Atlantic Institute for AIMS Market Studies
Where Tomorrow's Public Policy Begins Today

Swedish Healthcare in Transition

AN AIMS HEALTH CARE COMMENTARY
February 2002

WHEN THE EMPLOYEES TAKE OVER…

Employee Ownership Creeps Into Sweden's Health System

By Johan Hjertqvist

"This is a completely different working place today compared with seven years ago. Today we stand on our own. We are allowed to do what we believe in – and we have the opportunities!" These views belong to Eva Trillkott, the CEO of a nursery care clinic called Seven Sisters, located just outside Stockholm. A veteran of the privatization movement in Sweden, Ms. Trillkott set up the medical unit under contract in 1994, and her clinic now serves 4,000 children in the area.

Seven Sisters is one of about 150 health-care contractors employed by the Greater Stockholm Council, the regional authority. They are all taking part in a significant change in the delivery structure for medical services, which has moved from a traditional public monopoly to a diversity of producers. These reforms have attracted a great deal of international attention.

A Unique Step

For good reason. The Council supports private initiatives among doctors, nurses, midwifes and other health-care professionals, a policy unique to Sweden. Although provocative to defenders of traditional public sector values, this approach has received strong support in the rank and file of health-care providers, including Eva Trillkott:

"To many health care employees, equality and perceived justice regarding working conditions is essential. Everything must be just and conform. If that is your way – fine, but then you better stay in public service. Justice to me is the freedom to make my own decisions and to grow at my own speed!"

This kind of freedom is just one of the values of being an entrepreneur. Getting rid of what Trillkott calls "the excuse machinery" is another. Before, somebody up in the hierarchy made the decisions. Eva and her colleagues had to make excuses to parents and staff – for waiting lists, for the lack of resources, for stress in the workplace. Now, with the staff in power, there are no more excuses:

"Today we control our budget. No guy in a distant office can sidestep us any more. We are in charge. If we need to bring in another doctor to make the job, we do so. We hire them as consultants. Our professional status is much higher today. No one questions our competence like in the old days when midwifes were looked upon as mere assistants to the doctors."

This series of newsletters on Swedish Health Care in Transition is a joint project of **AIMS**, Atlantic Canada's public policy think tank, and the **Frontier Centre for Public Policy** (FCPP). FCPP is a Winnipeg-based think tank that examines new policy ideas for the eastern prairies region of Canada.
AIMS wishes to thank FCPP, and its President, Peter Holle, for making this initiative possible.

Johan Hjertqvist advises the Greater Stockholm Council on the health system and is a director of "Health in transition", a four-year pilot project whose objective is to describe and analyse the operation of a competitive market within the public system of Timbro, a Swedish public policy think tank. His Canadian tours during late 2000 and October 2001 generated considerable interest in what by Canadian standards, are revolutionary reforms to public Medicare in Sweden. Mr. Hjertqvist is a member of the advisory board of the FCPP and writes a quarterly newsletter on Swedish health reform. He is the author of several books on health policy. His next book, which will be published shortly, focuses on the use of competitive mechanisms in Swedish healthcare delivery. This publication is generously supported by a grant from the Max Bell Foundation.

Money not the Main Reason

Saving money is of course an essential element of the policy. The Council's agenda of cutting costs is important, though not the main reason for the privatization program. The idea is that competition among contractors will sharpen their edge and increase the quality of service at the same or, even better, at reduced cost to the taxpayers. Before letting a service go, the Council wants "released" producers to prove they will be able to operate at a lower cost level than before. That is the best guarantee for survival, and the focus has been successful. In ten years, only one of the many companies set up to take over parts of the health-care system has gone bankrupt.

Seven Sisters has met and surpassed these expectations. According to Trillkott, her clinic is 20 percent cheaper to run than its counterparts in the public sector. At the same time, she and her co-workers are better paid than those who remained on public salaries.

Night and Day

Is this a single success story? No, it's now the pattern in Stockholm. Ercan Sahin is a Turkish immigrant who for a year has been the successful CEO of a youth psychiatry unit (BUP): He says, "We make good money by operating much more efficiently than before. It is like comparing night and day!"

In the Stockholm region, 20 local units are supposed to give advice to children and youngsters with psychiatric disorders. These BUPs have had a long and deservedly bad reputation for long waiting lists and a slow pace of work. In the past, it was not unusual that teenagers to wait three months for a first consultation. Many of the skilled experts working in those units had very low rates of productivity. For them to see just a couple of clients a day was quite usual.

Ending the Excuse Machinery

Ercan Sahin explains the transformation of his own working place from an unfocused bureaucracy to a highly motivated, entrepreneurial culture:

"According to public sector values, it was more or less rude to ask for more productivity. How you spent your working day was up to you. Serving the clients was not the number one issue. I was in a managing position already by then, but lacked the tools to run the operations.

Today the situation is radically different. Meeting the demands of the clients is why we are in business. Every specialist treats at least four clients a day and we are going for an increase. Thus today we have no waiting lists. Emergencies can get a first meeting the very same day."

Ercan Sachin

There are no secrets behind this peaceful revolution. Ercan Sahin and many other health-care entrepreneurs in Stockholm are responding to a few strong, rational incentives, which form the backbone of the Stockholm transition:

- *"Give people strong reasons to engage in the well-being of the working place. Make every co-worker a shareowner. Then you send the right signals."*
- *"When you can affect the professional and economic outcome, you start scrutinizing every procedure, every cost. Do we really need that expensive computer service? What would it mean if we speed up the invoicing by two days? Can we reduce phone costs by switching operators?"*
- *"The client becomes no 1. The contract pays for treatments, therapies, and results. That is why you are in business. Fine-tuning the organization to meet client demands becomes essential to your survival and income."*
- *"Make people proud. Make them feel that they can improve the quality of services. Make them understand that everyone is important to success – but also that everybody is accountable."*
- *"You have more fun being in command because you get rid of the "excuse machinery" and the lack of power."*

Eva Trillkott and Ercan Sahin are kept quite busy handling visits from other people in the vast Council organization. Many politicians and public sector purchasers are curious to learn about their success. But visits from public producers are rare."That is the way it works," Sahin laughs. "Face facts. To many of my colleagues our example represents a strong threat. By revealing blatant inefficiency, we provoke the system and its old values. There a client focus is simply a nice phrase, but nothing you must let affect your behaviour…"

From Employee to Owner

Making the co-workers co-owners is a key factor. At the geriatric hospital in Nacka just outside Stockholm there are 110 shareowners among 200 employees. A share–owners' union handles the shares. You can keep them as long as you work at the hospital, then you must sell them back.

The majority of the staff owns one share, valued at 1,000 SEK ($Cdn 154). This cheap investment has the clear purpose of ensuring broad ownership. Today staff members stand in line to buy shares. The idea is not to build portfolio investments but to be a member of the club.

Most co-owned service producers are small or medium-sized. But there are exceptions. Western Hospital in Stockholm is a large-scale employee take-over, with an annual budget of 190 Million Swedish Kronor (almost $Cdn 30 million) now operated by a private company. The staff at the St. Erik's Eye Surgery Hospital in central Stockholm is also bidding for a public contract, worth at least 150 MSEK. But here the competition is tough, as a couple of large, well established health enterprises want the same contract.

How Did It All Start?

This unique and internationally highlighted process began during the early 1990s, when the first centre-right regional government was in power in Stockholm. More than 300 health-care units took part in the start up program. Of these, 110 "took off". Today they are veterans providing good examples and a lot of useful experience.

In the second wave, more than 400 prospects studied the opportunities and either turned down the offer or continued in the company-building process. A 1999 Greater Council decision outlines the procedure. As a co-worker, you start by declaring your interest in becoming an independent contractor. In the next step, you are supported by Council experts in developing a business plan. You take an entrepreneur's course and are advised about how to become competitive. When you are ready to fly, you get a contract, providing you meet the standards. In general the doctors, nurses or paramedics already work at the clinic or unit they want to take over. Running the operations under a new hat is not in itself a very dramatic change.

The procedure takes on average close to a year, from idea to signed contract. Companies are quite dominant but there are also a few co-ops. Companies with a limited number of shareowners seem to be the most suitable solution, providing the necessary capital as well as sound incentives and governing mechanisms.

Flip or Flop?

How can you measure the outcome after ten years?

There are a number of significant indicators:

- *There are few regrets among the owners. Evaluations say that nine out of ten would start again, given the opportunity. The same vast majority is more than satisfied with the outcome.*
- *Polls show that patients have noticed an increased quality of service at contracted primary health care clinics.*
- *Staffs are more satisfied with management and working conditions in contracted units than in the ones still operated by the Council.*
- *The general idea is that every new contract must be below the budget of the same operation, as it was run by the Council. Looking at the process as a whole, there have been significant cost reductions.*

The figures that might prove that are one weak point in this otherwise convincing documentation. The general requirement says that each contract is supposed to cut costs, but, as there often are changes in operating conditions, accurate comparisons are hard to make. At first glance, costs often appear to have gone up. For example, a contractor might upgrade the quality of services by adding an extra nurse to the old staff or improving the patient booking system. Higher quality often costs more. Critics claim the Council often gives the new contractors a pat on the shoulder by paying the extra costs. Others say the productivity gains more than equal the cost of the transformation. Sooner or later, the Council must produce hard figures to justify the change.

The liberal majority on the Council is quite satisfied in the respect that it is reaching its goal. Exit the traditional employer monopoly, enter a normal labour market for health care personnel and the entrepreneurial values and incentives that go with it. The purchaser-provider split provides more clarity regarding the responsibilities of each party. The producers get their independence, making decisions quicker and less bureaucratic. They are now closer to their market and consumers, which makes them alert and focussed.

And – last but absolutely not least in a sector ridden by recruitment problems -- the co-workers are much more satisfied with their pay and working conditions. Few of them can imagine going back to big units in which they lacked influence.

A Matter of Sense and Survival

Although costs and productivity are important issues, this motive alone may be the most important.

Health care is just one of the many service sectors competing for motivated personal. In the shrinking and aging labour markets of Europe, the competition for staff gets tougher every day. It is a matter of survival. No employer will stay in business without providing attractive conditions for its workers. There are very few Florence Nightingales out there, rather many Survivors asking for incentives, the freedom to grow and do their own thing.

Success in meeting the demands of the patients is also satisfying the demands of the co-workers. Offering new ways of working in health care is a key factor in this strategy directed at the future.

Looking though these glasses, privatization and co-ownership is not a matter of left-right ideology, but rather common sense.

Stockholm, February 2002

Johan Hjertqvist

AIMS Activities on…*Health Care*

Recent Publications

- Public Health, State Secret

Dr. David Zitner, Director of Medical Informatics at Dalhousie University and AIMS Fellow in Health Care Policy, and Brian Lee Crowley, AIMS President, are the authors of AIMS' most recent research report on the state of Canada's health care system.

The study demonstrates that politicians and senior health officials simply don't know where or why medicare is failing because they still lack the proper tools to evaluate the quality or timeliness of the care Canadians receive. More to the point, the authors demonstrate why, under the current system, it is not in the government's interests to know what is really happening in health care.

AIMS Healthcare Resources

In an effort to allow people to explore issues for themselves, AIMS has constructed a resource page on health care. Here you will find a direct link to AIMS major project: *Health Care's Hidden Face: The Private Sector and its Relationship with Medicare.* By following that link, you can take a direct part in our ongoing research by reading and commenting on a series of working papers related to health care.

In addition to this innovative step, AIMS has also made available on-line a wide range of material, including our Sir Antony Fisher Award winning Piece: *Operating in the Dark*, media reports, public presentations, commentaries, and links to other sources of information and analysis.

What's New…

The AIMS Connection - The Mazankowski Report on Alberta health care

On 8 January 2002 the report of the Alberta Premier's Advisory Council on Health was released. Chaired by former Deputy Prime Minister Don Mazankowski, the Council's groundbreaking report has generated a tremendous amount of discussion across the country and the political spectrum.

AIMS President Brian Lee Crowley was a member of the Council, in recognition of the innovative public policy work done by AIMS in the health care policy field. Two AIMS projects proved to be particularly helpful to the Advisory Council in its deliberations. The new AIMS research report, Public Health, State Secret, more fully explores many of the themes and arguments that are presented in the Alberta report. Health Care's Hidden Face, an ongoing interactive research initiative of AIMS, supplied valuable background and comparative information that was fed into the Alberta process.

Contact the Atlantic Institute for Market Studies (AIMS) at:
1657 Barrington Street, Suite 521
Halifax, Nova Scotia, Canada
B3J 2A1
TEL: 902-429-1143
Email: aims@aims.ca
Website: www.aims.ca