# The need for multi-level healthcare governance

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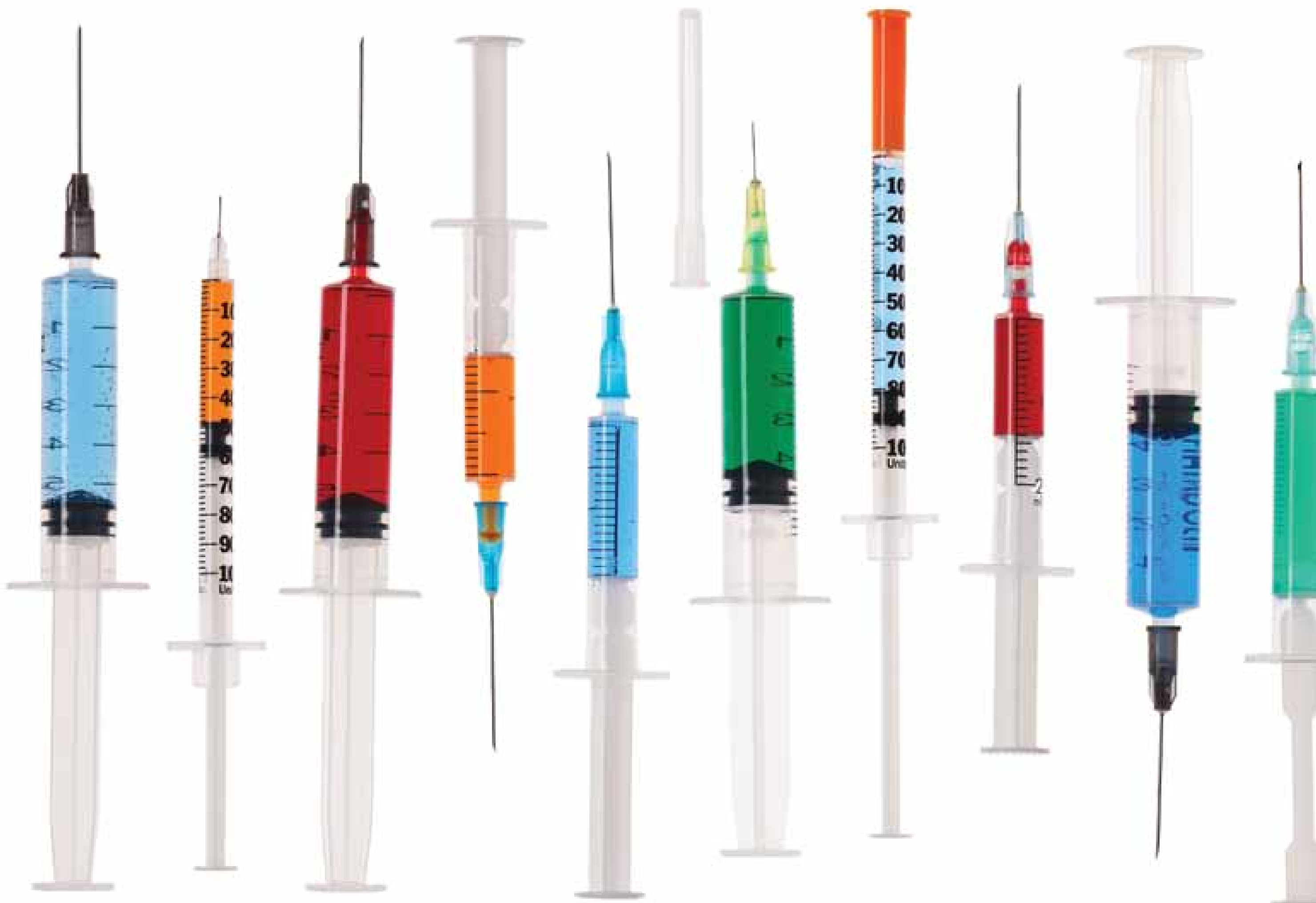
Together with education and security, health is a major issue for citizens today. Knowing that you are in good health, but also that you will be treated rapidly and receive a high standard of care has been a major concern for Western countries and their citizens for more than 20 years.

To demonstrate that this concern has genuinely been taken on board by governments, we only have to look at spending in OECD countries between 1990 and 2010: over this period, health spending per capita increased by more than 70% in real terms[1].

However, it took a long time for the governance[2] of healthcare systems to be examined in terms of efficiency (the cost-benefit ratio). The ultimate aim was to improve the health of the population, and this can be seen in the increase in life expectancy[3] and fall in mortality rates for certain diseases, such as cancer[4]. Nonetheless, some years ago now, primarily in the wake of the economic crisis, governments began slashing their healthcare budgets. For example, within the OECD, while health spending increased by more than 4% per year on average between 2000 and 2009, the equivalent figure for 2009-2011 was just 0.2%[5] (figures 1, 2 and 3 on page 88). The crisis has had a major impact on this area of spending, which in 2011 represented almost 9.3% of GDP on average in OECD countries[6].

*1 Healthcare systems: getting more value for money', OECD (2010)*
*2 Governance refers to 'all processes of governing, whether undertaken by a government, market, or network, whether over a family, tribe, formal or informal organization, or territory, and whether through laws, norms, power, or language.' (Bevir, Mark, 2013. Governance: A very short introduction. Oxford, UK: Oxford University Press).*
*3 Increase in life expectancy of more than 10 years between 1970 and 2011 in the OECD ('Health at a Glance', OECD, 2013)*
*4 Cancer-related deaths fell by 14% between 1990 and 2011 ('Health at a Glance', OECD, 2013)*
*5 'Health at a Glance', OECD (2013)*
*6 Op. cit, OECD (2010)*



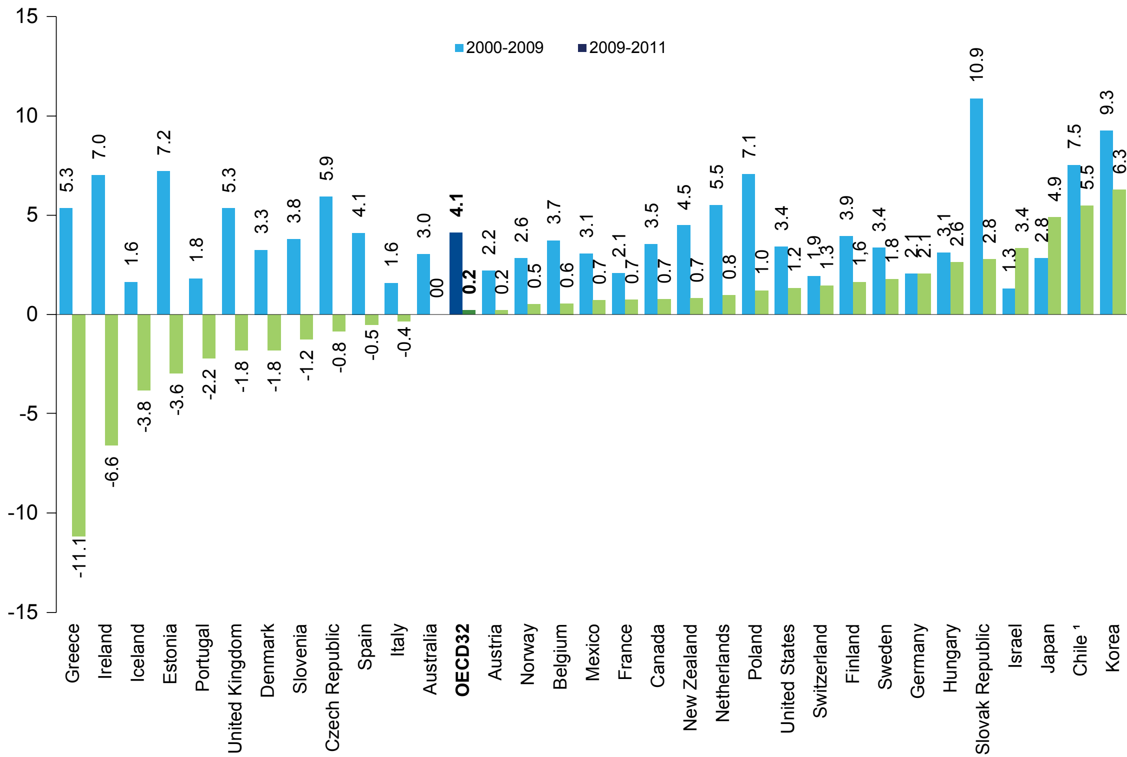
However, in the current wave of austerity, it is clear that today's governments are tending to focus the debate on the type of system (market-based or centralised), reflecting more on ideological differences (in terms of liberalism and socialism), when they should instead be focusing more on how their systems are managed. According to the OECD[7] , better management at national level could reduce costs by around 2% of GDP on average in OECD countries by 2017, without diminishing the quality of care available[8].

Moreover, thinking in terms of management rather than the system would give countries greater flexibility to meet new challenges such as the ageing population, the growing expectations of the public and the migration of patients and healthcare professionals, as well as health tourism.

Today, countries have a tendency to choose their system based on local, regional and national factors, as well as ideology

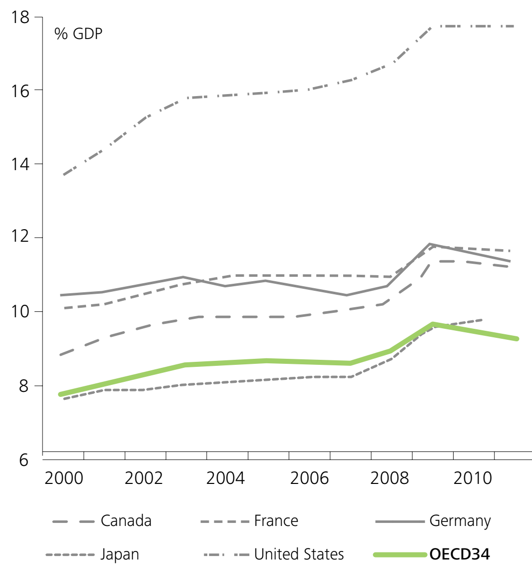
*7 Ibid.*
*8 Ibid.*

Figure 1: annual average growth rate in per capita health expenditure, real terms, 2000 to 2011 (or nearest year)



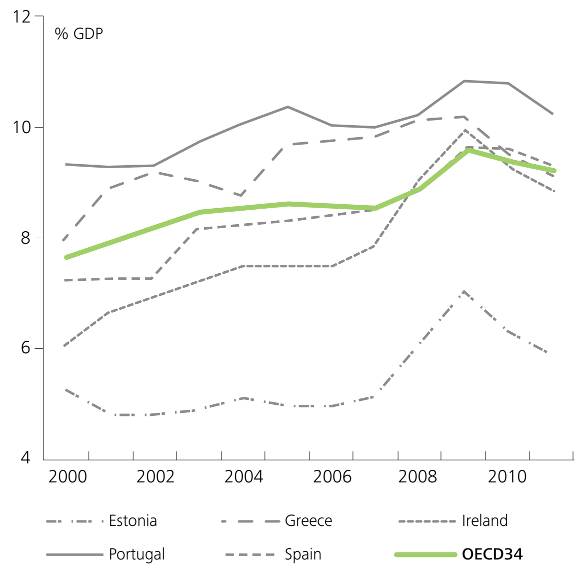

Source: OECD Health Statistics 2013, http://dx.doi.org/10.1787/health-data-en; WHO Global Health Expenditure Database.

Figure 2: health expenditure as a share of GDP, 2000-2011, selected G7 countries




Source: OECD Health Statistics 2013, http://dx.doi.org/10.1787/health-data-en.

Figure 3: health expenditure as a share of GDP, 2000-2011, selected European countries




Source: OECD Health Statistics 2013, http://dx.doi.org/10.1787/health-data-en.

In other words, every system has its limits and is strongly bound by national constraints (the political system, level of affluence, etc.). However, any system can be made more efficient without cutting services and reducing the quality of care by rethinking its management at every level. In fact, management does not stop at national level but should be implemented at all levels:

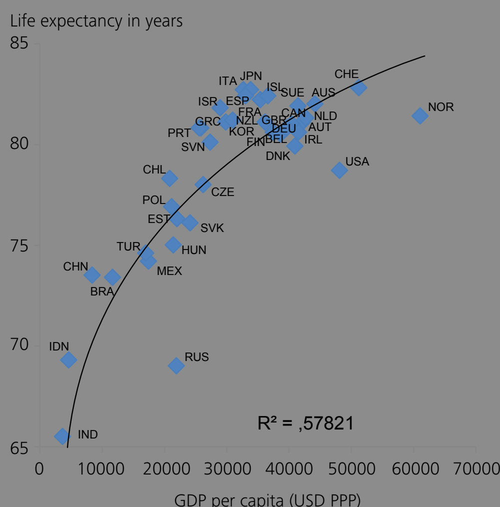
- **Meta:** management of the environment and the entire system of hospitals and clinics by government institutions and regulatory bodies
- **Macro:** management of hospitals and clinics and the various specialisations by a management committee/ administrative board
- **Micro:** management of work devoted to the patient, and management of requirements and specific needs by a management team

### Meta governance must focus on the consistency of its actions

As set out below, there are many ways in which healthcare systems could be reformed and enhanced. Today, countries have a tendency to choose their system based on local, regional and national factors, as well as ideology. What we tend to forget is that each country is different and does not have access to the same resources. As a result, efficiency gains vary considerably between countries. Nonetheless, each country can make its system more efficient by improving management and thus achieve better outcomes for the amount they spend (figures 4 and 5). Ultimately, the selected system can only have a limited impact on efficiency.

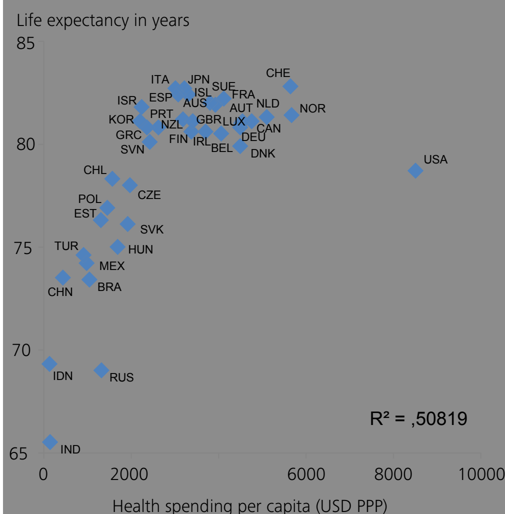
## Nonetheless, some years ago now, primarily in the wake of the economic crisis, governments began slashing their healthcare budgets

Figure 4: life expectancy at birth per capita, 2011 (or nearest year)




Source: OECD Health Statistics 2013, http://dx.doi.org/10.1787/health-data-en; World Bank for non-OECD countries.

Figure 5: life expectancy at birth and health spending per capita, 2011 (or nearest year)




Source: OECD Health Statistics 2013, http://dx.doi.org/10.1787/health-data-en; World Bank for non-OECD countries.

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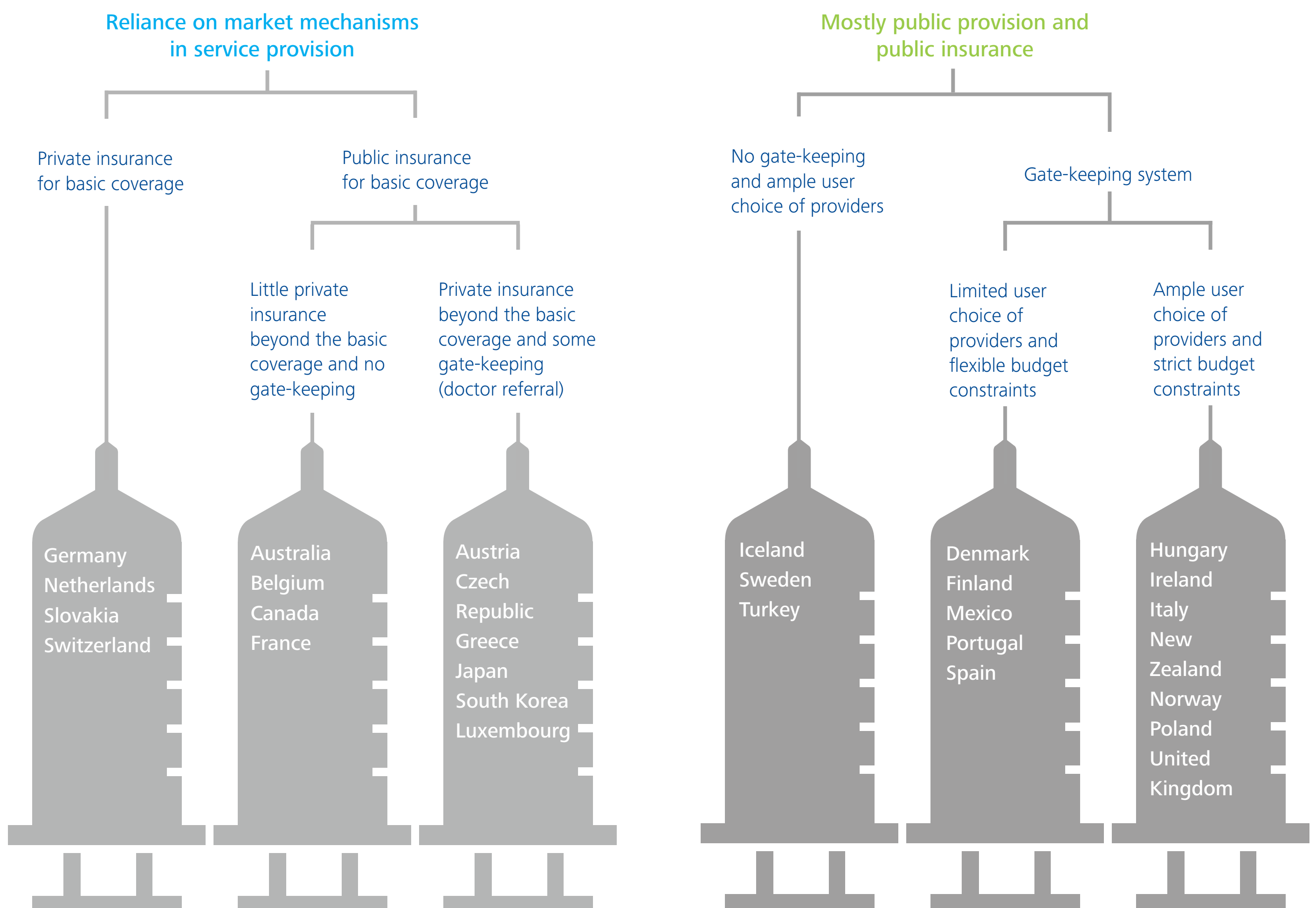
Thus, government bodies, institutions and interest groups should not seek to put in place a perfect system or compare their systems with those of countries that have similar institutions or ideology[9] (figure 6), but instead they should target consistency between the operational parameters within their system and adopt the management practices of countries of a similar size, with similar resources, etc. Ultimately, it is not a question of knowing how to charge for health services (per procedure or per activity), or spending hours considering which system is best, or even wondering whether or not centralising healthcare services is more efficient.

Figure 6: groups of countries sharing broadly similar institutions




Source: 'Healthcare systems: getting more value for money', OECD (2010)

Instead, governments and other national regulatory and management bodies should think in terms of meta management: at this level, it is important to look beyond the organisation and to be clear on the aims and *raison d'être* of the system, without entering into an ideological debate. There is a need to define openly and clearly what is expected in operational terms, while at the same time knowing that management will do most of the work. This means putting in place consistent operations that achieve rapid, positive and tangible results.

However, it will be by stimulating debate and raising awareness of this fact in the political, social and economic spheres at national level that expectations will be turned into real savings. With the aim of raising awareness, here is a list of the main discussion points that the key players must dare to talk about openly in order to ensure consistency in their actions:

- **Constantly rethinking the service model.** Establishing and regularly re-assessing the priorities for services that are reimbursed through regular reviews will promote increased awareness of technological advances in healthcare and research.
- **Focusing on the environment and not on the entity.** The responsibilities of national regulatory bodies and government regulators must be clearly separated from those of the management bodies of hospitals/clinics. By defining the chain of responsibility more clearly and implementing more transparent legislation on expectations for management of hospitals/clinics, the system will avoid duplication and conflicts of interest.
- **Controlling the costs of infrastructure and medical expertise.** One of the main causes of rising costs stems from the poor use of new technologies, rather than their purchase in the first place. At the meta management level, it is important to rationalise and regulate supply on a geographical basis, to ensure that there is no unnecessary duplication of infrastructure or medical expertise.
- **Creating genuine international competition.** Prioritising the rights of patients and offering them the choice of having their treatment in another country will put additional pressure on care quality and transparency. Hospital management will be forced to recognise and accept criticism from the consumers of healthcare if they wish to compete.
- **Promoting the use of new technologies.** Information and communications technologies can reduce costs. For example, knee surgery used to mean patients missing work for several weeks or months, but thanks to technology, this has been reduced to no more than a week or two. It is therefore necessary for meta management to support its members in working with modern facilities.
- **Educating healthcare consumers.** The system's management should also seek to boost the critical faculties of the main reason for the rise in costs: the user. The use of campaigns and comparative tools enables citizens to be more critical and rational about their needs and the treatments offered to them.

*9 As shown, for example, in figures 4 and 5, and as underlined by the OECD (op. cit.), efficiency varies more within groups of countries that have similar institutions than between groups of countries that are comparable in terms of size or resources, etc.*

# In other words, every system has its limits and is strongly bound by national constraints (the political system, level of affluence, etc.)

### Macro and micro governance must rethink their processes

Although it is possible to separate these two levels, we prefer to combine them, since they do not operate outside the organisation but through it. However, it is worth pointing out their differences.

At the macro or micro level, it is no longer an issue of debating the type of system or discussing the organisation of the system's operation, but of finding an internal operating model that delivers services as efficiently as possible and provides patients with the quality of healthcare they expect at a controlled cost. In other words, the challenge for hospitals at the macro and micro level is to rethink their processes from design through to application, rather than introducing or delivering new products, services or solutions. It is clear that some see these ideas as a form of standardisation of processes and a de facto loss of quality. Nonetheless, it is worth considering the case of Dr. Devi Shetty, who can now offer an operation that costs USD 106,385 in the United States[10] for USD 1,583 in India, after rethinking his processes.

Put another way, the responsibility of governance at a hospital's macro level is to make sure that things are done through others (groups, people, structures) in a forward-looking way, whereas at the micro level they should be done while looking at the present. In both cases, the focus should be on the continuity of the various actions in order to ensure a certain consistency in the way they are carried out—only the objective should be different.

The focus in the first case should be on the consistency of all the processes and related products, services or solutions provided to the patient, while in the second, it should be on the direct delivery of products, services or solutions to the patient.

So, to promote critical thinking and to challenge the status quo, we invite the decision-makers and managers at these levels, as well as all other healthcare professionals, to consider, with an open mind, these discussion points that will enable them to rethink their internal processes:

- **Evaluating their market positioning on a regular basis.** Hospitals and clinics should rethink their core business in terms of specialisations. Their reputation will be built on specialisation in particular areas (e.g. rehabilitation, cardiac surgery, etc.), in which all healthcare professionals (doctors, nurses and other clinical staff) play a complementary and essential role in the quality of the service delivered to patients. It is the interaction between the different healthcare professionals who have direct contact with the patient that creates value added rather than a single aspect of the treatment package.
- **Avoiding the categorisation of their human resources.** In addition to the above, the management should rethink their human resources in terms of skills and the complementary aspects of the different care providers. This is because medicine is no longer the core business of hospitals and clinics. Patients need nursing care and other types of treatment to get better. Hospitals and clinics will therefore have to promote their real core business by managing their activities and roles in a holistic way, without favouritism/protectionism, rather than by separating activities and roles.

*10 'Heart Surgery in India for $1,583 Costs $106,385 in U.S.' by Ketaki Gokhale for Bloomberg.net (28 July 2013)*

- **Reviewing the roles and responsibilities of each healthcare professional.** Looking at all times through the prism of rethinking processes, the governing boards of hospitals and clinics have to accept that although medicine (excluding diagnostics) is a technical exercise requiring a high degree of precision, it may, with the right training, be delegated to nurses or other clinical staff. Methods of operation and delegation will therefore have to be reconsidered.
- **Rethinking the governing board.** Today, most hospitals and clinics are run by a three-person management team (directors of medicine, nursing and administration). However, given the changes made to healthcare systems in recent years, hospitals have changed considerably since they were first established. Managing a hospital is now a full-time job. Given government constraints and increasingly demanding patients, hospital governing boards must have professionals in place who not only know the industry, but can rethink hospital organisation in terms of efficiency. This means that professional medical training, whether as a doctor, nurse or physiotherapist, is no longer sufficient. Members of the governing board require training in management and administration.

### Healthcare governance: case-by-case review

It is not necessary for countries to compare systems based on the same ideology; instead, in a meta approach, governments should aim to achieve the same level of efficiency as the best performers without actually copying them. In other words, radical reforms are not required. It would probably be better and more effective for each country to adopt the best practices implemented by comparable countries in terms of resources (target group) and not to adopt practices implemented by countries with the same ideology.

Thus, efficiency stems not from the system itself but from multi-level management (meta, macro and micro), through the consistency of operations arising from decisions between the levels that can really impact outcomes. Governments must therefore take the lead and be bold in tackling these difficult issues, while hospital management will have to accept that it needs to rethink its roles and functions. However, the implementation of multi-level governance must and should be carried out following a review of current models and the overhaul of operating principles on a case-by-case basis. And finally, it is worth restating that the aim is not to introduce new products, services or solutions, but to re-engineer processes: the backbone of the health system.