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Competing for business? Improving hospital services in Zambia with market forces

Does competition improve hospital services? Do market forces in healthcare benefit the poorest members of society? Reforms which involve exposing hospitals to market forces are being introduced in many developing countries. However, very little is known about how these markets operate, particularly in developing countries. The University of Zambia, together with the London School of Hygiene and Tropical Medicine, considered the effect of competition among hospitals in Zambia.
Market reforms should improve the standard of services, make hospital prices more competitive and encourage hospitals to run more efficiently. But they assume that patients have a choice about which hospital they use and that the hospitals are in fact in competition with each other.
Hospital markets have certain features which make them different from other markets. Certain services a hospital provides may face no competition, such as intensive care or major surgery while other low-level services such as basic maternity care may be provided elsewhere, e.g. in health centres. The quality of the service and how near the hospital is to home, as well as cost, will affect the patient’s choice of hospital. In developing country markets, where there is little health insurance, little is known about the specific form that competition takes - for example, whether hospitals compete by reducing prices or by improving visible aspects of quality.

The study examined hospitals in Lusaka, Central and Copperbelt provinces. Data on hospital use, revenues and expenditure, and charges for services were collected for the period 1996 to 1999 from each hospital using routine hospital records. In addition, a patient questionnaire was used in facilities to elicit patients’ views of the quality of services. As well as private for-profit and mine hospitals (facilities operated by the mining industry), "private" services included the private fee-paying services provided in government hospitals (known in Zambia as "high cost" services").

The study found that:

- there was a huge difference between the price of services in the public hospitals and the prices of the private and mine hospitals. There was also a large difference in the perceived quality of services
- while the "private" in-patient market in Copperbelt is relatively competitive, there was less competition in the private sector market in the Central and Lusaka provinces due to the dominance of the University Teaching Hospital (UTH), which provides 40-45 per cent of admissions. This may limit the extent of improvement that can be expected at UTH
- the mine hospitals had excellent facilities but were run inefficiently with less than 25 per cent of the beds in use.

The study concludes that there is potential for competition in the hospital market to have beneficial effects in terms of prices, quality and efficiency. However, there is also the risk that faced with this competition, hospitals will be less able to charge private prices which allow them to cross-subsidise public patients. It may even be the case that the government budget used to fund public sector services, used by the poorer members of society, ends up subsidising the private sector. Finally, the study concludes with concerns about how the government should deal with the mine hospitals.

Source(s):
‘Markets for hospital services in Zambia', International Journal of Health Planning and Management 17 (3): 229-247, by P. Nakamba et al., 2002
'Public autonomous hospitals in sub-Saharan Africa: trends and issues', Health Policy 35(2): 155-177, by B. McPake et al., 1996
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