

- Different forms of privatization
- The influence of political parties on the distribution of health expenditures
- Privatization of health care finance



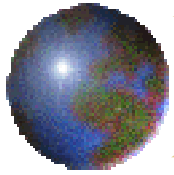
Definition

- “selling of assets by the state to private owners” (Savas 1987)
- “the adoption of public functions by the private sector, whereas the responsibility for these functions remains with the public sector” (Janssen and Vandermade 1990)



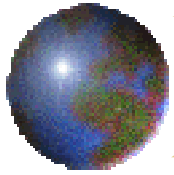
Definition

- ✿ “a policy strategy used to shift power between various constituencies, alter the structural capacity of government and its responsibilities, realign and restructure decision making and institutions, and/or create new interest groups and classes” (Collyer, 2003)



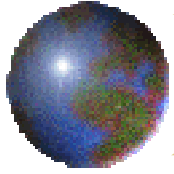
History of Privatization

- Early 1980s: started with conservative governments to reduce the role of the state in the economy
 - Reaganism and Thatcherism
- 1990s: New Public Management inserted market principles within public sectors
 - Enthoven's project of managed competition
- Late 1990s: Public-Private Partnerships, need for regulatory state is acknowledged



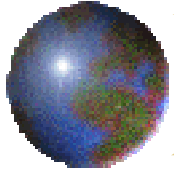
Different Forms of Privatization in Healthcare

| | Transfer | Contracting out | Self Governance | Passive Privatization |
|--------------------------|---|---|----------------------------|--|
| Finance | Means-tested systems | Cost-sharing | Private insurance | Lack of coverage |
| Delivery | Privatization (in the narrow sense) | Hiring private companies within the public system | Hospital autonomy | Purchasing services from private hospitals |
| Policy Making | Deregulation | Special commissions | Professional bodies | Consulting Companies |



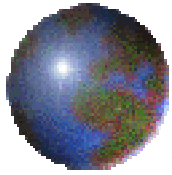
Research Questions

- To what extent public and private expenditures differ between political traditions ?
- Do political traditions influence the form of privatization in health care finance?



Advanced Capitalist Countries

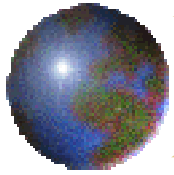
- 19 countries who are members of the OECD (excluding Luxembourg and Belgium)
- Health systems are established after World War II



Political Traditions and Health Systems

| | | Total Years of Government by Each Party 1946-2000* | | | | Health Care | |
|--|-------------|--|---------------------|----------------|---------------|---------------------------|-----------------------|
| Political Tradition | Country | Social Democrats | Christian Democrats | Center Parties | Right Parties | Public Spending on Health | Health Finance System |
| Social Democratic Political Economies | Denmark | 32.2 | 0.4 | 10.8 | 10.3 | 82.4 | Tax |
| | Finland | 22.9 | 0 | 23.7 | 6.2 | 75.1 | Tax |
| | Norway | 40.5 | 3.4 | 4.5 | 6.4 | 82.5 | Tax |
| | Sweden | 44.9 | 0.4 | 6.4 | 2.8 | 84.9 | Tax |
| | Mean | 35.1 | 1.1 | 11.4 | 6.4 | 81.2 | |
| Christian Democratic Political Economies | Austria | 33.4 | 20.8 | 0 | 0.9 | 69.9 | SI |
| | Belgium | 19 | 28.3 | 0.2 | 7.6 | 75.8 | SI |
| | France | 16.2 | 4 | 5.5 | 29.4 | 75.8 | SI |
| | Germany | 14.6 | 29 | 7.7 | 0.8 | 78.6 | SI |
| | Netherlands | 13.7 | 30.1 | 2.2 | 9.1 | 63.1 | SI |
| | Switzerland | 14.4 | 15.1 | 6.3 | 18.3 | 55.6 | M |
| | Mean | 18.6 | 21.2 | 3.7 | 11.0 | 69.8 | |
| Liberal Anglo-Saxon Political Economies | Australia | 19.9 | 0 | 0 | 35.1 | 68.9 | Tax |
| | Canada | 0 | 0 | 39.3 | 15.7 | 70.3 | Tax |
| | Ireland | 6 | 0 | 35.2 | 13.8 | 73.3 | Tax |
| | New Zealand | 17.3 | 0 | 0.4 | 37.2 | 78 | Tax |
| | UK | 19.8 | 0 | 0 | 35.2 | 80.9 | Tax |
| | USA | 0 | 0 | 27 | 28 | 44 | M |
| Mean | 10.5 | 0.0 | 17.0 | 27.5 | 69.2 | | |
| Ex-Authoritarian Political Economies** | Greece | 14.2 | | | | 52.6 | Tax |
| | Italy | 8.1 | | | | 72 | Tax |
| | Portugal | 7.3 | | | | 72.5 | Tax |
| | Spain | 13.4 | | | | 71.6 | Tax |
| | Mean | 10.8 | | | | 67.2 | |

Source: Updated from Navarro V. & Shi, L. 2001
 Huber, E. et. al (2004) Comparative Welfare States Data Set
 *Years in cabinet scored 1 year, less for coalitions.
 **Other parties are not available.



Political Traditions

⊕ Social Democracies

- ⊞ Universal entitlements, mainly financed through general taxes
- ⊞ Provision of services by government

⊕ Christian Democracies

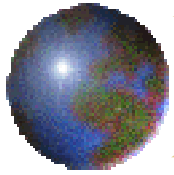
- ⊞ Paid by payroll taxes; employers and employees
- ⊞ Provision of services by public and private institutions

⊕ Liberal Anglo-Saxon States

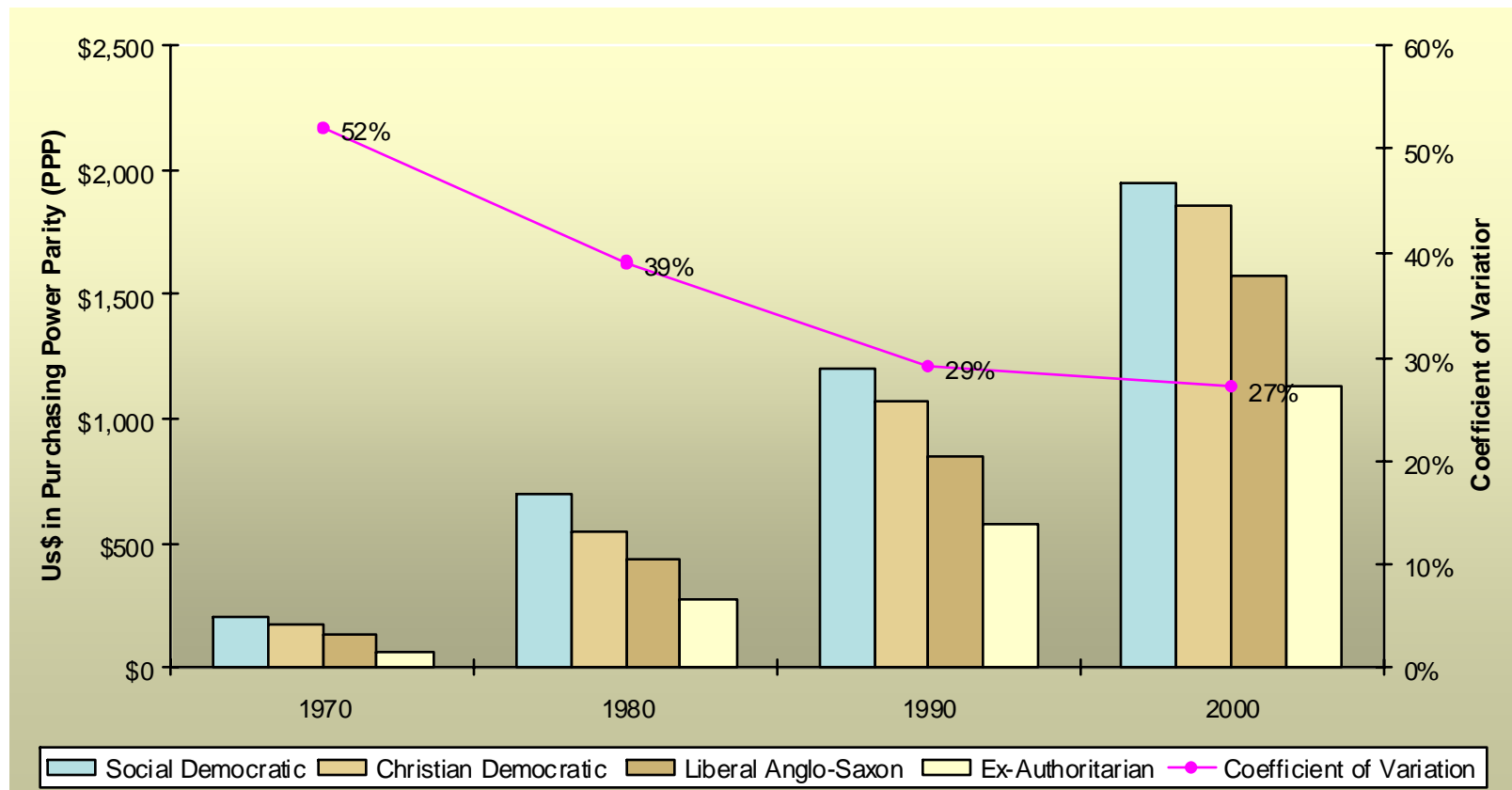
- ⊞ Limited social benefits, means tested
- ⊞ Private sector have an extensive role

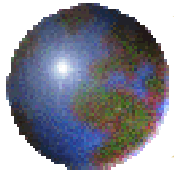
⊕ Ex-Authoritarian

- ⊞ Rely heavily on public provision of services
- ⊞ Relatively low level social expenditures and rigid administration

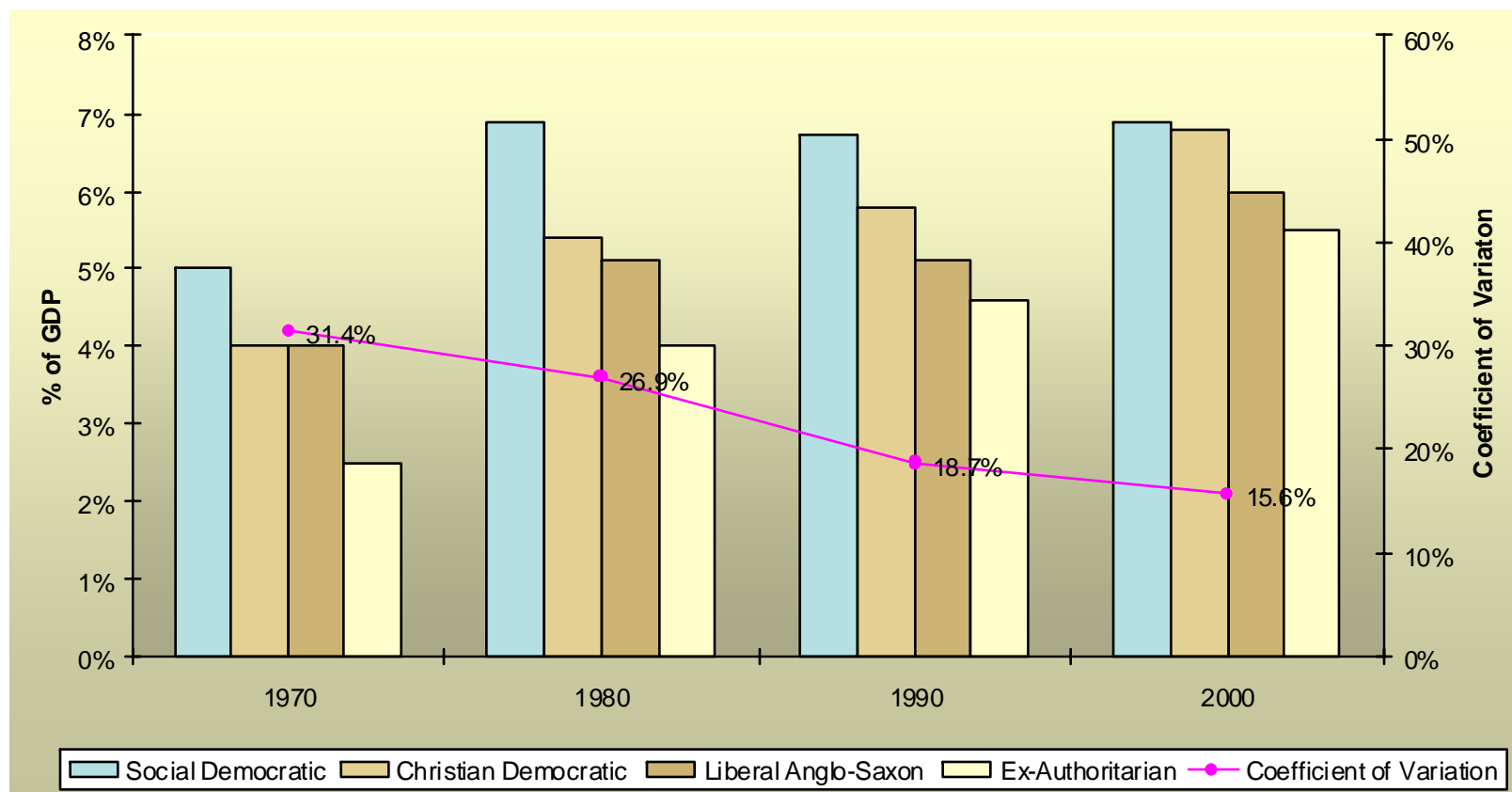


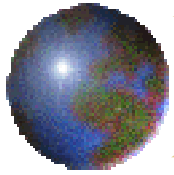
Median Per Person Total Health Expenditures from Public Sources: 1970-1980-2000



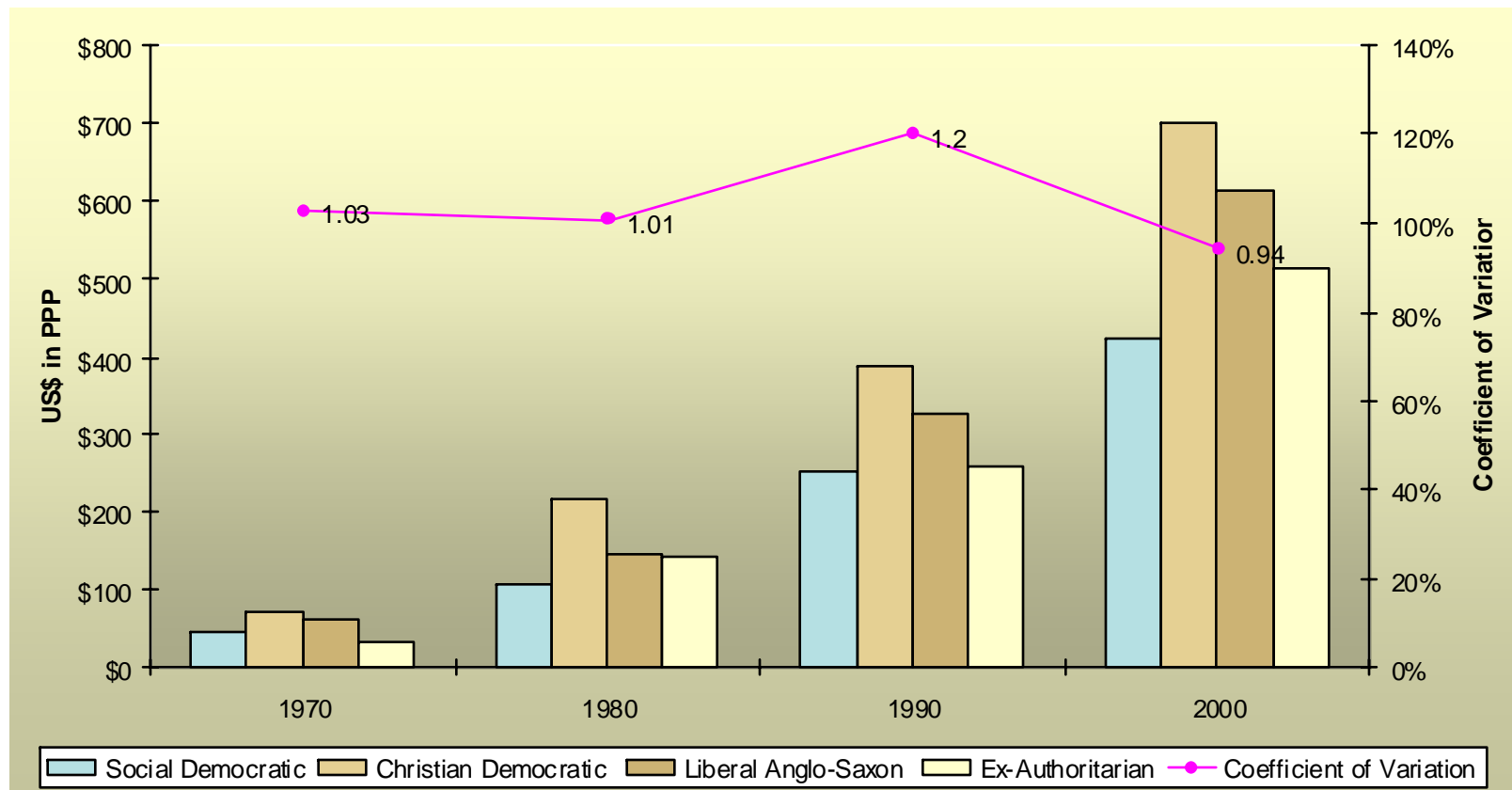


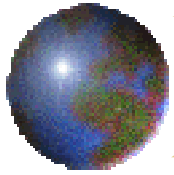
Median Total Public Health Spending as a share of GDP: 1970-1980-2000



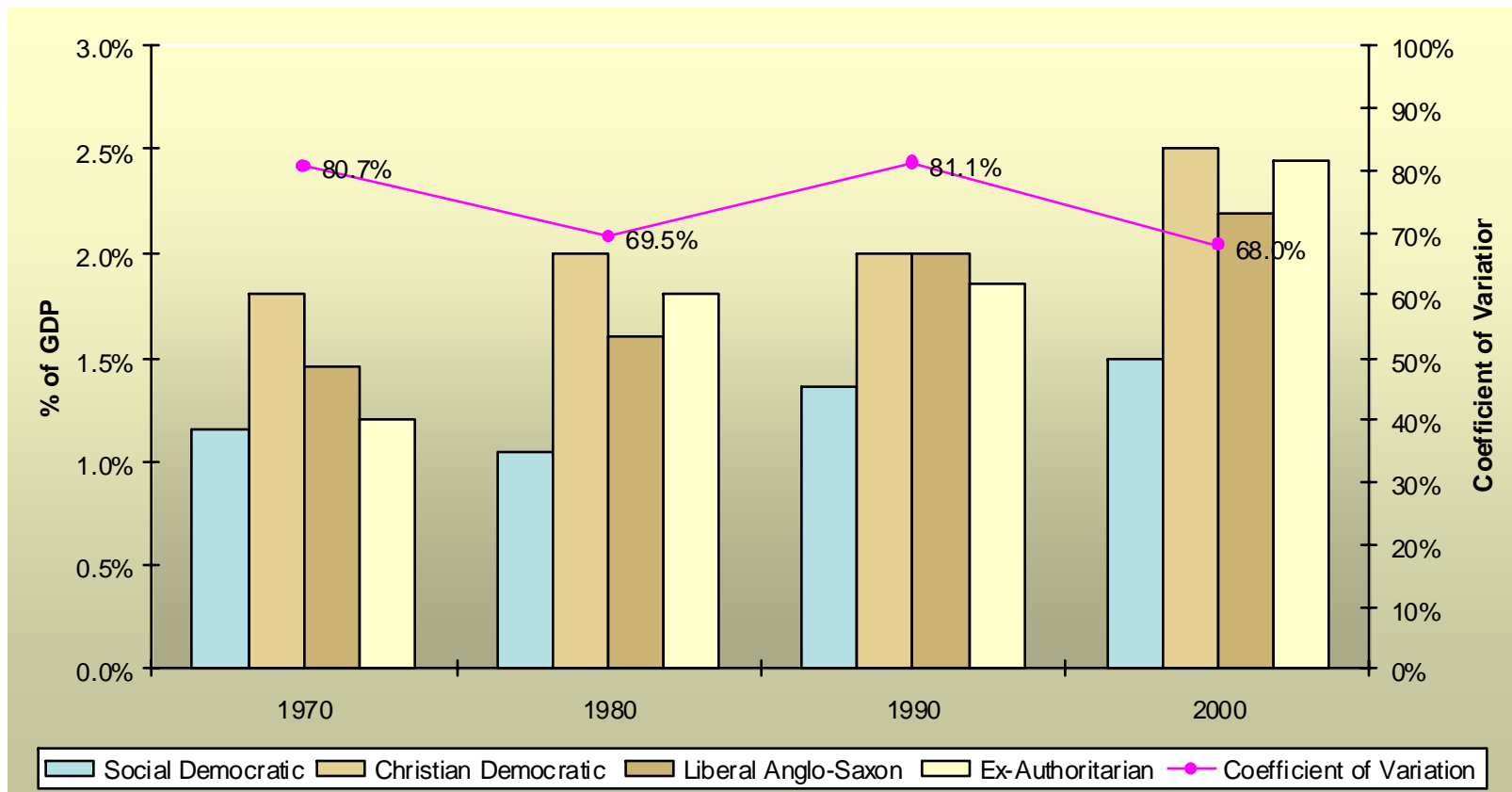


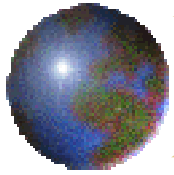
Median Per Person Total Health Expenditures from Private Sources: 1970-1980-2000



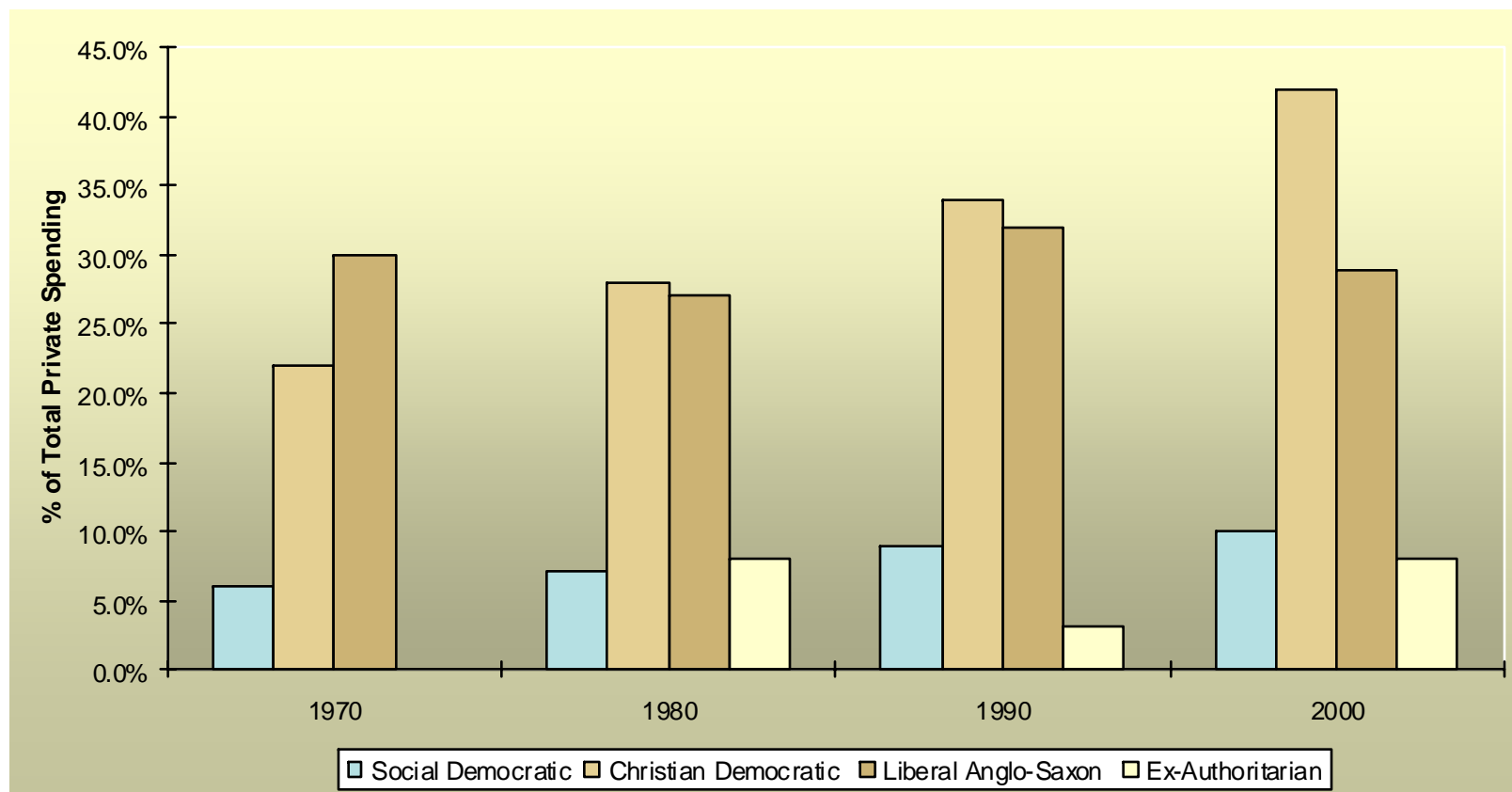


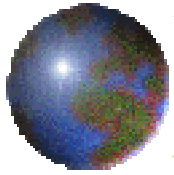
Median Total Private Health Spending as a Share of GDP: 1970-1980-2000





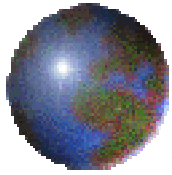
Share of Private Insurance in Private Health Spending: 1970-1980-2000





Statistical Models

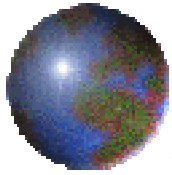
- Generalized Equation Models with random effects for countries
- Median annual change averaged by decades
- Measured as national currency at 2000 price levels
- Political traditions as indicator variables



Growth Rate of Public Health Expenditures

| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
|-----------------------------------|--------------------|-------------------|-------------------|--------------------|---------------------|---------------------|
| GDP Growth | 1.525 (3.51)*** | 1.487 (3.11)** | 1.343 (3.35)** | 1.184 (4.63)** | 1.184 (4.63)** | 1.17 (4.00)** |
| Previous Expenditure Level | | 0.046 (0.21) | 0.133 (0.67) | 0.009 (0.07) | 0.009 (0.07) | 0.011 (0.08) |
| Social Dem. (ref) | | | | | | |
| Christian Dem | | | 1.146 (2.47)* | 0.885 (2.63)** | 0.885 (2.63)** | 0.881 (2.60)** |
| Liberal | | | 0.551 (0.99) | 0.29 (0.49) | 0.29 (0.49) | 0.3 (0.52) |
| Ex-Authoritarian | | | 2.504 (3.14)** | 2.308 (3.09)** | 2.308 (3.09)** | 2.388 (3.42)** |
| 1970s (ref) | | | | | | |
| 1980s | | | | -3.691 (4.60)** | -3.691 (-4.60)** | -3.733 (-4.41)** |
| 1990s | | | | -3.27 (-6.37)** | -3.27 (-6.37)** | -3.323 (-5.19)** |
| Population Age Growth Rate | | | | | | -0.079 (-0.21) |
| Constant | 0.511 (0.61) | 0.23 (0.14) | -0.926 (-0.63) | 2.959 (2.92)** | 2.959 (2.92)** | 3.063 (3.12)** |
| Observations | 49 | 46 | 46 | 46 | 46 | 46 |
| Number of id | 18 | 18 | 18 | 18 | 18 | 18 |

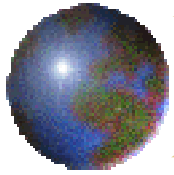
z statistics in parentheses
 * significant at 5%;
 ** significant at 1%



Growth Rate of Private Health Expenditures

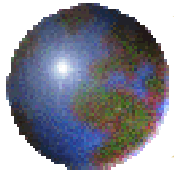
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| GDP Growth | 1.545 (3.62)** | 1.625 (4.24)** | 1.63 (4.23)** | 1.662 (4.07)** | 1.662 (4.07)** | 1.663 (3.30)** |
| Previous Expenditure Level | | 0.46 (2.23)* | 0.471 (1.93) | 0.432 (1.84) | 0.432 (1.84) | 0.431 (1.77) |
| Social Dem. (ref) | | | | | | |
| Christian Dem | | | -0.64 (0.85) | -0.642 (0.85) | -0.642 (0.85) | -0.642 (0.86) |
| Liberal | | | -0.35 (0.38) | -0.341 (0.37) | -0.341 (0.37) | -0.341 -0.36 |
| Ex-Authoritarian | | | -0.427 (0.47) | -0.385 (0.43) | -0.385 (0.43) | -0.389 (0.28) |
| 1970s (ref) | | | | | | |
| 1980s | | | | 1.214 (0.96) | 1.214 (0.96) | 1.216 (0.98) |
| 1990s | | | | 0.991 (0.74) | 0.991 (0.74) | 0.994 (0.75) |
| Population Age Growth Rate | | | | | | 0.004 (0.01) |
| Constant | 0.492 (0.6) | -2.409 (-1.61) | -2.134 (-1.51) | -2.735 (-1.67) | -2.735 (-1.67) | -2.738 (-1.62) |
| Observations | 50 | 48 | 48 | 48 | 48 | 48 |
| Number of id | 18 | 18 | 18 | 18 | 18 | 18 |

z statistics in parentheses
 * significant at 5%;
 ** significant at 1%



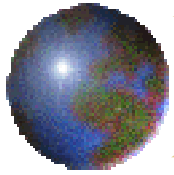
Results Summary

- ❖ Between country variation is much larger for private expenditures than public expenditures at absolute levels.
- ❖ Social democratic countries have the highest level of public spending and the lowest levels of private expenditures.
- ❖ The highest levels of private spending exist in Christian democratic group.



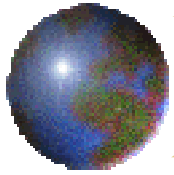
Private Insurance vs. Cost-sharing

- The highest increase in the share of private insurance occurred in Christian democratic countries, followed by Social democratic ones.
- Liberal countries have increased the share of out-of-pocket payments within the total private expenditures.



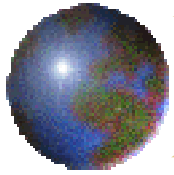
Change in Expenditure levels

- Median growth rates of public spending differ significantly between decades and are associated with political traditions.
- Private expenditure growth is associated with previous spending levels.



Limitations

- Macro-level analysis
- Convenience sampling
- Complex relationships
- Variability within each tradition
- Missing values and outliers
- Comparability of the OECD data



Future Research

- Explore temporal changes in the political parties
- Empirical research in privatization of the delivery of health care
- The relationship between privatization in finance and delivery