

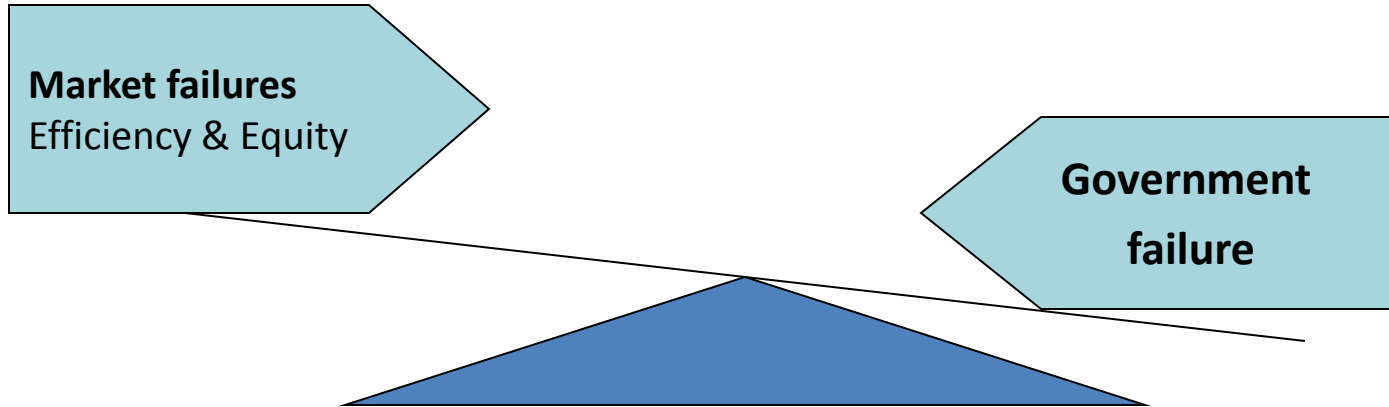
- Reform of public hospitals integral to health system reforms – but health system reform contingent on communal goals

UK's NHS borne out of necessity for more solidarity in war time

- Presumption is that government should directly provide health/hospital services
- Additional presumption is that government needs to step in as not doing so will lead to inefficient – and inequitable – provision of health/hospital services

- When the goal is to provide services efficiently – which is not necessarily distinguishable from being equitable – then **public provision should not beget government failures with worse outcomes** than the market failures it sought to correct

Main principles from public finance (including public accountability)



This is quantitative (even if it's a judgment call):
Size of the market failures vs. Ability to fix them

'It is not sufficient to contrast the imperfect adjustments of unfettered private enterprise with the best adjustment that economists in their studies can imagine. For we cannot expect that any public authority will attain, or will even whole heartedly seek that ideal. Such authorities are liable alike to ignorance, to sectional pressure and to personal corruption by private interest'. A.C. Pigou, 1920

- What are the extant market failures (that cause inefficiencies) in hospital care?

- 1.Information asymmetry

- 2.Risk/uncertainty

- 3.Market power

- 4.Merit/public good

- What are the appropriate interventions given these market failures?

Market Failure	Intervention	Examples
Information Asymmetry	Provide/Mandate information	Guidelines on appropriate/adequate care; Performance ratings; Price disclosure; Sponsorship disclosure
Risk/Uncertainty	Pooled funds	Social health insurance; private insurance; earmarked taxes; government as bulk purchaser of services
Market Power	Regulation; Lessen barriers to entry	Mandated quality; performance-based payment from public funds; accommodate substitutes (e.g., ambulatory centers, birthing clinics, etc.); single-payer system
Merit/Public Good	Public financing or direct provision	Government owned and operated facilities; Subsidized provision by private entities

- Direct public provision is therefore but one – and not necessarily the most important – role of government in health/hospital care.

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As for China, it may also learn from Taiwan's experience:

An analysis of the NHI's immediate impact on the use of health services revealed that less than one year after its introduction, the hitherto uninsured used about twice the number of outpatient visits, hospital admissions, and emergency services as they had before the NHI began, bringing them up to par with those who had insurance before. By contrast, use rates for the previously insured group rose only slightly.

Cheng, 2003

- Reforming public hospitals is certainly desirable, but there are other ways of reforming and improving hospital care in general (and concurrently improving public hospitals' performance).