

# Health Workers' Attitudes to Market Incentives and Privatisation in Central and Eastern Europe

Libor Krkoska  
Helena Schweiger

April 5, 2008

# Background

- Challenge facing policy makers in transition countries:
  - Improve the quality and efficiency of healthcare...
  - ... but government resources are limited, so involvement of private sector is considered
  - Key stakeholders in proposed health reforms: health workers
- Life in Transition Survey (LITS)

# Health Sector - Some Facts

- Healthcare identified as a priority for extra government investment
- Existing health sector infrastructure is neither in good condition nor well-managed
- Options to improve the delivery of health care (and public services in general):
  - Additional government funding to bring about improvements
  - Privatisation of some activities
  - Public private partnerships

# Private Sector Involvement in Transition Countries

- Popular support for universal access to health care, free at point of delivery
- Limited privatisation in many transition countries
- Services delivered by the private sector under contract to publicly financed insurance funds
- Private services paid out-of-pocket
- Private practices after the official working hours using state medical facilities for a nominal payment
- Clinical support services and non-clinical services provided by the private sector

# Public-Private Partnerships

- Problems:
  - Inadequate skills and corruption in state procurement
  - Insufficient resources for implementing contracts and monitoring private sector activity
  - Role of “insiders”

# Main Questions

- Attitude of health workers to the introduction of market incentives and greater involvement of the private sector?
  - Support for the market economy
  - Living standards and views on the economy and quality of life
  - Views on the health sector

# Literature Review

- Support for the market economy affected by labour market status (Hayo [2004])
- Optimal incentives for public sector workers may differ from those in the private sector
- General practitioners partially altruistic - majority produced markedly higher quality than was required to maximise financial rewards (Gravellea [2008])
- Market-oriented incentives need to be combined with robust state regulation - but that may not be financially feasible for less well-off CEE and CIS countries

# Life in Transition Survey

- Carried out by the EBRD and the WB between August and October 2006 in 28 transition countries and Turkey
- 1000 households interviewed face-to-face in each country:
  - Assessment of how transition affected the lives of people
  - Views on issues such as democracy, degree of government involvement in the economy, and prospects for the future

Private sector	25.9
State sector	12.2
Public administration	4.4
Health & social services	3.4
Education	5.9
Self-employed	6.0
Unemployed	5.2
Retired	23.4
Student	2.7
Not working	10.9

# Methodology

$$y_i^* = X_i\beta + L_i\gamma + D_c + \epsilon_i, y_i = j \Leftrightarrow k_j \leq y_i^* \leq k_{j+1} \quad (1)$$

$y_i^*$	Limited dependent variable for respondent $i$
$X_i$	Vector of individual characteristics of respondent $i$ (age, age <sup>2</sup> , gender, household size, expenditures per adult, education, rural/urban/capital city)
$L_i$	Indicator for the current labour market status of respondent $i$
$D_c$	Country $c$ fixed effect

- Estimation:
  - Logit
  - (Generalised) ordered logit

# Support for the market economy

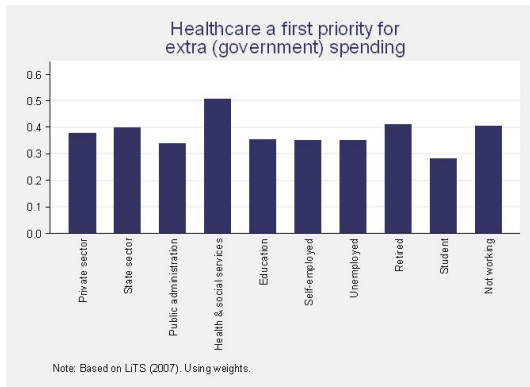
- Limited dependent variables:
  - Views on the state as guarantor of employment
  - Views on re-nationalisation of privatised companies and keeping them in state ownership
  - Preference for a market/planned economy or indifference between the two
- Health and social services workers:
  - More likely to prefer moderate than strong involvement of the state in guaranteeing employment
  - Lower support for re-nationalisation of most privatised companies and keeping them in state hands than among workers in privately owned firms
  - Not different from workers in privately owned firms with regard to support for a market economy

# Living Standards and Views on the Economy and Quality of Life

- Limited dependent variables:
  - Change in the relative status of the household compared to 1989
  - Improvement in living standards of the household since 1989
  - Satisfaction with life
  - Satisfaction with the present state of the economy
- Health and social services workers:
  - More likely to think their household lives better nowadays than around 1989 than other public sector workers
  - In general less satisfied about the present state of the economy than workers in privately owned enterprises

# Views on the Health Sector

- Limited dependent variables:
  - Health as a top priority for extra government spending
  - Use of public health system
  - Satisfaction with the public health system
  - Unofficial payments/gifts in the public health system



# Views on the Health Sector (Continued)

- Health and social services workers:
  - Majority thinks that government should spend more on healthcare
  - Less likely to have personally received medical treatment in the public health systems than workers in privately owned enterprises
  - Those that have used the public health system, tend to be more satisfied with the quality and the efficiency of the service/interaction
  - Less likely to rely on informal payments in their use of public services than workers in privately owned enterprises

# Conclusion

- Health sector identified as top priority by households in transition countries
  - Views of health workers on the need for further public investments and potential for introduction of market incentives and greater private sector involvement important for the design of health reforms
- Health and social services workers have relatively favourable views on greater use of market incentives and private sector involvement
- Private sector involvement requires effective regulators, administrative agencies, open tendering, fair competition and transparency
- Key stakeholders need to be engaged in the design of the reform and in continuous monitoring of the delivery