Hospital Performance in Brazil
The Search for Excellence

Gerard M. La Forgia
Bernard F. Couttolenc

THE WORLD BANK
Washington, D.C.
Contents

Foreword xiii
Acknowledgments xv
About the Authors xvii
Policy Summary xix
Acronyms and Abbreviations xliii

1 Introduction 1
   Why This Book? 2
   Objectives, Approach, and Conceptual Framework 3
   Audience and Policy Environment 7
   Chapter Summaries 8
   Sources and Caveats 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
Contents

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 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
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