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Impacts of privatization of management of health organizations on public health: Turkish Health Sector Evaluation

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Abstract

Health organizations have been known as non-profit organizations and privatization of these organizations seem to be liberalism in public management. On the other hand, new public business approaches showed that managing non-profit organizations as they are profit organizations increase quality in performance of these organizations. In other words, privatization of management for non-profit organizations is solution of new public business approach for performance increment. In Turkey, health organizations have been managed by professionals hired from outside of the organizations since 2009. In the research, it is aimed to evaluate results of the privatization of health management before and after privatization processes. SWOT analysis is performed and two different management approaches are compared in the perspectives of strategic management.

Keywords: Privatization, Health Management, SWOT Analysis.

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1. Introduction

Privatization of public organizations has been an important issue for managers for long time. Due to globalisation and increase of communication opportunities, organization management and its approaches have changed. This change period showed that performances and service qualities of private sector organizations are higher than of public organizations. For this reason, it is thought that public services and organizations including health care services must be privatized and supervised by the government in order to provide better services to the public.

On the other hand, new public management and new public business approach to the public organizations showed that public organizations may be managed as they are private organizations, and privatization of management is more useful than privatization of whole organization.

The new approach is based on privatization of only management parts of the organization. To provide this “partial privatization”, management parts of the organization are given to the private managers (Bettignes, Jean-Etienne de and Ross, Thomas W., *Public–private partnerships and the privatization of financing: An incomplete contracts approach*, *International Journal of Industrial Organization* 2009). There are some benefits and objectives of this approach. First of all, it is thought that more skilled managers of the private sector may be lead to these organizations. In addition, bureaucratic retardations and other negative issues can be easily solved by this approach. In Turkey, according to these motivations, Health Ministry started to privatize management of health services by using contract management. The objective of the study is to evaluate strong points, weakness, opportunities and treats of this approach by using SWOT analysis.

2. Literature Survey

2.1. *Management in health care services*

Management in health care services is mainly divided by two areas: organizational and healthmanagement Organizational management mentions on financial standards and financial status of the organization. Onthe other hand, health management is focusing on quality in health care services(Becker, Sloan,198). Atthis point, differenc becomes dominant. For example, less cost equipment is favourable for organizational managers, while more qualified equipments are important for health managers. In order to solve this difference problem, health organization management approaches such as decentralization or contract management have been developed in 21.Century(Saltman , Bankauskaite , Vrangbaek 2006;McIntyre, D and Klugman, 2003).

2.2. *Bureaucratic structure*

Bureaucratic structure of health care services differs according to types of the organizations. In general, bureaucratic structure of private health care organizations aims to give better service in order to support their organizations for the competition. However, bureaucratic structure in public organizations is more complicated, and political issues are more important for these organizations(Boardman,Vining, Waters,1993)Thus, bureaucratic structure improves quality of given service in private health organizations, whereas it causes some problems in public organizations.

2.3. Differences between public and private management

Management in health care services have been a paradigm topic for public and private approaches by means of performance and public rights. According to social government theory, governments must provide health care services to the public freely or low cost oriented. Recent researches on globalisation and social sciences show that health is a global public goods (Besley, Ghatak, 2001). Thus, privatization in health care services or managing them as private organizations conflicts with social government theory. However, it is showed in many researches that political managers mention political benefits more than public benefits (Villalonga, Belén, 2000; Desrieux, 2012; Ahlbrandt, 1974; Boycko, Vishny, 1996; Caves, 1990). In contrast, managers of private organizations have more ability to manage such organizations, and they mention success of the organization more than political issues. For this reason, managing of health care services has been an important problem for the public benefits.

3. Methodology

In the study, SWOT analysis was used to evaluate privatization process and its results on the health care system in Turkey by focus group including health managers (n=3), health professionals (n=12), and patients (n=25) in Istanbul Mehmet Akif Ersoy Thoracic and Cardiovascular Surgery Training and Research Hospital. Analysis results were evaluated by author, and accepted by each participant in focus group. SWOT analysis was used for both before and after privatization processes in Turkey. In addition, comparison of two durations, before and after privatization, was also given in the research.

4. Results

SWOT analysis results for the Turkish Health Care System before privatization is given in the Table 1.

Table 1. SWOT Analysis results before privatization process

| | | |
|------------------------|---|--|
| Internal origin | Strengths | Weaknesses |
| | <ul style="list-style-type: none"> • Guaranteed employment • Guaranteed services • Social vision • Vocational development | <ul style="list-style-type: none"> • Low quality • Weakness in the competition • Bureaucratic problems • Personnel control • Accountability • Transparency |
| External origin | Opportunities | Threats |
| | <ul style="list-style-type: none"> • Financial status • Government subventions • Preventative health applications | <ul style="list-style-type: none"> • Political issues • Performance issues • Innovation issues |

As seen in the table, strengths of the health organizations before privatization are guaranteed employment, guaranteed services, social vision and vocational development. In a private sector, it is easier to discharge workers without legislation restrictions as in the public organization. Thus, working in a public organization is seen more guaranteed than private sector. In addition, since these organizations are funded by taxes given to the government, health services given in these organizations are seen more guaranteed than in the private sectors. Health is seen as a public goods, and giving of health services also mean a social vision. For this reason, privatization of public health services may be seen a globalization and liberalization approach.

Weaknesses of the government based managing of health organization are low quality, weakness in the competition, bureaucratic problems, personnel control, accountability, and transparency. Since health organizations managed by politic managers depend on government, merit of the managers could be an important problem for these organizations. Boycko et al. (1996) argued with using Nash equation that managing of an organization by a political manager is less successful than an organization managed by a professional manager. Since political manager worries about political issues, quality related problems of the organization and benefits of shareholders are at the second importance level (Boycko, Vishny, 1996) Thus, managing by a political manager causes weakness for the organization (Shleifer, Vishny, 1994; Schmidt, K., 1996).

Another weakness of the public based organization is bureaucratic issues. In a public organization there are many bureaucratic procedures which make hard to give managerial decisions for the decision makers of the organization. For this reason, it may be said that giving a decision about organization is more difficult in public organizations. Other important weaknesses are accountability and transparency related to political managers. Managers in public organizations think that political benefits are more important than results of accountability and transparency.

In exterior origin, opportunities for public-based organizations are financial status, government subventions, and preventative health applications. Public organizations are seen non-profit organizations, and their costs are not seen losses. Since they are required for the society, and it can not be mentioned as losses of the organizations. For this reason, financial status of the public oriented organizations do not mention on financial status. They do not have to provide any income by means of finance. Thus, they are subsidized by government.

Another opportunity of public based organization is preventative health applications. It is known that cost of a health service is higher than preventative health service. Similarly, income of an acute health service is higher than preventative health application. Thus, non-profit organizations think that preventative health is more desirable than acute health services. On the other hand, private health organizations do not desire preventative health applications due to reducing of income (Kornai, Janos, Maskin, Eric, Roland, Gerard, 2003; McCullough, & Schmitt, 2000; RH Brook, JE Ware, WH Rogers, et al 1983; Dyck, A., 1997; Hodge, 2000).

Threats of public based organizations may be summarized as political issues, performance issues, and innovation issues. Political issues affect nearly all parts of the managerial stages of the organization. Political managers mention their political benefits more than other components. In addition, public based organizations are generally complicated organizations, and it is hard to evaluate performance based service quality or innovations (Aghion, Tirole, 1994; Baker, Gibbons, Murphy, 1994; Comodore, Devereaux, Zhou, Stone, Busse, Ravindran, 2009).

SWOT analysis results for the Turkish Health Care System after privatization is given in the Table 2.

Table 2. SWOT Analysis results after privatization process

| | | |
|------------------------|--|--|
| Internal origin | Strengths | Weaknesses |
| | <ul style="list-style-type: none"> • High quality • Strength in the competition • Low bureaucratic hierarchy • Personnel control | <ul style="list-style-type: none"> • Financial status • Government subventions • Taxes |
| External origin | Opportunities | Threats |
| | <ul style="list-style-type: none"> • Less political issues • Performance issues • Innovation issues | <ul style="list-style-type: none"> • Guaranteed employment • Social vision • Vocational development • Accountability • Transparency |

According to Table 2, strengths of the privatization are high quality in health care services due to competition, low bureaucratic hierarchy, and personnel control. Since privatized organizations mainly mention benefits of their share holders and financial status, quality in health care services such as patient satisfaction, patient safety, innovations, technical developments, and personnel qualification. In addition, since they do not have hard bureaucratic processes, it is easier to give managerial decisions for managers.

Weakness of the privatization in health organizations are financial status, government subventions, and taxes. Health is a public good and financed by government by taxes. On the other hand, private sector and their subsidizing by government is restricted compared to public organizations.

Opportunities or privatization are less politic issues, performance issues, and innovation issues. In a public organization, performance evaluation system could not depend on income. For this reason, government tried to set up performance system based on operations. As a result of this approach, many analyses, operations, treatment methods were applied by physicians in order to increase their performance levels. Thus, performance and quality were increased with a great increase in costs. On the other hand, performance system of private sector health organizations also mentions costs. For this reason, a physician can not give not required treatments to the patients to reduce costs.

Guaranteed employment and social vision are threats of privatized health organizations in contrast to government health organizations. They see health as a financial good, and their profit is more important than in the public organizations(Bennett,Iossa, 2003). In addition, vocational development is also a problem of the privatization. Many successful students in medicine faculties chose departments in which they earn much money. There is a strong reducing in points of brain surgery or cardiovascular surgery since they are risky departments and their total income is lower than common used simple surgery operations.

5. Conclusion

Results of the study show that privatization of health care service management is seen more effective and aim based for the health care system (Debande, Friebe, 2004). The approach suggests some benefits and gives solutions to some important issues of privatization processes. Instead of privatization of whole organization, privatization of management provides easy privatization applications, gives more mobility to the health supervisors, and it is easier to detect feedbacks of the system. For this reason, it may be argued that privatization of management in health care services provides a better health care supervision system. As Boycko et al (1996) states “privatization works because it controls political discretion”. However, threats of the privatization also may cause important problems. It is strongly suggested to take preventative measures for them.

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