



The Dutch healthcare sector is in flux. The newspapers report on new developments almost on a daily basis. In the previous issue of Zanders Magazine we argued that the credit crisis came at the wrong time for this sector: precisely at the moment when the risks are increasing, the banks reduce their lending.

# Health service in flux

On the one hand we read reports about the takeovers of healthcare institutions (IJsselmeer hospitals, Vlietland and, a while back, Slotervaart), and on the other hand about institutions which are in financial difficulties. The similarities between these institutions? All are in trouble, and all provide 'regular' healthcare.

The reasons why they are in trouble differ from institution to institution. One is suffering from internal tensions because of a troublesome merger, another has been too active in property development, another has become unmanageable due to its size, and yet another has failed to raise the capital to finance its necessary renovation. We will not look at these cases in detail here, but suffice to say that all the problems are a direct consequence of the extension of market forces in the area of health service. Organisations respond to this development in different ways.

## Developments

The two IJsselmeer hospitals in Emmeloord and Lelystad were in danger of going bankrupt. Loek Winter wanted to take over the hospitals, but only after the government or the NZa agreed to pay off the institution's debts. Slotervaart hospital in Amsterdam could no longer be justified until an investor acquired it. Now it is a private limited company (BV) and is back in the black. And Vlietland hospital in Schiedam, which could not fund its necessary renovation, is being taken over by a joint venture of healthcare institutions, in which the health

insurance company DWS is the main investor.

There are advanced plans for the development of a large private oncology centre which wants to take on the specialised hospitals.

Since October 2008 the Guarantee Fund for the Healthcare Sector (WfZ) no longer accepts applications on the basis of an approval, but only on the basis of a detailed business plan. Zanders offers healthcare institutions support in drafting the financial section of their business plan.

What remains unclear to the outsider is what all this means for healthcare provision, especially if an institution is taken over or ends up in private hands, as with the IJsselmeer hospitals, for instance. In principle nothing should change in terms of healthcare provision; the takeover should be managed so that there is continuity while the new organisational structure is put in place. A hospital in private hands continues to provide regular healthcare as before, which will be reimbursed by the health insurance compa-



nies. Of course the takeover by a private organisation is intended to improve operational management and thus to generate a profit. So how can a hospital improve its performance? Some of the options include operating in a more client-oriented way, by specialising and providing the kinds of healthcare products which are in great demand in the region. Other healthcare products will

have to be recouped in some way. This can be done either by concluding more new health insurance policies, or by securing lower prices from the hospital that was taken over.

Perhaps it is not even surprising that healthcare institutions with financial problems are currently being taken over. An important

then disappear from the range. But a private hospital is no different to a regular hospital in this respect. To survive the extension of market forces, each healthcare institution will have to make choices in order to become more efficient and more client-oriented. To obtain a loan these days, every institution has to submit a sound business plan, either to a bank or to the Guarantee Fund for the Healthcare Sector (WfZ). This plan will have to include not only a detailed substantiation of the investment plans, but above all an explanation of the strategic choices regarding the services offered to clients.

Many healthcare institutions still struggle with this business plan, which is why in practice many of them often choose to continue running the services as before: "We will deliberately remain a general or tertiary medical teaching hospital with a full range of services, because that is what the market wants". Doubtless the institutions falling into private hands will have to make more definite choices, in such a way that the product range will be narrowed down. That is the way to make a profit with healthcare provision: higher efficiency through greater specialisation. Another variable in the equation is the form of the takeover. No one doubts Loek Winter's motives for taking over the IJsselmeer hospitals (namely making a profit). But what about a capital injection into a hospital by a health insurance company, as happened at Vlietland, for instance? The message is that the intention is to guarantee the continuity of regional healthcare provision. A financial injection was required to maintain the quality of the property. But surely financial factors also play a role for the health insurance company? After all, the capital injection

economic law is not to throw good money after bad. We assume that the private investors in question are well aware of this law, and therefore believe that their good money will generate a return. They were aware of the opportunities in advance. As mentioned, a form of specialisation will take place: unprofitable healthcare provision will disappear.

We are only at the start of the introduction of market forces in the healthcare sector. Efficient hospitals will also end up in private hands. Hence businesses will take the view that healthcare can be provided at lower costs. And where possible they will divest themselves of unprofitable healthcare.

The upshot is that the Netherlands Healthcare Authority (NZa) is also at the start of its true supervisory role. Will healthcare provision remain good, comprehensive and diversified? Just as things are getting exciting, Frank de Grave is leaving the NZa to throw himself into the banking world. Will DSB Bank soon start to expand its services by taking stakes in healthcare institutions? I'm sure De Grave is aware of a few attractive business opportunities. <



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