Contents

For	eword	xiii
Acknowledgments		xv
Abc	About the Authors	
Pol	Policy Summary	
Acr	onyms and Abbreviations	xliii
1		
•	Introduction	1
	Why This Book?	2
	Objectives, Approach, and Conceptual Framework	3
	Audience and Policy Environment	7
	Chapter Summaries Sources and Caveats	8
	Notes	15
_	Notes	16
2	The Brazilian Hospital Sector: Structure, Financing, Spending, and Outcomes	17
	The Brazilian Health Sector	17
	The Brazilian Hospital Sector	28
	Hospital Finance and Spending	36
	Summary Assessment	40
	ANNEX 2A: An Indirect Method for Estimating Hospital Spending	43
	ANNEX 2B: Supplementary Data	44
	Notes	47
3	Comparative Analysis of Costs and Efficiency	51
	Hospital Costs: Measurement Challenges and Findings	53
	Efficiency Analysis	66
	Conclusions and Recommendations	92
	ANNEX 3A: Cost Analysis Methodology: The De Matos Cost Study Methodology	96
	ANNEX 3B: Supplementary Data	100
	ANNEX 3C: Average Cost and Coefficient of Variation	
	for Sample Hospital Procedures	102
	ANNEX 3D: DEA Methodology	106
	ANNEX 3E: Brazilian Studies on Hospital Efficiency	112
	Notes	115
4	Hospital Payment Mechanisms and Contracting Arrangements	121
	Payment Mechanisms for Hospital Care in Brazil	122
	Critical Review of PPMs in Brazil	125
	The Plight of Private Hospitals under the SUS	132

	Payment Mechanisms and Performance	134
	Hospital Contracting Arrangements in the SUS	138
	Conclusions and Recommendations	146
	ANNEX 4A: Characteristics and Effects of Main Provider Payment	110
	Mechanisms	151
	ANNEX 4B: History of Government PPMs for Hospitals in Brazil	154
	ANNEX 4C: Provider Payment Mechanisms Used by the SUS	156
	ANNEX 4D: Differential Increases in Reimbursement Rates, 1995-2001	158
	ANNEX 4E: From the AIH to DRGs	159
	Notes	162
5	Organizational Arrangements and Performance of Brazilian Hospitals	167
	Organizational Arrangements: Framework and Literature	168
	Organizational Arrangements in Public Hospitals in Brazil	171
	Comparative Review of Organizational Features in Public Hospitals	181
	Private Sector Organizational Structures and Governance Arrangements	184
	Comparative Performance of Hospitals under Different Ownership	
	and Organizational Arrangements	191
	Summary Assessment	198
	ANNEX 5A: Organizational Arrangements in Public and Private Hospitals in Brazil: Summary	204
	ANNEX 5B: Matrix: Features of Organizational Arrangements in Public Hospitals in Brazil	208
	ANNEX 5C: Methods for Analysis of Alternative and Traditional Hospitals	214
ů.	ANNEX 5D: Methods for Comparative Analysis of OSS and Direct Administration Hospitals	218
	ANNEX 5E: Matrix: Organizational Arrangements in European Hospitals	219
	Notes	221
6	Inside the Black Box: Linking Organizational Arrangements,	*
_	Managerial Behaviors, and Performance in Public and Private Hospitals	227
	Management Practices in Public Hospitals	228
	Brazil's Experience with Hospital Conversion: Overcoming Human Resource and Financial Obstacles	246
	International Experience with Hospital Conversion	253
	Managerial Practices in the Private Nonprofit Sector	257
	Summary Assessment and Recommendations	261
	ANNEX 6A: Strengths and Weaknesses of the Public Sector Regime for Procurement, Labor, and Budgeting	267
	ANNEX 6B: Comparison of Summary Labor Regime Characteristics for Physicians by Organizational Arrangement in Public and	
	Private Nonprofit Hospitals	269
	Notes	271
7	Quality of Care: Still the Forgotten Component?	275
	Quality, Quality Improvement, and Costs	275
	Quality in Brazilian Hospitals	278
	Summary Assessment	298

	ANNEX 7A: Policy and Managerial Innovations Across Medical Disciplines, 2000–2005	300
	ANNEX 7B: Process Shortcomings in Brazilian Hospitals and Possible Causes	301
	Notes	303
8	Quality Assessment and Improvement	305
•	Hospital Accreditation and Certification in Brazil: Adoption, Challenges, and Opportunities	305
	Other Quality Assessment and Improvement Initiatives	319
	Care Coordination Across Provider Levels	323
	Summary Assessment and Recommendations: A Framework for Systematic Quality Improvement	328
	ANNEX 8A: An Example of ONA Standards and Performance Elements: Obstetrics	335
	ANNEX 8B: Government Initiatives to Build National Capacity for Continuous Quality Improvement, 1997–2001	336
	ANNEX 8C: Setting the Policy and Institutional Framework for Systematic Quality Measurement and Improvement: Examples from the United States, the United Kingdom, and Australia	337
	ANNEX 8D: Hospital Report Cards: Motivating Hospitals to Perform?	339
	ANNEX 8E: Quality-Based Purchasing in OECD Countries	340
	Notes	342
9	Conclusions and Recommendations	345
	Problems in Brazil's Hospital Sector	346
	Building on Brazilian Innovations and Experience	351
	What Can be Done? Key Policy Priorities	354
	Moving Forward with Implementation	366
	ANNEX 9A: Recommended Policies and Actions	369
	Notes *	374
Bibli	ography	375
Inde	· ·	395
Figu	ires	
1.1	Conceptual Framework for Hospital Performance	5
2.1	Main Players and Fund Flows in the Brazilian Hospital Sector	25
2.2	Distribution of National Health Expenditure, by Source, 2004	26
2.3	Trends in SUS Financing, by Source, 1985–2004	27
2.4	Payment and Transfer Flows for SUS Hospitals	29
2.5	Hospitals, by Size and Ownership, 2002	30
2.6	Long-Term Trends in Bed Supply, 1976–2002	31
2.7	Privately Financed and SUS-Financed Patients, 2002	34
2.8 2.9	Inpatient Care, by Clientele and Hospital Ownership, 2000–3 Sources of Hospital Care Financing, 2002	35
2.10	Hospital Spending, by Facility Ownership, 2002	36 37
2.11	Hospital Spending, by Line Item, 2002	38
2.12	SUS Hospital Spending, by Type of Care, 2002	39

vii

Contents

viii Contents

2B.1	Total Hospital Costs, United States, by Type of Expense, Fiscal 2003	47
3.1	Distribution of Cases and Costs, by Case-Mix Index Range, 2001	57
3.2	Distribution of Procedures, by Cost Intervals, 2001	58
3.3	Costs by Hospital Type, Unadjusted and Adjusted for Case Mix, 2001	58
3.4	Main Sources of Variation in Hospital Costs, 2001	59
3.5	Coefficient of Variation for Surgical and Clinical Cases, 2001	60
3.6	Composition of Procedure Costs, by AIH Category, 2001	62
3.7	Distribution of Sample Hospitals, by Size and Ownership, 2002	71
3.8	Technological Complexity, by Ownership, 2002	71
3.9	Hospital Admissions, by Clientele, 2002	72
3.10	Total Efficiency Scores, by Hospital Size, 2002	75
3.11	Efficiency Scores, by Hospital Ownership, 2002	75
3.12	Efficiency Scores, by Technological Complexity, 2002	76
3.13	Efficiency Scores, by Teaching Status, 2002	76
	Bed Turnover Rate, 2002	78
3.15	Mean Occupancy Rate for SUS Acute Care Hospitals, by Ownership, 2002	79
3.16	ALOS for SUS Acute Care Hospitals, by Ownership, 2002	80
3.17	Ratio and Composition of Personnel per Bed, 2002	81
3.18	Total Personnel per Occupied Bed Ratio, 2002	82
3.19	Surgical Patients per Operating Room per Year Ratio, 2002	82
3.20	Technological Complexity per Bed Ratio, by Ownership, 2002	83
3.21	Quality and Efficiency in Brazilian Hospitals, 2002	85
3.22	Proportion of Inpatient Conditions Sensitive to Ambulatory Care, 2002	88
3D.1	Relation Between Different Types of Efficiency	106
3D.2	Technical and Allocative Efficiencies	107
4.1	Hospital Funding, by Payment Mechanism, 2002	130
4.2	Mean Ratio, SUS Schedule/Cost, by Procedure Complexity, 2002	131
4.3	Total Efficiency Scores, by PPM, 2002	134
4E.1	DRG Hierarchical Structure and Classification Criteria	, 159
5.1	Hierarchy and Flexibility Scores for Organizational Structures,	
	Alternative and Traditional Hospitals, 2000	184
5.2	Percent of Full-Time and Volunteer Managing Executives of Nonprofit Hospitals,	
	by Facility Category, 2000	191
5.3	Percent Change in Selected Mortality Rates, Alternative and Traditional	
	Hospitals, 1998–2003	194
5.4	Percent Change in Selected Efficiency Indicators, Alternative and Traditional	
	Hospitals, 1998-2003	194
5C.1	Adjusted Costs Based on AIH Values, 2003	216
5C.2	AIH Values, by Hospital Type, 2003	216
6.1	Strategic and Normative Scores for Alternative and Traditional Hospital	
	Behaviors, 2000	229
6.2	Correlation between Flexibility and Strategic Scores, Alternative and	
	Traditional Facilities, 2000	230
6.3	Delays in Purchasing Supplies and Services, as Reported by Public Hospital	
	Managers, by Subnational Level, 2003	232
6.4	Principal Personnel Problems Identified by Managers, State and Municipal	
	Hospitals, 2003	234
6.5	Financial Information at Health Facilities, 2003	237

6.6 7.1	Management Development Scores of Nonprofit Hospitals, by Category, 2001 PNASS Facility Assessment Scores, 2005–6	260 281
7.2	Hospital Infection Control, by Hospital Complexity	294
8.1	Building Blocks for a National System of Quality Assessment, Management,	
	and Improvement	329
Tabl	les	
2.1	Demographic and Health Trends	22
2,2	Financial and Economic Costs Related to the NCD Burden of Disease, 2005-9	23
2.3	International Comparison of Health Expenditure, 2002	24
2.4	International Comparison of Health Spending and Outcomes, 2002	24
2.5	Hospital Ownership, 2002	29
2.6	Disparities in Health Indicators in the Municipality of São Paulo, 2002-3	36
2.7	SUS Hospital Expenditure, by Care Level, 2002	40
2.8	Brazilian and International Patterns of Hospital Resource Allocation, 2000-2	42
2B.1	Health Facilities, by Region	44
2B.2	Geographic Distribution of Hospital Infrastructure	44
2B.3	Regional Variation in Socioeconomic Indicators, 1998-2002	45
2B.4	Hospital Financing, by Source, 2002	45
2B.5	Hospital Expenditure, by Financing Source, 2002	46
2B.6	SUS Expenditure, by Facility Ownership, 2002	47
3.1	Total and Intrahospital Cost Variation and Ranges for Procedures with	
	Low and High CVs, Unadjusted for CMI, 2001	61
3.2	Composition of Hospital Costs, by Ownership and Line Item, 2002	62
3.3	Mean Costs in the Private Sector, 2002-4	64
3.4	Summary of DEA Results	73
3.5	Target Reduction in Resource Use, by Hospital Ownership, 2002	74
3.6	Equipment Density, Brazil and OECD Countries, 2002	84
3.7	Supply of Imaging Equipment in Relation to Need, by Region, 2002	84
3.8	Summary of Benchmark Indicators, by Total Efficiency Level	86
3.9	Tobit Regression Results, by Total Efficiency Scores	87
3.10	Coronary Bypass Surgery, Brazil, 1995	90
3B.1	Comparison of the De Matos (2002) Sample and the AIH Database	100
	TOBIT Regression of Total Hospital Inefficiency, Using Governance Model 2	101
4.1	Main Features of Hospital Payment Mechanisms Used in Brazil	123
1.2	Efficiency and Productivity Indicators, by Payment Mechanism	135
1.3	Average Cost of Typical Procedures, by PPM Group, 2001	136
1.4	Quality, Payment Mechanism, and Ownership, 2002	138
1.5	Performance Indicators Linked to the Variable Financing Component of the	
	OSS Global Budget, São Paulo State, 2002-4	144
1.6	Comparison of Summary Features of the OSS Contract with the Draft Contract	
457. 4	between the SUS and Teaching Hospitals	145
4E.1	Comparison of the AIH and DRG Systems	161
5.1	Organizational Arrangements in Public and Private Hospitals in Brazil, 2005	172
5.2	Comparison of Components of Organizational Arrangements in Brazilian	150
	Public Hospitals	173

5.3	Public Hospitals: Patient Mix and Sources of Financing, by Organizational	
	Arrangement, 2002	182
5.4	Private Hospitals: Patient Mix and Sources of Financing, by Organizational	
	Arrangement and Ownership, 2002	185
5.5	Executives Responsible for Nonprofit Hospital Management, by Hospital	
	Size and Type, 2002	189
5.6	Nonprofit Hospital Executives Reporting Decision-Making Autonomy,	
	by Function, Hospital Size, and Affiliation, 2002	190
5.7	DEA Scores by Ownership and Organizational Arrangement, Hospitals with	
	More Than 25 and More Than 50 Beds, 2002	192
5.8	Comparison of Selected Quality and Efficiency Indicators, Alternative and	
	Traditional Facilities, 2003~4	193
5.9	Compliance with Production and Performance Targets Stipulated in OSS	
	Management Contract, 2002 and 2004	196
5.10	Comparison of Selected Hospitals under State and Municipal Direct	
	Management with OSS-Managed Facilities, 2003	196
5.11	Comparison of Selected Quality and Efficiency Indicators, Hospitals under	
	OSS and Direct Administration Arrangements, São Paulo State, 2003	198
	Summary Input Indicators, Traditional and Alternative Hospitals, 2004	215
5C.2	Comparison of Selected Quality and Efficiency Indicators, Alternative and	
	Traditional Teaching Hospitals, 2003	217
5D.1	Comparison of Selected Indicators, OSS and Direct Administration Hospitals,	
	São Paulo State, 2003	218
6.1	Managerial Autonomy in Public Sector Organizational Arrangements	244
6.2	Municipal Hospital São José dos Campos: Comparison of Available Production,	
	Efficiency, and Quality Indicators Before and After Conversion	249
6.3	Formal Management Positions in Private Nonprofit Hospitals, by Major Function and Hospital Category, 2001	257
6.4	Formal Managerial Instruments and Practices in Nonprofit Hospitals,	
	by Category, 2002	259
7.1	Significant Developments in Brazilian Medical Research, 2000-05	279
7.2	Physical Conditions in São Paulo Hospitals, by Ownership, 2003	283
7.3	Surgical Theaters with Minimum Required Equipment in São Paulo State,	
	by Ownership, 2003	283
7.4	Equipment in Intensive Care Units in São Paulo State, by Ownership, 2003	284
7.5	Adequacy of Record Keeping in Hospitals in São Paulo State, by Ownership, 2003	284
7.6	Qualification of SUS Hospitals in a Brazilian State for ONA Level 1	
	Accreditation, 2002	285
7.7	Disciplinary Actions against Physicians in Brazil and the United States, 2001-5	290
7.8	Presence of Standardized Practice Norms or Treatment Protocols, Maternity	
	Services in São Paulo Hospitals, by Ownership, 1997-98	293
7.9	HI Incidence in Adult ICUs, Brazil (excluding São Paulo), 2001–3	296
7.10	Existence and Functioning of Mandatory Hospital Committees,	
	São Paulo State, 2003	297
8.1	Comparison of the Three Main Hospital Accreditation Systems	309
8.2	Number of Accredited Hospitals, by Type and Location, 2003	310
8.3	Costs and Investments Involved in Achieving ONA Level 1, 2002-4	311

8.4	Hospital Management Tools Used to Gain Accreditation, with Effectiveness	
	Ratings, 2002–4	314
8.5	Efficiency and Quality in Hospitals with and without the CQH Seal of Quality,	
	Selected Indicators, 1999–2003	316
8.6	PGQ Results at Santa Casa Hospital	318
8.7	Minas Gerais State: Spending on Admissions for Conditions Treatable in	
·	Ambulatory Care, by Hospital Size, 2002	328
Box	es	
2.1	A Brief History of Hospitals in Brazil	32
3.1	Types of Efficiency	52
3.2	Hospital Cost Structures in Brazil and Canada	63
3.3	Advantages and Limitations of Data Envelopment Analysis	66
3.4	International Experience in Health System Evaluation and Benchmarking	69
3.5	Making Rational Hospital Investment Decisions	93
3D.1	Measuring Hospital Complexity, Case Mix, and Quality from a Facility Survey	111
4.1	The AIH and the DRG: Similarities and Differences	125
4.2	Two Case Studies: Outsourcing Medical Care in the SUS	141
4E.1	Steps in Designing a DRG System	162
5.1	Achieving Labor Flexibility within Public Direct Administration:	
	The Pro-Heart Foundation	177
5.2	Major Characteristics of Hospitals under Health Social Organization (OSS)	
	Arrangements, São Paulo State, 2004	179
5.3	Governance and Management for Hospitals	188
5.4	Toward Greater Independence of Public Hospitals: Lessons from Europe	199
5.5	Managerial Modernization of Nonprofit Hospitals: Lessons from the United States	203
6.1	Organizational Forms and Health Worker Behaviors	233
6.2	Characteristics of a Well-Run Planning and Budgeting System	237
6.3	Managers' Assessment of Managerial Processes and Practices in Hospitals	
	under Direct Administration and OSS Arrangements, São Paulo State, 2003	239
6.4	The Politics of OS Implementation in the Health Sector	246
6.5	Hospital Conversion in Brazil: Legal Constraints and Opportunities	252
7.1	Major Dimensions of Quality Health Care	276
7.2	What Is Happening to the Quality of Medical Education in Brazil?	288
7.3	Problems with Quality and Possible Causes: Insights from a Literature Review	291
7.4	Bad Processes as a First-Order Problem: Interaction between Structure and	
	Practice in Neonatal Wards	295
8.1	Accreditation, Licensure, and Certification	306
8.2	Governance Arrangements in the ONA	307
8.3	Benchmarking	320
8.4	What Is an Organized Regional Network?	324
9.1	Building on International Innovations and Experience	351
9.2	Recentralization in Scandinavia? Achieving Coordination across	
	Political Jurisdictions	360