CHAPTER 1

Introduction

1.1 Background and Rationale

The social security scheme has been established in Thailand since 1990. There are many changes which have occurred in both insured workers and medical providers. Insured workers expect to get high benefits from this scheme (i.e. medical services). But medical providers cannot provide medical services as much as insured workers expect, because of limited resources. From a study by the Social Security Research Committee of Siriraj Hospital in 1993 (quoted in Nittayarumpong et al, 1993), it was found that problems and dissatisfaction of both insured workers and medical providers have occurred. The insured workers were dissatisfied with the inconvenience of having to travel long distances, wasting time queuing in congested public hospitals. On the other hand, most medical providers in public hospitals were dissatisfied with the increased burden to provide primary medical care service to insured workers and having to provide both primary and secondary, some times tertiary medical services for the ever increasing number of ordinary patients at the same time.

In the initial phase of implementation, each employer chose registered hospital on behalf of its employees. This is one of the causes of lower utilization than it should be (standard rates are around 3 contacts per person per year and 0.5 admission days per person per year) due to physical inaccessibility. Nittayarumphong and Bennett (1992) showed the actual rate in the second half of 1992 was very low, 0.28 - 0.38 visit per person per year and 0.1 admission day per person per year.

A comprehensive study done by Kamolratanakul and others (1993) in Samut Prakan, Thailand by interview survey of insured workers in the workplace revealed that health seeking behavior after Social Security Scheme implementation was not significantly different from it had been. Insured workers still sought care by self prescribed drugs, services in the workplace, non-registered hospitals and private clinics for ambulatory care. For in-patient care, insured workers firstly sought care more from private than public facilities. The overall unmet need at registered

hospitals was 21%, 18% for outpatient and 23% for inpatient care. Registered public hospitals had more unmet needs than private hospitals. The major reason for not using registered hospitals is the physical inaccessibility. Consumers were not very satisfied with services provided particularly by public compared with private hospitals.

Given these problems, some objectives have been developed to give the insured persons the convenience and help them save time and money by using health facilities near their homes or offices. The system should also ease the burden of public hospitals and enhance the long-established medical referral system, this should result in a more efficient social security health insurance scheme, and pave the way for an efficient voluntary health insurance system in the future. Following these ideas the National Social Security Committee has planned to provide health services to insured workers according to the objectives:

National social security committee objectives

1. to increase accessibility to medical care of insured persons.
2. to reduce money burden for seeking medical care of insured persons.
3. to ensure insured persons in public hospital services.
4. to encourage a relationship between social security system and national health service system.

On the basis of these objectives Nopparat Rajathanee Hospital has established their private network since 1993, by contracting out the burden of primary medical care provision to private clinics and let them provide primary medical care for the hospital's registered insured workers. That makes it easy for insured patients to access health care services and reduces the work load of health personnel in the hospital.

The consequences of the network were studied by Nittayarumpong and his colleagues in 1993-94. The study showed that the total outpatient utilization rate of insured workers within the network increased 315% from the previous year's rate. By contrast, a 38% reduction of out-patient visits by insured workers at the Nopparat Rajathanee Hospital is envisaged. In addition, the registered number of insured persons with the hospital is 65% above the 1993 figures. Also, private clinics/polyclinics, which joined with the Nopparat Rajathanee Hospital primary care network in 1994 have increased by 32.43%.

The study of Nittayarumpong and others (1995) showed that the consequences of the network are quite good; contracting out is emerging as a common policy in a number of developing countries. It can stimulate competition among potential contractors and thus improve efficiency, but this has not materialized in most developing countries (McPake, 1994). Then efficiency improvement has to be assessed. This study is conducted to examine the possibility of establishing contracting-out and to learn whether contracting-out can improve health service efficiency, or not, by using economic tools for the evaluation. The impacts of the contracting-out in terms of utilization and provision are identified. Because at this moment many primary contractors try to establish their own sub-contractors, competition is going to occur. Private sectors usually have more capacity to expand and siphon market share from the public sector. From this study, the results can be used to improve the contracting-out primary medical services' planning and co-ordination for public health services providers. This can lead to a good health system where resources are used efficiently, high quality services can be achieved and offered at an affordable prices, and equality of access can be guaranteed.

1.2 Research Questions.

1. What are the costs and the benefits of contracting out primary medical care to private clinics in terms of the Nopparat Rajathanee Hospital perspective ?

2. How does the contracting out primary medical care to private clinics improve health service efficiency ?

3. What are the impacts of the contracting out in terms of utilization and provision ?

4. What are the strengths and weaknesses of this contracting out ?

1.3 Research Objectives.

General objective.

To assess costs and benefits of contracting-out primary medical care to private clinics under the social security scheme in Thailand.

Specific objectives.

1. To identify cost and cost components in order to analyze their effects on the network.

2. To assess benefits in order to know the outcome of contracting-out implementation.

3. To evaluate efficiency improvements of the contracting-out in terms of administrative efficiency, financial efficiency, technical efficiency.

4. To examine impacts of contracting-out to this network in terms of services provision and utilization.

5. To study strengths and weaknesses of the contracting-out.

1.4. Scope of the Study.

This is a case study of Nopparat Rajathanee Hospital and it's private network. So far this network is the largest and the first public-private contracting out primary medical care under the social security scheme in Thailand. The years 1992 and 1994 will be chosen to represent the before and after situations of the contracting out. This is only a short term study of the cost and benefit of the network, and from the provider (Nopparat Rajathanee Hospital) perspective only. Some outcomes of this network will be quantified in money terms, but some outcomes may not be quantifiable i.e., the strengths and weaknesses of this network. Because this is a short term study, some impacts of this network may not have any effect on the overall social security scheme, but a long term study it might have point to effects on the overall social security scheme. The long term effects are out of the scope of this study.

1.5 Possible Benefits.

1. The information from this study in terms of the strengths, weaknesses and problems can help to modify or adjust the mechanism of contracting out to improve efficiency and equity of the model for health care providers.

2. The study can assist decision makers to consider options in health care reform with respect to contracting out primary medical care .

1.6 Definition.

- Contracting out:

Shifting partial responsibility for provision of primary medical care to private clinics while the responsibility for financing remains with the public sector (Nopparat Rajathanee Hospital).

- Contracted Clinics:

There are three kinds of contracted clinic in Nopparat Rajathanee Hospital Networks that provide primary medical care to insured worker:

1 - Social security patient clinic at Nopparat Rajathanee Hospital out-patient department.

2 - Private solo-clinic which only one medical doctor is available.

3 - Private poly-clinic that more than one medical doctor is available.

- Efficiency improvement :

Improvements of health services provision due to the contracting out, in this study efficiency improvement can be considered in many aspects such as:

Administrative efficiency: study of a conducive environment that stimulates and forces managers to use the most efficient methods for producing good health outcome.

Allocative efficiency: consideration of the allocation of resources among various level of health care provision from which the most benefit can be obtained.

Financial efficiency: looking for fiscal feasibility in the contracting out programme.

Technical efficiency: consideration of the way to provide health care services by the most cost-effective method. In this study health services provided at private clinics and provided at the out-patient department of Nopparat Rajathanee Hospital are compared, under the assumption that treatment outcomes are the same.

- Networks:

Nopparat Rajathanee Hospital sub-contractors that include private solo-clinics, private poly-clinics, private hospitals, community hospitals and health centers, at which insured workers who have registered with Nopparat Rajathanee Hospital can get "free" primary medical care, when they have health problems that are unrelated to their work.

- Primary Medical Care:

The medical care provided for insured workers that have mild and moderate illnesses which are unrelated to their work, can get treatment at clinics or out patient department but do not need to be admitted.