



3rd GLOBAL CONFERENCE on BUSINESS, ECONOMICS, MANAGEMENT and TOURISM,
26-28 November 2015 - Rome, Italy

Horizontal Integration of Hospitals – Does it have an Impact on their Effectiveness?

Papadaki Sarka^{a*}, Stankova Pavla^a

^a*Tomas Bata University in Zlin, Zlin 76001, Czech Republic*

Abstract

The aim of this paper is to discuss the effect of horizontal integration of hospitals on efficiency of hospitals. Whereas Czech hospitals use about 50% of all expenditure on healthcare, it is necessary to focus on their thriftiness and efficiency. Hospitals must work with limited economic resources and it is essential to know how to use these resources efficiently. In the last two decades we can see strong trends of hospitals integration. We now have five holdings and the last one was founded in January 2015. Annual reports were used for analysis from each hospital from 2004 to 2013, and also information from the Institute of Health Information and Statistics of the Czech Republic. Parts of the annual reports include economic and also non-economic results. This data was statistically analyzed and examined according to whether there was a significant improvement in values after integration. For example, a linear trend was used for evaluation by using a coefficient correlation and a t-test was used for statistical significance. One of the limitations of the research was that the research was based on only two specific samples existing in the Czech Republic. Other holdings have either a very short or a very long period of being integrated and therefore it is very difficult to find specific comparable information. Other limitations of this research were the choice of appropriate financial and also non-financial indicators. Results from analysis were compared with results of other published studies in other countries.

© 2016 Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the Organizing Committee of BEMTUR- 2015

Keywords: effectiveness, hospitals, horizontal integration

1. Introduction

In the Czech Republic until 1991 there was a system of financing health care by means of the state budget, but in 1992 the system was replaced, whereby health care is financed by health insurance. From this year on, public health

* Papadaki Sarka, Tel.: +420 57 603 2505

E-mail address: papadaki@fame.utb.cz

insurance financed health care by means of payment according to performance. Hospital performance was shown in points and the value of points was derived from income and expenses of the health insurance. This unfortunately led to the pursuit of points, unnecessarily long hospital stays and of course also to a lack of financial resources for health care. From 1. 1. 1997 the Department of Health introduced a new system list of health performance, whereby the points value directly determined the charge in Koruns. In 2007 there was another fundamental change to the system and hospitals were financed by means of so-called across-the-board payments. The amount of this across-the-board payment was based on the assumption that the vast majority of hospital expense is fixed i.e. it is not determined by the number of patients or the number of actions undertaken. According to Gladkij et al. (2003), these expenses formed about 75 % of total hospital expenses. The amount of this across-the-board payment was established on the basis of actual performance done in the previous year.

The across-the-board payment of financing hospitals in itself had many problems:

- the budget was raised very slowly on the basis of agreement with health insurance companies
- in regard to the fact that the amount of this across-the-board payment was established on the basis of management from the previous year, the hospitals that saved received less financial means, and on the contrary, those that did not save had big advantages
- there occurred some decisions to lower the quality of patient care, quality and renowned hospitals could not accept new patients because the budget had already been used up and on the contrary, hospitals that did not have a prestigious name had leftover finances and could accept patients without limits. (Kozeny, Nemeč, Karnikova and Lomicek, 2010; Gladkij et al., 2003)

There was another fundamental change in financing the hospital system on 1. 1. 2012. Diagnosis Related Groups (DRG) started financing 75 % of all hospital care with their payment system. This DRG system classifies groups of patients based on their diagnosis and on the basis of the estimated average expense for treatment, which is determined by the relative weight of the given group. This system has been operating throughout the world since 1962 and since 1996 and it was gradually tested and then introduced into the Czech Republic, but it only became fully operational in the year 2012.

From the perspective of expenses according to Kozeny, Nemeč, Karnikova a Lomicek (2010), the system of prospective payment based on the DRG system operates as a more effective method for providing hospital services. According to the Minister of Health, the main benefits of DRG include:

- **Justice.** Justice is defined as paying for the services that one receives. The principles of DRG should remove main disputes about unjust dividing up of financial help of the compensation system, the so-called feuds between small and large hospitals, faculties and district hospitals.
- **Measurability.** The DRG system should help measuring and comparing productivity a quality of health care.
- **Transparency.** The DRG system should function to prevent corruption settings due to clear price limits for health services.
- **Effectiveness.** The DRG system is focused on not only economic performance, but also on the quality of health care provided and it should assist revealing the real effectivity of managing individual hospitals.

1.1. Effectiveness of hospitals

Evaluating effectiveness of hospitals is a highly complex process and we can focus on two different types of effectiveness:

- a) Economic effectiveness – these are bound to financial indicators, for example expenses for 1 hospital bed, takings for bed tending activities and economic results
- b) Non-economic effectiveness – these are not bound to financial indicators, for example hospital bed use, bed occupancy, etc.

The most widely used method to evaluate hospital effectiveness is Data Envelopment Analysis (DEA). DEA is a linear programme based technique for measuring the relative performance of organisational units, where the

Download English Version:

<https://daneshyari.com/en/article/980555>

Download Persian Version:

<https://daneshyari.com/article/980555>

[Daneshyari.com](https://daneshyari.com)