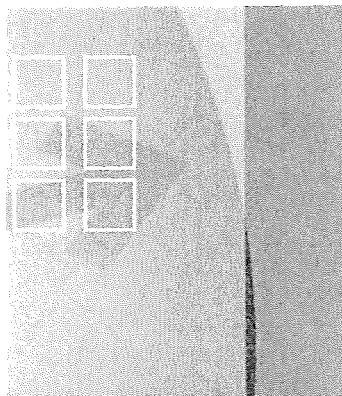


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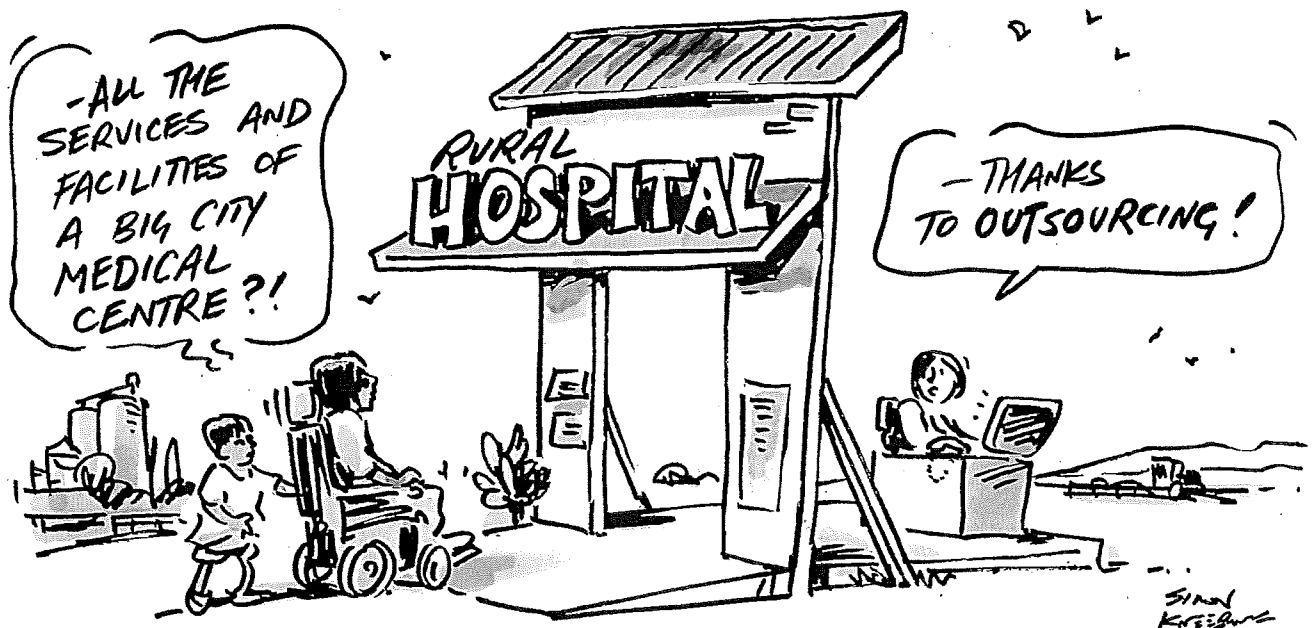


Health Issues Centre – promoting consumer perspectives in the Australian health system

Health Outsourcing in a Rural Context

QUYNH LE AND ROSA MCMANAMEY

Outsourcing is a widely applied concept and practice in many areas especially in the business and information technology (IT) sectors. It has received some consideration in health services due to skill shortages and lack of resources. This article reports on insights gained from a study on outsourcing in health services in rural Tasmania, which could have wider implications beyond the Tasmanian context. The researchers examined the views, principles and rationales on which outsourcing is based and identified related issues in the rural health context. Special attention was given to types and reasons of outsourcing, and management of outsourcing by health services.



Outsourcing refers to a "variety of methods of contracting for labour", ranging from traditional sub-contracting to employees tendering for the provision of a service that they provided while on the payroll, to the full tendering of a process or function to an outside organisation (Young 2000). In general, the contracting out of activities previously performed in-house is the more accepted view of outsourcing (Kadabadse & Kalabadse 2003; Young 2005).

King and Pitchford (1998) studied privatisation in Australia and pointed out that outsourcing improves efficiency because it introduces competition into public services and private firms that are relatively free of political interference. Whereas Peisch (1995) examined the advantages and disadvantages of outsourcing and identifies crucial problems in using outsourcing in management. Borg (2003) also identified the following disadvantages: dependence on vendors; failure to realise higher costs; loss of control, including strategic flexibility; lower morale among permanent employees; and organisational resistance.

The principle of outsourcing in small rural hospitals and services primarily addresses workforce issues pertaining to an ageing

population, chronic disease (Borg 2003) and the need for innovation in government and cross-sector planning in current health care policy documents (Productivity Commission 2005). Global mobility of health care workforce exacerbates shortages in rural areas world-wide (Moran et al. 2005).

How does health outsourcing take place in Tasmania? What are the reasons for it? What are the issues from the perspective of the key players on health outsourcing? Our study attempted to examine these questions from different stakeholders' perspectives.

The Study: Context and Methodology

Tasmania is an island state of Australia with a population of nearly half a million. The nature of health services and the issues faced by the health sector in Tasmania reflect its rural demographic characteristics. Tasmania has three major public hospitals and 11 private hospitals serving three main regions. Tasmania also has a network of smaller district public hospitals and three multipurpose health centres. Due to the lack of

certain health care services in rural areas, outsourcing has received attention from health government officials and health professionals as a management strategy.

A qualitative study on health outsourcing in rural Tasmania was conducted over a period of seven months in 2006. Nine Tasmanian key stakeholders in the health system were interviewed for this study. A third-party recruitment process was implemented through contact with a small number of key professionals in government organisations and in rural health. They were invited to participate in this study on the grounds that they occupied different roles in a range of health services—such as department head, manager, and project officer—and they were familiar with health care services in Tasmania.

Researchers conducted semi-structured interviews that included asking all interviewees questions that had been planned in advance concerning their views and experiences on outsourcing, positive and negative aspects of outsourcing, and issues and problems relating to health outsourcing in the Tasmanian context. An open-ended interviewing technique was used to encourage interviewees to discuss freely the items that were important to them.

The interviews were recorded and transcribed for data analysis. Text from the transcriptions was read and notes taken then the data was entered into NVivo for analysis, coding, and identification of themes. Data analysis was also guided by the topics discussed in the interviews. The following main issues emerged—manifestation, collaboration, motivation and impacts of health outsourcing in rural Tasmania.

Manifestation of Outsourcing

There was no unanimous definition of outsourcing. However there was a common view that outsourcing is the employment of 'outsiders' to perform an internal task. Health outsourcing in Tasmania takes the following formats:

- privatisation of public sector clinical services;
- informal agreements between major hospitals and small rural centre hospitals to provide some services;
- partnership agreements for federal, state and community support multipurpose health centres;
- agency recruitments (long- and short-term/temporary placements are accessed by regional managers and government rural health workforce support unit);
- public and private sector agreements, that is, rotation of private practice professionals to maintain smaller rural hospital services;
- agreements between public sector and private hospitals to supply a number of public beds in private hospitals; and
- collaboration (whereby two agencies work to fill workforce gaps and support).

Collaboration as Outsourcing

One quarter of the health care professionals placed in rural Tasmania are of international origin and support services

to assist the integration of the migrant families into local communities are seen to be effective in lengthening their stay in Tasmania. Collaboration enables provision of further support to rural placement professionals outsourced from outside the state:

"Another form of outsourcing we do is our relationship with General Practice Training Tasmania (GPTT) providing what we call a rural medical family network... They come with a partner/ spouse and children and they have specific needs. I need to figure out how I can get the family integrated. Core funding for that is through GPTT... We're starting to have a tie with them."

This form of collaborative support, while not a direct form of health care outsourcing, functions to allow an added dimension to placement sustainability.

Motivation for Outsourcing

"Outsourcing has so many reasons. Sometimes, it is power and power relations; [there are] so many agendas. You just don't know".

The general rationale that "one cannot do everything" underlies the main reason given by the participants in response to the question "why outsource?" Further reasons given include efficiency, isolation, lack of expertise, survival, collaboration, financial management and power relations.

In small rural centre hospitals, the main reasons for outsourcing were attributed to site and size, difficulty in recruitment and global trend in workforce mobility. While larger hospitals can afford to be more strategic in their decision to outsource, the prime factor dictating the decisions of the rural hospitals is their 'need' to outsource. It depends strongly on geographic location and size of operation:

"The reasons for outsourcing are that a lot of the sites are so small and very basic... [We have to] refer many cases to the major hospitals."

Using agencies to fill shortages in general practitioners and nursing staff is a form of short-term outsourcing by rural hospitals. The Rural Practitioners Agreement, between general practitioners recruited and private practices, enables general practitioners to visit the local medical facilities as locums. This is a major asset to rural areas. In place is also the Medical Specialist Outreach Assistance program funded by the federal government to provide specialist services in rural centres.

There are cases of outsourcing when a specialist or professional visited a health centre. In some instances, a small number of patient beds in private hospitals are publicly funded. Also the state and federal governments fund the Tasman Multipurpose Health Centres to provide services.

Outsourcing does not come as a cheap alternative in rural health service. Using private agency staff could be highly damaging to the health care budgets under which rural hospitals operate.

As a result, many health facilities are over-extended to avoid the cost of accessing needed but highly expensive services. However, recruitment issues very often force them to resort to outsourcing:

"Outsourcing for agency services tends to play havoc with the budget. We regularly advertise; as an example we have advertised seven times in papers since March and have a general inability to recruit and don't seem to fill those positions. We maintain the rosters in those hospitals by outsourcing to those agencies and using agency nurses that are very expensive."

An example of the complex system of outsourcing is described as "under the table outsourcing" by a participant who recruits general practitioners for rural areas. Rural hospitals do not directly recruit the general practitioners. Rather, they enter into agreements with private practices in urban areas and when a general practitioner is recruited by a private practice, he/she is assumed to have to work in the rural areas:

"In terms of recruitment, rural hospitals have contracts [with the practice]...that means the hospitals themselves don't actually choose the people they contract. They wait for the practice in the town to recruit a doctor and they automatically assume that that doctor is going to work for them under a contract. This is 'under the table outsourcing' because they don't actually go out and recruit anyone."

Impacts of Outsourcing

Trends in mobility within the professional health care workforce contributing to workforce shortages were also considered by the participants. They suggested that the issues should be addressed more broadly, taking global trends into consideration:

"In the past, people came to the rural hospitals and stayed for a long period of time and were prepared to make all kinds of sacrifices. They are still thinking this is the case and it will work out. These days there are many more choices. The hospitals haven't the idea of a global market. Competition is not just with the next little town down the road but the next little country. So they haven't thought about these issues in their technical outsourcing."

Two participants described contrasting outsourcing drivers in large rural centre hospitals. The private enterprise uses outsourcing to create better services and efficiency whereas the public hospital has different systems and faces different issues. The reasons for outsourcing in larger rural public hospitals include shortages of staff, limited funding and unavailability of certain equipment or technology in the hospital. Politically motivated decisions on funding can impact on equipment and technology needs:

"The lack of funding to obtain new equipment when needed."

Funding for equipment needs to be planned and we should plan for the long-term needs given the high cost of new technology and equipment. We should not be left waiting for political decision makers who focus on short-term funds."

"The political side of health funding changes reduced money feeding from private patients at the hospital into the department and possible new equipment funding."

There is also a large disparity in costs between a larger hospital which outsources its services and a small public hospital which carries out the services itself. The consensus is that outsourcing can have significant advantages that can improve health services but can also create short- and long-term problems. Six distinctive advantages were identified from the study:

1. Allowing a range of services that would be unavailable as rural Tasmanian communities are isolated.
2. Increasing health workforce into the small rural hospitals through the recruitment services of general practitioners to rural practices. The benefits flow on to the community through house visits. Collaboration between services can also occur.
3. Structuring collaborative and partial exchange of outsourcing services between small and large centre hospitals. This allows for added service and contributes to quality assurance in the service being partially "in house".
4. Improving quality of service and having accessibility to advanced equipment, major savings to the hospital budget in terms of equipment leasing and staffing. More advanced technical equipment would also be available to post-graduate student education in the large rural centre.
5. Enabling positions to be filled from a global workforce that local advertisements and private practice endeavours could not achieve.
6. Outsourcing a small number of beds from private hospitals allowed for patient transferrals and attention at a local level for specific cases and specialist visits.

In discussing the problems of outsourcing, a number of issues emerged:

1. Inconsistencies in health outsourcing and how outsourcing is handled and applied are the overriding issues in Tasmania. It seems there is little effort spent on resolving the issue. One of the most serious issues contributing to long-term problems underpinning outsourcing is the competition for recruitment. The government recruitment unit revealed that each hospital has a very different process. For example, some hospitals draw on recruitment agencies for their staff while others draw directly on private practice staff and locums.
2. When outsourcing is viewed as a solution to skill shortages, the problem of monopoly occurs when there is no competition among service providers. This has implications in terms of quality control and price choice:

"Monopolies are that you have to accept prices."

3. Quality control was raised as an issue in a number of different areas; for example, competitive tendering for services, closer involvement in locum scrutiny by the practice or hospital involved in obtaining the professional, assessment of quality of agency staff on short-term contracts.

The participants from the government recruitment unit thought that the disadvantages of outsourcing arise as a result of complex arrangements, lack of clear accountability and unspecified requirements and agreements. Loss of control was seen as a negative outcome from outsourcing and the need for a much more controlled approach to outsourcing was voiced:

"The downside is that we don't have a lot of control over things at the end of the day because I don't think our department is good at monitoring performance under contracts and we should be doing more of it."

4. Lack of resources also relates to the loss of control issue voiced by the participants:

"We don't have the staff or the capacity to monitor the performance of contractors. I am sure that if we did that we would be able to tighten up a lot of contracts that we had, we would be able to demand and expect better performance than we are currently getting."

5. One of the problems associated with outsourcing and bringing specialists to regional areas was the lack of appreciation by patients who did not show up for appointments.

Implications for Outsourcing Practice

Successful outsourcing depends on many factors and issues. A number of issues need to be identified and addressed.

Funding is an important factor which affects the decisions on what, where, how and when outsourcing should be carried out. The short- and long-term solutions to services also depend on new technology which may strongly affect expenditure and staffing.

Outcomes from outsourcing included cost savings through reduction in staff costs and equipment leasing. In addition to cost saving, outsourcing of certain hospital services also removes the financial burden on investment in new technology. This also enables the hospitals to review the existing structure to eliminate inefficient and unproductive practices. A slimmer organisation reduces hierarchies and power structure and in some cases contributes to better staff relationship.

The decision to outsource raises staffing issues such as staff qualifications, distribution, and efficiency. Staff development is important as the nature of a service can change and it requires new skills and knowledge. Staff mobility needs to be taken into account in creating a dynamic structure to accommodate changes.

Conclusion

Outsourcing is conventionally used in health services as a strategy to ensure that demands are adequately met. There are two main reasons underpinning why and how health outsourcing occurs in Tasmania. First, cost efficiency in this study appears to be related to larger rural hospitals and individual management decision. Second, the implementation of outsourcing is governed by "need". Workforce shortages and need appear to affect most health care services in the rural areas.

This study identified issues and problems of outsourcing from the perspectives of key players in Tasmanian rural health. It opened a small window into research on health outsourcing in rural Australia.

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