



**PUBLIC-PRIVATE PARTNERSHIPS IN THE HOSPITAL SECTOR:  
THE STOCKHOLM EXPERIENCE**

Stephen Laurent  
Odette Madore  
Economics Division

19 April 2002

---

---

**PARLIAMENTARY RESEARCH BRANCH  
DIRECTION DE LA RECHERCHE PARLEMENTAIRE**

**The Parliamentary Research Branch of the Library of Parliament works exclusively for Parliament, conducting research and providing information for Committees and Members of the Senate and the House of Commons. This service is extended without partisan bias in such forms as Reports, Background Papers and Current Issue Reviews. Research Officers in the Branch are also available for personal consultation in their respective fields of expertise.**

**CE DOCUMENT EST AUSSI  
PUBLIÉ EN FRANÇAIS**

## TABLE OF CONTENTS

	<b>Page</b>
BACKGROUND .....	1
HOSPITALS IN STOCKHOLM.....	2
IMPLICATIONS OF PUBLIC–PRIVATE PARTNERSHIPS IN THE HOSPITAL SECTOR.....	5
HOSPITALS IN STOCKHOLM AND IN CANADA.....	6
CONCLUSION.....	7



CANADA

LIBRARY OF PARLIAMENT  
BIBLIOTHÈQUE DU PARLEMENT

## **PUBLIC–PRIVATE PARTNERSHIPS IN THE HOSPITAL SECTOR: THE STOCKHOLM EXPERIENCE**

### **BACKGROUND**

In Sweden, responsibility for funding and delivering health care, including hospital care, rests with the county councils. County councils are independent regional government bodies whose members are elected every fourth year. Thus, the Swedish health care system is heavily dependent on both public funding and public delivery. This contrasts with the Canadian health care system, which relies mostly on public funding and private delivery.<sup>(1)</sup>

Since the beginning of the 1990s, a number of county councils have embarked on reforms aimed at separating the function of financing from that of delivering health care. The objective of these reforms, often referred to as “internal market reforms,” is to break up the monopoly held by public health care providers by introducing competition among public providers without altering the way in which health care is financed.<sup>(2)</sup>

The Stockholm County Council has been a pioneer in internal market reforms in Sweden. Moreover, the introduction of competition among public providers in the hospital sector of Stockholm has, in recent years, opened the door to new private providers. This document provides an overview of current public–private partnerships in hospital care in the region of Stockholm.

- 
- (1) For an excellent description of the Swedish health care system with comparisons to the Canadian system, see the following document: Standing Senate Committee on Social Affairs, Science and Technology, *Health Care Systems in Other Countries*, Volume Three, Chapter 4, “Health Care in Sweden,” January 2002, pp. 29-35 ([http://www.parl.gc.ca/common/Committee\\_SenHome.asp?Language=E&Parl=37&Ses=1&comm\\_id=47](http://www.parl.gc.ca/common/Committee_SenHome.asp?Language=E&Parl=37&Ses=1&comm_id=47)).
  - (2) See the following document for a interesting review of internal market reforms in Sweden and elsewhere: *Health Care Reform Through Internal Markets – Experience and Proposals*, Institute for Research on Public Policy, Montreal, 1995.

## HOSPITALS IN STOCKHOLM

Within the Stockholm region, there are currently sixteen different hospitals. The Stockholm County Council’s website classifies these hospitals as either “University Hospitals” (three), “General Hospitals” (eight) or “Local Hospitals” (five). They are listed in the table below.

<b>HOSPITALS IN THE STOCKHOLM REGION</b>		
<b>University Hospitals</b>	<b>General Hospitals</b>	<b>Local Hospitals</b>
<i>Karolinska Sjukhuset</i> <sup>1</sup>	<i>S:t Görans Sjukhus AB</i> <sup>4</sup>	<i>Dalens sjukhus</i> <sup>1</sup>
<i>Huddinge Universitets- sjukhus AB</i> <sup>2</sup>	<i>Södersjukhuset AB</i> <sup>2</sup>	<i>Jakobsbergs sjukhus</i> <sup>1</sup>
<i>S:t Eriks Ögonsjukhus AB</i> <sup>2</sup>	<i>Danderyds Sjukhus AB</i> <sup>2</sup>	<i>Nacka Sjukhus</i> <sup>4</sup>
	<i>Norrtälje sjukhus AB</i> <sup>2</sup>	<i>Löwenströmska sjukhuset</i> <sup>4</sup>
	<i>Södertälje sjukhus</i> <sup>2</sup>	<i>Sabbatsbergs sjukhus</i> <sup>1</sup>
	<i>Ersta sjukhus</i> <sup>3</sup>	
	<i>Sophiahemmet</i> <sup>4</sup>	
	<i>Röda Korset Hospital</i> <sup>3</sup>	

Sources: Stockholm County Council (<http://www.sll.se/>) and Library of Parliament.

Notes:

<sup>1</sup> Public hospital

<sup>2</sup> Limited company

<sup>3</sup> Private not-for-profit hospital

<sup>4</sup> Private for-profit hospital

Eight of these hospitals are emergency hospitals: these include the three university hospitals (*Karolinska*, *Huddinge*, *S:t Eriks*) and five general hospitals (*S:t Görans*, *Södersjukhuset*, *Danderyds*, *Norrtälje* and *Södertälje*). Local hospitals do not have emergency care facilities; they do, however, have some day care capacity in a number of specialties.

Prior to the 1990s, most of these hospitals were public institutions, owned and operated by the County Council. Since then, the Stockholm County Council has turned to public–private partnerships to bring private-sector efficiency into public hospitals. In a first step,

public–private partnerships involved the private management of some public hospitals (this led to what is known in Sweden as “limited companies”). In a second step, one public emergency hospital was sold to a private company. Today, the current status of the sixteen hospitals in Stockholm is as follows:

- The three university hospitals in Stockholm are owned by the County Council. However, *Huddinge* and *S:t Eriks* are “limited companies.” Limited companies are owned by the County Council, but managed by a board of directors who are distinct from the elected members of the County Council. More precisely, the hospital building and equipment remain the property of the County Council, but they are rented by the limited companies. The board of directors of these limited companies uses an entrepreneurial approach to delivering hospital services, and the limited companies operate according to business principles like private companies. It had been suggested that, by removing the public authorities from hospital boards, politicians could now concentrate on the interests of citizens and were no longer obliged to defend the operational aspects of the system.<sup>(3)</sup> Limited companies, however, are not allowed to make profits. Therefore, their status closely resembles that of not-for-profit hospitals
- *Karolinska* is the only truly public university hospital: it is owned, operated and managed by the Stockholm County Council. According to Johan Hjertqvist, from the Timbro Group in Sweden, the *Karolinska* hospital has had a complicated economic situation which probably delayed its potential transformation into a limited company.<sup>(4)</sup>
- *S:t Görans* (or St. George) is the only emergency (general) hospital in Stockholm that is owned and operated by a private company – Capio Health Group, a large for-profit, listed company. *S:t Görans* is also the sole private for-profit emergency hospital in the Stockholm area. The *S:t Görans* hospital serves patients insured under public coverage as well as privately insured patients. Capio provides hospital services under contract for the Stockholm County Council. Initially, this contract covered a three-year period (December 1999 to December 2002); in December 2000, it was extended by another

---

(3) See Andrew C. Twaddle, *Health Care Reform in Sweden, 1980-1994*, Westport: Greenwood Publishing Group, 1999, p. 14.

(4) Personal communication, 4 April 2002.

four years to December 2006. This contract corresponds, in some ways, to the prolongation of the operation of the former *S:t Görans* and is based on the volume of services provided in 1999. It is interesting to note that Capio does not own the building of *S:t Görans*. The agreement with the Stockholm County Council stipulates that the Capio company may rent the hospital building until 2010 if it can deliver the same level of care as of 1999.<sup>(5)</sup>

- Among the general hospitals, *Södersjukhuset*, *Danderyds*, *Norrtälje* and *Södertälje* are also limited companies. They are owned by the Stockholm County Council, but each of them is managed by its own board of directors. They accept only public funding. In other words, they cannot provide care to privately insured patients.
- The *Ersta* hospital is an old, private not-for-profit, elective care foundation, owning the building. In fact, it is owned and managed by a religious organization. It receives public funding from the Stockholm County Council and operates more or less like a public hospital.
- The *Sophiahemmet* hospital (or Queen Sophia) is more an elective care centre than a true hospital. Its building and infrastructure are owned by a private company. It is a private for-profit institution operating like a doctors' co-op. This type of facility is unique in Stockholm.
- The *Röda Korset* hospital (or Red Cross) is owned and run by a private not-for-profit organization.
- Local hospitals are in fact specialized health care facilities with day care capacity. Two of them (*Nacka* and *Löwenströmska*) are privately owned and for-profit operated (we would call them private clinics in Canada). *Nacka* is a geriatric facility in which the majority of employees are shareholders as long as they work for the institution. The remaining three local hospitals are public institutions: they are owned, operated and managed by the Stockholm County Council and their staff can be considered as public employees.

---

(5) See Kaj Essinger, *The Example of Procurement of Acute Care in the Stockholm Region*, paper prepared for the conference on European Integration and Health Care Systems: A Challenge for Social Policy, organized by the Belgian Presidency of the European Union, 7-8 December 2001 (<http://www.ose.be/health/files/respaper/essingersvemanpaper.pdf>).

## IMPLICATIONS OF PUBLIC–PRIVATE PARTNERSHIPS IN THE HOSPITAL SECTOR

Public–private partnerships in hospital care can take many forms, each with a different degree of private-sector responsibility and risk.<sup>(6)</sup> These are differentiated by whether the private sector owns or leases the facility, employs the staff or manages service delivery. Within the Stockholm region, there is a wide range of public–private partnerships in hospital care. At one end, this involves private management under public ownership; the other end consists of hospital privatization.

What impact have public–private partnerships in hospital care had in the Stockholm area? The 28 February 2002 edition of *The Economist* suggests that the transformation of public hospitals into limited companies has contributed to reducing political interference in decision-making and better management.<sup>(7)</sup> The literature is more abundant with respect to the privatization of the *S:t Görans* hospital.

Estimates suggest that, since 1999, *S:t Görans* has reduced overall costs by 30%, while its radiology department has reduced X-ray costs by 50%.<sup>(8)</sup> Another study indicates that *S:t Görans* operates at a cost level that is 10-15% below its most efficient public counterpart in Stockholm. The same study also states that, compared with the average cost of public hospitals, the margin is 15-20%.<sup>(9)</sup>

Another article indicates that the privatized *S:t Görans* exhibits increased productivity and reduced waiting times. For example, the average wait for heart surgery is two weeks, compared to 15-25 weeks in Sweden’s average public-sector hospital. Similarly, the average wait for hip replacement surgery is 10 weeks, compared to more than a year in the

---

(6) Rob Taylor and Simon Blair, “Public Hospitals – Options for Reform Through Public-Private Partnerships,” *Viewpoint*, World Bank, Note no. 241, January 2002 (<http://www.iedm.org/library/hospfinal.pdf>).

(7) “Stockholm Syndrome,” *The Economist*, 28 February 2002 (<http://www.economist.com/>).

(8) A. Wess Mitchell, “Sweden Edges Toward Free-Market Medicine,” *Brief Analysis*, No. 369, National Centre for Policy Analysis, 31 August 2001 (<http://www.ncpa.org/ba/ba369/ba369.html>).

(9) Johan Hjertqvist, “The Purchaser-Provider Split – Swedish Health Care Reform,” *Frontier Backgrounder*, Frontier Centre for Public Policy, October 2000 (<http://www.fcpp.org/>).



average public hospital. In addition, *S:t Görans* is treating an average of 100,000 more patients than it did as a public hospital.<sup>(10)</sup>

The Stockholm County Council has been pleased with the outcome of the sale of *S:t Görans* to a private for-profit company and has planned the sale of two more emergency hospitals in the next few years.<sup>(11)</sup> However, the central government in Sweden is not itself convinced that private for-profit institutions can be more beneficial than public ones, and has passed legislation (a two-year moratorium starting 1 January 2001) specifically to prevent county councils from privatizing any more emergency hospitals.<sup>(12)</sup>

## HOSPITALS IN STOCKHOLM AND IN CANADA

Movements toward public–private partnerships in Stockholm with respect to hospital care and health care providers have not produced a situation that differs radically from that which currently exists in Canada. The fact is that health care in Canada is already provided in large part by the private sector. Most doctors are private practitioners who work in independent or group practices. Similarly, over 95% of Canadian hospitals are operated as private, not-for-profit entities run by community boards or trustees, voluntary organizations or municipalities. The for-profit hospital sector comprises mostly long-term care facilities or specialized services such as addiction centres.<sup>(13)</sup>

Therefore, unlike Stockholm’s initial organizational structure, politicians in Canada are not directly involved in the management of hospitals and other health care facilities. Nevertheless, acute and extended care hospitals and physicians are publicly funded. Physicians are paid on a fee-for-service basis through public health care insurance plans, while hospitals receive an annual global budget from provincial governments.

---

(10) A. Wess Mitchell, *op. cit.*

(11) Johan Hjertqvist, *Conversations from the Frontier*, no. 12, Frontier Centre for Public Policy, 2000 (<http://www.fcpp.org/>).

(12) Johan Hjertqvist, “Sale of Public Hospitals Under Fire,” *Policy Frontiers: Swedish Health Care in Transition*, Winnipeg: Frontier Centre for Public Policy, February 2001 (<http://www.fcpp.org/>).

(13) Health Canada, *Canada’s Health Care System*, 1999, p. 2 (<http://www.hc-sc.gc.ca/datapcb/iad/hcssystem-e.htm>).

Some provinces do have private for-profit hospitals, like *S:t Görans*. For example, the Shouldice hospital in Ontario is a private, for-profit facility specializing in hernia surgery. Facilities like this one are regulated on a rate-of-return basis, to reduce the risk of overcharging patients. However, unlike the *S:t Görans* hospital, whose status shifted from a public hospital to a limited company and then to a private for-profit entity, Canadian private for-profit hospitals such as the Shouldice have always been private for-profit institutions; their status was grandfathered when Medicare was enacted in each province.<sup>(14)</sup>

## CONCLUSION

Public–private partnerships in the Stockholm hospital sector have contributed to changing the way hospitals are managed and controlled. A number of hospitals have evolved from being wholly public – owned, managed and controlled by the County Council – to some form of “limited companies” which manage health services according to business principles while remaining publicly owned. The climax of this movement towards public–private partnerships came in 1999 with the sale of one of the biggest emergency hospitals in Stockholm, *S:t Görans*, to a large private company.

It is fair to say that public–private partnerships in the Stockholm hospital sector have transformed it to the point that today the profile of Stockholm hospitals resembles more and more that of Canadian hospitals. However, the Stockholm County Council clearly went a step further in privatizing *S:t Görans*. This has not happened in Canada. The Swedish central government and the Stockholm County Council are currently debating whether the privatization of *S:t Görans* has been a success and whether additional hospital privatizations are desirable. This debate could be very instructive to Canadians.

---

(14) Standing Senate Committee on Social Affairs, Science and Technology, *The Health of Canadians – The Federal Role: The Story so Far*, Volume 1, March 2001, p. 100  
(<http://www.parl.gc.ca/37/1/parlbus/commbus/senate/com-e/soci-e/rep-e/reprintmar01-e.htm>).