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**A NEW PERSPECTIVE FOR PRIVATE HEALTH IN BRAZIL:
HEALTH NETWORK, PPP, SERVICES AND PROVIDERS**

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INTRODUCTION

The present paper has the main objective to analyze one of the most difficult challenges of the private health in Brazil, the network of hospitals and services related to the health insurance.

Since I've gathered the civil servants of the National Agency for Health, in 2006, I have worked in many bureaus inside the Agency. This experience has given me a lot of different perspectives about the private health: a consumer perspective and a market perspective.

In fact, from all these experiences what I certainly can affirm after these years is that in all these bureaus, the denounces and the problems which I have been analyzing throughout all years had a similar problem and a connection with the use of hospitals and services networks or the wrong interpretation about the regulation related to this theme from the market and the health insurer.

Since the beginning of the health regulation in Brazil, many measures has been taken in order to solve or to diminish these problems, like NIP – notification of preliminary investigation or the newest program to monitories the health insurers services by statistics numbers every semester.

The reality, although, is that having a perspective and to foment the private hospitals networks in Brazil is not an easy or a simple task, it demands many civil servants with expertise, time, software, researches and a sort of investments.

Many improvements have been done by the Agency since the beginning of the regulation in Brazil and as far as we can see there's a lot more to be done yet.

What this paper is going to focus is mainly two views of the same problem. The consumer expectation and problems with the hospitals networks and the market view and how we could, as a Regulation Agency, try to solve this problem.

The future of the private health is changing and ANS civil servants constantly have been dedicate their time to think and to implement a better model for all the actors of this sector.

What me, as a civil servant, have always believed, since before I decided to engage in the public career, is that we can help to improve the social level of wealth and wellness, sometimes with simple measures. I do believe that in most of the times simple plans and simple dreams can reach the biggest goals and achievements for the humankind. And this is what I still believe I can do: change people's lives always for better.

Washington, January 2014.

ABSTRACT

The focal arguments in this article seek provide new direction in the studies and concepts for the private health market in Brazil, especially the hospital network.

The ideas presented here stem from my years in healthcare policy and regulation in the Brazilian National Agency for Private Health Insurance and Plans.

The paper opens with a summation of dominant issues in the healthcare market, and the attitudes and subsequent behavior of customers as they select health insurance plans. Next, the Essay analyzes the importance of various healthcare services and products, taking the customer point of view.

The essay will also address the importance of advertising in the health insurance market and its role in shaping how customers interpret policy information.

The final section proposes a number of suggestions intended to assist the Regulatory Agency improve the health network by promoting Public-private Partnerships (PPP or P3.) In addition to making the Brazilian healthcare enterprise more effective, PPPs also spur economic growth, especially in the poorest areas of Brazil.

ACKNOWLEDGMENT

First of all, I want to thank my parents for all the reliance and support since I was a university student, dreaming about enter the public service. There were so many studying days and nights until I finally achieve the civil service.

Nevertheless, I can still feel their confidence in my beliefs and it is, in fact, some of the most important belongings that I carry with me.

Eight years have passed since those days to nowadays but one thing still remains: the desire to serve the public.

I am grateful to my colleague PhD. Mauricio Sant'Ana, who helped me a lot with the statistics showed in this article. Since I decided to run the internet survey which is a very important part of this project, he gave support to develop this project.

Furthermore, I am especially grateful for the invaluable help from Dr. Cesar Queiroz, consultant of World Bank and my advisor in this project, always providing me with new ideas and helpful comments in our six or more meetings to mature this paper. Dr. Queiroz also introduced me to Dr. Edson Araujo, specialist in Health who provided me important information about the World Bank Health projects, some of them, included directly or indirectly in ideas of this paper.

Also would like to thank Dr. Fernando Guanais, from IADB, who helped in a long interview to clarify some issues and strengthen old directions

It is important to say that any of them bears any responsibility for what I said here.

Besides, I want to thank the National Regulatory Agency for Private Health Insurance and Plans, for giving me the opportunity to attend the Minerva Program, in George Washington University, what was a great honor for me and certainly a course of great importance in my career.

Finally, I would like to thank God, for driving me always in my right path, offering me joy, happiness, sadness, problems or challenges, everything that I have always needed in my life to turn out to be every single day and a little bit more, a better person.

I truly hope this article can provide a new perspective for the private Health in Brazil helping Brazilian citizens to have a better health service and a better health condition in their lives

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I BRAZILIAN HEALTH INSURANCE PROFILE
INDIVIDUAL VS GROUP PRIVATE INSURANCE
HOSPITAL NETWORK, ADVERTISEMENT, AND THE
INTERPRETATION OF INFORMATION

1.1 THE HEALTH INSURANCE PROFILING IN BRAZIL – A KEY ANALYSIS

Though the Brazilian economy has recently stalled, Brazil experienced a remarkable economic growth in the last decade, and forty million Brazilians joined the middle class.

Along with the growth in the economy, the market for health insurance grew as well. Generally, financial security makes people think more about themselves and their health, and therefore invest more money in health insurance. Shortcomings in the public health system are also an important factor leading to people's option for the private health resources.

As a result of the enrichment of some people and the more consumption of private health insurance in the long term, the regulatory agency for private health in Brazil has observed an exponential increase in the number of complaints related to the long time it takes the consumer to access the services offered by his health plan.

As an attempt to induct a methodological argument for this paper, the author tried to consider the private health insurance consumer's profile. Sixty Brazilians completed an internet survey of the following questions:

- **Is it important to you to have private health insurance?**
- **If yes, then why?**
- **Is your private health insurance group one or individual?**
- **What is the most important attribute when you evaluate insurance: price or quality?**
- **What is more important to you when you use your health insurance service?**
- **What do you think when you evaluate health insurance options?**
- **What do you think is missing in your health insurance?**

Some of these questions had specific alternatives and others free answers, which will be clarified later in the essay.

Considering 60 answers is a very low number to represent the health insurance consumer's universe in Brazil, these statistics were an important indication of guidelines of thought or proposals to represent some technical issues in the health insurance market and its regulation specifically in this essay.

As the different topics will be developed I will approach to the aspects from the survey correlating sometimes with the official ANS data (book of information in Supplementary Health).

1.1.2.GROUP PRIVATE HEALTH INSURANCE X INDIVIDUAL HEALTH INSURANCE - THE EMPOWERMENT ISSUE

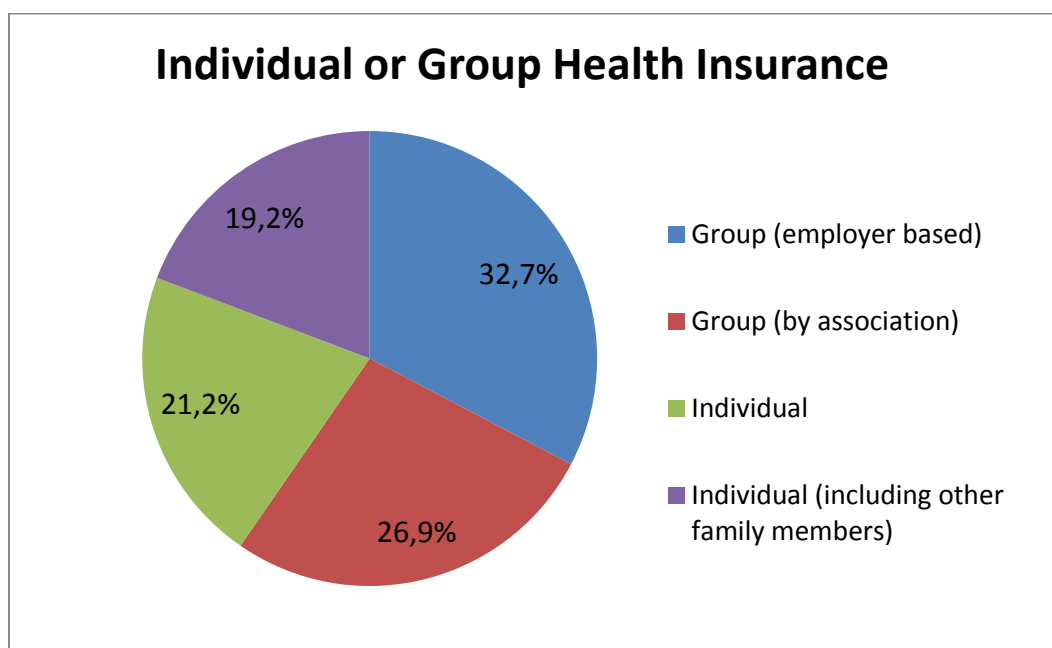
A survey, including 60 interviewees, was conducted to assess some characteristic of their health insurance. Following Brazilian Federal Law (9.656/1998), private health insurance was divided into two groups:

1. Individual health insurance (which can be provided to one person or the family, including parents and sons) and;
2. Group health insurance (employer based or by association).

One of the questions posed was: Do you have a group private health insurance or an individual health insurance?

The available choices were: individual, individual (family – including other family members, employer based private health insurance or private health insurance by association.

The following scenario emerged from the group studied:



As we can see, from the group studied, the majority (59.6%) were located in group private health insurance. This data set reveals very similar results to the official National Agency for Health (ANS) data from 2013¹.

¹ See (Suplementar Health Information Book - Caderno de Informação de Saúde Suplementar – June 2013), p.XX

It is possible to assume, from the data above, that the majority of the private health insurance consumers contracted a group health insurance.

Yet, the consequences of the majority of consumers held a group health insurance are not clear. But, one of the biggest concerns the regulatory agency must have is related to empowering these consumers. Whether they are having the clear and perfect information about the product they are willing to consume since they are not trading the contract's conditions by themselves.

This will be one of the topics in which this article concerns.

1.2.2 EMPOWERING THE GROUP HEALTH INSURANCE CONSUMERS – THE REGULATION FUTURE

Private health group insurance has the main objective of representing a group of people, whether corporate employers or by associations, with negotiation power.

The main proposition of the 9.656/98 law was to add negotiation strength through a strong organization (firms, corporations or associations). The strong organization would enable final consumers to have a balanced negotiation between the health insurance providers and the corporations, resulting in a better result for the consumer than those with Individual coverage.

However, small firms (with less than 50 employees) or small associations are also considered within Group coverage, and consumers connected to these small groups are also considered as a group. The power of negotiation or knowledge about regulatory issues for these small groups are minimal or doubtful.

The emergency of a third figure, the Administrative Service Organizations, turned the problem even worse to identify.

All these facts outline a problematic scene for the group health insurance consumers in the future, especially when this portfolio become older and begins to represent higher spending for health private insurers.

With millions of people buying, using, and changing their insurance every day, the velocity that market advertisement can spread and attract consumers is much higher than the regulation. Group private insurance is much more attractive in price than Individual ones, although the real differences for consumers are not so clear when they are enter into contracts: very different conditions of readjustment and rescission from the individual insurance. With these norms, it is very clear that regulation cannot achieve better results

Since added regulation has not been best way to solve this issue, it its important thinking in a way to regulate or induce this market by empowering the consumers in Group (employees or associated) health insurance, allowing them to contract what is really the best product, and looking at their situation from different aspects.

In another point of view, the empowerment of consumers is totally interlinked with the economic theory of perfect market.

Asymmetric information happens when the markets participants lack some information relevant to their decision.

As said by BROWNING (p. 421, 2012): “All of models presented so far – the competitive model as well as the imperfectly competitive models – have been based on the assumption that market participants have all the information needed to make informed

choices. For firms, this means knowing technology, input costs, and the prices consumers will pay for different products. For consumers, this means knowing product characteristics and prices. Although this assumption regarding knowledge is sometimes referred as the perfect information assumption, the term is an exaggeration. Consumers and firms do not have to know everything for the analyses to be valid. Nonetheless, the assumption places meaningful restrictions on the models, and it is important to consider how market function when there is imperfect information and participants lack some information relevant to their decisions. We will begin by considering a common feature in many markets: when consumers have difficult determining the quality of products prior to purchase.”

As observed by NERI (p. 44, 2011): “The life of each Brazilian individually is better than the Brazilian as a society, as Brazil. This is an impression taken thru a Gallup World Poll. In the question about the level of life satisfaction of each person in five years, referring to 2011, in a scale from zero to ten the Brazilian media was 8.78, the higher among 132 countries. But the same question referring to the country in the same period and same scale, it goes 2 points downwards”.

The dissonance between the perceptions of life of each Brazilian’s life and of each Brazilian related to the country is a registered Market of the *tupiniquim life, our jaboticabeira*. Possibly as a result of these perceptions, the biggest Brazilian problems have a collective nature instead of an individual one.”

Brazilians, as a people, miss much more the public goods and services and these perceptions have much more influence in each of the Brazilians then their problems individually.

Concerning health insurance, as seen in the statistics above, there is a tendency in the Brazilian market to the group health insurance. This may point to same kind of perception of problems, though for very different reasons.

The regulation in Brazil must achieve methods to minimize these problems related to the final consumer, being this consumer is interconnected to an association or an employer base which are representing him as an associate or as employee.

Empowerment is a term created by the Brazilian educator Paulo Freire, meaning: to give a person, a group or an entity the power to make changes they need in some aspects of their lives by **themselves**. The empowerment has the proposal to **give a person or a group the capacity to identify and solve the problems with tools that they already have and are capable to use**.

It is a liberating education which gives the individual in **any circumstance or condition a percipient, a conscious choice**.

For the philosopher Foucault (1991, p.194), who studied deeply studied power relationships, power is a phenomenon that is everywhere. As he said: *“We must cease once and for all to describe the effects of power in negative terms: it ‘excludes’, it ‘represses’, it ‘censors’, it ‘abstracts’, it ‘masks’, it ‘conceals’. In fact, power produces; it produces reality; it produces domain of objects and rituals of truth. The individual and the knowledge that may be gained of him belong to his production”*.

According to KLEBA and WENDAUSEN, empowerment divides into individual, group, and structural categories.

In terms of private health insurance, what must be achieved is **structural empowerment**. According to KLEBA and WENDAUSEN, structural empowerment “favors and enables the engagement, the accountability and the social participation” in the perspective of citizenship.”

As previously indicated, contracting private health insurance is part of the composition of the citizenship participation in society, as it represents a clear choice to take care, to nurse your own health and well-being, including both mental and physical health.

Therefore, the empowerment of consumers to make a conscious choice about their own private health insurance has to be considered as a Constitutional right to pursue individual health, which is intimately linked with two Brazilian Constitutional principles: human dignity and clear and free consumer information (Article 5 from Brazilian Constitution - 1988.)

Regarding private health insurance, observing that Individual has less contracts than corporations, it is important to empower the consumer with the right gateway.

Therefore, the awareness of these consumers will not have a substantial effect if this process continues in a traditional way, most of times through consumer protection agencies or health insurance brokers.

From my experience in ANS, it is most likely that these consumers appeal in the first place to the associations and corporations that they are interconnected before they go to these protection agencies when they have any kind of problem related to the use of the service. In the case of the individual consumer that does not have the intervention of any association to contract its private insurance, the probability to appeal directly to a consumer agency is much greater.

One of the most important problems experienced by consumers nowadays in private health sector is that they unaware the mainly differences between the group health insurance and the individual ones, what they are gaining or losing in choose one or the other, in a present and future perspective.

And these main differences are related to: readjustment and rescission.

GROUP HEALTH INSURANCE

Normative Resolution 195/2009

- ✓ Rescission is possible in cases set out in contractual clauses
- ✓ Causeless rescission may occur after 12 months of contract validity (60 days previous notification)
- ✓ Loss of connection of the holder with the association or the firm; loss of the dependence condition are exclusion causes
- ✓ Annual readjustment negotiated between parties

INDIVIDUAL HEALTH INSURANCE

Article 13 Law 9.656/98

- ✓ Automatic renew (one year minimum validity)
- ✓ Rescission: only in consumers fraud or over than 60 days (consecutives or not) nonpayment
- ✓ Prohibited unilateral suspension or rescission during hospitalization
- ✓ Annual readjustment is regulated by ANS

In Group health insurance, the readjustment between both parts (associations/employers) and the consumers is free transacted. They are allowed to discuss the percentage annually, without government intervention. Also the rescission can be negotiated and established in clause.

In the Individual, the readjustment can only happen with the percentage regulated for the ANS. Also the rescission can only happen in three circumstances: 1) When the consumer does not pay the health insurance for more than 60 days continuous or not, or; 2) When the consumer fraud the contract or 3) When the consumer dies.

As Group private health insurance has a tendency to be cheaper (for many factors including a more fruitful and profitable way to control the portfolio and an easier way to readjust the contract), it could explain the growth of this type of insurance during the five last years.

But all the advantages for group health insurance only can work well if the associations are really correlated with their associates, and also if the corporations involved in negotiation with health insurers are very strong representing the consumers' interests.

According to the classical theory of regulation, the intervention in the Market is only necessary in five situations, being one of them the information.

In practical terms, a change of in the consumer's mind (related to what they really are buying) could possibly diminish in a long term an intervention as held nowadays by ANS, which has consequences to the enterprises and to the consumers who are not having a maximum and clear point of view about the products and their market choices.

An article about consumer behavior in US says: *"Although price has only a small effect on the decision about whether or not to buy, it has a bigger effect on the decision about which product to buy. Among purchasers, a 20 percent decrease in the premium of a product will lead to a nearly 40 percent increase in its market share.²³ However, most of the switching will be from other plans offered by the same carrier rather than from the market as a whole. Put another way, there is some brand loyalty in choices. Thus, if a carrier lowers the price of only one product, the carrier's market share will increase by only about 2 percent. However, a change in all prices of the products offered will raise its market share by 7.5 percent*

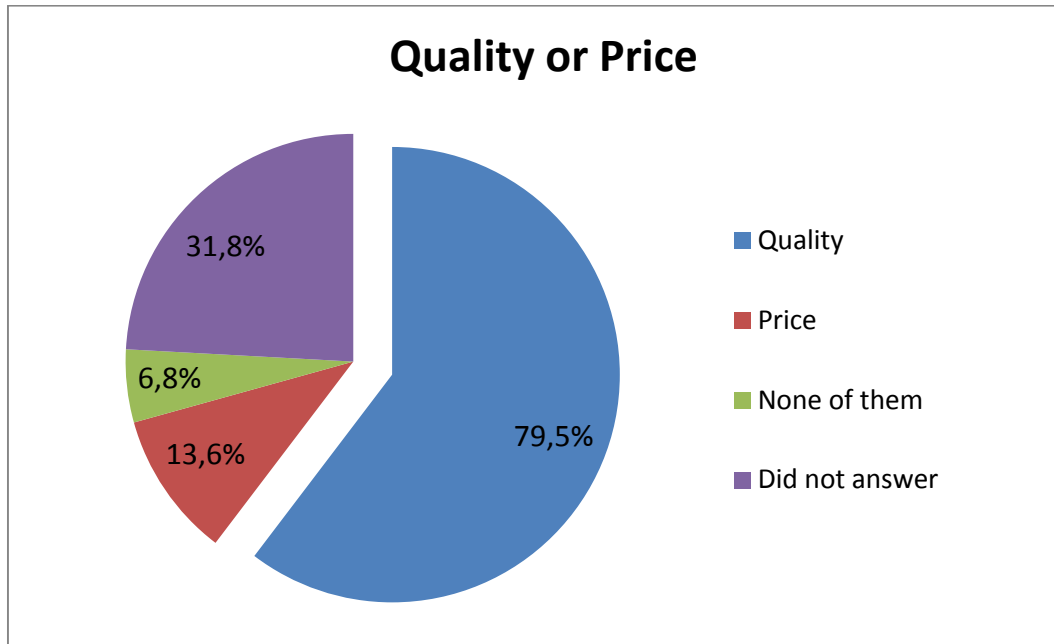
(...)

Although most policy proposals have focused on financial incentives to expand the market, we also find that nonprice barriers, especially the costs of obtaining information, play an important role in the low rates of participation in this market. Insurers are trying new marketing strategies and new distribution channels to overcome these barriers. Public policies that would reduce the costs of information search and the burden of the application process might go as far as modest subsidies in helping expand coverage. Although the solution to the problem of information barriers is not new, some believe that online tools that make information easily accessible, deliver tailored information, and reduce the administrative complexity in obtaining health insurance will spur growth in the individual insurance market.²⁶"

The regulation could have a great advance related to the plans if the consumers were totally empowered with the information related to their products. First, knowing clearly what they are looking for and, secondly, with norms about how the enterprises in a minimum common sense should ad this network.

In the survey this author run, price was not really a decisive factor for consumers, although the difference here is all the consumers already had private health insurance.

When questioned about what was the most important in a health insurance: quality or price, 79,5% considered quality as the most important attractive factor in this product?



According to Laergreid, in *Controlling Regulatory Agencies, Scandinavian Political Studies*, “agencies with a strong professional culture underlining expertise and professional quality will generally be subject to less regulation and control than other agencies.”

In other words, **the more effective the rules used enforced to the health industry and actors, less regulation will be necessary to control this market.** It is expected that more the consumers are empowered and conscious about their health insurance and the services related to them, the less we should regulate the relation between both parts. In fact, we think the best alternative for the consumers inserted in this kind of insurance, would be their **empowerment from the employers and the associations.**

One other alternative would be the approximation between the Regulatory Agency and the corporation and associations whose are representing these consumers inside the contract.

Another alternative would be the addition of simply-written instructional memorandum of understanding, which details the basic differences between Group or Individual health insurance. This could be part of any contract association for any individual as an employee or associated.

As the final consumer, the individuals inside the Corporation and associations must be aware about all the implications involved in the group private insurance contract.

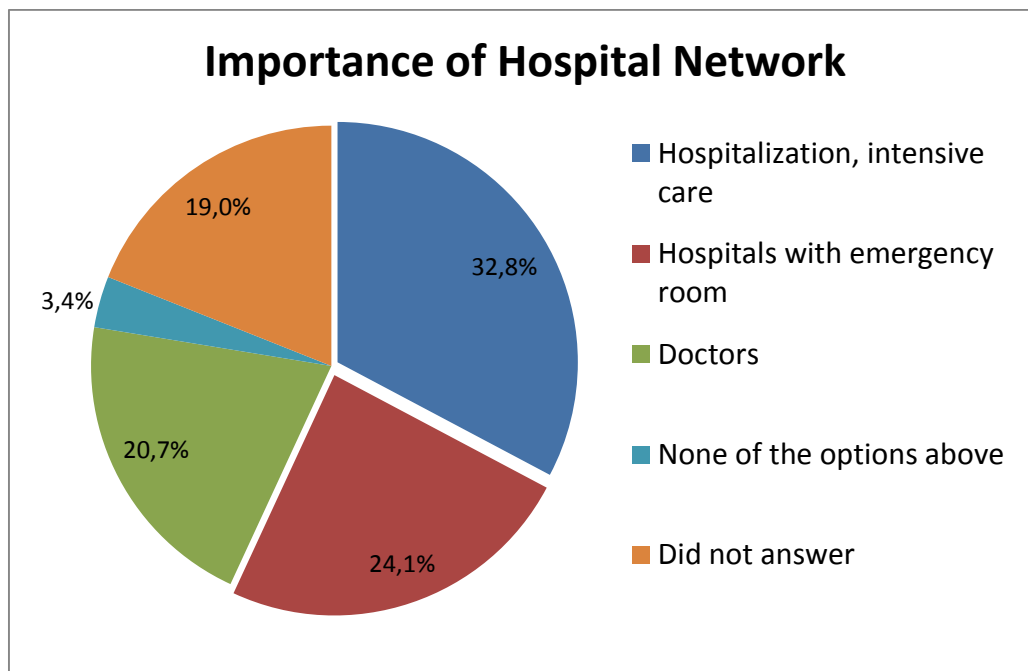
This will obviously help in the empowerment of the whole society in the consumption of private health insurance and probably diminish the necessity of intervention of the government in the market.

It is necessary that all the manuals and exposition related to this issue be the most simple as possible, trying to connect the consumers to the main principles of the product he is acquiring. Explaining clearly the differences between individual and collective products, the advantages and disadvantages of contracting one or other insurance, especially with concern to prices and the contractual rescission.

1.2 PURCHASING PRIVATE HEALTH INSURANCE – THE VALUE OF A HOSPITAL NETWORK AND MEDICAL SERVICES

A critical healthcare aspect with the focus group was hospitalization. Respondents noted that hospitalization was the most important issue to consider when purchasing health insurance.

One of the questions was: **What do you consider important when you acquire a health insurance?**



It seems clear, not only because of the survey data, but also due to the nature of consumer behavior, that issues taken most in consideration by the consumers are the network, hospitals and medical services offered by the health insurers.

Two aspects can contribute to hold this problem in continuous progress.

The first is a problem already observed by some technicians in the United States. In an article entitled “Emergency Care: Then, Now, and Next” the authors Kellerman, Hsia, Yeh and Morganti say: “Numbers tell the story. Between 1994 and 2004, ED visits grew by 26 percent. During the same period, America’s hospitals closed 198.000 beds. The ED crowding that ensued became so severe that hospitals turned away a half-million ambulances per year – an average of one per minute – in 2003. Subsequent studies confirmed what ED providers suspected: crowded conditions degrade care and harm patients. Despite such compelling evidence and disturbing news accounts, many hospital administrators continued to turn a blind eye to the problem.

(...)

Over time, the burden of uncompensated ED care proved to be heavier than many hospitals could bear. Between 1990 and 2009, 27 percent of non-rural EDs in the United States closed their doors. Risk factors for closure include for profit ownership of the hospital, a zero or negative operating margin, and large number of impoverished patients”.

Problems in emergency care are not exclusive to Brazil. Though there are differences from country to country, there are similarities in some of these occurrences.

One of these frequent similarities is related with the lack of assistance in primary care. Primary care has been neglected not only public, but also in private health – and is one of the causes of crowding in **ED**.

Therefore, those authors say: “The changing in primary care is one reason why the numbers of ED visits keep growing. ‘First contact’ care – the evaluation and treatment of new patients with acute symptoms such as chest pain or shortness of breath – was once considered a hallmark of primary care practice.

Today that is no longer true. Instead, most primary care providers deliver preventive and chronic disease care to established panels of patients. Because providers’ daily schedules are packed with brief visits, few can afford to disrupt their routine to see an unscheduled walk in patient with an urgent problem. It is much easier to redirect the patient to an ED”.

Besides unsatisfactory primary care, another specific problem in Brazil concerns the interpretation given to the Article 17 of Law 9.656/98.

The present interpretation officials give to this article says that emergency room is not considered to define hospital as a unit so it is not necessary to the insurers to ask

authorization to remove this service from coverage, they only have to inform the Regulatory Agency.

All these aspects in private health care create a difficult issue to understand and solve.

Historically, medical services have not invested in primary care, and have pushed those patients who could probably be treated outside ED (emergency department) for hospital care.

PRIMARY CARE

Primary care is the provision of integrated, accessible health care series by clinicians who are accountable for addressing a large majority of personal health care needs, developing a sustained partnership with patients, and practicing in the context of family and community

For Guanais and Macinko: “The concept of ambulatory care sensitive (ACS) conditions is well known in health services research: adequate access to good quality primary care services should lower rates of unnecessary hospitalizations for conditions that are responsive to improved primary prevention, early diagnosis and treatment, management of chronic conditions and coordination care (Carminal et. Al., 2004; Epstein, 2001). A substantial body of research has found evidence of direct association between accessibility of high-quality primary healthcare and lower hospitalization rates for ACS conditions in United States, but this relation has rarely been tested in the context of developing country (Billings et al, 1996m, Weissman et. Al, 1992).”

According to BICKERTON, et al., 2012 *“In the United Kingdom, it is commonly assumed that up to 60% of patients attending emergency departments (EDs) are non-urgent (Audit Commission, 2001; Ya’ish et al., 2007); more recent figures using a standardized definition indicate that between 10% and 30% of cases could be classified as primary care (Carson et al., 2010). (...) Recent research indicates that two-thirds of EDs in England have primary care services operating within or alongside them (Carson et al, 2010).*

Since consumers are investing in their private insurance they believe that when they need hospitals, they will have access to them. In some cases, emergency care is not available or can be removed from hospital network inside regulatory agency data just by informing.

Since there is no investment in primary care and education for consumers to seek primary care before emergency rooms, what happens in the end is that instead of saving lives, emergency rooms are serving as a major portal for inpatient admissions. This is the case not only in Brazil, but also the United States. These two elements have formed an increasingly critical framework in Brazilian private health care.

What happens, in the end, is that even if the consumer does not buy a health insurance with regulations mechanisms, indirectly, they are being applied.

Again, the information is a key point understanding the emergency room and the urgent care as important factors and barriers for the entrance of consumers, the regulation, in my point of view, starts having three options to solve this issue: change the primary care attention, strengthening this portal to inpatients; change the interpretation of article 17th of 9.656/98 Law or both.

Therefore, any of these options being adopted is also totally relevant that the consumer be oriented and have the information about what emergency network is available in its health insurance constantly.

Assuming all those facts, it is important to understand that some of these asymmetries must be related to the way that the regulatory agency intervene nowadays in the regulation for these services. Also important to emphasize that in Brazil the problem has two different perspectives: freedom to the health insurers to take this services out of their networks and the consumers not necessarily being informed about it; the gap concerning the information of the product which must be related, at the end, with this lack of assistance which is shown by the consumers opinion in the statistics and also less importance and investment in primary care.

Therefore, following the same thoughts, I understand that any advertisement served for insures must make clear that the consumer will not have a free utilization of the network or what kind of utilization he will have in a specific hospital, if this hospital is a key point of attraction in the insurance publicity.

So, for instance, if in **an advertisement** of a particular product, the insurance emphasizes a specific hospital to sell, there must be clear what kind of access the consumer will have to that hospital (only emergency room, only hospitalization, both, or only intensive care, all of them). And must make clear also, if this utilization will have or not a mechanism regulation.

In short, it is important that ANS regulates and establish basic rules for the advertisement of private health insurance, especially concerning the hospital networks and regulations mechanisms.

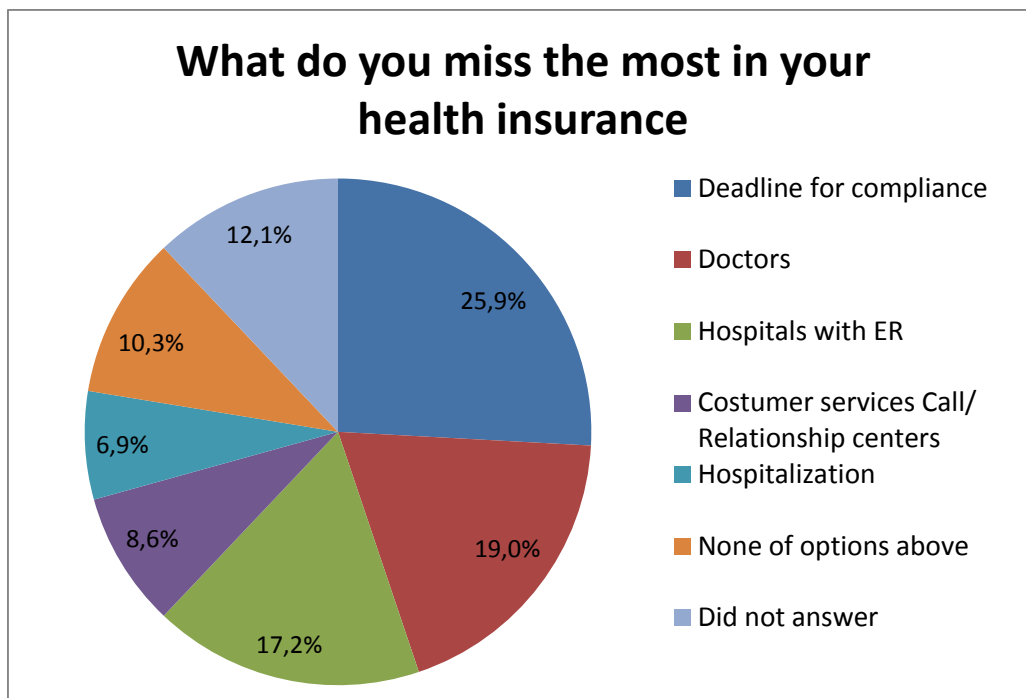
Another important issue to be pointed here is related to the urgent/emergent care in private health insurance as a matter to define the purchase of this product.

Analyzing the survey data, it is important to observe that emergency care was pointed by the consumers as problematic aspect concerning the utilization of the private insurance.

Now is an important moment to compare the data and questions in the survey.

One of the questions asked the consumers: **What do you think is missing in your health insurance?**

Doctors	11	19,0%
Deadline for compliance	15	25,9%
Hospital with ER	10	17,2%
Hospitalization	4	6,9%
Costumer services Call/ Relationship centers	5	8,6%
None of options above	6	10,3%
Did not answer	7	12,1%



Analyzing this data we can see that the two central problems appointed by the consumers were: deadline for access the service, doctors and emergency rooms.

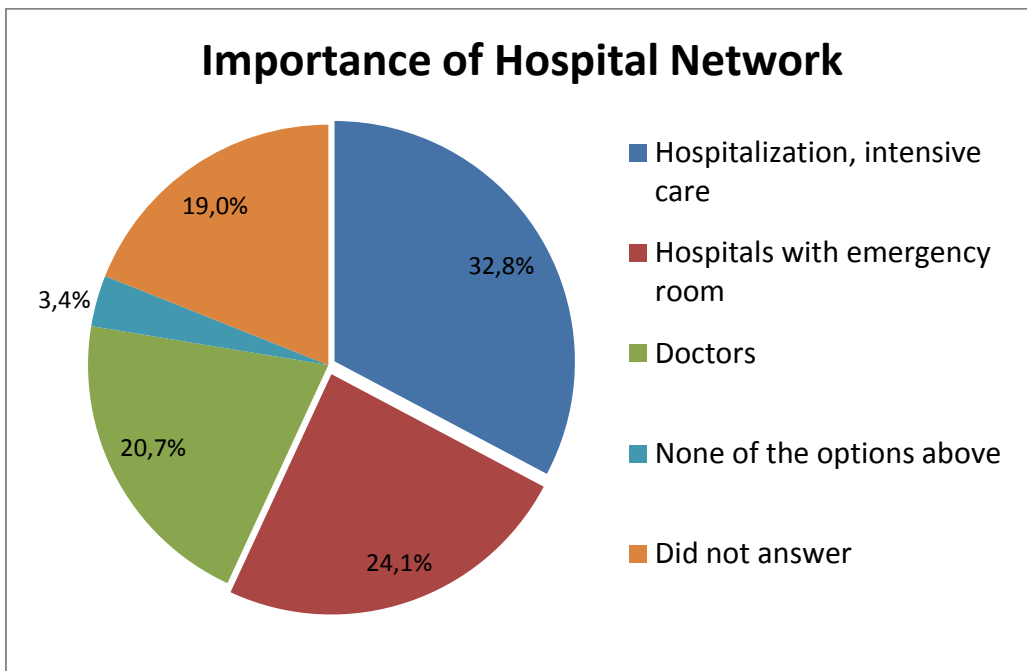
The problem felt by the consumers is obviously related to the lack of assistance what in the end becomes a problem of time, deadlines to use the system as general and emergency assistance.

In the statistics I also observed that in the question related to the emergency room, when asked about: **What do you consider the most important service when you acquire a private health insurance?**

The options to answer this question were: **doctors, hospitals with emergency room, hospitalization and intensive care, laboratories and exams, none of the options above**

The result shows again what consumers miss the most when they use their products are: **hospitalizations and emergency care.**

As said before, since ED (emergency Department) has mistakenly been used as major portal of access to hospitalization it is clear that more consumer uses ED, more probably they would feel difficult to access hospitalization because, as I call, reverted or indirect mechanisms of regulations are been used to block this assistance.



Doctors	12	20,7%
Hospitals with emergency room	14	24,1%
Hospitalization, intensive care	19	32,8%
Labs and exams	0	0,0%
None of the options above	2	3,4%
Did not answer	11	19,0%

Another important observation is that 56,9% of the interviewed consumers think hospitalization and emergency room are what they miss the most when they have to use their health insurance.

We can observe also, there is a relation between hospitalization and emergency care, the first most voted was hospitalization and the second emergency care.

This information in a certain way could be interpreted as a consequence in one of the other. As the consumers feel a lack of assistance or experience any barrier using the emergency care, they probably will experience problems with after they need hospitalization or intensive care.

As we have seen in this paper, one of the pillars of a good competition in the market is the information about the product. If the information is not clear, there is a tendency to the inelasticity of the product and, in consequence, a tendency of an increase in prices with a worse condition to offer these products in the market.

In other words, with lack of information, it will be always more and more necessary to the Regulatory Agency to intervene in the market to correct this disproportion and in many of these cases it will not be enough to achieve a good level of product quality for the consumers.

We must point that finally, considering changes in urgent and primary care, again, BICKERTON, et al., 2012: ***“the most recent policy development emphasizes patient choice and consumer demand as key consideration in service re-design (Department of Health, 2010b). Expanded urgent care provision has given rise to plurality of services, which is useful for providing service users with a range of alternative access points but can cause duplication of services and repeat attendance for the same problem. (...)***

*Streaming patients to appropriate primary care facilities requires patients as well as practitioners to be able to make informed choices. The findings from this study indicate that primary care services need to be better informed about patient flows in order to develop **more robust and informed demand management strategies, while maintaining patient satisfaction with access to services**”.*

1.3.EMPOWERMENT RELATED TO THE HEALTH INSURANCE- THE ACT TO CONTRACT AND THE HOSPITAL NETWORK

Another aspect that must be carefully analyzed is the moment the consumer buys a health insurance and his option by a certain hospital network.

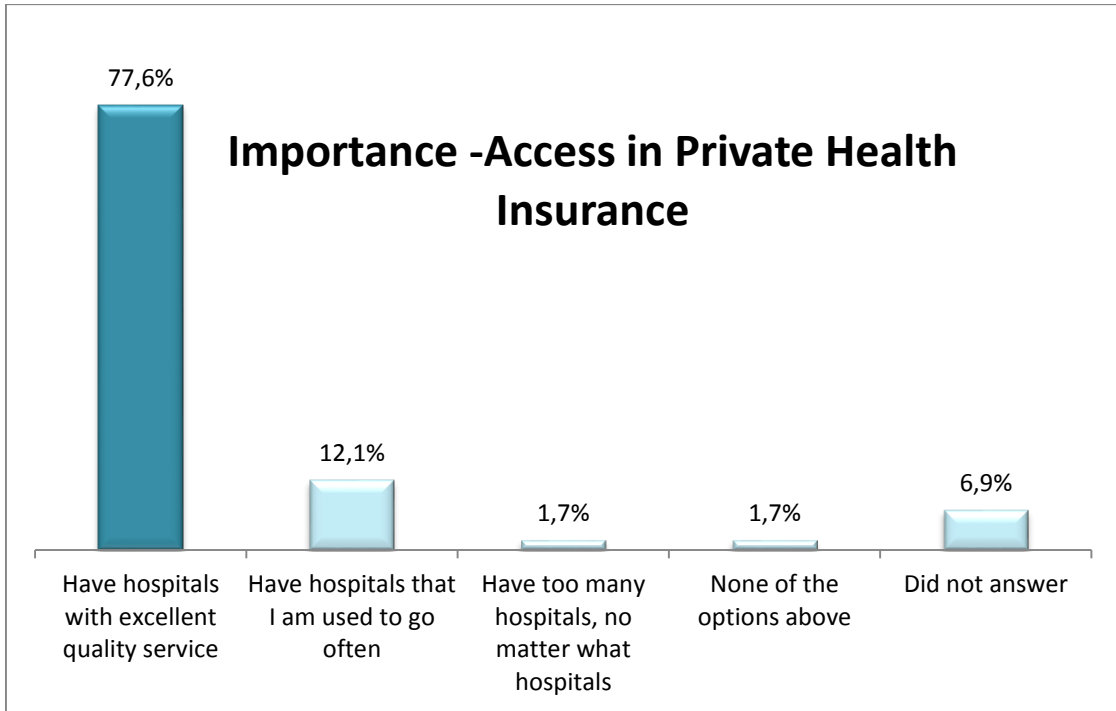
It is important to state that the survey was separate by hospitals sectors – emergency care, hospitalizations and intensive care and also the consumers had to give most importance for one of them.

The survey differentiated in the hospitals, the emergency room service and the intensive care service, to observe for what of those services, inside the hospital, consumers would give more relevance.

Considering all the answer obtained it is possible could deduct some important arguments.

The first and more obvious is that the consumers **give a great relevance** to the hospital network or to a hospital that in their point of view have a good service quality when contracting a health insurance.

Quality is, under data observed in this survey, a very significant factor for the Brazilians private health insurance consumers, even more than price.



Question: What is more important for you when you use your private health insurance service?

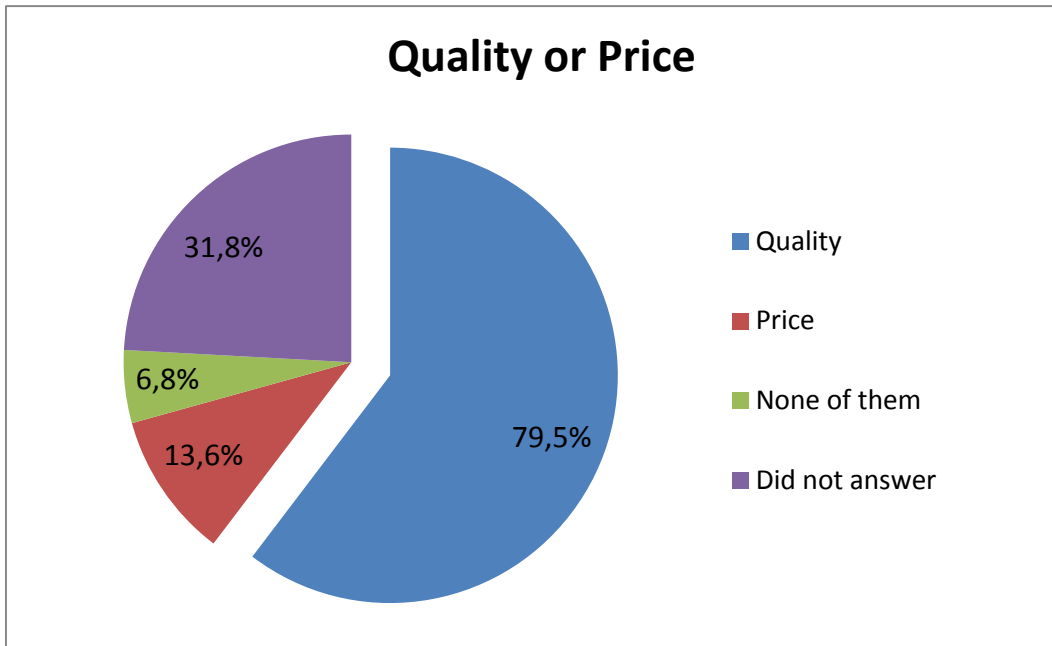
Have hospitals with excellent quality service	45	77,6%
Have too many hospitals, no matter what hospitals	1	1,7%
Have hospitals that I am used to go often	7	12,1%
None of the options above	1	1,7%
Did not answer	4	6,9%

Also health insurance are products which have a different plea for consume even in purchase or during the utilization, since most of interviewees answered that they contract a health insurance thinking that one day they will get sick and need it.

It is in fact a product with very high psychological appeal related to what consumers want to receive since before they buy it.

Analyzing this two question we can observe that probably, the health insurance consumer take in account **two important facts to acquire and decide for one product:**
a)network or hospital quality;

b) Where they would like to be hospitalized and treated when they get sick.



Question: When you contract a private health insurance, what is the most important factor for you?

Quality	35	79,5%
Price	6	13,6%
None of them	3	6,8%
Did not answer	14	31,8%

And, in addition, observing the other question about the hospitals quality it is possible to note that consumers, when contract their health insurance are interested in hospitalization with good quality, **not only in having access to the service.**

These factors indicate that the hospital network is possibly one of the major attractive at the time consumers decide to purchase a health insurance.

Assuming that the hospital network has a great importance in the consumer's choice it is important for the Regulatory Agency to make this information as perfect as possible to the consumer in the moment that he is deciding which product to purchase and,

secondly, to foment the construction of tools which will improve the quality of information about this hospital network.

It is important to alert, although that is urgent to ANS to develop a new system which will be able to provide an online information about this whole network, giving to the officials and to the enterprises a shortly response about the possibility to modify and rearrange their hospital structure and all the factors which are related to the quality of the products.

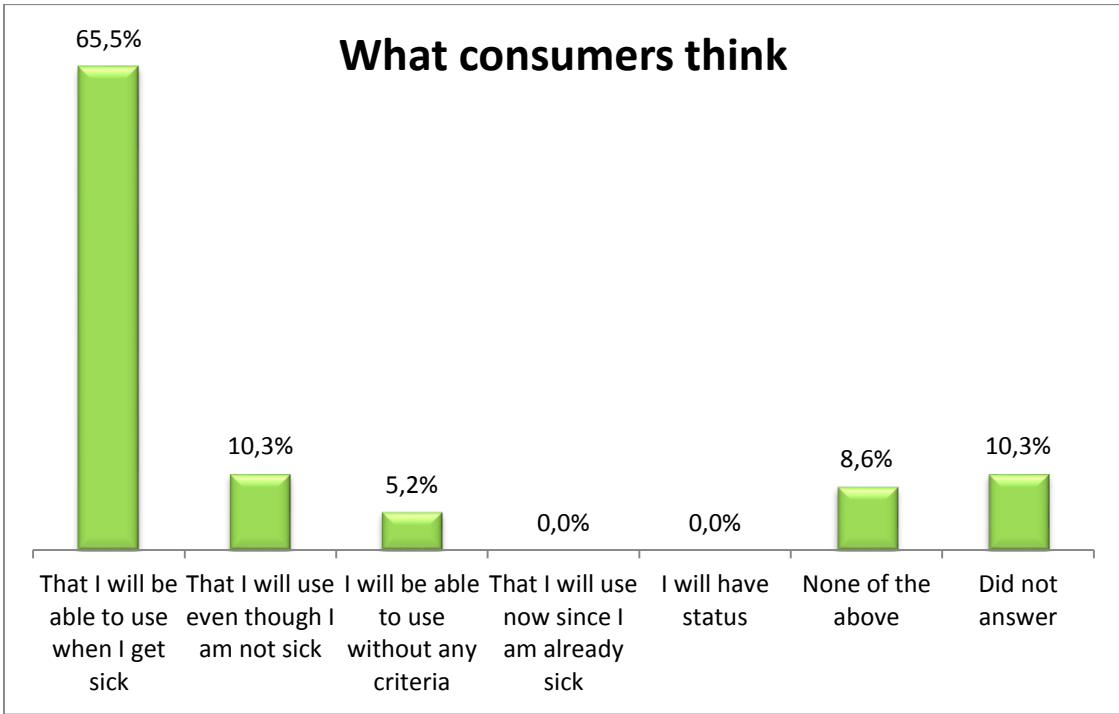
Understand the private health care consume profile involves to understand that consumer is in fact deciding under a different point of view. This product has subjective and psychological factors that are considered at the moment of consumer's choice

It is not uncommon that consumers acquire an insurance receiving an advertisement about a hospital, but, without knowing whether this hospital is in fact covering emergency care or just hospitalization, for instance.

Following these impressions, I understand that the **advertisement** is an important topic which should demonstrate clearly to the consumer before his choice what the product will offer, if there will be any regulation mechanism to utilize the insurance, as a co-participation, for example.

As far as the author see from eight years in the National Agency for health one of the biggest problems related to the access of the health insurance not only for choose the type of health insurance to purchase, but also, related to the hospitals and its networks, is in fact, a good and clear information about what are the rights concerning rescission, readjustment, urgent care, emergency room and hospitals in general.

One important propositions of the Regulating Agency would be adopt a resolution in which all private health company should compose their ads only with what really will provide in their insurance. Ex. An ad related to the Hospital X, should advise the consumer if it is only emergency room or the whole services related to the hospital



Question: When I acquire a private health insurance I think:

That I will be able to use when I get sick	38	65,5%
That I will use now since I am already sick	0	0,0%
That I will use even though I am not sick	6	10,3%
I will have status	0	0,0%
I will be able to use without any criteria	3	5,2%
None of the above	5	8,6%
Did not answer	6	10,3%

These factors could indicate us also that health plans tends to be less elastic, the less the information about the network is available to be compared between products in the market.

II.THE PUBLIC-PRIVATE PARTNERSHIP
FOMENTING HOSPITAL NETWORK
THE PUBLIC AND THE PRIVATE ROLE IN THE
CONTEXT

2.1 FOMENT THE PRIVATE HEALTH HOSPITALS NETWORK –IMPORTANT ROLE FOR ANS

Since hospital network is a very important factor which composes a health insurance as a product, how the regulatory agency can help to adjust these asymmetries and help this market to grow in a proportionally manner?

The main proposal of a regulatory agency is to find a balance for the market sectors , their agents, giving to each participant the same and equal opportunity to develop themselves looking from side to side their own power.

The network, looking through the consumer’s eyes is a fundamental aspect concerning the service with a good quality. Although, the hospital network and medical services represent much more than this for health insurers and the other agents of private health sector.

An excellent hospital network represents a protagonist for a positive economic agenda. Besides consumer’s satisfaction, hospitals can represent, for one side, more jobs, and for other, more opportunities to the citizens to have a better health.

We can never forget that health represents a very important human right. So, it represents an important aspect of a country economics which expects to grow.

Encouraging the health private market to grow has, as a final fact, great impacts in infrastructure and as in the economics and the expectation over the country beyond his boundaries. The Regulatory Agency should and can emphasize this progress.

The problem is not only provide a better network of hospitals and medical services but also motivate the economics to grow using the country infrastructure as an important factor of this development.

The hospital network deficit it is a problem which affects both public and private health in Brazil and gets worse when we think in Brazil as a country with a geographically large dimension.

It is important to think factors which could minimize this deficit, in the health sector as broad-spectrum, public or private.

The public-private partnership has been adopted all around the world with success as a good solution for the infrastructure deficit.

Observing Brazil’s scenario, is possible to sustain that PPP could be more beneficial

To the public health more than for private health, but, also health sector has to be treated as one single social issue and not a divided social issue.

2.2. THE SMALL SCALE PRIVATE SERVICES

Brazil is geographically a very large country. It's difficulty to provide health in equal amount and quality for every person who lives in the Brazilian territory, although it is all citizen's right.

Citizens in the countryside suffer more difficulty to have health services providers. Traditional public services not always can reach those places for multiple reasons.

Taking this information as a reality, small scale private providers maybe can supply basic infrastructures to many communities across Brazil, moreover, at the north and northeast regions.

Probably it wouldn't resolve the problem but reduces a lot the deficiency of health providers in some places, especially, rural and per urban communities. Also it could give more opportunities to improve these services in regions which even have any kind of assistance.

Government and policymakers would think in a specific research to identify small-scale operators in health up till now existing in these areas.

After listing these small scale providers, government should give them the right incentive to establish in these poorest regions and the closest regions in which they could also develop some primary care to the citizens.

Their main role in each place, should be studied, so the policymakers could define better a short run program with clear regulatory responses and policies.

2.3. THE PUBLIC – PRIVATE PARTNESHIP – CONTRIBUTION TO SOCIAL SUSTAINABILITY IN THE HEALTH SECTOR

As said by Maria Helena Oliva Augusto e Otavio Vianna Costa, in their article about Public and Private Health in Brazil: *“Another important issue in the federal government's policy agenda for the sector with regard to the regulation of the plans and health insurance - the so-called supplementary medicine. It is estimated that just over 40 million Brazilians are now users of plans or health insurance, which would represent about 25% coverage across the national territory, unevenly distributed in different states. Between 9 and 10 million would be affiliated to individual plans and the remaining 30 million, the business plans. The data, however, are unreliable and therefore one of the priorities of the Ministry of Health for the year 1999 was to know exactly the number of Brazilians who have plans or health insurance”.*

As we can see, it was on the Brazilian government agenda in the 1990's, the regulation of the private sector.

In almost 15 years of regulation, it is possible to affirm that the supplementary medicine only can achieve a good balance looking also for the public health, because in Brazil, the health sector must be treated as a social and united issue.

In the survey run to help understanding some of the consumer's criteria to choose a private health insurance, many times people refer to the deficit in the public health assistance as an important factor to use private health care.

But it is very important to point that supplementary health wasn't shaped as a substitute for the public health and, in fact, a balance between prices and services in the private market are in an certain way dependent of a strong and well provided public health assistance for those who can't pay for a private service.

Analytically observing the consumers denounces in the Regulating Agency, some of them must refer to insurance which weren't economically sustainable because of their very low prices comparing others inside the market.

Probably those consumers who pay for not sustainable prices shall not be, in fact, using private, but the public sector. And this fact, in a long term, has a lot of implication in the health private market balance.

First, the problems affecting this small and cheapest insurance demands a lot of efforts and civil servants to treat them adequately.

What happens in a short period, as a result, is that government should probably be spending more money treating the problem of those people who, in fact, afford an insurance for a not consistent price – what I call **potential not maintainable price**.

In economics there is a marginal cost to produce any service, what is not different for the health insurance market.

The consequences for the whole market when this small enterprises shut down are really deleterious. It affects the credibility of the whole market for some reasons:

- a) *Installs a negative impression for consumers and other institutions about the insurance private market;*
- b) *Reduces the confidence of consumers in regulatory actions;*
- c) *Increases the numbers of civil servants working in denounces, sometimes departed from their original tasks;*
- d) *Increases of special portability situations*

In the end, it affects the sustainability of the whole health sector in Brazil.

From this point of view, I think stimulating the whole network of hospitals with the public-private partnership would be a great measure, mostly in these areas where the government and the regulatory agency identify a large number of consumers of what I call **potential not maintainable prices** for health insurance market.

2.4. HEALTH SECTOR SUSTAINABILITY

In an article concerning the public and private health in Brazil, the professor Maria Helena Oliva said: “If historically, social policies involving public health in Brazil have been the subject of sharp criticism, is currently much greater the difficulty of analysis of the topic. This is because the recognition of the weakness of the assistance offered, both with regard to the reorganization as regards medical care, are in addition to changing the criteria for assessing the health status of the population, due to changes - economic, social, political and cultural - experienced by the country, and repositioning itself the role and functions of the state, related to the so-called "social" dimensions of collective life”.

What I call **sustainability** here refers to the way as the government will **lead** both private and public health sector in Brazil.

Until now, both sides has been treated as separates matters, but, as far as I can see, only looking to the sector from as integrated perspective government will achieve more success in this problem.

2.5. PUBLIC PRIVATE PARTNERSHIP – TALKING ABOUT INFRASTRUCTURE DEVELOPMENT AND JOBS

One of the difficulties of Brazilian's countryside are expansion of jobs and infrastructure. Frequently, people don't want to live in these areas because they have difficulties to achieve a good wellbeing (with their jobs or using the existing infrastructure).

The deficit in infrastructure makes much more difficult the task to attract new investments, jobs and services in general.

Once, in a PPP Transport Summit, the UK Ministry of Transportation said: "Sustained investment in infrastructure – especially transport infrastructure is vital if Europe is to maintain its competitiveness against rapidly growing economies".

Transportation is not the main issue of this paper, but we can see that infrastructure has an important and definitive role in the global market.

As seen, Brazil is one of the most important growing economies in the World. Play in a strong market will ask strong investments in infrastructure also.

The infrastructure gap has very negative impacts on jobs, economic growth and the cohesion of the country.

PPP could be a good alternative for this gap, as far as it can deliver a better opportunity the growth considering the costs than other alternatives. Although it is also true that PPP choice raise a number of issues which a specialist must be concerned before the project is presented.

There are some aspects that must be recommend:

- The Regulatory Agency must be specialized in the issue related to the project and a center of excellence in the PPP matter (see topic Regulating Agency role)
- Develop private sector bid models
- Create a Brazilian Unit of knowledge
- Develop training programs for Brazilian civil servants in ppp issues
- Auditing specific for PPP sector in Regulatory Agencies.

The major challenge Brazil most face is to decide how shall allow the generating of infrastructure. If PPP is one of these ways, training their civil servants is another important key of this process.

The sustainability of the health private sector is mainly related to the confidence of the market and how the public sector can provide health for those who cannot afford the supplementary health.

The public private partnership provokes a debate whether is or not the best way to solve the deficiency of infrastructure around the world.

Sidney M. Levy, in his book about this issue, says: “The benefits and drawbacks of public-private concession projects make up a topic of hot debate in the United States today. When governments build infrastructure with federal funds – tax money – in theory, all taxpayers contribute to the cost to build and operate that facility, whether they use it or not”.

In fact, there is always a social cost when the government decides for implement some infrastructure. What changes is the way the society will pay that cost.

From another point of view, there are a lot of social benefits when government decides to implement infrastructure in a place where it is proven there is absence.

For example, Sidney, still talking about highways, evaluate: “A new spurt of highway construction brought on by the public and private sector has a trickle-down effect on the local economy. If the construction involves a private entity – whether domestic or foreign – the private firm relies on local assistance form of professionals: engineering, financial, legal, architectural design and construction, operations, and maintenance. Nearby shops, restaurants, material suppliers, and local labor sources also benefit. In other words, a lot of the money spent in a local remains there”.

As explained before, the lack of infrastructure in the Brazilians countryside is probably a strong reason for the lack of health assistance in those places.

The Brazilian infrastructure deficit certainly impacts de economy. However, isn't simple for the government to choose the correct investment in the public health.

2.5.1 PRIVATE HEALTH INSURANCE – A KEY TO INVESTMENT IN PUBLIC HEALTH AND THE NATURALLY CROWD OUT PRIVATE MARKET

I have observed over the years in the Regulatory Agency that some of the health insurance providers in supervisory intervention or taking bankruptcy leaving a lot of consumers without assistance.

This problem gets worse when we see the in some of these providers portfolios there probably were a lot of elderly and low income citizens.

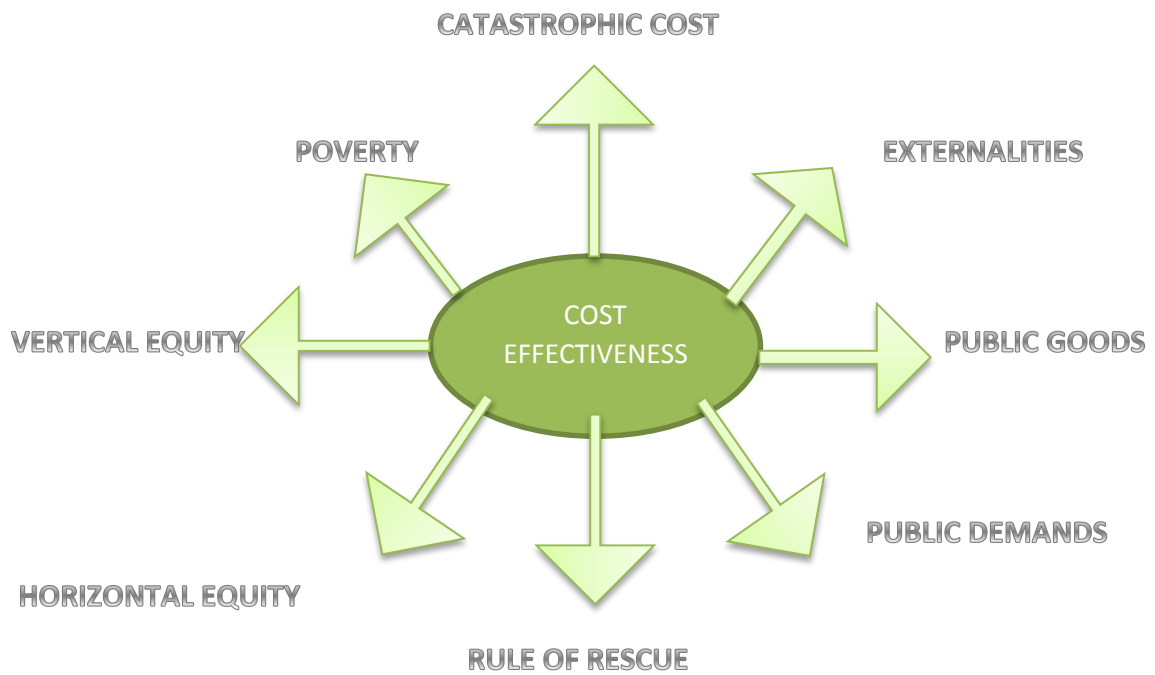
The constant repetition of these situations make me think that one of the probably ways to address the investment issue in the public health could be the health insurance data, mostly that ones which show health insurers bankruptcy in the recent past years.

The assistance of elderly and poorest people of course is a health economics important issue, not just to intervene in the private sector but for pointing a route for the investment in public health. In the end, it is related to the sustainability in the health sector as whole.

According to the article Criteria for Public Spending on Health Care, there are nine criteria for public spending on Health Care, which we can see in the figure bellow.

]

FIGURE (extract from the book Health Economics in Development)



In this paper we will concentrate in two: ***poverty and public demands***.

As said before, one good advantage of using the private health data, mostly, the bankruptcy of health insurers can indicate that probably there is some market to be more in detail discussed.

In some of the cases, some statistics studies most show that in many of these cases, the health entrepreneurs weren't economically viable in that niche market, because of very low prices, high marginal cost, not profitable portfolio. Only addressing the particular cases we could have a broad view.

For now, what matters is that, can be a good benefit to the government invest in public health as a matter for health sustainability in private market.

These bankruptcies can probably indicate there are what a call naturally crowd out health private markets in some specific areas in Brazil.

Although people are using the private market, probably the very low prices, the elderly portfolio and the high cost of maintenance in health sector make this market a difficult market to be explored. The consequence in the long run is the bankruptcy and the migration of all these portfolios for other enterprises with a dammed demand in the most of the cases.

In this naturally crowd out private health markets the government must intervene, not regulating the private market, but adjusting the real necessity of the private, what could prevent damage to the other firms in the whole private health market.

The potential very low prices must be related to the bankruptcy of some health insurance plans and probably to some low income or poverty in the market where the provider tried to bare the health insurance.

Poverty is some of the criteria government should use to invest in public health, according to the World Bank publication: "Since poverty is defined independently of either the cost or the outcome of health care, there would seem to be no obvious or necessary relation between these two criteria. The situation is not quite so simple, however, to the degree that the poor are not only sicker and die younger than the non-poor, but are afflicted by different diseases.

(...)

This suggests that poverty and cost-effectiveness are often compatible criteria: doing something to improve the health of the poor has a better than average chance of also being cost-effective – but not always".

2.6. THE REGULATORY AGENCY ROLE – BRAZIL ECONOMICS

Regulatory Agencies most perform an important and strong coordination function in developing the infrastructure and economic policy.

First, it is important to argument, talking about the National Agency for Health, we should think in a organogram with a Public and Private Partnership Sector, in which should be studied, recommended and developed all the projects related to the health infrastructure for private health, demonstrating the requirements for financial, economic, social and environmental impacts of a P3 project.

It would be very important to think in every Agency as a canal to define projects which could be important to develop the health sector and to implement this proposing and raising investments and partnerships.

2.7. PUBLIC-PRIVATE PARTNERSHIP IN BRAZIL

Public-Private Partnership is an important tool to improve infrastructure and public services especially in developing countries.

Although the term carries no single definition a Public-Private Partnership guideline from World Bank defined PPP as **“a long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility”**.

The US National Council for Public-Private Partnership defines it as **“a contractual agreement between a public agency (federal state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public or private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility”**.

In Brazil, the history of public-private partnership comes from the state reform in which the State assumes a role leaving the main process to social and economics development and begins to promote and regulate this process.

Since the 1990’s what was called the New Public Management has tried to implement in Brazil an innovative concept with a more flexible organization and new ways of accountability.

That means, in the end, that the State must try to reach new ways to provide the public services.

Accountability can be defined by several means, such as defined by MASKIN and TIROLE, 2004: **“The premise behind democracy is that public decisions should reflect the will of the people. But in most democracies, comparatively few decisions are made directly by the public. More often, the power to decide is delegate to representatives.**

But if representatives decide for the public, what induces them to act in the public interest?

(...)

First, we suppose that an official wishes to leave a legacy, i.e., she wants to be remembered for great things. Indeed, in our setup, it is not enough for the official that great things be done; (...)

But the desire to use power to achieve certain ends is not the only motive we ascribe to the official. We also assume that she values being in official for its own sake, (...) because she simply has a taste for wielding influence.

The public can harness these two motives by making the official accountable, that is, by requiring her to run for reelection every so often”.

In Brazil, there is basically one law related to public-private partnership, but two other ones that can be used as a more complete framework about concessions:

- Federal Concessions Law -Law 8997/1995
- Federal PPP Law - Law 11.079/2004

Generally, in there are two main types of PPP:

(1) User-pay PPP type (which in Brazil is not considered PPP, but only concession)

The private party recovers its initial investment by charging to the users of the infrastructure or the infrastructure services;

(2) Public-entity-pay PPP type

The private party recovers its investment and costs from public entity that has entered into a contract for the delivery of PPP.

This type is divide into two other subtypes:

2.1 Availability payment – The private party the private is responsible for designing and defining an asset. The public party makes a payment to the private in order to enable it to recover the costs.

2.2. Shadow Toll – It is an output-based payment for services delivered to users. The government pays a fee per user.

We must also point there in Brazil there are state laws which regulate PPP in the states, when they are not contradictory to the federal Law.

Some states with laws in PPP: Minas Gerais (Law 14.686/2003), São Paulo (Law 11.688/2004); Ceará (Law 13.557/2004); Bahia (Law 9.290/2004).

Before Law 11.079/2004 enter into force, two other laws were used to hire these projects but there are clear less flexible than the PPP law. They are Laws 8.666/93 and 8987/95.

The law 8666/93 limits the concession in five years and the law 8987/95 prohibit the public sector remunerating the private sector.

In most of the cases, the candidates who present the lowest tariffs or largest payments or the combination of these two items are hired to develop the project.

The first step to develop a P3 project is that investment must reflect a public policy for that specific sector.

In Brazil, as we know, part of the healthcare is public as in the United Kingdom where PPP have been used to construct hospitals and provide ancillary services, but medical services remain public run.

As we can learn from the IFC quarter journal, Lindsay Stowell and Matthias Loening says: ***“PPPs in health are distinct from typical infrastructure projects for few reasons. Primarily, private revenue contribution is usually low, and as a result, these projects require a large and ongoing payment from the government. In addition, the ongoing expenses of operating a hospital or other medical facility represent the vast majority of project costs, as opposed to typical infrastructure project in which capital expenditures are the main cost element”***.

Although, PPP in healthcare must represent a high investment, there are some criteria which could be used to define whether it is possible or not to invest in health in some regions of Brazil.

Some of them, were already considered in the figure above and the another, could be a new criteria so-called the ***naturally crowd out of the private*** market, as previously defined in this paper.

The most important element to understand a healthcare PPP model is that yet remains the government responsibility with the major investment to allow the operation of these hospitals.

It is important that responsible analyst for one project identifies how much the project will cost and how much will cost to the government for support it.

The Lesotho Healthcare PPP is a good example. The first PPP hospital in Africa. As describe in the IFC journal:

“The private operator is responsible for delivery of all clinical services, including recruitment of doctors, nurses and other health professionals, and provision of all medical equipment and all pharmaceuticals necessary for clinical services delivery. In addition to the new facility, which will operate as the national referral hospital as well as the district hospital for the greater Maseru area, the private operator will be responsible for refurbishment, re-equipping and operation of three primary healthcare clinics (...).

The private operator delivers budget certainty as well as patient-centered care. It assumes full patient risk from project inception and agrees to treat all patients who present at the hospital and filter clinics, regardless of the type of condition (...). The government provides the private operator with an annual fixed service payment for delivery of all services, escalated only by inflation annually”.

It is important to reaffirm the point that in a PPP health service government have to invest to pay the original capital outlay and the operational costs.

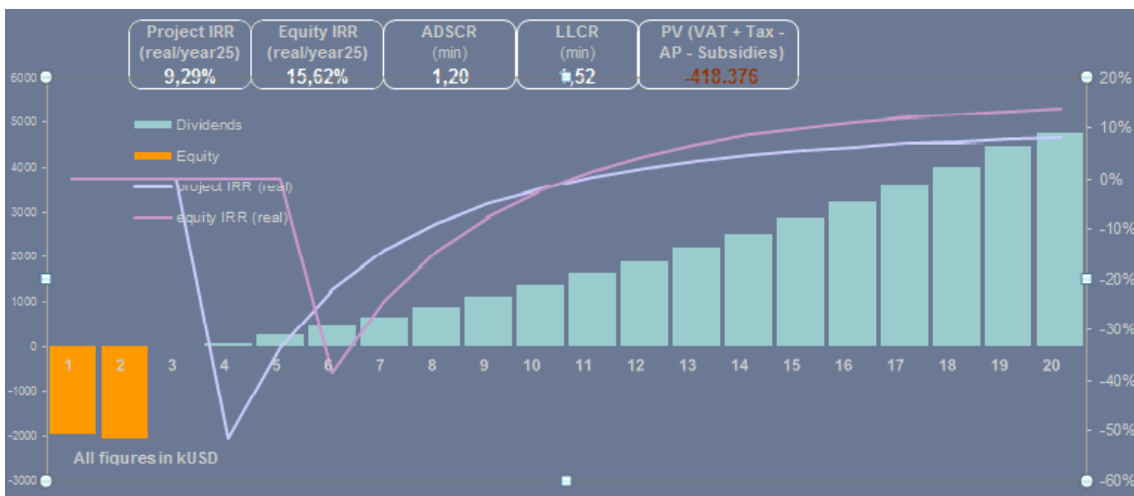
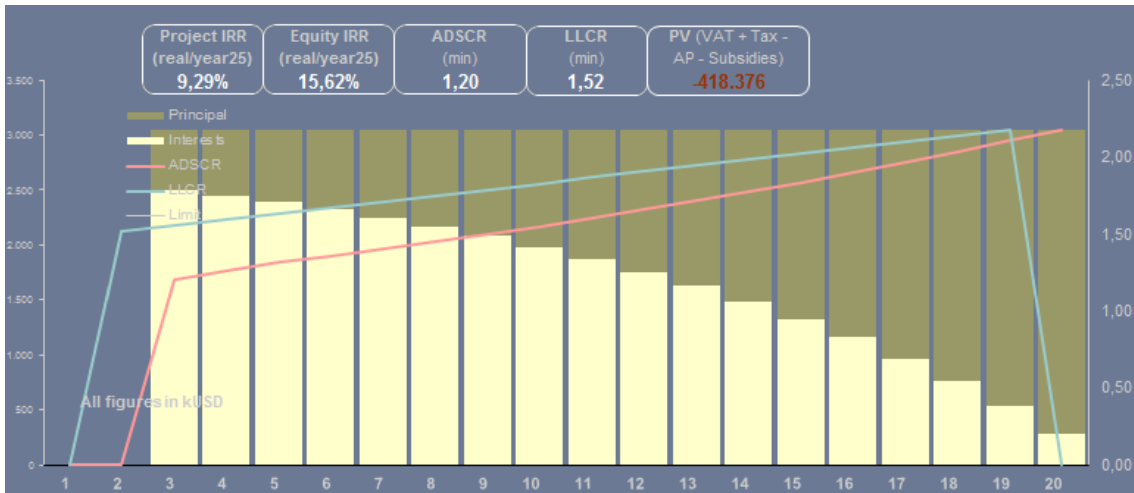
2.7.1 THE BAHIA STATE PPP CASE – SUBURBIO HOSPITAL - USING THE FINANCING MODEL – INTERSECTION BETWEEN PUBLIC AND PRIVATE SECTORS

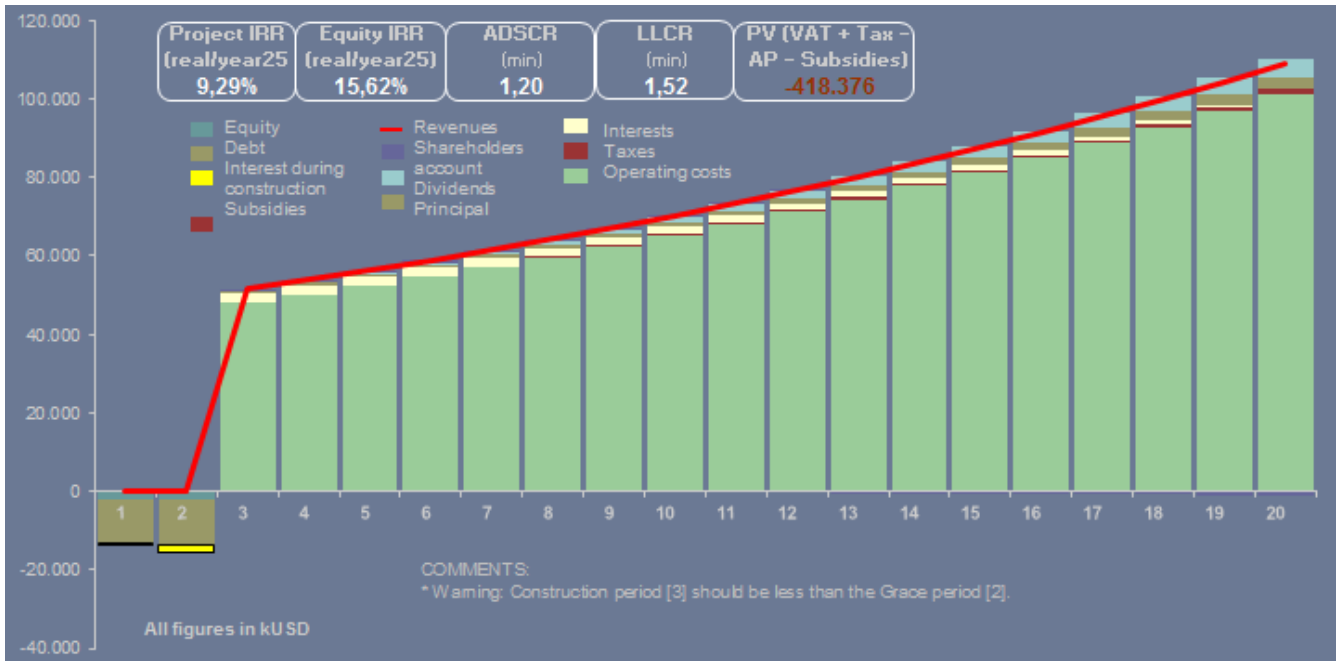
The Suburbio Hospital received an honor of World Bank International Finance Corporation, being the first hospital in Brazil constructed under PPP.

The hospital’s performance evaluation is reviewed every three months by the citizens who use it.

Per month, at least 16.000 people are attended in Suburbio Hospital, 27 surgeries are done. Although, **80%** of the whole attending are related to urgent care.

As a guide for future projects, we use the Hospital do Suburbio to take as model in a PPP project using professor’s Cesar Queiroz tool. This model is analyzed in the figures bellow.





According to CARRERA the project to model the Suburbio Hospital took about nine months to be concluded, since it was the first project in P3 for health in Brazil, many difficult had to be transposed to end it.

The bid process was launched in March 2010 and in one year and eight months later was inaugurated.

One of the points also said by CARRERA was that the project did not included the architectural project, what generated afterwards the necessity to change the hospital infrastructure during its using.

So, one of the points to observe is that, the difference between the firm contracted to provide the service and the absence of studies related to the day-by-day of these services in the modelling generated more costs during the project execution.

CARRERA continues saying: “The consumers’ satisfaction index goes from 92% to 96%, and the lowest level is 92% in the emergency room”.

Although all the performance goals related to the Surbubio Hospital has been achieved it is important to point that the emergency care is also a problem in the execution of this P3.

As the problem discussed in this paper previously, Surbubio has suffered with excessive demand in the emergency room, and also the same problematic: inpatients with low complexity cases.

Therefore, another unexpected problem was the great number of elderly people looking for service in the Suburbio Hospital.

The primary expectation was only provide service to the lower class around the Suburbio Hospital, the main inpatients would be youngest adult weapon-wounded or bumpy by cars accidents. But the main profile of hospitalization in Suburbio Hospital has been elderly people who needs in most of the cases orthopedic treatment.

In my interview with professor Frederico Guanais whose studies has also focus the primary care in Brazil, he mentioned a new project to shelter the urgent care around that area (called in Brazil UPA), with the intention of helping Surbubio Hospital to decrease the attendances in the emergency room.

Thanks to this overpopulation problem in the emergency care of Suburbio Hospital, the Government of Bahia is now developing another project called “Strengthen Program of Unique System of Health in the metropolitan Region of Salvador – PROSUS”.

SUBURBIO HOSPITAL IN NUMBERS

- ✓ CONCESSION PERIOD – 10 YEARS, RENEWABLE FOR ANOTHER 10 YEARS
- ✓ 31 PERFORMANCE TARGETS WHICH ARE CONNECT TO THE GOVERNMENT PAYMENT
- ✓ HOSPITAL ACCREDITATION FOR A 24 MONTHS PERIOD OF TIME
- ✓ 268 HOSPITALS BEDS
- ✓ 60 BEDS FOR INTENSIVE THERAPY
- ✓ 81% OF PATIENTS LIVE IN THE SUBURBIO REGION
- ✓ 92% UNTIL 96% LEVEL OF SATISFACTION

MEASURES TO ADOPT – FUTURE PPP HEALTH PROJECTS BASED ON SUBURBIO EXPERIENCE

- ✓ DESIGNING THE PROJECT BASED ON PERFORMANCES NUMBERS OF PPP HEALTHS IN EXECUTION
- ✓ EPIDEMIOLOGICAL RECENT STUDY OF THE POPULATION SURROUNDING THE HOSPITAL MUST BE PART OF THE DESIGNING PHASE OF THE PROJECT
- ✓ INCREASE NUMBER OF PRIMARY CARE SERVICE CLOSE TO THE REGION WHERE THE HOSPITAL WILL ESTABLISHED TO AVOID OVERPOPULATION IN THE HOSPITAL ER

2.8. THE PRIVATE SECTOR ROLE IN PUBLIC INVESTMENTS – THE EFFECT ON GROWTH

Another relevant aspect that can composite this evaluation on the services in Brazilian health is that public investments in these *naturally* crowd out areas can be also a way to make the economy grows.

A statistics study could show in numbers that for some reason the private health sector is not sustainable for some income or regions of Brazil. Probably a better balance would be achieved if in those areas the government provide the health public infrastructure.

A more accurate infrastructure in those places, would minimize the necessity of health insurance, would also change a casualty of private health insurance and probably would be more adequate to the social reality.

Underneath another point of view, there are some studies showing the positive externalities that investments in infrastructure can achieve in urban economics.

In the world Bank vision: *“Good health has proven to be not just an outcome of economic growth, but rather a major, inseparable contributor to growth. Advances in public health and medical technology; knowledge of nutrition, population policies, and disease control; and the discovery of antibiotics and vaccines are widely viewed as catalysts to major strides in economic development (...). Sound health policy, one that establishes the correct incentive framework for financing and delivering services, also has important implications for a country’s overall fiscal policy and its competitiveness”*.

As we can see, the population healthcare it is a fundamental right which is totally interlinked with the development of the nation.

In the Brazilian Constitution it is moreover a fundamental right, a right connected with the Human Dignity.

Invest in the population health care has importance not only to provide the country a good economic development but also to guarantee its citizens a fundamental right.

The researchers Ana Angulo Garijo and Miguel Gomez-Antonio studied the effects of public investments in economics growth. They affirm that: “Different perspectives and different econometric methods have been approached in the analysis. We can discern the cost function or dual approach, the estimation of autoregressive vector (VAR) models, the frontier analysis, and the production function approach. Under dual approach, most of the analyses determine a positive impact of public investment in reducing the entrepreneur costs.

(...)

At the core of this model is the concept of increasing returns to scale, which has become popular in recent years within both urban and geographical economics (Rivera-Batiz , 1998; Abdel- Rahman and Fujita 1990; Quigley 1998; Fujita, Krugman, and Venables 1999, Fingleton 2003). All this literature enables increasing returns in the region or city while at the same time the decision problem for each actor is explicitly stated as one of profit or utility maximization (...).

Public infrastructure investment has a significant and positive effect on productivity as a whole; we show it to be an important variable, with a 1 percent increase inducing a 0.12 percent increase in productivity. This is particularly significant, as it shows that, in spite of the increase in capital stock in Spanish economy in the last twenty years, there is still a room for public investment to continue to improve mean labor productivity. For the Spanish economy, the direct effect of public investment on productivity and its complementarity with private investment seems to be greater than the crowding-out effect on private investment.

(...)

The substantive conclusion we reach as a result of this analysis is that there is evidence supporting a positive relationship between productivity growth, human capital, and public capital, with significant positive effects on productivity.

The results indicate existence of increasing returns to scale in the manufacturing sector for the Spanish province”.

This experience can make us see that even in a more profound economic study it is favorable the scenery to the public investment and their return to the country growth.

As said by Professor Cesar Queiroz and Alejandro Lopez in their article about PPP: “ In many developed and developing countries, the private sector has been involved in financing infrastructure through concessions under public-private partnership (PPP or P3) program. Interest in PPP has grown in several countries and regions. As an example, a recent European Parliament resolution stressed that the Europe 2020 strategy can only be credible if it is adequately funded and emphasized that ‘greater reliance on Public Private Partnership (PPP) can be effective approach, without being a one-size-fits-all solution”.

Public-private partnership is not the key or solution for all the problems in the Brazilian health sector, but, this author thinks, it can helps a lot to develop a better society and bring more well-being specially in the poorest places of Brazil.

CONCLUSION

In conclusion, the paper tried to analyze and expose briefly what are nowadays the major challenges in the Brazilian private health sector.

Although it is recognized that much have been done throughout these 15 years of regulation, everyday new lessons, revisions and proposals must be presented to improve the private health insurance market.

In the first section, I analyzed how the private health insurance consumer behavior when they intend to by a plan. What are the most important expectations they have, considering Hospital Networks and services.

Also, I tried to argument how questions as: perfect information, elasticity of products, price, readjustment and rescission can define the consumer option for purchase a group health insurance or an individual health insurance.

Considering information as a decisive factor for purchase of health plans, I tried to expose the importance of the empowerment of consumer in Brazil, as well as shows how empowerment can help the Regulatory Agency to edit less normatives.

Another subject pointed in this paper is the importance of development of primary care in Brazilian Private Health and how it can induce another market conducts as: mechanisms of regulations, barriers to use hospitalization, overpopulation in emergence rooms.

In the second section of the paper, the author then tried to analyze the improvement and foment of Health Network in Brazil, pointing the connection between public and private Health.

Also pointed the use of private data as an important tool to define investments in public area and criteria to investment also in public health care.

The author also speak about a two new theories: potential not maintainable prices in private health care and naturally crowd out areas.

As a result of the studies exposed above, the most important challenges for private health regulation at the present moment are:

- Empowerment of consumers in group private health insurance, specially about hospital network, mechanisms of regulation, rescission and readjustment;
- Improvement of primary care network in private health;
- Stimulus for small scale providers, especially in countryside;
- Deepening studies about indirect use of mechanism of regulation in emergency care as major barrier for hospitalization;

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- Deepening studies about *naturally* crowd out regions to invest in private health market, crossing data with private insurers bankruptcy to stimulate policies to public-private partnership in public healthcare

It is expected this article contributed to enlighten all these important issues in the private health sector and, indirectly, the Brazilian economy.

The author's opinion in this paper expressed is under her responsibility, and not necessarily correlated to the opinion of National Regulatory Agency for Private Health Insurance or the Ministry of Health.

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Beneficiários de planos privados de assistência médica por tipo de contratação do plano, segundo época de contratação do plano (Brasil - 2000-2013)								
Época de contratação do plano	Total		group		Individual		No information	
	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative
Total								
dez/00	31.161.481	100,0	11.321.904	36,3	5.658.666	18,2	14.180.911	45,5
dez/01	31.727.080	100,0	13.783.599	43,4	6.514.674	20,5	11.428.807	36,0
dez/02	31.513.309	100,0	16.092.752	51,1	7.128.755	22,6	8.291.802	26,3
dez/03	32.074.667	100,0	19.538.538	60,9	7.809.815	24,3	4.726.314	14,7
dez/04	33.840.716	100,0	22.561.686	66,7	8.345.889	24,7	2.933.141	8,7
dez/05	35.441.349	100,0	24.529.113	69,2	8.704.862	24,6	2.207.374	6,2
dez/06	37.248.388	100,0	26.448.081	71,0	8.891.440	23,9	1.908.867	5,1
dez/07	39.316.313	100,0	28.191.846	71,7	9.045.262	23,0	2.079.205	5,3
dez/08	41.420.453	100,0	30.536.102	73,7	8.959.519	21,6	1.924.832	4,6
dez/09	42.559.954	100,0	31.795.254	74,7	9.084.894	21,3	1.679.806	3,9
dez/10	45.384.865	100,0	34.422.850	75,8	9.480.176	20,9	1.481.839	3,3
dez/11	47.036.575	100,0	36.032.225	76,6	9.689.319	20,6	1.315.031	2,8
dez/12	48.644.455	100,0	37.762.795	77,6	9.868.096	20,3	1.013.564	2,1
mar/13	48.645.857	100,0	37.759.081	77,6	9.893.923	20,3	992.853	2,0

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