

BUSINESS EUROPE

Curing European Health Care

By HELEN DISNEY
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Reform of health services in Europe is as controversial a topic as you can find, stoked by headlines like "American firm hired to do all National Health Service shopping" in one British newspaper. As the private sector is called on to play a new health-care role, though, should Europeans really be alarmed?

The news that a U.S. company has been given a major procurement contract for Britain's NHS comes on the back of another recent controversy. In June the U.K. Department of Health prematurely published future reform proposals, causing consternation among health professionals and unions. Under the reforms, primary care trusts -- which commission hospital and family doctor services in Britain -- will be allowed to contract out key parts of their work. Consortiums with expertise in the insurance industry and health-care procurement will be among the frontrunners in bidding, and may include the U.S. health-care giants United Health and Kaiser Permanente.

Critics claim these developments are the beginning of the end of the welfare state -- a drive toward the "Americanization" of health care -- and the antithesis of equity, solidarity and everything else good that European systems are meant to represent. They also note, legitimately, that reforms should be about driving up the quality of service, not just cutting costs.

The strength of European feelings against liberalization was made quite clear in February, when the EU Parliament amended the services directive. In the process, lawmakers threw out the directive's public health and social services element, which would have created a more competitive internal market in health care.

Though introducing market mechanisms may seem radical now, it likely won't in a decade's time. A combination of demographic changes, increased consumer demand, rising medical costs and the resulting bankrupt welfare systems makes further market-oriented reform of European health systems highly likely. In fact, as in the U.K., a groundswell of change is already under way on the Continent.

Many countries are introducing what would have been seen as heretical moves a few years ago. Some, like "left wing" Sweden and formerly communist Slovakia, seem like unlikely places for free-market reforms.

For the most part, the reforms have turned out to be good for both health-service users and staff. Why? First, they make systems more responsive to individual needs. Second, they introduce more investment in the system. Third, and perhaps most important, they lead to more sustainable health systems for the long term without sacrificing access for all.

Slovakia, for example, emerged from the yoke of communism with a state-run, state-funded system that was highly bureaucratic, mismanaged and often corrupt. Recently, though, it has been at the forefront of pushing for a more consumer-driven system. This urgency has been created in part because of the economic strictures imposed by EU membership, and partly because of demand from citizens for better services.

The Slovak parliament adopted new health laws at the end of 2004, including the introduction of user charges to increase investment and prevent waste. Reformers also instigated a major public consultation,

with the goal of figuring out the public's priorities in order to determine what should be covered by mandatory health insurance.

Health insurers and providers were given for-profit status to spur competition, rather than leaving patients to rely on a single state provider. These changes have already led to a sharp reduction in the annual health-system deficit by cutting costs and increasing investment. In all likelihood, they will go on to allow patients more and better choices, as the new providers begin to compete on quality and thereby drive up standards.

To the north, in Sweden, nurses were at the forefront of health-care reforms in the Stockholm region, largely because the changes allowed them to take charge of their own shift patterns and thus coordinate work with child care.

Yet this development would never have come about without the so-called Stockholm health-care revolution -- structural reform that opened up the supply of health care to more private players. With free-market forces at play, nurses turned out to be in high demand. Besides winning more flexible scheduling, their pay increases shot up, outstripping those in the rest of Sweden's health-care sector by 50%. Almost all union organizations in the Swedish health-care sector now support reforms -- a vital element in effecting long-term change.

Similarly, in Britain the governing Labour Party is opening up swaths of the health-care sector to market-based reforms. These include contracting with private-sector vendors to provide set numbers of standard elective surgeries, such as hip operations. This keeps prices down and allows patients to be treated more quickly.

Last but not least, the U.K. government has been championing a set of policies collectively known as "Patient Choice," which allows patients to choose their own hospitals and, with help from a new electronic booking system, gives them more control over when and where they are seen by a doctor.

Unfortunately, Europe's health-care reformers are so far rarely rewarded for their efforts. Slovakia's center-right government lost a June election to left-wingers promising to roll back reforms, and British Prime Minister Tony Blair's popularity is waning, in part because he is perceived as being too fond of the private sector. The Private Finance Initiative, under which private firms get long-term contracts to build and manage hospitals, is still considered highly controversial and has helped make the idea of free-market health-care reforms unpopular in Britain.

Despite the scare mongering, many of these efforts have little to do with copying the U.S. system. Instead, they forge long-term, European solutions that will not only save taxpayers money but provide better, more personalized service to all citizens -- keeping the Continent's commitment to social solidarity very much intact.

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