

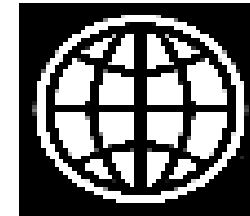
Private Health Care  
Providers in Mixed Systems:  
Non-profits and For-profits

Governance, Regulation &  
Accountability

Flagship Course on Health Sector Reform and  
Sustainable Financing

April Harding, World Bank

October 2002



# Outline

- Non-profit Hospitals Role in Health Systems
- Beneficial Non-profit Organizations
- Comparison (Public, Non-profit, For-profit)
- Non-profit Hospitals
  - Regulatory Regimes
  - Governance & Funding Sources
- For-profit Hospitals
  - Governance and Funding Sources

# Non-profit Hospitals

Why and How do they play such a large role in mixed-delivery health care systems?

Three major reasons:

- History
- Social values
- Public policy & government support

# Non-profit Hospitals

Non-profit health care providers play a large role in most mixed delivery health systems. There are three major reasons:

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# Non-profit Organization vs. Beneficial Non-profit Organizations

All non-profit organizations are NOT created equally.

All non-profits: are run for purposes other than generating a return on any owners' investment. But that doesn't mean they are operated to undertake activities of benefit to society as a whole.

- membership groups (chess, or gardening club)
- lobbying groups (US National Rifle Association, Greenpeace)
- political groups (Democratic National Committee)

# Non-profit Organization vs. Beneficial Non-profit Organizations

A Beneficial Non-profit organizations is both:

- Operated in a way that does NOT generate any return on an owners' investment; AND,
- Undertakes activities that are widely felt to be socially valuable (& this is established in the law, & demonstrated by the organization).

# Many hospitals are beneficial non-profit organizations

In mixed delivery health care systems, hospitals are often operated and recognized as beneficial non-profit organizations

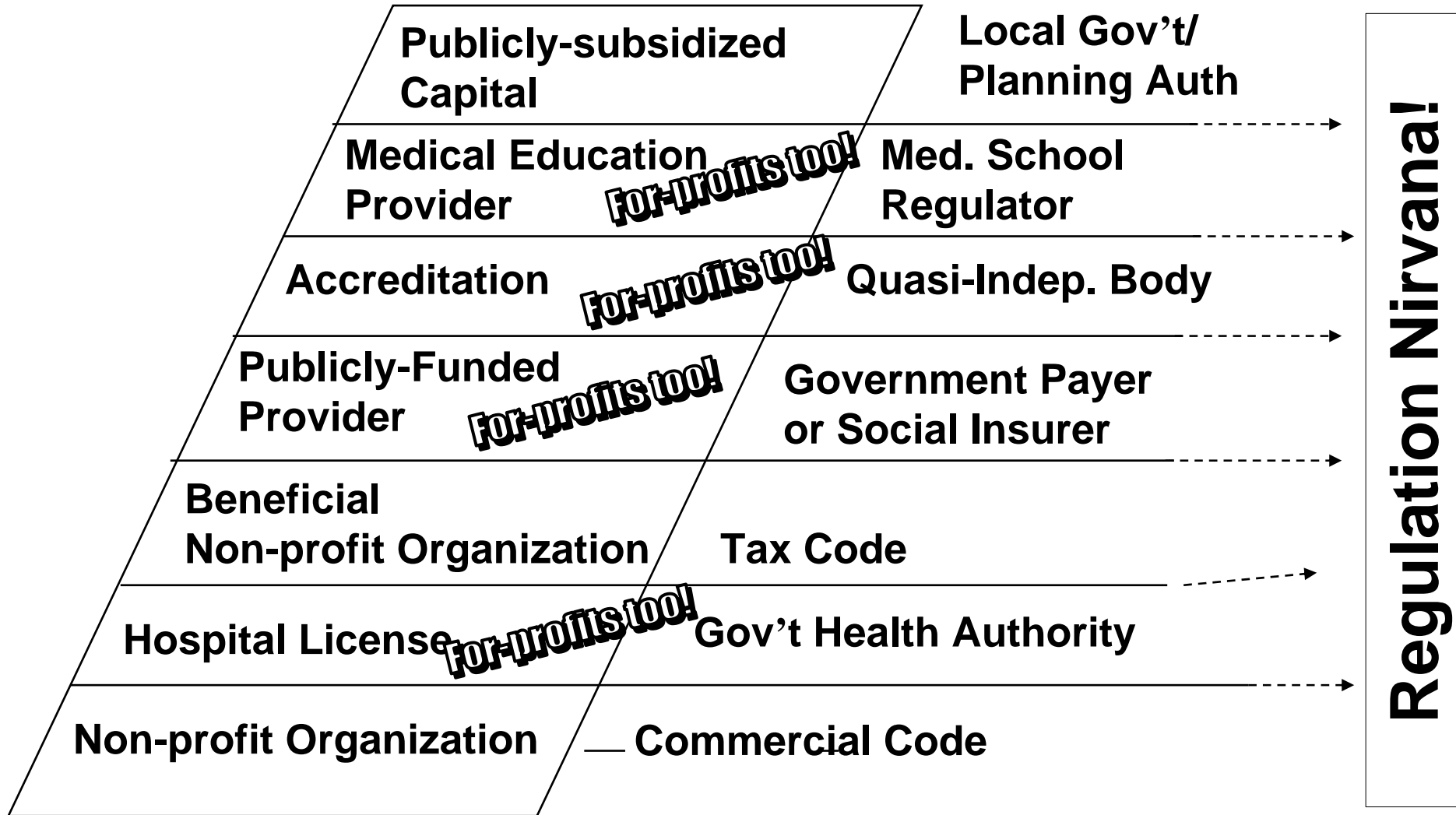
- No owners getting return on investment; AND,
- Main activity is providing health services, which are felt to be socially valuable (& this is established in the law, & demonstrated by the organization).

# Access to Publicly-subsidized Capital

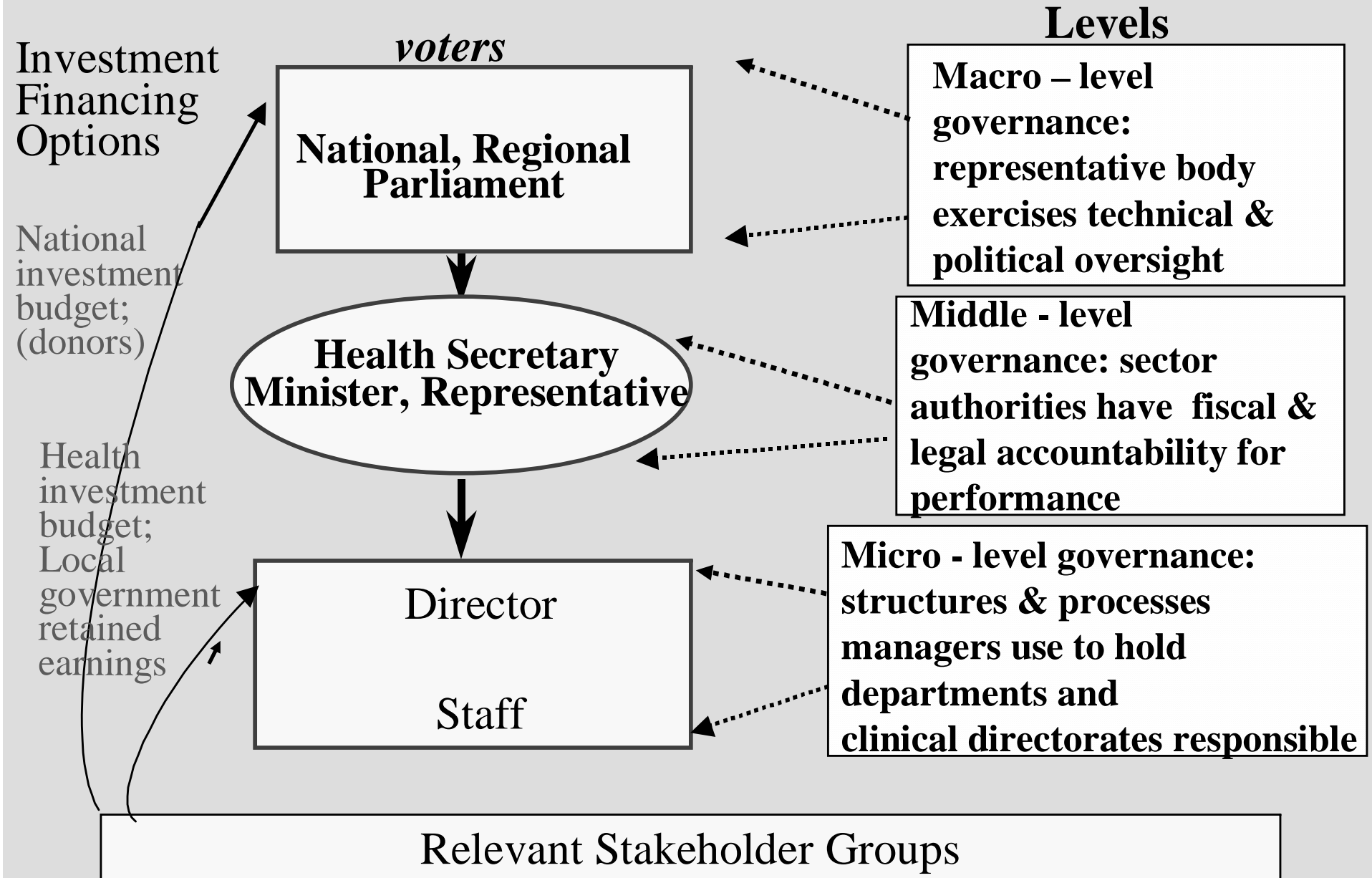
In some countries, beneficial non-profit organizations such as hospitals are able to access publicly-subsidized capital (if proposed expansion or upgrading meets certain requirements)

- Netherlands: loans for approved projects are given an (implicit) government guarantee
- US: approved projects may be financed through bonds that are tax-exemptions (for the bond purchaser)

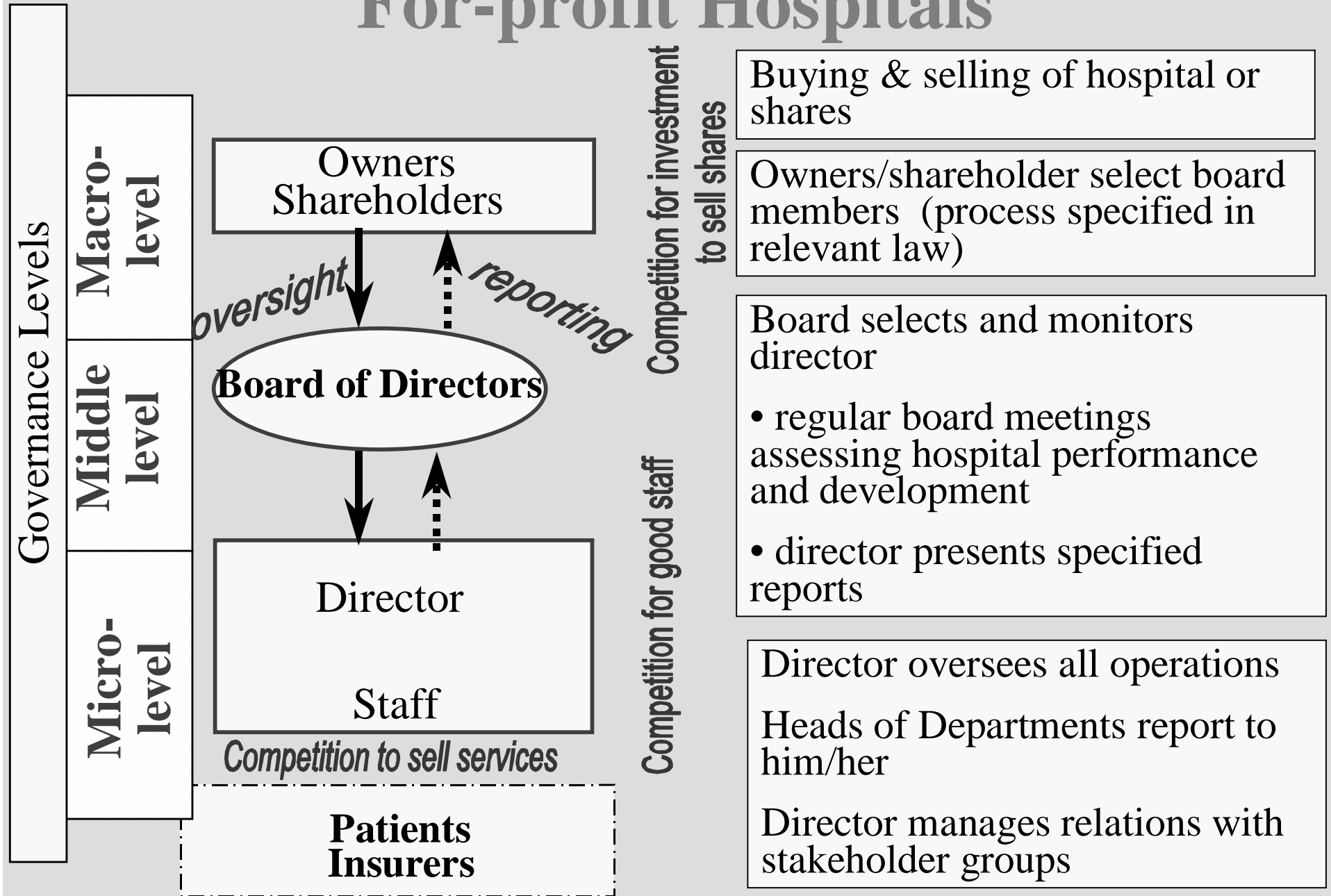
# Non-profit Hospitals: Regulatory Regimes



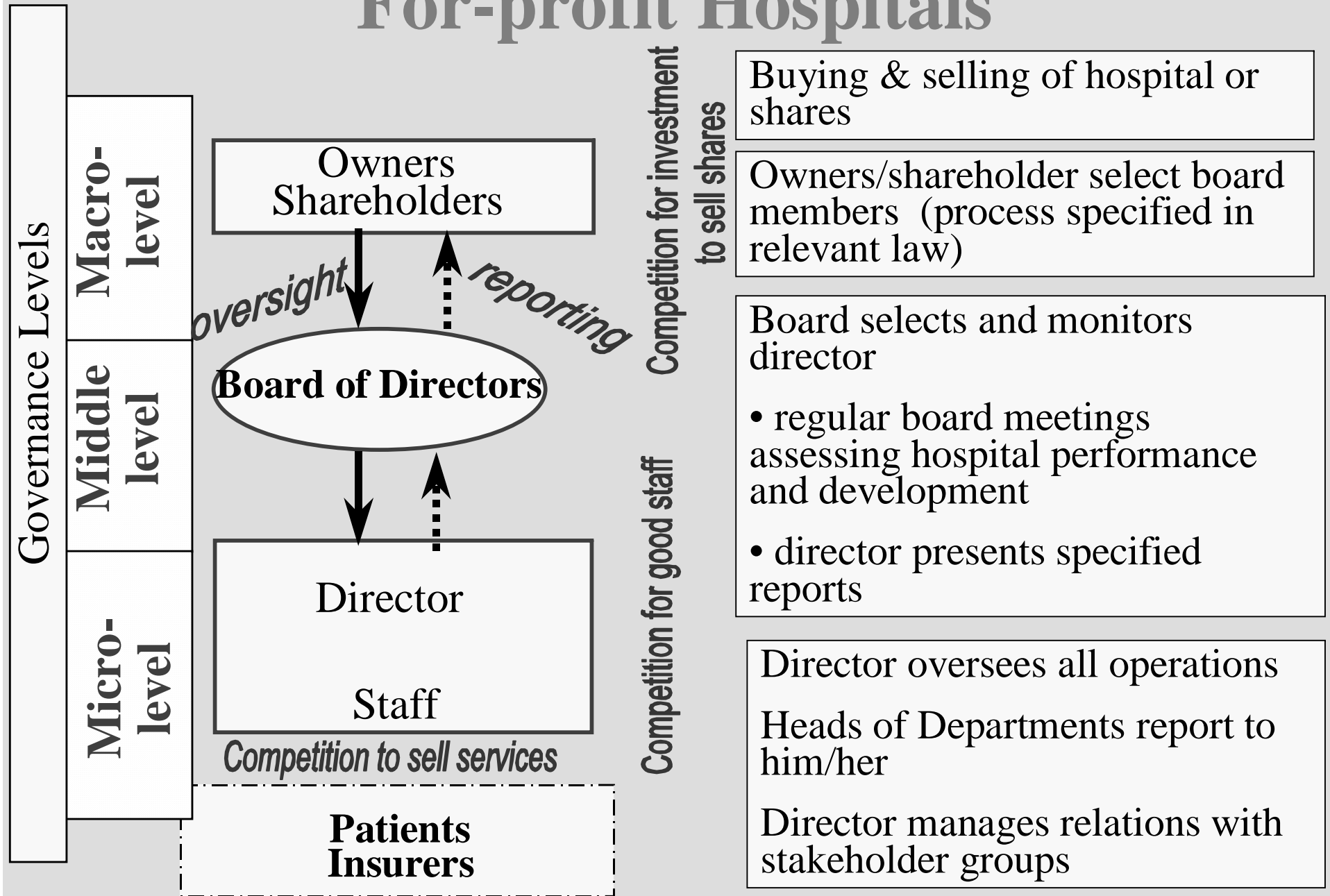
# Governance & Funding Sources: Public Hospitals



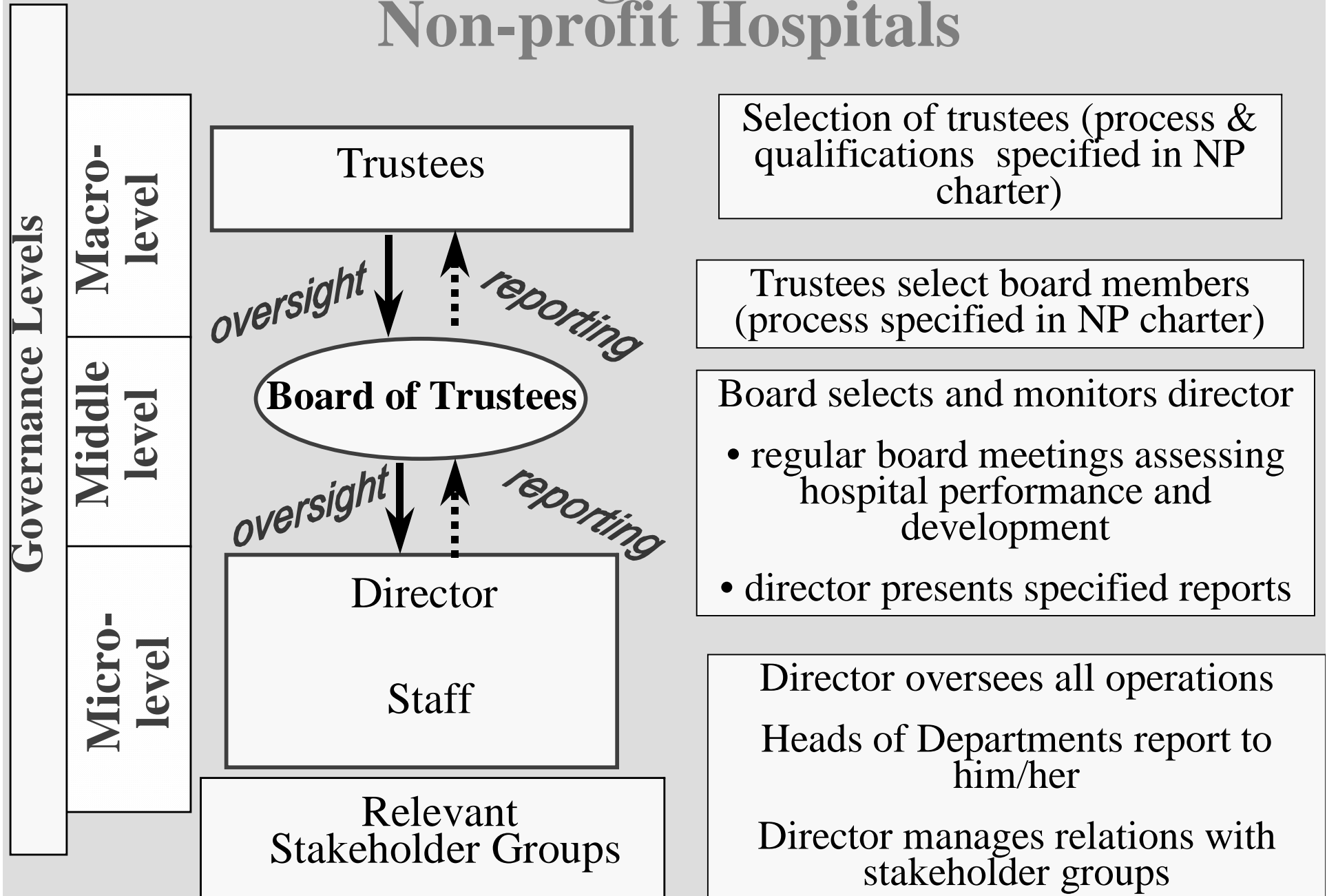
# Exercising Governance: For-profit Hospitals



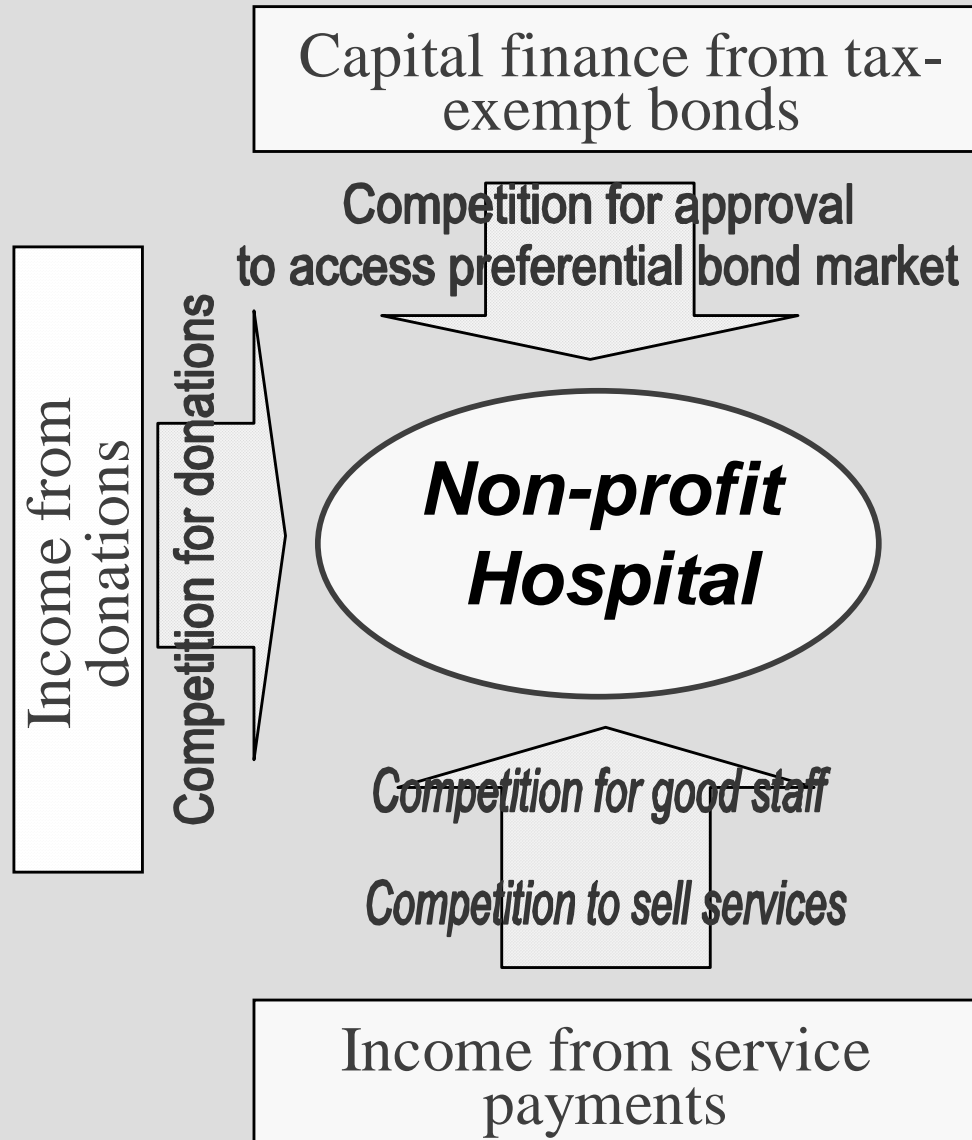
# Exercising Governance: For-profit Hospitals



# Exercising Governance: Non-profit Hospitals



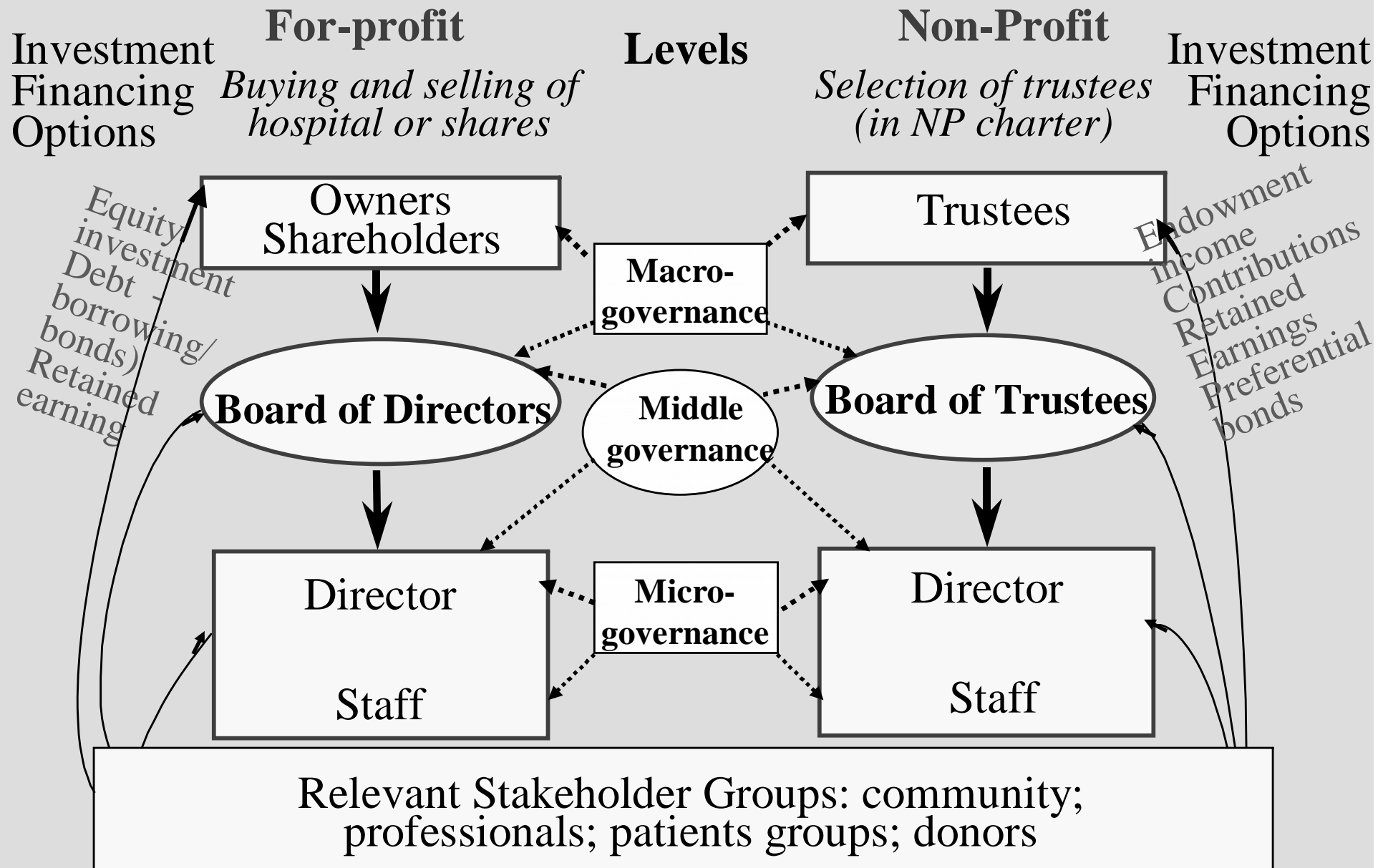
# Accountability & Funding Sources: Non-profit Hospitals



Influential factors in accessing income

- Judgement of potential donors (competition for donations)
- Choices of potential service users (competition for patients)
- Opinion of important staff, i.e. famous physicians (competition for key staff)
- Approval of local government authorities to issue bonds for capital development

# Hospital Governance & Funding Sources: For-profit vs Non-profit



# Non-profit vs For-profit Hospitals

In many mixed-delivery health care systems, non-profit hospitals have traditionally been dominant. Recently, however, for-profit hospitals are playing a growing role in serving publicly funded patients.