

ILPN Conference | London | 1-3 September 2014

Whether to make or buy LTC services

Market developments in old-age care in selected
European countries

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Project commissioned by the Swedish Ministry of Health and Social Affairs



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Background



- Part of broader research project: Make or Buy decision in LTC

A fleet of different ships is hit by a storm

- The *ships*: dissimilar long-term care (LTC) systems in Europe
- The *storm*: Introduction of competition and user choice



Scope for mutual learning of country experiences

Methods and Scope for analysis



- Qualitative research methods, case-study (Yin 2009)
- Long-term care regimes (Jensen 2009): Eng, DK, DE, NL
- Desk research and 15 expert interviews (Guest, Bunce, & Johnson, 2006)

- **Pathways to competition and choice:** trajectories and underlying objectives & arguments; key players
- **Operationalisation of competition:** contractual mechanisms, stakeholders
- **Choice and agency:** dimensions of user choice (Le Grand 2007) and outcomes for users of long-term care

Pathways: same shock, different starting points & key players & arguments



Country	Starting point	Arguments/aims	Key players	Choice/competition models
UK (England)	Public monopoly, 'cottage industry', soaring costs	Consumerism rhetoric, cost-containment, personalisation, home care	Disability rights, care managers, LAs	<ul style="list-style-type: none"> • Monopsony purchaser • Mixed economy of care • Personal Budgets (PB) and Direct Payments
DK	Public monopoly	NPM (contractualisation, standards), intrinsic value of choice	Municipalities	<ul style="list-style-type: none"> • Monopsony purchaser • Mixed economy of care • Limited competition • (Very) Supervised choice
DE	Non-profit oligopoly	Open the market, tap informal care, improved funding for LTC	LTCI funds, users	<ul style="list-style-type: none"> • Mixed economy of care purchasing • Mixed economy of care • Competitive markets
NL	Long-established profit and non-profit sector	Cost-containment, personalisation	Disability rights, users	<ul style="list-style-type: none"> • Supervised choice • Personal Budget as opt-out

The market is a difficult vehicle to steer



Country	Contracting	Competition	Purchasers
UK (England)	From spot and block contracts... To preferred provider (framework contracts), deregulated PAs and self-funded residents	Competition on price & quality LAs still price-setting in home care Quasi-private residential care	Care managers, PB as DPs, self-funders
DK	Limited tendering Marginal use of vouchers Taylorisation of tasks	Fixed prices and competition on quality with minimum standards (till 2013) Extra services paid privately	Care managers
DE	Free access for providers Framework contracts Fixed reimbursement rates Some taylorisation of tasks	Competition on quality with minimum standards Limited price competition Limited competition on quality	Users, LTCI have some market power in defining services
NL	Annual contracts Fixed budgets Relative taylorisation of tasks	Competition on price (home help) & quality Public reporting limited influence	Insurance funds, municipalities, users of PBs

Power to the user! Or not...



Country	Defining need	Choice over... Home care	Choice over... Institutional care
UK (England)	User-led assessment and possibility to use PBs creatively... mostly for DPs	Choice over who, what, how, when for DPs... Very limited otherwise	Limited, except for self-funders
DK	Care manager Taylorisation of tasks (<i>Common Language</i>)	Very limited choice... except for vouchers and private providers	
DE	Standard assessment of need Taylorisation of tasks ... Except for cash benefit	Choice over who, what, how and when for cash benefit... Limited otherwise	Choice of provider, aided by public reporting
NL	Care manager Relative taylorisation of tasks	Limited choice... except for PB users	Choice of provider, aided by public reporting

Outcomes



Country	Outcomes for users	Care market
UK (England)	Widening of choice, but... Limited gains of choice for older people Downward pressure on prices... and quality	From cottage industry to concentration? Too big to fail: the case of Southern Cross
DK	Limited choice for users Little efficiency gains Taylorisation of care → quality of care?	Emerging mixed economy of care... within a segregated/dual market Concentration desired?
DE	Widening of choice → quality of care Quasi-formal providers: migrant carers and informal carers Some taylorisation of care, but advances in quality	Challenging incumbent non-profit oligopolies Informal care at home: a market shaped by the user
NL	Widening of choice with PBs, but... Choice retrenchment: PBs to be scaled back	New players: for-profit providers and cleaning companies Signs of concentration

Success stories... common trends?



- Creating mixed-economies of care supply
- Increasing competition
- Quality assessment and management: a positive externality of care markets

- Path-dependency and original starting points
- The role of key stakeholders
- Move towards marketisation of care...
- ... Different models of/scope for/belief in choice and competition



Unresolved tensions

- The role of prices: demand and supply, too low to pay for quality (e.g. training and staff)
- Mastering contract design and avoiding taylorisation of quality
- Monopsonic purchasing: impacting price, quality and concentration
- Market concentration: efficiency gains or too much market power
- Managing risk: choice to make wrong decisions and who says so?
- When choice is not enough: support agencies, information and (de)regulated markets of care
- Transaction costs

For more information:



Final Report on Make or Buy LTC

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3 Policy Briefs on Whether to Make or Buy LTC:

1. Learning from theory
2. Lessons from quasi-markets in Europe
3. Quality assurance as a crucial precondition

Thank you