

CHOICE IN HEALTH CARE: ILLUSION OR SOLUTION

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Blicka Seminar, Stockholm

25 March 2009

Ways to run a (publicly funded) health care system

Four models:

- Trust
- Targets and performance management.
(version of command and control)
- Voice
- Choice and Competition. Quasi-markets

Most reforms involve shifting the balance towards/away from one or more models

TRUST

Types of trust-based system:

- Government sets budget. Professionals (doctors, nurses, managers) determine how budget is spent.

Advantages:

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

But:

- Makes crucial assumption about the motivation of professionals. Assumes they are altruistic professionals and not self-interested.

Problems of relying upon altruistic motivations

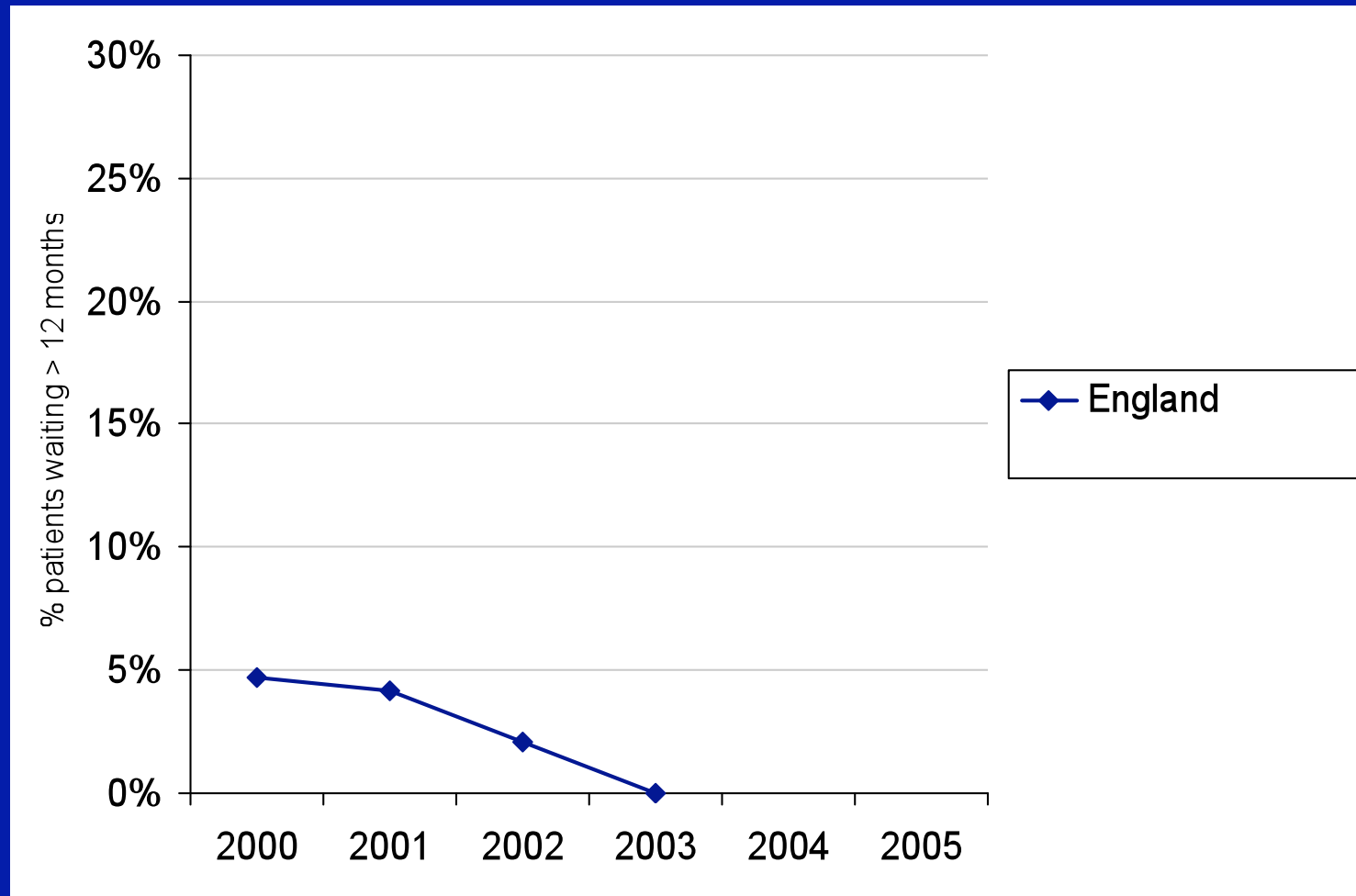
- Altruists have weak incentives for efficiency (maximising benefit from given resources). ‘Doing some good’ sufficient motivation.
- Perception of wider needs limited. When faced with individual distress, altruists can find it difficult to recognise limits to others’ resources.
- Altruists prefer passive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

TARGETS AND PERFORMANCE MANAGEMENT

- Set targets and monitor performance
- Provide ‘sticks and carrots’ (rewards and penalties) to staff for achieving or failing to achieve the target. Promotion /demotion/the sack.

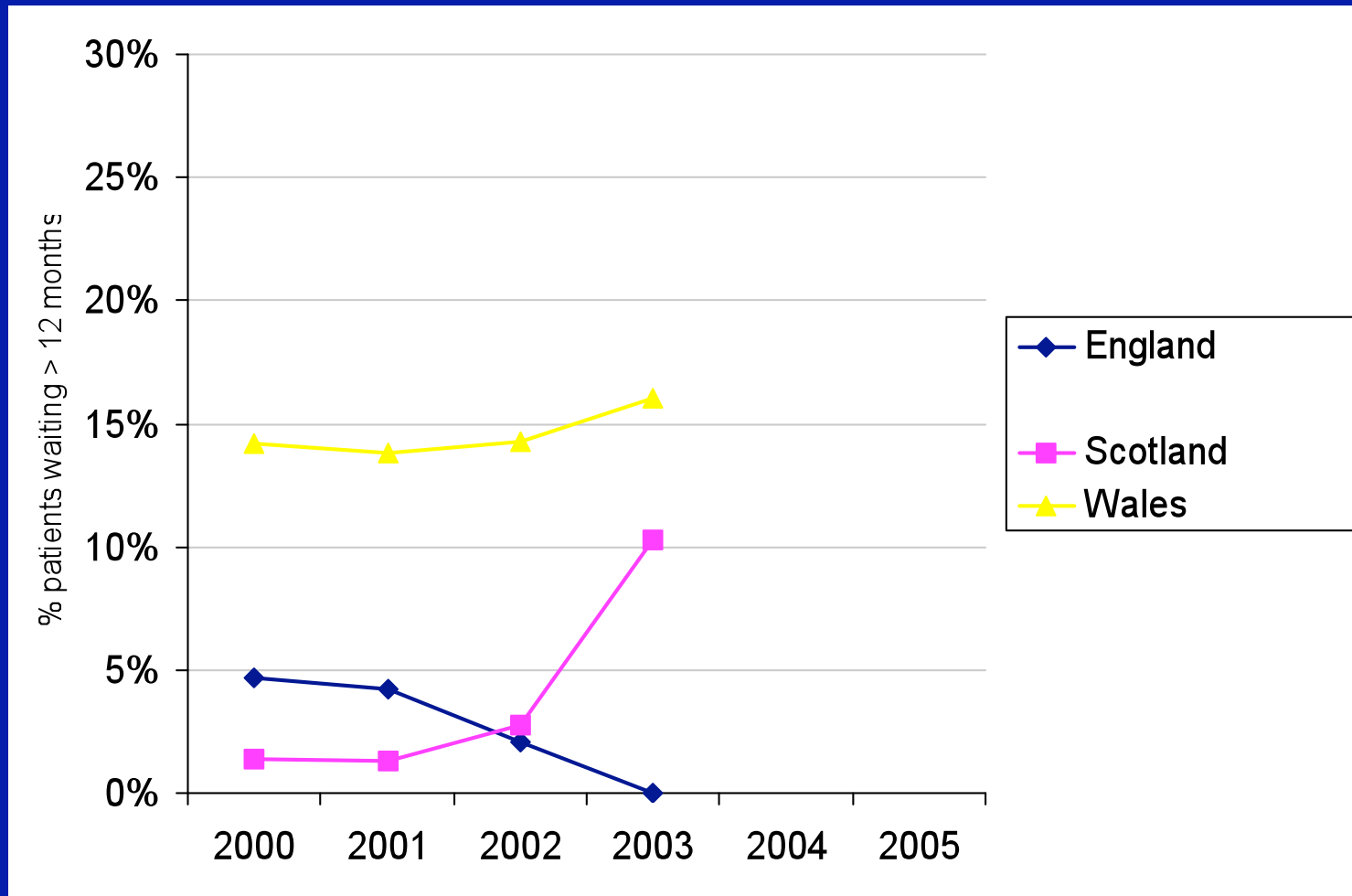
Advantage: can work, at least in short-term.

% patients waiting for hospital admission > 12 months



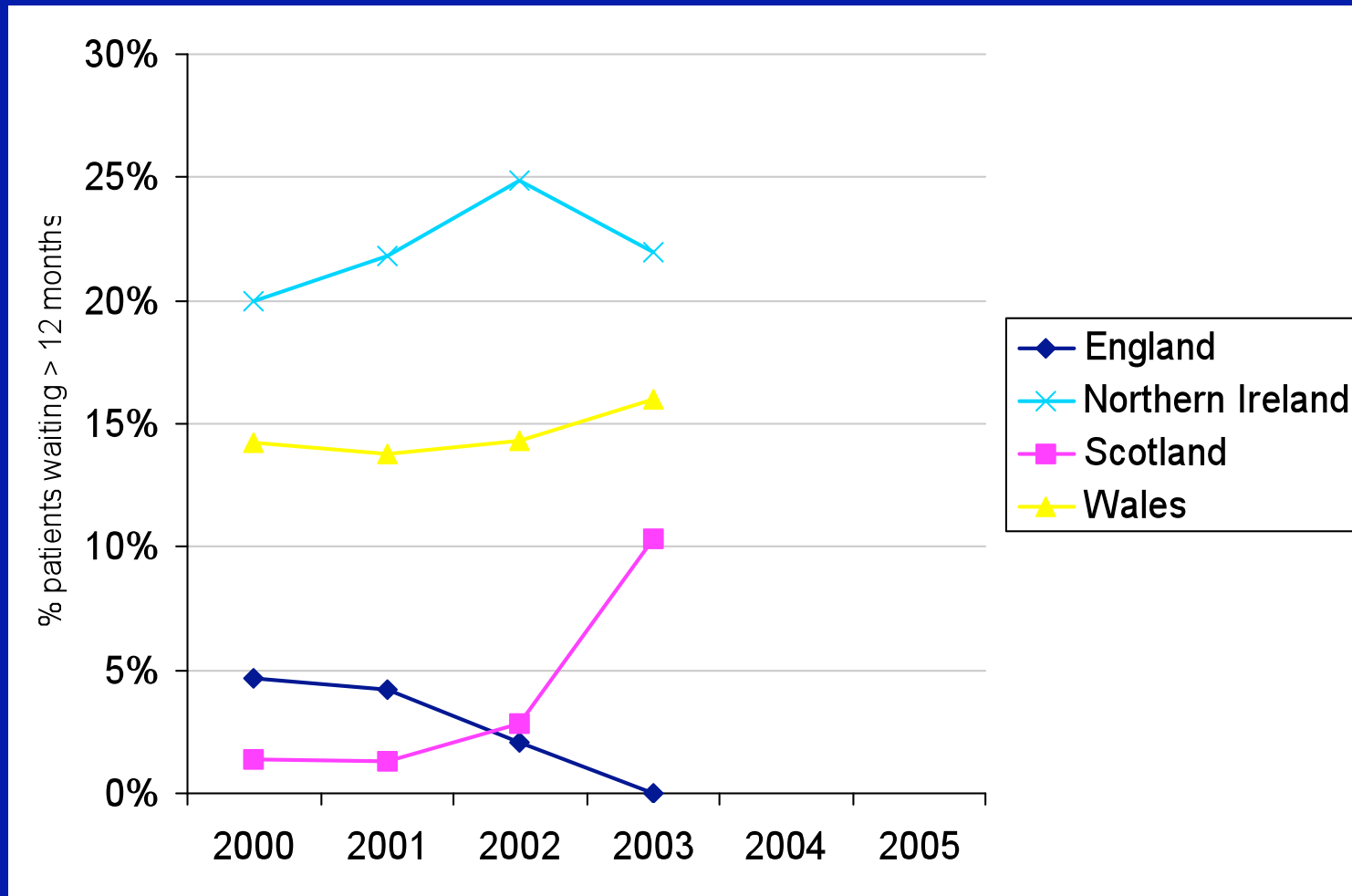
Source: Are improvements in targeted performance in the English NHS undermined by gaming: A case for new kinds of audit of performance data? Gwyn Bevan and Christopher Hood, British Medical Journal (forthcoming)

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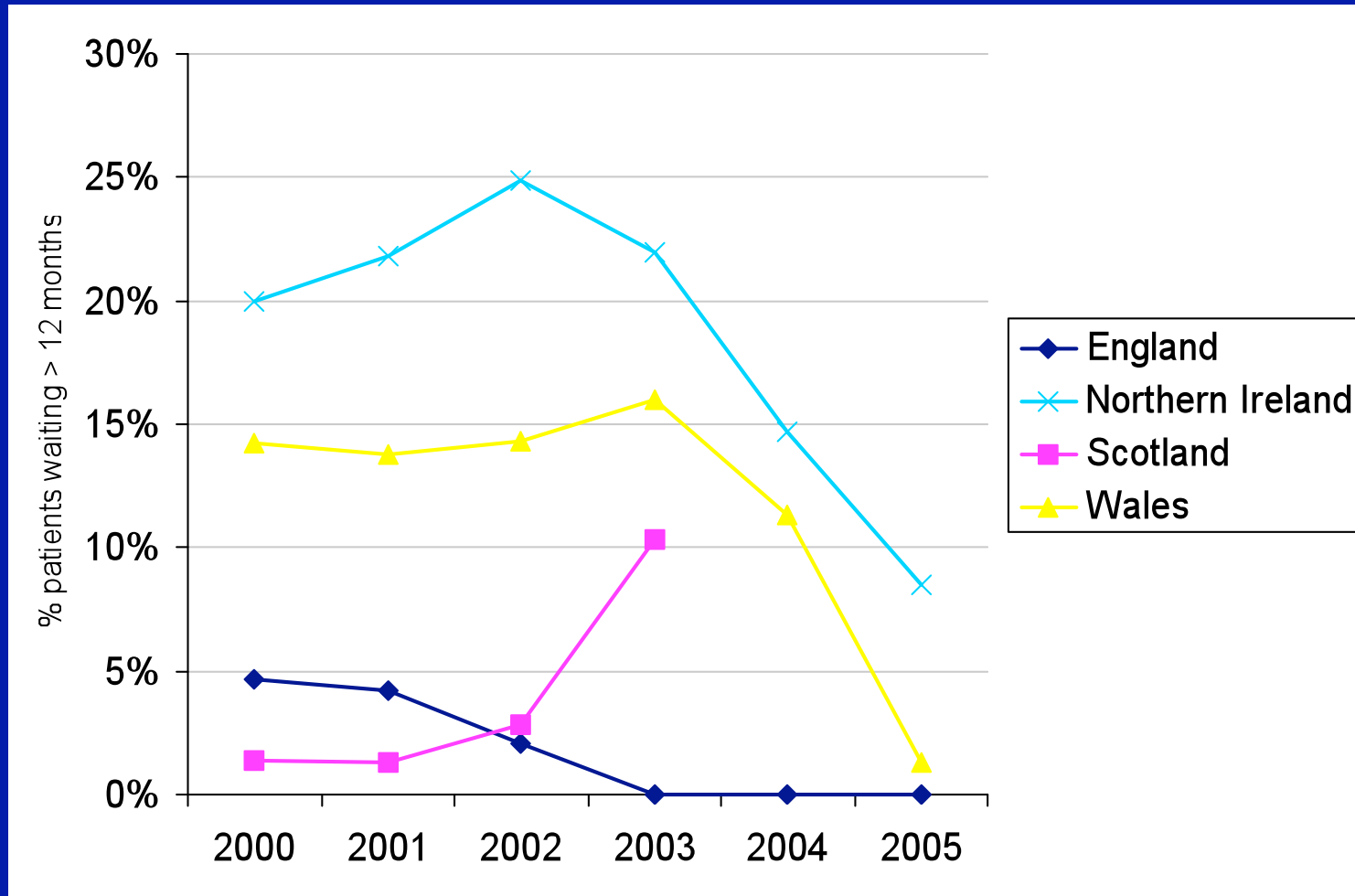
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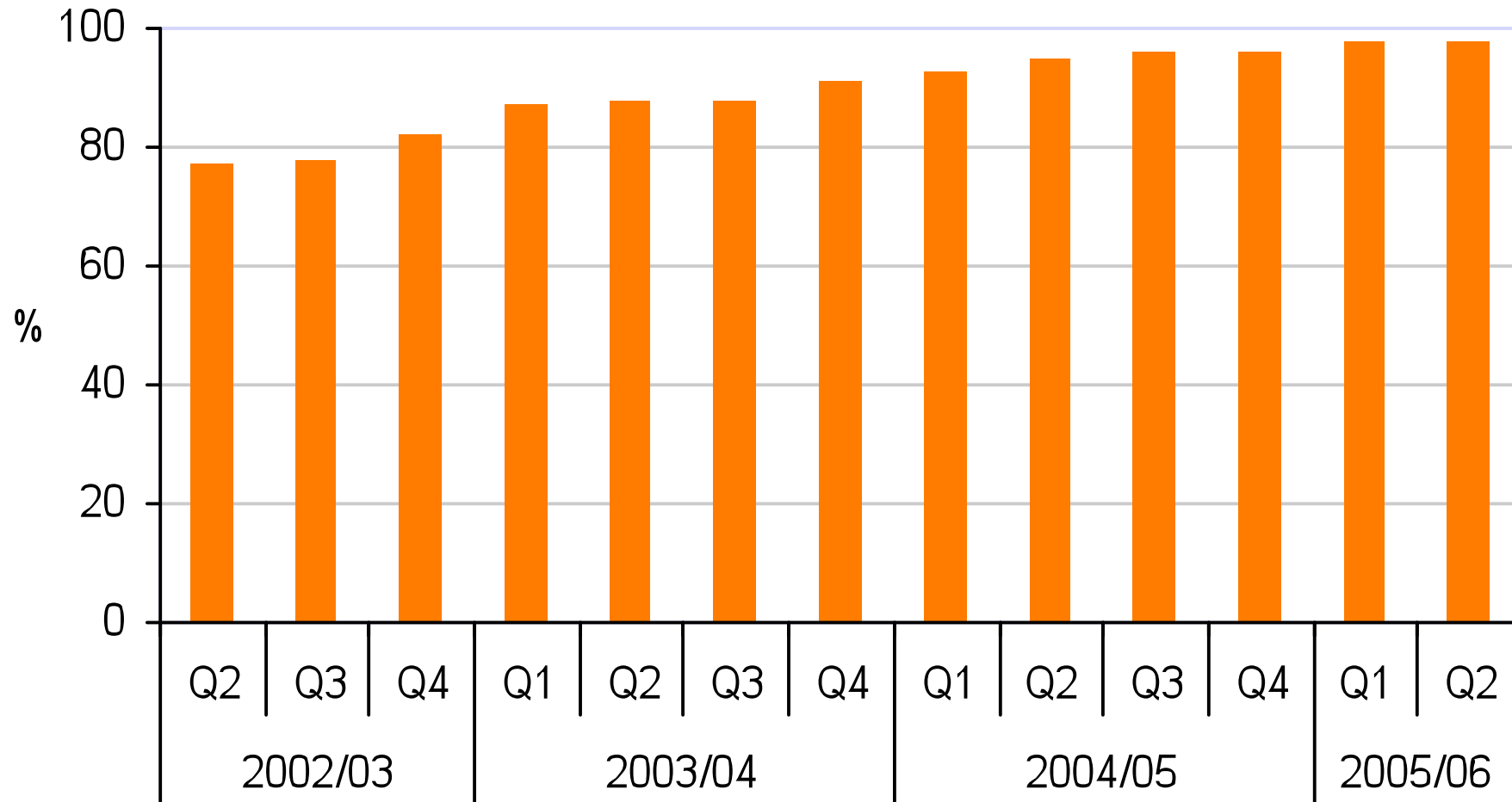
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% Patients spending less than 4 hours in major A+E Departments



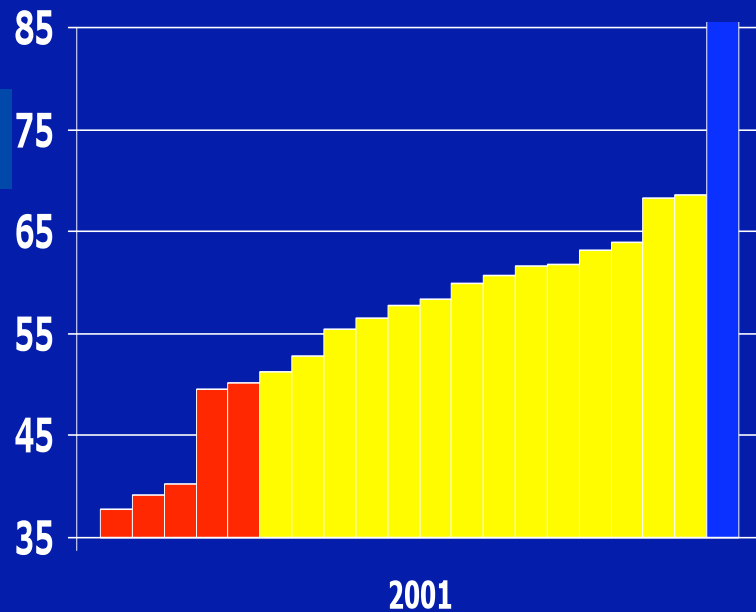
+ 24% increase in A+E admittances

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

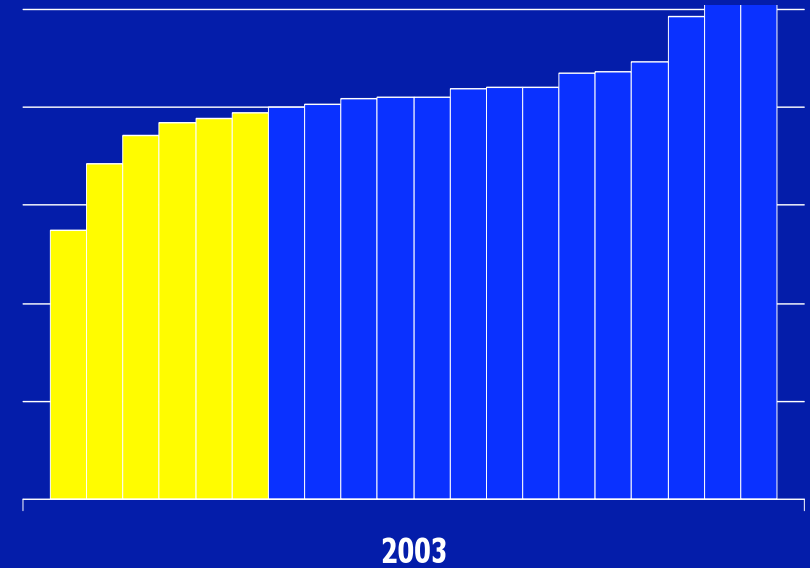
England: before & after target set. Ambulance target 75% < 8 minutes

% life-threatening emergencies < 8 minutes

Target →



before



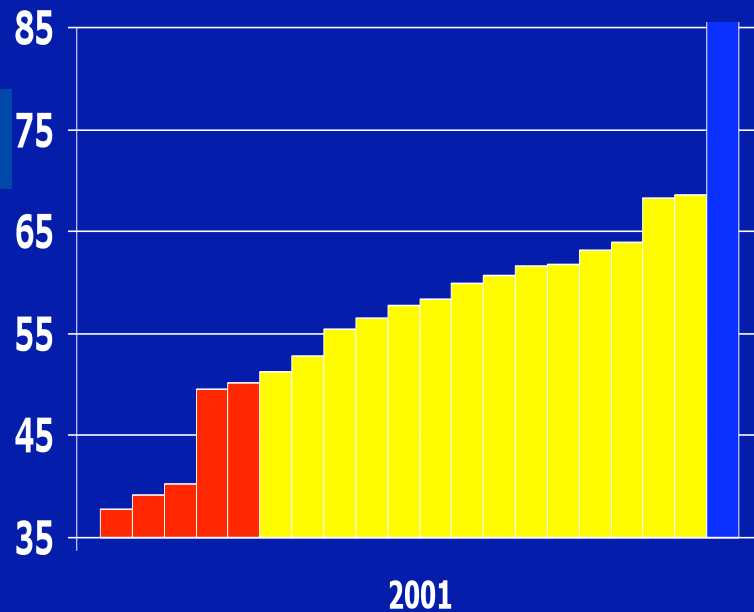
after

Source: Bevan & Hamblin (2009)

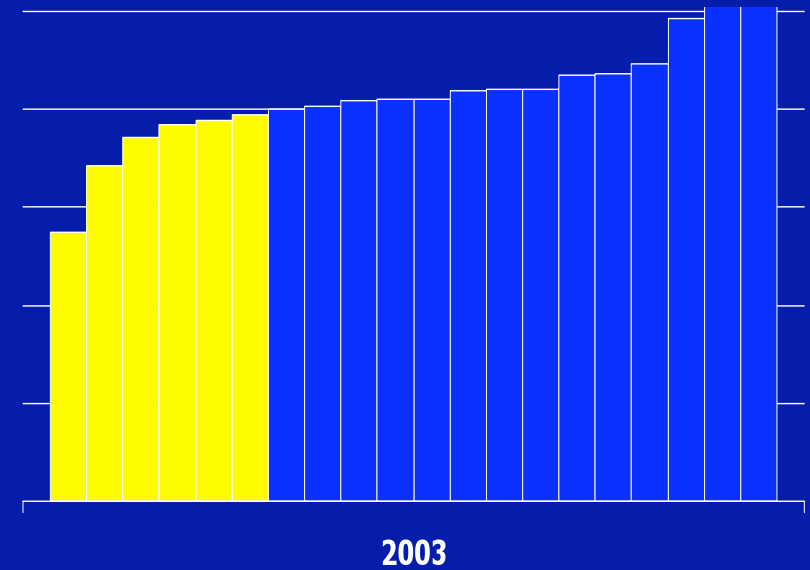
England: before & after star rating. Ambulance target 75% < 8 minutes

% life-threatening emergencies < 8 minutes

Target →



before



after

Source: Bevan & Hamblin (2009)

Problems with targets

- What is targeted is resourced; what is not is not. But is this true?
- Distortion: hit the target and miss the point. But who sets the target?
- Demotivating and demoralising - 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 bad about service. Bottom-up
- Personal interaction

Disadvantages:

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

UK National Health Service without choice

- 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 Provider (where?)
 - Hospital, GPs, Schools
- Choice of Treatment (what?)
 - Treatment, procedures, curriculum, teaching styles
- 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.
- 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 must be low. But are they?
- Opportunities for cream-skimming should be low. Cream-skimming: selecting easiest, least costly patients. Favours less needy and better off.

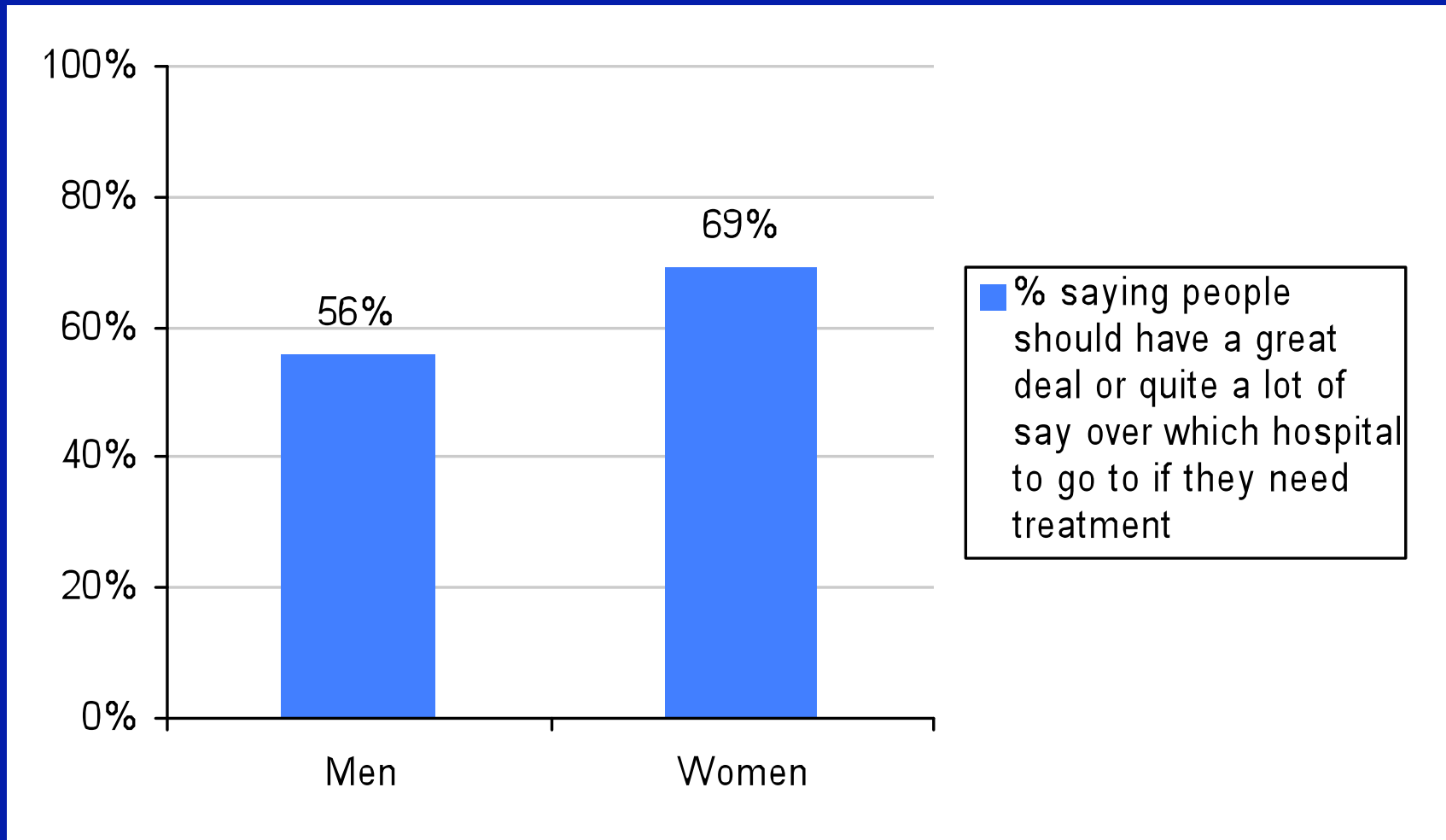
Ways of dealing with cream-skimming

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

The Challenges

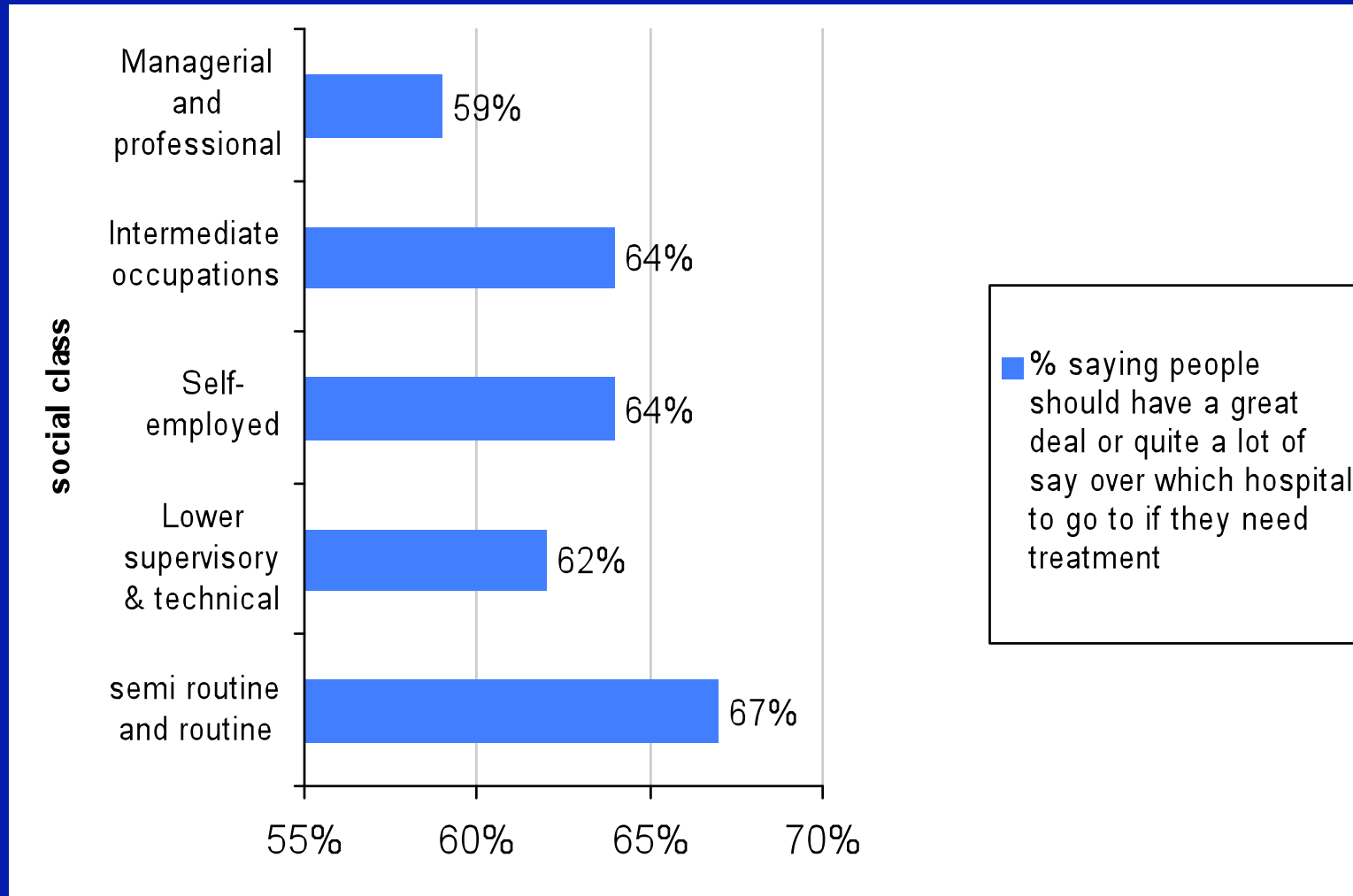
- People don't want choice; they want a good local service
- The better off will make good choices; the poor will be left with the 'sink' hospitals
- Choice and competition in public services – especially from the private sector- will undermine the public service ethos. More generally, choice threatens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

Who wants choice: Gender



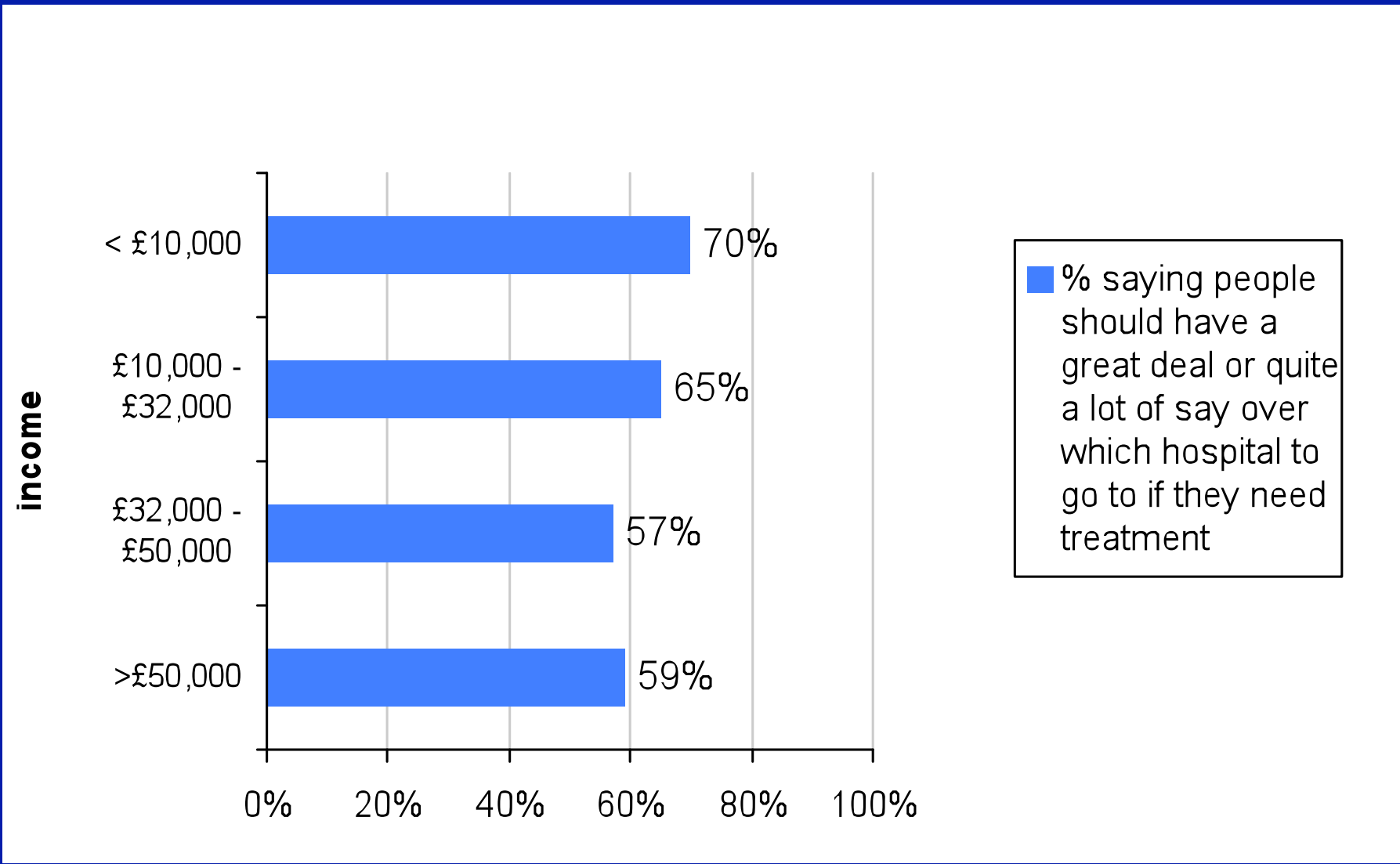
Source: Public Responses to NHS Reform, John Appleby + Arturo Alvarez, British Social Attitudes Survey 22nd Report (2005)

Who wants choice: Social Class



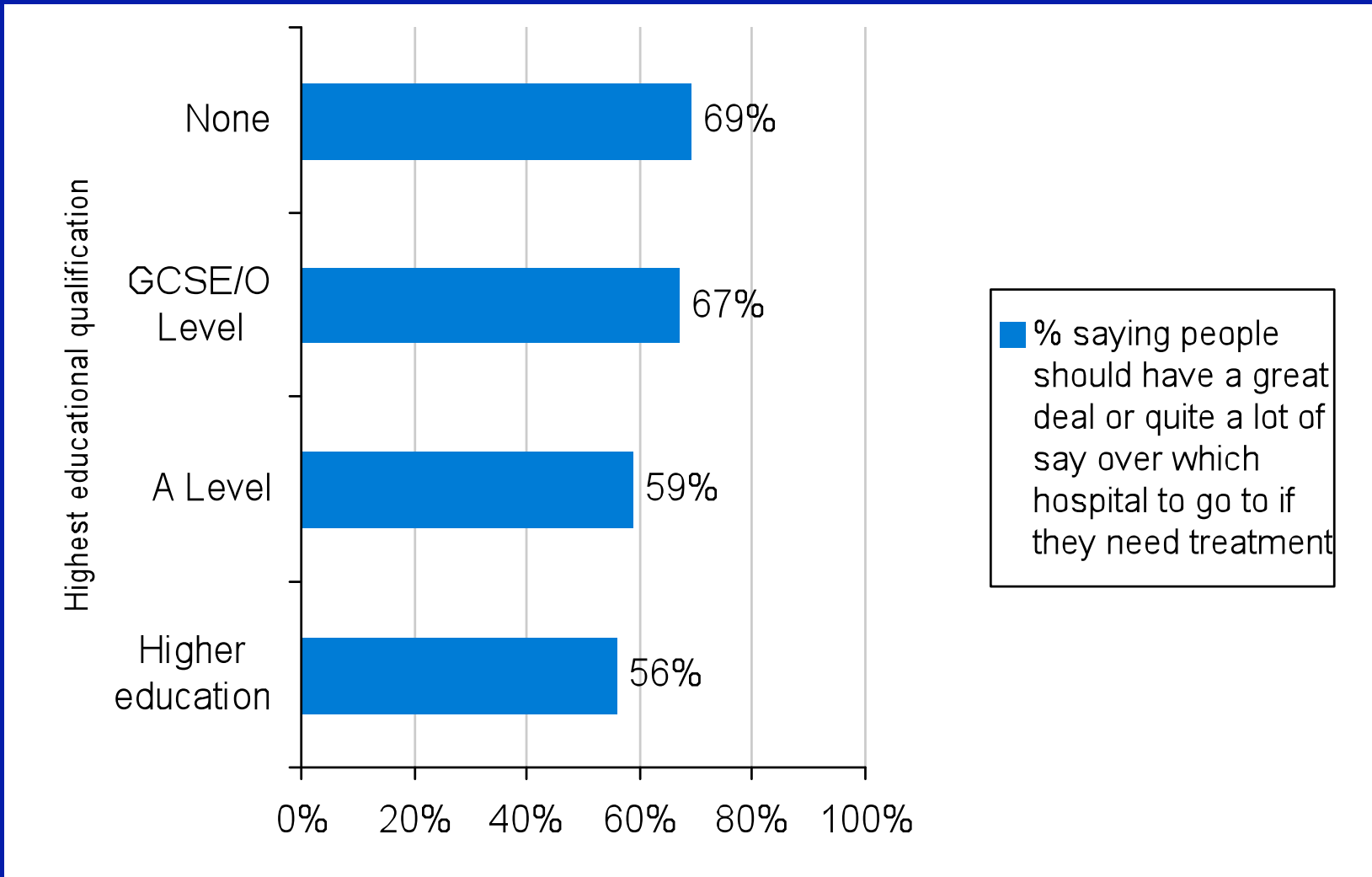
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Who wants choice: Income



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

Who wants choice: Educational Achievement



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

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.

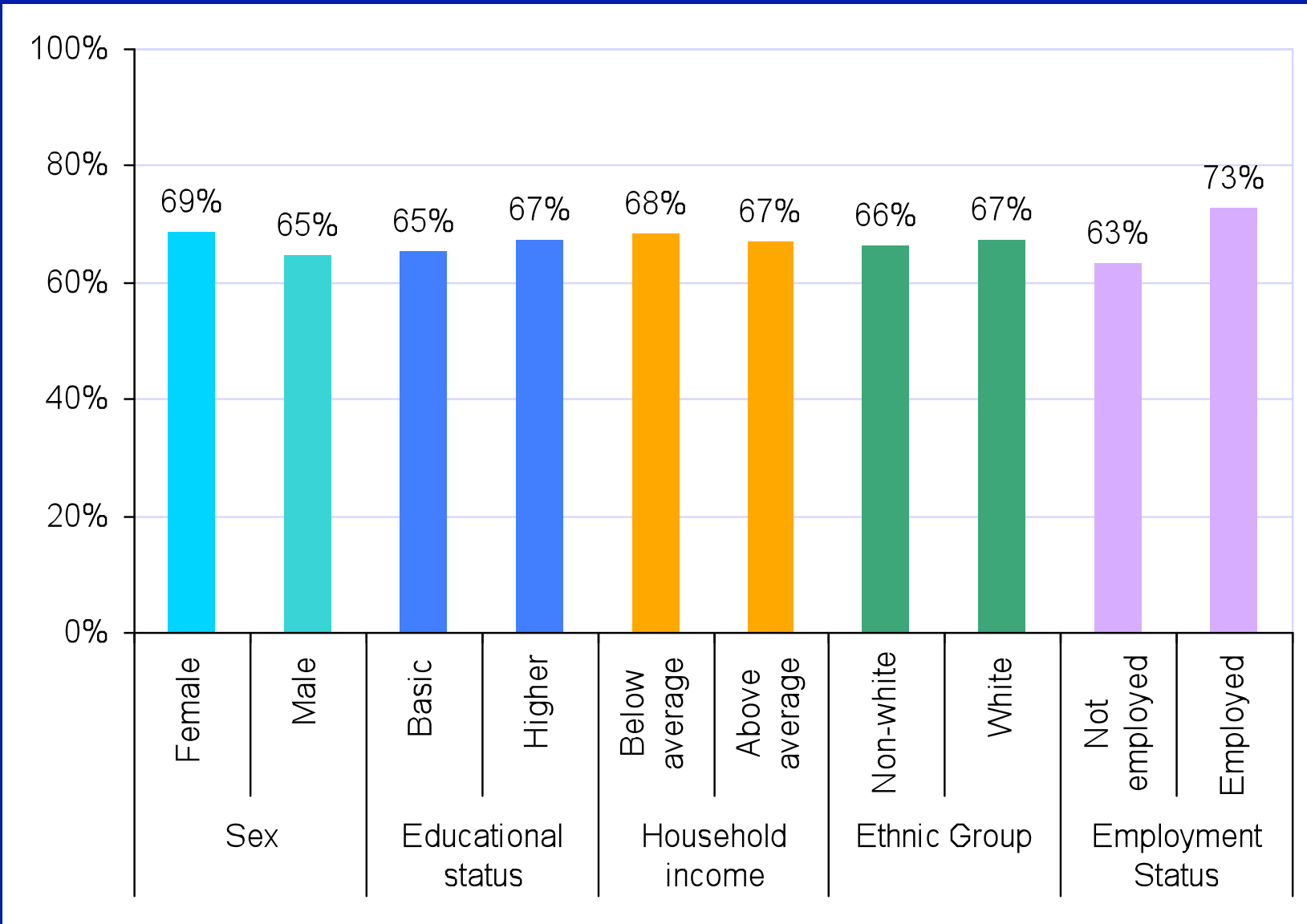
Parental Choice in New Zealand

- 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

The Challenges

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London Choice Pilot: % opting for an alternative hospital

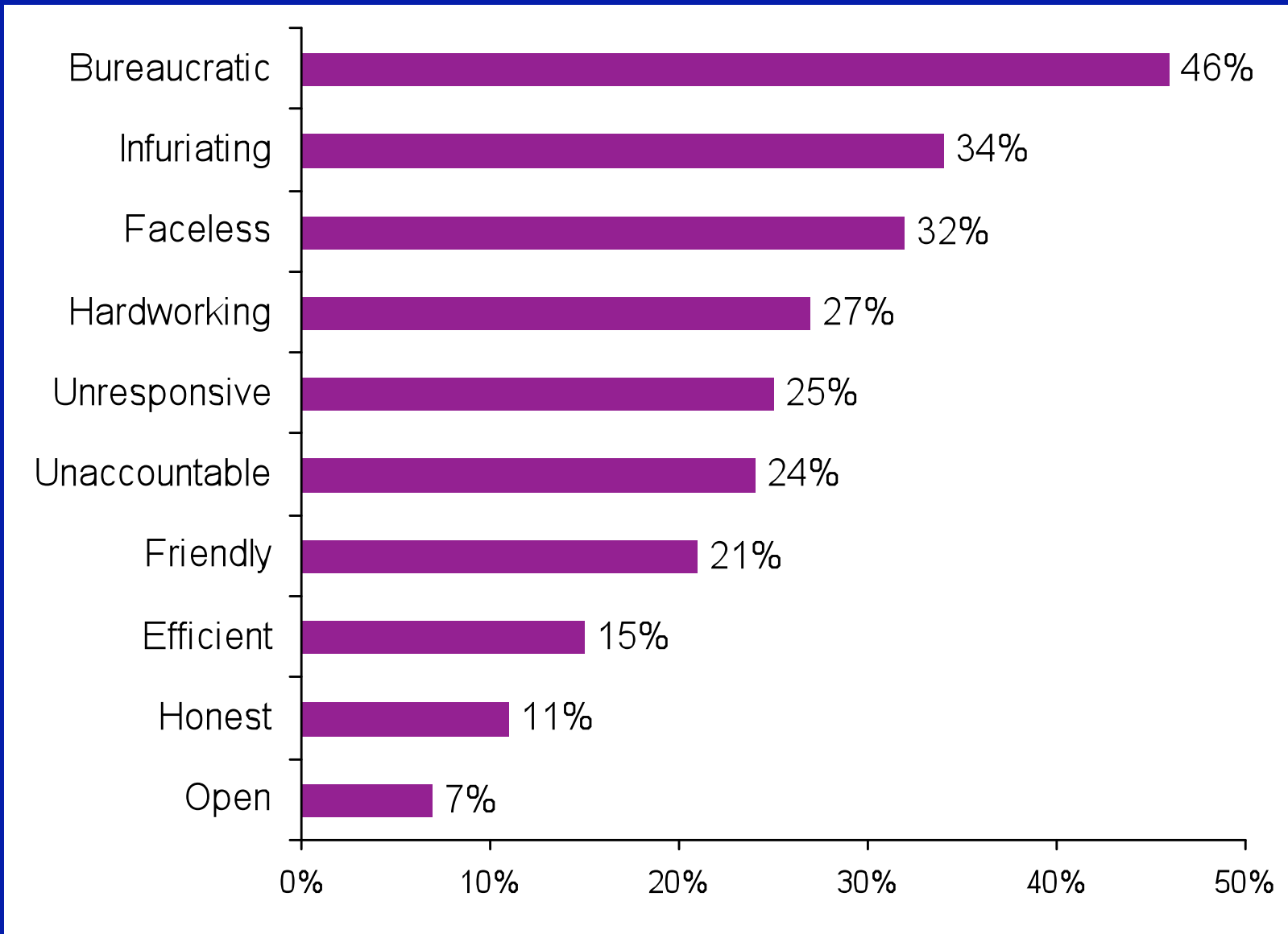


Source: Evaluation of the London Patient Choice Scheme, Picker Institute (July 2005)

The Challenges

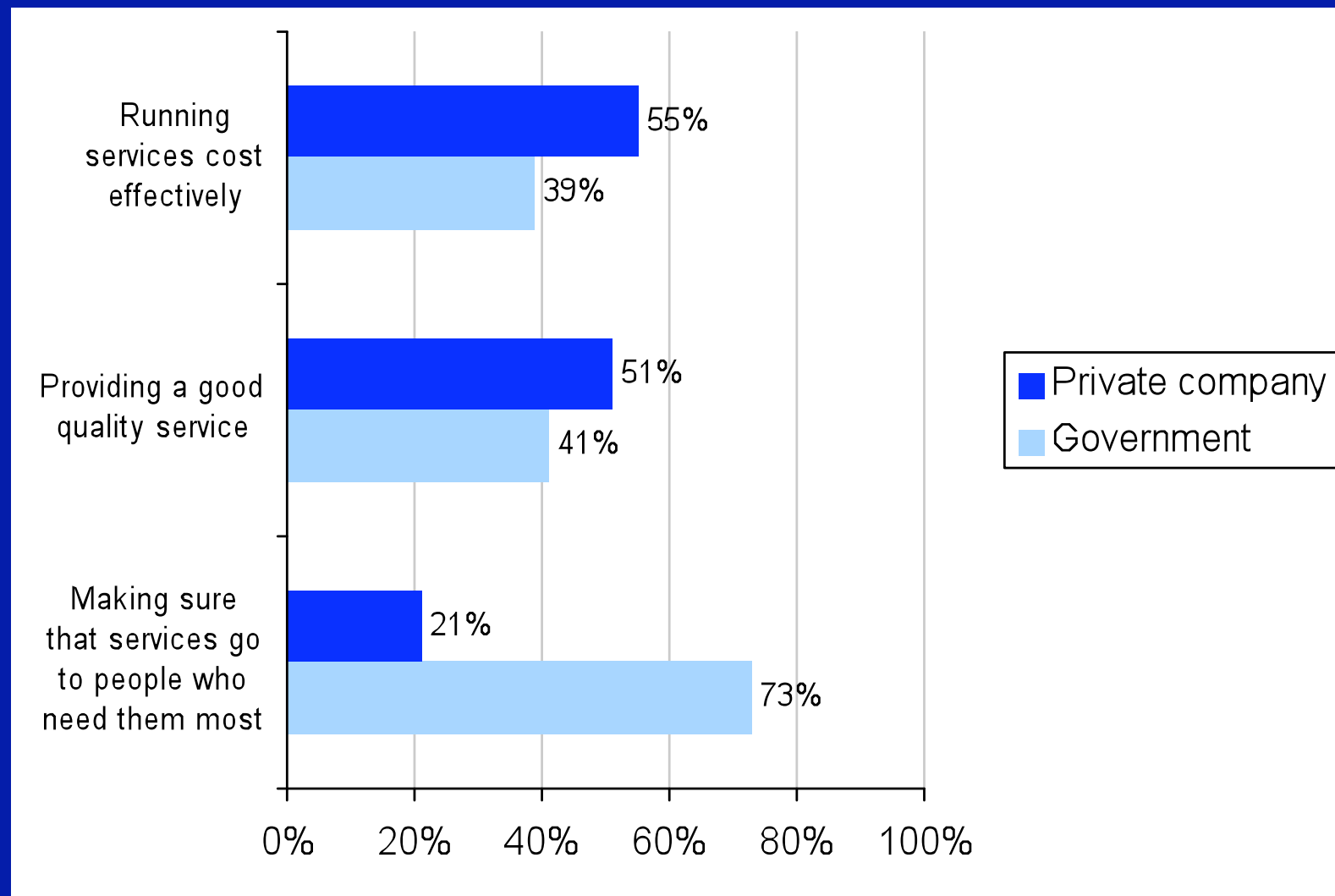
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Which words do you think apply to public services in Britain these days?



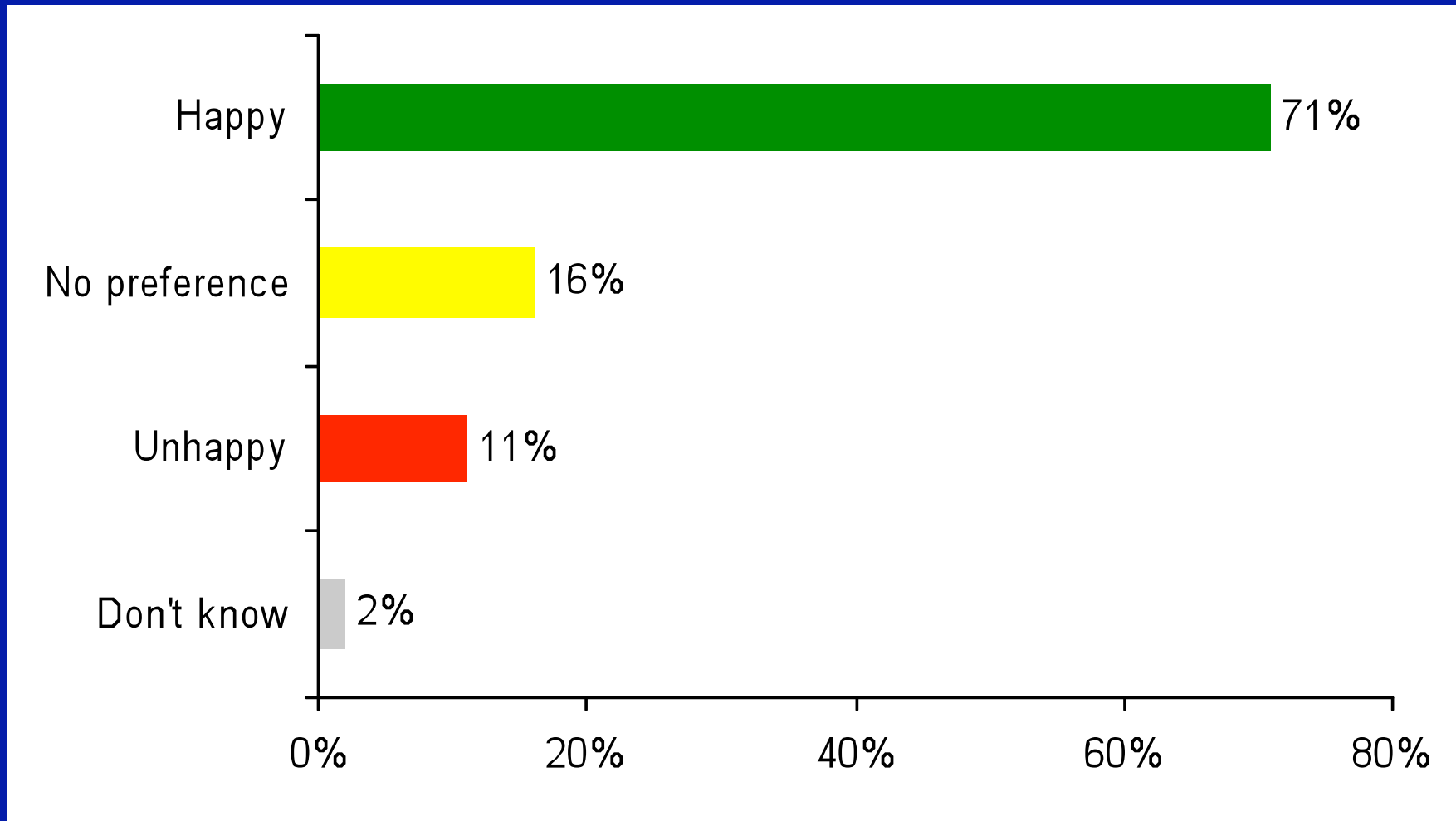
Source: MORI (2005) survey of 2000 GB aged 18+

Who is best at....



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

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+