

The Perceived Impact of Privatization on Local Health Departments

Christopher Keane, ScD, John Marx, PhD, Edmund Ricci, PhD, and Gerald Barron, MPH

In a previously published national survey of privatization in local health departments (LHDs), we showed that 73% of all LHDs have privatized at least 1 service.¹ Advancing prior discussions of privatization,^{2,3} we identified 2 types of contracting out: (1) contracting out to a private provider a service formerly performed directly by the LHD and (2) contracting out the performance of a new service from its inception. Both types raise questions about the effect of contracting out on a government agency's ability to retain organizational authority and control.

Many governmental organizations face ideological and financial pressures to privatize services.^{2,4,5} Because privatization is enthusiastically endorsed,^{4–10} government department directors might expect that it will improve their department's image and standing in the community. However, privatization often requires that more resources be devoted to overseeing contracts and monitoring performance.^{2,11,12} Although contracting out has often been undertaken to sharpen the focus on core organizational functions,^{2,4,13} there is concern that privatization will undermine the regulatory authority of governmental agencies.^{2,9} In the context of these issues, this report explores the effects of privatization on the performance of the core public health functions of assessment, assurance, and policymaking¹⁴; on staffing; on the image of the department; and on changes in the time spent on management and administration.

METHODS

A prior report described our methods in detail.¹ Briefly, we drew a stratified random sample of 380 LHDs from the 2488 LHDs listed in the 1997 database of the National Association of County and City Health Officials. We completed interviews with 347 LHD respondents (91.3% response rate),

Objectives. This article presents nationally representative data on the effects of privatization on local health departments (LHDs).

Methods. A stratified representative national sample of 380 LHDs was drawn from a national list of 2488 departments. Telephone interviews were conducted with 347 LHD directors.

Results. One half of the directors of LHDs with privatized services reported that privatization helped the performance of core functions. Privatization often resulted in increased time needed for management and administration. More than a third of LHD directors reported concern about loss of control over the performance of privatized functions and services.

Conclusions. Privatization is part of a broader shift toward “managing” rather than directly providing public health services, yet privatization often reduces LHDs' control over the performance of services. (*Am J Public Health.* 2002;92:1178–1180)

either directors (95% of respondents) or persons closest to that position.

RESULTS

Impact of Privatization on Core Functions

Of directors whose departments privatized services, 50% claimed that privatization helped their department's performance of core functions. Such directors believed that by not directly providing certain services, their department could better focus on the core functions. For example, one director said that privatization “has freed us up to focus on these core functions rather than spending too much money and time on clinical care.”

Another 38% either believed that privatization hindered performance of the core functions or were unsure of the effect. Many of these directors were concerned about the loss of control by LHDs over various aspects of the services (Table 1). One director stated that privatization hinders performance of core functions and “would erode the infrastructure of public health. If contracted, those who actually provide the services and do hands on work would not be able to participate as well in the assessment and assurance functions.”

Impact of Privatization on Time Devoted to Management and Administration

Of LHDs privatizing 1 or more services, 41% reported an increase in time spent on administration and management; open-ended responses revealed that this consisted of monitoring contractors' performances, meetings, and serving on committees with providers. The increase was highest among LHDs privatizing 2 or more services (Table 2).

Impact of Privatization on Staffing Levels

Two thirds of directors reported no change in staffing (Table 2). One fifth experienced a decrease in staffing and 13% saw an increase, often to manage contracted programs. In some cases, those reporting no overall difference had added program management staff, while reducing staff engaged in direct service provision.

Effect of Privatization on the Image of the LHD

The majority (59%) of directors believed privatization improved their department's image; open-ended responses revealed that public, business, and foundation officials often look favorably on privatization. Almost a third of directors (30%) reported no change, often commenting that “Joe Public” is unaware of LHD operations.

TABLE 1—Perceptions of Privatization's Effects on Performance of Core Functions: Selected Comments of Local Health Department (LHD) Directors^a

Helps or Would Help LHD's Performance of the Core Functions

- "It has freed us up to focus on these core functions rather than spending too much money and time on clinical care."
- "It helps as long as the health department maintains overall control. It is positive to involve the community as stakeholders and this enhances performance of the core functions."
- "Services we have contracted out allows us [sic] to do the core functions. This also allows us to have funding we're saving to go into those other areas."
- "I think it can help if you're able to convince the taxpayers that funding should continue to be put toward the core functions. The problem is that the public isn't cognizant of the true importance of the core functions if so many functions are delegated."
- "[Privatization] allows us to distill our function. Direct delivery takes 99% of focus. Elevates focus to core functions, especially assurance part."
- "As long as health departments oversee the functions they delegated out, delegating should allow us to re-focus our energies on the core functions."

Hinders or Would Hinder LHD's Performance of the Core Functions

- "We wouldn't have control over services and functions, therefore performance of the core functions would be hindered."
- "I think the health department should have the responsibility for the services because it's easier to keep track of things when one entity is providing the services."
- "Hinders access in our situation. Access is a big problem. Delegation would make assurance of access difficult."
- "Privatization would erode the infrastructure of public health. If contracted, those who actually provide the services and do hands on work would not be able to participate as well in the assessment and assurance functions. Health departments need to keep their fingers on the pulse."
- "We lose our identity and accountability in the process of contracting. Other agencies take over our services. Where does it leave us?"
- "We'd have to shut our doors if the health department contracted out. Revenue would be lost as would contact with our clients. As a result performance of the core functions would be compromised."

Not Sure

- "[Privatization] helps in that it allows the health department to focus on the core functions by freeing up time. It also fosters community collaboration/involvement. It hinders in that monitoring private sector performance can be difficult and can undermine the health department input in certain area."
- "The core functions would be hindered if there was excessive privatization. The private sector tends to worry too much about the almighty dollar and this focus does hinder our core public health responsibilities."
- "It can free up time for the core functions yet too much delegation can threaten the authority of a HD [health department]. It depends on how the contracts are carried out."
- "Helps assurance, policy making, extra service providers; hinders assessment, data reporting is bad, one more channel for data to filter through."
- "I am concerned about fragmentation of public health and maintaining a certain level of staff to respond to crisis. If you have functions being performed in-house the staff are there to take on emergencies."
- "Helps in that it frees us from doing personal health, giving us more time for core functions. It hinders performance of maternal and child health and the public's perception is blurred. We are accountable but we have no authority."

^aComments are by directors of both LHDs with privatized services and LHDs without privatized services. Responses are to the question, "How does/would the delegation affect your local health department's performance of the core public health functions of assessment, assurance, and policymaking?"

spending more time on administration or management mentioned some loss of control over, or difficulty in controlling, the performance of services. By contrast, loss of control is mentioned by 26% of those reporting no change in time devoted to managing and administering and by 35% of those reporting a decrease.

DISCUSSION

Health departments that privatized services were increasingly engaged in "managing" rather than directly providing public health services, especially those that privatized at least 2 services. The new management activities included monitoring, contract negotiations, and attending meetings with private sector boards or coalitions. However, half of all directors who spent more time on administration as a result of privatizing reported difficulty or problems in exercising control over service performance. Control problems included difficulty monitoring the performance of staff employed by private organizations, difficulty specifying quality indicators in contracts, scarcity of staff with adequate public health values and skills, problems obtaining timely medical information, problems coordinating services, and weakened enforcement mechanisms.

A large proportion of directors believed that privatization enhanced their LHD's performance of core functions. However, the findings of this study raise questions about how LHDs can exercise authority over core public health functions if they are losing control over service performance. The Institute of Medicine report *The Future of Public Health* stated that "carrying out the assurance function requires the exercise of authority. This is not a responsibility that can be delegated to the private sector."¹⁴ Privatization threatens an LHD's ability to carry out not only assurance but also policy making and assessment. For example, one respondent stated that privatization hindered policymaking by "relinquishing control over public health functions," thereby undermining the LHD's "authority, credibility and pull at the policy making table." Diminished control over data reporting could also impair an LHD's ability to carry out assessment. One director's experience was that privatization "hinders assessment" because "data reporting is bad, [with yet] one more channel for data to filter through."

Privatization and the Ability to Control Service Provision

A central theme in directors' discussions of the effects of privatization on core functions involved concerns about control over service provision. In addition, 36% reported loss of control as a negative outcome. Specifically, 27% of directors claimed that privatization resulted in some loss of control over functions and services and 14% found control more difficult. Open-ended explanations revealed that many direc-

tors felt it was easier to keep track of services provided in-house: privatization added another administrative layer, which made obtaining reliable information quickly more difficult. Some directors observed that although LHDs are held accountable for the performance of services, they have little control over contractors.

Loss of control over the provision of services is associated with spending increased time on administrative or managerial tasks ($P < .005$). Forty-six percent of directors who reported

TABLE 2—Administrative Effects of Privatization Expressed as Percentages of Local Health Departments (LHDs), by Size of Jurisdiction

	Size of Jurisdiction of LHD					Total (n = 347) ^a
	<25 000 (n = 68)	25 000–49 999 (n = 68)	50 000–99 999 (n = 67)	100 000–349 999 (n = 71)	>350 000 (n = 73)	
Change in total time LHD spends on administration and program management ^b						
Of those privatizing 1 service						
Increased	30.0	44.4	25.0	20.0	16.7	31.3
Stayed the same	50.0	44.4	50.0	40.0	50.0	47.9
Decreased	20.0	0.0	25.0	40.0	16.7	17.5
Of those privatizing 2 or more services						
Increased	50.0	39.0	34.8	38.6	55.9	43.2
Stayed the same	26.7	51.2	50.0	45.6	27.1	40.0
Decreased	23.3	9.8	13.0	14.0	11.9	15.7
Effect of privatization on LHD staffing ^c						
Reduced staff	15.4	18.7	17.0	29.5	35.9	20.6
Added staff	15.4	10.4	13.2	11.5	12.5	13.0
No overall change in staff	69.2	70.8	69.8	59.0	51.6	66.5
Effect of privatization on overall image of LHD ^d						
Improved	61.5	46.9	64.8	59.7	64.6	58.7
Worsened	5.1	2.0	3.7	3.2	3.1	3.7
No change	23.1	42.9	27.8	30.6	23.1	29.7
Don't know/inconclusive: some positive, some negative	9.3	8.1	3.8	6.5	9.2	7.9

^aSample sizes reported in this column are unweighted. All percentages reported in the table are weighted.

^bResponses to the question, "How has privatization changed the proportion of time your local health department has to spend on administration and program management? Has it increased, decreased or stayed the same?"

^cResponses to the question, "What effect has privatization had on your staffing? Have you reduced staff? Added staff? Or kept staffing at about the same size?"

^dResponses to the question, "How has privatization affected the overall image of the local health department?"

Unlike the situation that has confronted clinical medicine, direct corporate managerial takeover of basic public health functions is improbable because there is little comparable opportunity for dramatic profit. LHDs are experiencing a different form of managerial incursion; namely, they are devoting more time and resources to managerial and administrative activities as they contract out services to private organizations. ■

About the Authors

Christopher Keane, Edmund Ricci, and John Marx are with the Graduate School of Public Health, University of Pittsburgh, Pittsburgh, Pa. John Marx is also with the Department of Sociology, University of Pittsburgh. Gerald Barron is with the Allegheny County Health Department, Pittsburgh, Pa.

Requests for reprints should be sent to Christopher Keane, ScD, 211 Parran Hall, 130 DeSoto St, Pittsburgh, PA 15261 (e-mail: crkcity@pitt.edu).

This article was accepted March 23, 2001.

Contributions

C. Keane designed the study questions and methods, drafted the questionnaire, analyzed the data, designed and supervised data collection, and wrote the initial

drafts of the article. J. Marx initially conceived of studying the privatization of public health, worked on the study design, revised the questionnaire, and revised the manuscript. E. Ricci secured initial funding and significantly edited the manuscript. G. Barron participated in pilot studies, enlisted the participation of health departments, and reviewed the study instrument and manuscript.

Acknowledgments

This research was funded by the Centers for Disease Control and Prevention through a cooperative agreement through the Association of Schools of Public Health.

We thank the National Association of City and County Health Officials for their support and advice. We also want to express our gratitude to the reviewers at the Journal for their careful reading and useful suggestions.

References

1. Keane C, Marx J, Ricci E. Privatization and the scope of public health: a national survey of local health department directors. *Am J Public Health*. 2001;91:611–617.
2. Sclar E. *You Don't Always Get What You Pay For: The Economics of Privatization*. Ithaca, NY: Cornell University Press; 2000.
3. Halverson PK, Kaluzny AD, Mays GP, Richards TB. Privatizing health services: alternative models and

emerging issues for public health and quality management. *Qual Manag Health Care*. 1997;5:1–18.

4. Osborne D, Gaebler T. *Reinventing Government*. New York, NY: Plume; 1993.
5. Poole RW. *Cutting Back City Hall*. New York, NY: Universe Books; 1980.
6. Friedman M, Friedman R. *Free to Choose*. New York, NY: Harcourt Brace Jovanovich; 1980.
7. Savas ES. *Privatization: The Key to Better Government*. Chatham, NJ: Chatham House Publishers; 1987.
8. Fitzgerald R. *When Government Goes Private: Successful Alternatives to Public Services*. New York, NY: Universe Books; 1988.
9. Starr P. The new life of the liberal state: privatization and the restructuring of state–society relations. In: Ezra N, Suleiman EN, Waterbury J, eds. *The Political Economy of Public Sector Reform and Privatization*. San Francisco, Calif: Westview Press; 1990.
10. Sappington DE, Stiglitz J. Privatization, information and incentives. *J Policy Anal Manage*. 1987;6:567–582.
11. Ramanadham VV, ed. *Privatization and After: Monitoring and Regulation*. New York, NY: Routledge; 1994.
12. Belluck P. As more prisons go private, states seek tighter controls. *New York Times*. April 15, 1999:A1.
13. Wall S. Transformations in public health systems. *Health Aff*. 1998;17:65–89.
14. Committee for the Study of the Future of Public Health, Institute of Medicine. *The Future of Public Health*. Washington, DC: National Academy Press, 1988.