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Competitive Care

When Italy's Lombardy region pitted private hospitals against public ones, the quality of care rose dramatically

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By MARGHERITA STANCATI

MILAN—When California Gov. Arnold Schwarzenegger dropped in on Italy's fashion capital late last year, his focus wasn't just the city's designer shops. He was also intensely interested in the state-of-the-art local health system.

Journal Report

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With the U.S. searching for ideas about how to make health care more affordable, he said during a speech, "I hope we have a situation where the federal government...looks at the

entire world, including this region here."

As the U.S. debates the proper roles for the public and private sectors in health care, Italy's Lombardy region suggests a way that encouraging competition between the two can improve health care overall. For the past 10 years, public and private hospitals in Lombardy have competed directly for patients, and in doing so have created what is considered by many to be one of Europe's most efficient health-care systems.

Walk-In Service



Niguarda Hospital

Niguarda Hospital, a public facility in Milan, opened Italy's first center for minimally invasive surgery in March.

Like other European countries, Italy offers universal health-care coverage backed by the state. Italians can go to a public hospital, for example, without involving an insurance company. The patients are charged a small co-pay, but most of the bill is paid by the government. As a result, the great majority of Italians don't bother to buy private health insurance unless they want to seek treatment from private doctors or hospitals, which are relatively few.

Offering guaranteed reimbursements to public hospitals, though, took away the

hospitals' incentive to improve service or rein in costs. Inefficiencies were rampant as a result, and the quality of Italy's public health care suffered for years. Months-long waiting lists became the norm for nonemergency procedures—even heart surgery—in most of the country.

Big changes came in 1997, when Italy's national government decentralized the country's health-care system, giving the regions control over the public money that goes to hospitals within their own borders. The money still comes from the central government, which also determines what methods and drugs must be included in various treatments in order to meet national health-care standards. But each region now has the power to adopt additional quality standards, to set its own reimbursement rates, to decide which hospitals qualify for public funds, and to withhold reimbursement if hospitals don't meet the proscribed standards.

In much of the country, regions have continued to use the standards of care and reimbursement rates recommended by Rome. Some also give preferential treatment to public hospitals, making it more difficult for private hospitals to qualify for public funds.

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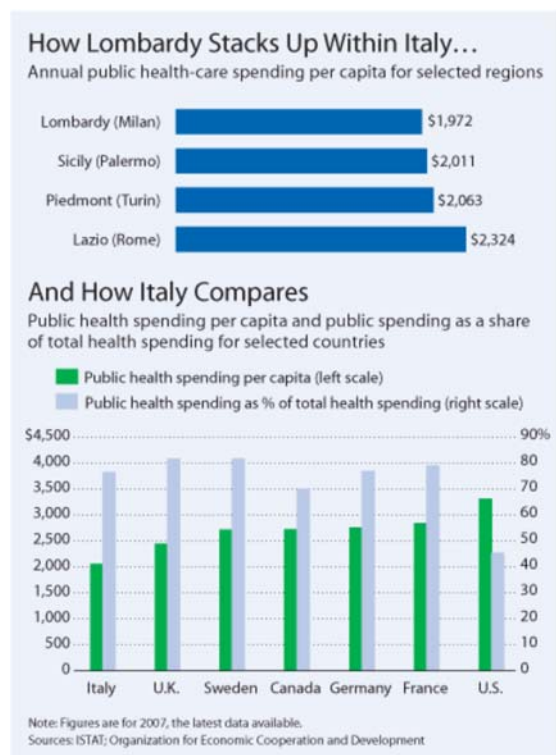
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Lombardy, by contrast, has increased its quality standards, set its own reimbursement rates and, most important, put public and private hospitals on an equal footing by making each equally eligible for public funds. If a hospital meets the quality standards and charges the accepted reimbursement rate, it qualifies. Patients are free to choose between state-run and publicly funded private hospitals at no extra cost. Their co-pay is the same in either case. As a result, public and many private hospitals in Lombardy compete directly for patients and funds.

Commercial Spirit



One reason Lombardy took this path: Italy's prosperous North traditionally has had a more commercial spirit than the rest of the country. Indeed, many of the regional governments, by contrast, have an ideological prejudice against private health care. "When it comes to health care, there are still people who think public is beautiful and private is evil," says Walter Ricciardi, a professor of health-care management at Rome's Sacro Cuore University.

Around 30% of hospital care in Lombardy is private now—more than anywhere else in Italy. And service in both the private and public sector has improved. Patients

in Lombardy receive among the widest array of treatments in Italy, and are covered for a longer list of prescription drugs than almost anywhere else in Europe. Waiting times were slashed, too.

"Up to 10 years ago my patients had to wait months for heart surgery," says Ottavio Alfieri, a surgeon at Milan's private San Raffaele hospital and formerly in a public hospital. "Now, in Lombardy, it can be done almost immediately, in both state-run and private hospitals."

Marco Cozzoli, a top health-care officer in the regional government, says the public hospitals had to improve because they were no longer the only players on the field. Rooms and food were upgraded, for starters. At Milan's state-run Niguarda Hospital, for example, patients are no longer crammed into six-bed hospital wards, but stay in double rooms. As Pasquale Cannatelli, the head of the hospital, says, "People have certain expectations of services in private hospitals. State-run hospitals should be no different."

Private Upgrades

But private hospitals, too, upgraded services in order to qualify for reimbursements. Some built maternity wards, for example, with staffs of midwives and pediatricians, and delivery rooms with carefully monitored temperature and humidity levels. Other hospitals added emergency rooms—which are particularly costly—to earn additional payments.

Still, Lombardy has kept its health-care costs down, even with the additional services and upgrades. While most Italian regions tend to overspend their health-care budgets, Lombardy over the past six years has underspent its annual budgets by a total of more than €200 million (\$270 million)—money that the regional government has partly used to improve its health-care infrastructure further.

Lombardy's public hospitals were under the most pressure to cut costs. In fact, this is the only region in Italy in which managers of public hospitals can be fired if they go over budget. Dr. Cannatelli says Niguarda Hospital no longer requires patients to stay overnight for routine surgery, such as cataract removal. This helps reduce costs.

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Another reason Lombardy's per capita health-care costs are lower: Italy's other regions help pay the bills. The high quality of Lombardy's hospitals is known throughout the country, and Italians can seek medical care in any region they choose. While patients must pay their own travel costs, the home region pays their medical bills. This regional migration is greater in Lombardy than in any other Italian region, officials say: Around 10% of Lombardy's hospital patients come from elsewhere in the nation.

Some experts say giving patients this freedom—and placing health care in the hands of regional governments in general—creates disparities between hospitals in the rich North and poorer ones in the South.

"It means fewer treatments" in the South, says Dr. Ricciardi, the professor in Rome. "When patients get sick, you can't respond properly. The rich and better organized regions benefit from the system, while the poor and less organized ones are harmed by it."

Without question, hospitals in Lombardy have benefited—both public and private. In 2009, Niguarda brought in €26 million (\$36 million) for treatment of patients from the rest of Italy, money it then reinvested in its facilities. The privately run San Raffaele earned €70 million.

It is patients, however, who have the most to gain. Today, it's difficult for people in Lombardy to even tell the difference between public and private hospitals. "Patients don't care whether hospitals are public or private—not at all," says Renato Botti, head of San Raffaele hospital. "All they want is good health care."

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