

Why invest in hospital sector improvement?

To the extent that the hospital sector is essential to most health systems, it has been relatively overlooked and misunderstood to date. Nowadays it is widely acknowledged that hospital costs compose approximately 40-50% of total health service expenditure (ranging from 30% to 70% across countries), with low- and middle-income countries (LMIC) particularly affected.¹

It is also well recognised that the hospital sector faces significant challenges. These challenges are widespread globally, regardless of the socio-economic status of the country and the maturity of the health care system.

Berwick and Hackbarth (2012) highlighted that if the waste in health care systems (largely related to hospital sector) could be addressed in just six categories, the sum of the lowest available estimates of savings will exceed 20% of total health care expenditure.² These 'waste' categories include:

- failures of care coordination
- failures in execution of care practices
- overtreatment
- administrative complexity
- pricing failures
- fraud and abuse.

More recently, OECD underlined the depths of the issue in the hospital sector.³ For example, administrative costs of hospitals in USA compose 25% of total hospital costs (THC), which is 1.43% of US GDP. The prospect is relatively lighter in Canada where administrative costs compose 12.5% out of THC and in Europe, for example 19% in the Netherlands and 15.5% in UK.⁴ Thus, the potential savings from administrative improvements alone can be substantially greater than any other measure typically suggested for resource generation in the hospital sector.

With this knowledge, it is then hard to see why the global discourse has moved away from hospitals. We do not question the importance of paying attention to primary health care, HIV/Aids or nutrition. Rather, we strongly believe that issues with the hospital sector should be equally embraced by the global public health and aid community.

On November 7th, 2017 Oxford Policy Management hosted an event supported by DFID, on "Addressing hospital challenges in low- and middle-income countries", where a group of hospital professionals (top academics, hospital managers and international consultants) discussed failures in hospital governance, administration, and financial management in LMIC. Regardless of standpoints and the diversity of expertise, participants spoke unanimously about the need to 'rethink hospitals in contemporary health systems'. This, in a context of public-

¹ Wright, S., 2017, London

² Berwick, D. and Hackbarth, A., 2012, "Eliminating waste in US health care"

³ OECD, "Tackling wasteful spending on health: highlights", www.oecd.org/els/health-systems/Tackling-Wasteful-Spending-on-Health-Highlights-revised.pdf

⁴ Himmelstein, D. et al., 2014, "A Comparison Of Hospital Administrative Costs In Eight Nations: US Costs Exceed All Others By Far" <https://doi.org/10.1377/hlthaff.2013.1327>

private engagement and unavoidable scarcity of resources needed to deliver high-quality services, would streamline the understanding of hospital governance, institutional arrangements, business models and models of care.

One way of taking this dialogue forward could be through the creation of a forum where hospital experts can prioritise and refine a detailed list of critical hospital issues for LMIC. This would be the first step towards developing practical approaches to addressing such issues in the wider context of ongoing health system-strengthening efforts. In connection with existing professional and learning networks, such a forum may bring value through the generation of a publication (either a book or white paper) that addresses which of the critical hospital issues should be substantially reflected in broader policy dialogue, research, and hopefully, embraced by aid society.