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by the University of Pittsburgh  
and the Keystone Research Center**

**1999**

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**KEYSTONE  
RESEARCH  
CENTER**

Keystone Research Center • 412 North Third Street • Harrisburg, Pennsylvania 17101  
Phone: (717) 255-7181 • Fax: (717) 255-7193 • Email: [KeystoneRC@aol.com](mailto:KeystoneRC@aol.com)

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#### KEYSTONE RESEARCH CENTER

The Keystone Research Center (KRC), a non-partisan think tank with offices in Harrisburg and the Philadelphia area, conducts research on the Pennsylvania economy and civic institutions. This research documents current conditions and seeks to develop innovative policy proposals to expand economic opportunity and ensure that all State residents share in the benefits of economic growth.

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#### ABOUT THE AUTHORS

Steven Henry Lopez is a doctoral candidate in sociology at the University of California at Berkeley and lives in Pittsburgh.

Linda M. Rhodes is the former Secretary of Aging (1987-1994) for the Commonwealth of Pennsylvania. In that role Dr. Rhodes launched a number of public health initiatives.

Stephen A. Herzenberg is the Executive Director of the Keystone Research Center. He holds a Ph.D. in economics from the Massachusetts Institute of Technology and is co-author of a just-released book from Cornell University Press, *New Rules for a New Economy: Employment and Opportunity in Postindustrial America*.

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## Background

Until 1996, the Pennsylvania Department of Health operated a statewide network of 60 state health centers, one in almost every county without a local health department. In February 1996, Governor Ridge proposed the privatization of all 60 state health centers. In response, the Legislature passed Act 87, which allowed the Department of Health to privatize, on a pilot basis, state health centers in three counties (Berks, Butler, and Dauphin counties) for a period of one year. In these counties, Act 87 provided for the Department of Health to contract for four clinical services: HIV counseling and testing; immunizations; screening, testing, and treatment for sexually transmitted diseases (STDs); and screening, testing, and treatment for tuberculosis (TB).

On Friday, April 30, 1999, the Pennsylvania Department of Health released a report evaluating the "Community Health Project," the Department's name for the pilot privatization project. The report released by the Department of Health was written by the University of Pittsburgh Center for Public Health Practice and entitled *The Evaluation Study of the Community Health Project: Findings and Recommendations* (hereafter, "The University of Pittsburgh Evaluation").<sup>1</sup> Six months earlier, in November 1998, the Keystone Research Center had released a report that evaluated the privatization pilots and also examined the impact of staff cutbacks at the remaining 57 state health centers (*The Quiet Dismantling of Public Health: The Impact of Pennsylvania State Health Center Privatization and Staff Cutbacks*, hereafter "the Keystone Evaluation").<sup>2</sup>

To help the Pennsylvania legislature and interested citizens evaluate these two reports and their implications for the management of Pennsylvania's public health system, this briefing paper compares their findings.

## Two Evaluations, Similar Findings

Although there are some differences, the similarities in the findings of the University of Pittsburgh and Keystone Evaluations are striking. Similar findings stem, in part, from similar intelligence-gathering techniques: both reports relied primarily on qualitative interviews complemented by the use of quantitative data on health service accessibility and the incidence of communicable diseases.<sup>3</sup> As Table 1 documents, both reports found that:

- the delivery of tuberculosis services proved difficult under the privatization program. The Keystone Evaluation concluded that TB services should remain the sole responsibility of state Health Department staff, so that TB patients being handed off from private to public providers would not fall between the cracks.
- delivery of STD services declined in two out of three counties. In conjunction with this decline, the Keystone Evaluation also found a drop in *reported* cases of syphilis in Dauphin County from 35 the year before privatization to zero the year after;<sup>4</sup>
- oversight of and communication with contractors and especially with subcontractors proved difficult;

**Table 1.**  
**Two Evaluations Compared**

<i>Research Methods</i>	KEYSTONE RESEARCH CENTER EVALUATION	UNIVERSITY OF PITTSBURGH EVALUATION
	<p>Relied on quantitative data, interviews, and Department of Health internal audits of the privatization pilots.</p> <p>“Using a combination of quantitative, interview-based, and documentary evidence, as this report does, permits each source to be used as a check on the accuracy and plausibility of others.” (pp. 6-7)</p>	<p>Also relied on quantitative data and interviews. Did not use internal DOH audits. Relied on Patient Satisfaction Surveys and current and historical financial information unavailable to Keystone Evaluation authors.</p> <p>“..used a three-part methodology that combined quantitative, descriptive (or qualitative), and financial analysis. This multi-faceted approach provided richly detailed information about the Community Health project...” (p. 12)</p>
<i>Findings</i>	<p>Provision of Tuberculosis Services Proved Difficult Under the Privatization Program</p> <p>“The privatization pilots eliminated one-stop screening and treatment of tuberculosis patients. Under the pilot privatization projects, contractors screen patients but hand them off to [DOH] district offices for follow-up (and, in high-risk cases, for treatment). Some of these patients fall through the cracks...” (p. 1)</p> <p>STD Services Declined</p> <p>“Access to sexually transmitted services has been reduced in two of the three counties where the health center was privatized...” (p.1)</p> <p>Oversight of Contractors and Subcontractors Proved Difficult</p> <p>“Under the pilot projects, the primary contractors...subcontract portions of their responsibilities. This makes Department of Health oversight difficult.” (p. 14)</p> <p>Public Health Surveillance Has Been Weakened</p> <p>“...contractors’ and subcontractors’ record-keeping and communication with the Department of Health have been poor...” (pp. 1-2)</p> <p>State Health Centers Are a Critical Part of the Public Health Infrastructure</p> <p>“...deep-rooted links between public health nurses and local communities that enable the early detection of and rapid response to communicable disease outbreaks have been weakened...” (p. 2) (This quote refers to changes resulting from staff cutbacks at state health center cutbacks as well as the privatization pilots.)</p>	<p>“The provision of TB services was believed to be the most difficult to manage under the Community Health [i.e. health center privatization] Project. In the urban and suburban demonstration sites, problems noted by the interviewees included a drop in the number of TB screenings...” (p. 5)</p> <p>“The urban and suburban demonstration sites experienced a decrease in these [STD] services...” (p.3)</p> <p>“According to interviewees, multiple layers of administration encumbered the monitoring and internal quality assurance processes.” (p. 4).</p> <p>“...in the case of TB and STDs, information gathering and effective reporting by private-sector contractors and subcontractors were compromised due, in part, to their lack of professional public health knowledge and experience.” (p. 5)</p> <p>Private providers “...are neither trained nor experienced in” “the full array of clinical, educational, community outreach, and surveillance activities.” (p. 6)</p> <p>“...No firm conclusions can be drawn as to whether...[a private provider] could support the delivery of ‘services equivalent to those of a</p>

<p>Lack of Data on Contract Monitoring Costs Makes It Hard to Know if Costs Were Saved</p> <p>Private Clinical Providers and State Health Centers Perform Different Tasks, Making Cost Comparisons Hard</p>	<p>“The Department of Health has not measured the cost of monitoring and administering private contracts or of providing contractors with technical assistance.” (p.2)</p> <p>“Nor does documentation exist on what costs the Department of Health has avoided as a result of contracting out the delivery of clinical services.” (p. 2) Good records do not exist on the time Health Center workers spent prior to privatization on clinical activities. This makes it hard to know how much money is saved by contracting out these clinical services.</p>	<p>SHC: “...If ‘equivalent services’ are interpreted as including the full array of clinical, educational, community outreach, and surveillance activities, then virtually no private health care provider could be expected to deliver those effectively...” (p. 53)</p> <p>“...cost-savings estimates are highly sensitive to the costs of monitoring local health care providers’ performance. Monitoring costs have not been clearly defined...” (p. 7)</p> <p>“The Evaluation Study’s cost analysis is limited by the fact that financial records for the Community Health Project’s private contractors...do not extend [beyond clinical services] to the full array of ‘equivalent services’ in some or all SHCs [State Health Centers].” (p. 7)</p>
<p><i>Recommendations</i></p>		
<p>The Knowledge of Department of Health Staff Should Be Relied on as an Important Resource by DOH managers</p> <p>Public Health Infrastructure Critical; Keystone Calls for Capacity Assessment</p> <p>Consultation Critical to Mgt. of Public Health System</p>	<p>The Department of Health should “find ways of working <i>with</i>, not against, Department of Health public health professionals, tapping into their commitment to protect the public health.” (p.3)</p> <p>In light of potential vulnerabilities in the state public health infrastructure, the Department of Health should “Conduct an assessment of the capacity of the Pennsylvania public health system to monitor health problems and respond to outbreaks.” (P. 3) (At the request of a state, a national council of state epidemiologists will conduct such an assessment)</p> <p>“The future of the state’s public health system should be decided only after open, thoughtful debate among public health professionals, advocates, the Legislature and policymakers, all of them informed by rigorous evaluation of the alternative approaches the state could adopt.” (p. 2)</p>	<p>“In considering alternative approaches, the knowledge and experience of existing State Health Center staff should be regarded as an important resource.” (p. 8)</p> <p>“Public health infrastructure issues should be given explicit, high-priority attention in planning, implementation, and ongoing monitoring of any future replication or extension of the Community Health Project.” (p.9)</p> <p>“Future privatization initiatives should include systematic consultation with all of public health’s stakeholders, including legislative representatives, executive branch officials, public health associations, public employee and health professional organizations, and the communities served.” (p.9)</p>

- public health surveillance was weakened because of problems experienced with information gathering and reporting by contractors and subcontractors;
- problem detection and rapid-response capability may have been weakened by (according to the Keystone evaluation) an erosion of links between public health nurses and local communities and (according to the University of Pittsburgh evaluation) private providers' lack of training and experience in educational, community outreach, and surveillance;
- no good data exist on contract monitoring costs or on the cost of clinical services prior to the pilot projects; and
- state health centers and private providers perform different tasks, making cost comparisons very difficult.

The University of Pittsburgh report did reach some positive findings about the privatization pilots. Client Satisfaction Surveys revealed that 96 percent of clients in the pilot counties found services good or very good. Satisfaction levels were equally high at two State Health Centers surveyed, but lower at the state Health Center in Luzerne county, where 83 percent of clients reported satisfaction to be good or very good. HIV-testing services under the privatization pilots increased in Dauphin and Berks counties. Utilization of immunization services increased in Berks counties, possibly as a result of intensive outreach programs in neighborhoods and at migrant farms, and through collaboration with school nurses.

### To Privatize or Not to Privatize, That Is *Not* the Question

A main conclusion of the Keystone Evaluation was that protecting the public health in Pennsylvania is not something that can be accomplished simply through reliance on "markets." Operating an effective public health system is, instead, a *management* and self-management (i.e., of public health professionals) challenge. It is these challenges that the new leadership at the Pennsylvania Department of Health, in partnership with its public health professionals, needs to address.

For reasons specific to the nature of public health services, reliance on markets and competition is unlikely to

- A) significantly lower costs and
- B) could jeopardize public health.

A) Relying on competition and contracting out will not hold down costs because there are not enough private providers, even of many clinical services, in much of the state. According to the University of Pittsburgh Evaluation (p. 34), "There was little competition for the Community Health Project [the pilot privatization] contracts, largely because of the small number of providers available, according to both private and DOH respondents." Private-sector and DOH-staff interviewees also told the Pitt researchers that (p. 36) "...non-renewal of contracts would not be an effective mechanism of control where there was difficulty in finding another bidder."

B) Privatization, especially if contractors are changed frequently in attempts to hold down costs, might create public health problems.<sup>5</sup> Privatization runs the risk of disrupting ties between public health professionals and the local community that facilitate problem prevention, early identification of outbreaks and rapid response. As the University of Pittsburgh Evaluation found, privatization also risks bringing into the public health system medical professionals without specialized training in public health surveillance, education, and prevention. Such professionals are not embedded in the networks of public health professionals through which public health nurses learn about impending problems and about new clinical, educational, outreach, and investigative approaches.

Privatization may also parcel out public health responsibilities among contractors and subcontractors whose organizations and staff have a narrow, clinical orientation to their work, and are less likely to spot or take action in response to early signs of public health problems. A narrow orientation may be reinforced by the profit motive and by cost pressures on not-for-profit clinical providers. Even if staff wish to go the extra mile to make sure that non-compliant tuberculosis patients take their daily cocktail of drugs (thereby ensuring a cure and preventing the development of drug-resistant strains), will they have the time and support necessary to do so?

Potential problems do not imply that privatization is always a bad idea. Public-private partnerships may in some cases achieve economies of scale, increase accessibility (as with immunization and HIV testing

in some of the pilots), or maintain more comprehensive surveillance.<sup>6</sup> “Can we privatize additional services?” is, however, the wrong question with which to start. This question implicitly, and wrongly, assumes that the market has an inherent superiority in public health service delivery.

The right question is “how can the Department of Health cost-effectively protect the public health?” Finding the answer to this question is a leadership and managerial challenge. The Keystone and University of Pittsburgh Evaluations suggest that meeting this challenge is likely to depend on tapping the knowledge and commitment of Department of Health staff (see the first conclusion in Table 1). Managers and policymakers from outside the professional public health community are not in a position to manage the public health system better than these experts. They are in a position to ensure that these professionals continually question the wisdom of customary practices and systematically evaluate different approaches to achieving a healthy community.

### Recommendations

The Keystone Evaluation contained several recommendations. First, the Department should:

- Phase out the privatization pilots and reopen the State Health Centers in Berks, Butler, and Dauphin counties. Despite problems pointed out on both evaluations, the privatization pilots were renewed with an across-the-board increase in contract service rates.

Second, the Department should

- Require the Department of Health to raise staffing in state health centers. Staffing cutbacks, the Keystone Evaluation shows, have jeopardized the surveillance and rapid-response capacity of the public health system throughout much of the state.

Three additional recommendations in the Keystone Evaluation provide guidance for the Legislature and the Department of Health as they look forward.

- Conduct a comprehensive assessment of the capacity of the state public health system to respond to outbreaks. The Keystone Evaluation recommended that the Department of Health ask the Council of State and Territorial Epidemiologists to conduct an assessment of the capacity of the Pennsylvania public health system to monitor health problems and respond to outbreaks. Since that time, the Office of the Administration within the Department has applied the CSTE methodology to conduct a capacity assessment. The breadth of this assessment, the details of its administration, and its findings have not yet been made public. The Legislature should ask for a full briefing on this assessment, including comments by CSTE on the application of their assessment methodology and whether additional assessment would be advisable with the organization's assistance.

- Fund an independent study of best practice in public health service delivery in other states and cities, incorporating and updating information from prior analyses by the Institute of Medicine.
  - As part of a best practice study, the potential of creating Quality Assurance positions that are staffed by members of the union to which public health professionals belong should be considered. Giving individuals in QA positions contractual rights to be consulted on key decisions about the management of the public health system might reduce mutual distrust between public health professionals and top Department of Health managers. Serving in QA roles might also encourage front-line professional staff to think more about system-wide and policy issues.
- Conduct legislative hearings to define a Pennsylvania public health strategy for the 21st century. Such hearings would be consistent with the call in both the University of Pittsburgh and Keystone Evaluations for systematic, open consultation in making future decisions about Pennsylvania's public health system (see Table 1, last row).

In the short run, open deliberations are a headache for political appointees to the Department of Health. In the long run, being required to articulate and defend a public health strategy that generates support from affected communities, legislators, and public health professionals would help ensure that Pennsylvania actually has a strategy.

## REFERENCES

- <sup>1</sup> Gary Marsh et al., *Evaluation Study of the Community Health Project: Findings and Recommendations*, (Pittsburgh: Center for Public Health Practice, Graduate School of Public Health, University of Pittsburgh, April 7, 1999).
- <sup>2</sup> Steven L. Lopez, Linda M. Rhodes, and Stephen A. Herzenberg, *The Quiet Dismantling of Public Health: The Impact of Pennsylvania State Health Center Privatization and Staff Cutbacks* (Harrisburg: Keystone Research Center, 1998).
- <sup>3</sup> Gary Marsh, the Principal Investigator of the University of Pittsburgh Evaluation, was publicly critical of the Keystone qualitative research techniques. As Lopez pointed out, however, interviews are the only way to gain insight into the qualitative dynamics of pilot privatization implementation (both Marsh and Lopez are quoted in "Critics Blast Privatization Attempt By State-run Public Health Centers," *TB Monitor* 6(3), p. 27). In addition, the Keystone Evaluation relied on multiple, complementary methodologies, including quantitative data, as did the University of Pittsburgh Evaluation (see Table 1).
- <sup>4</sup> The University of Pittsburgh Evaluation (Table 8, p. 55) reports an average of 64 cases of syphilis from 1994-96 but does not report a number for the years after the privatization pilots.
- <sup>5</sup> For a more extended discussion of the points in the next several paragraphs, see Lopez, Rhodes, and Herzenberg, *The Quiet Dismantling*, pp. 27-28.
- <sup>6</sup> For one example, see Jane C. Nelson et al., "Public/Private Partners: Key Factors in Creating a Strategic Alliance for Community Health," *American Journal of Preventive Medicine* 16(3S) (94-117).

**Harrisburg Office:**

412 North Third Street • Harrisburg, Pennsylvania 17101  
Phone: (717) 255-7181 • Fax: (717) 255-7193 • Email: [KeystoneRC@aol.com](mailto:KeystoneRC@aol.com)

**Philadelphia Office:**

314 Springton Road • Upper Darby, Pennsylvania 19082  
Phone: (610) 352-2798 • Fax: (610) 352-2798 • Email: [krcphila@igc.org](mailto:krcphila@igc.org)

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