

# Six years experiences with freedom of choice

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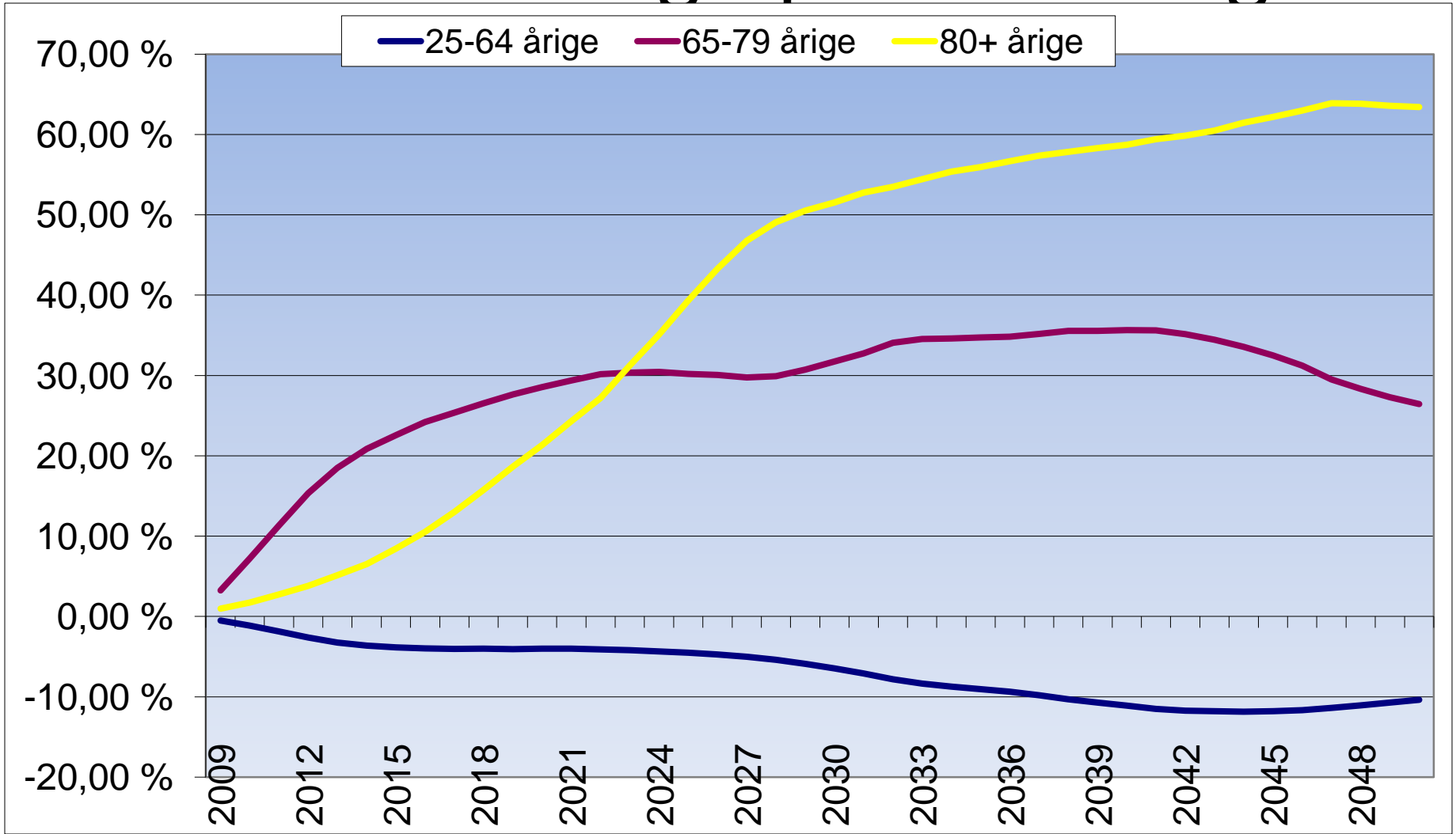
# KL – Local Government Denmark

- Founded 1970
- Association of 273 Danish municipalities – to day: 98
- Led by a board of 17 politicians (+ six committees)
- 350-400 employees
- Mission:
  - Interest organisation for Danish municipalities
  - Employer organisation
  - Provides municipalities with information and consultancy
  - International relations

# Facts about elderly care in DK

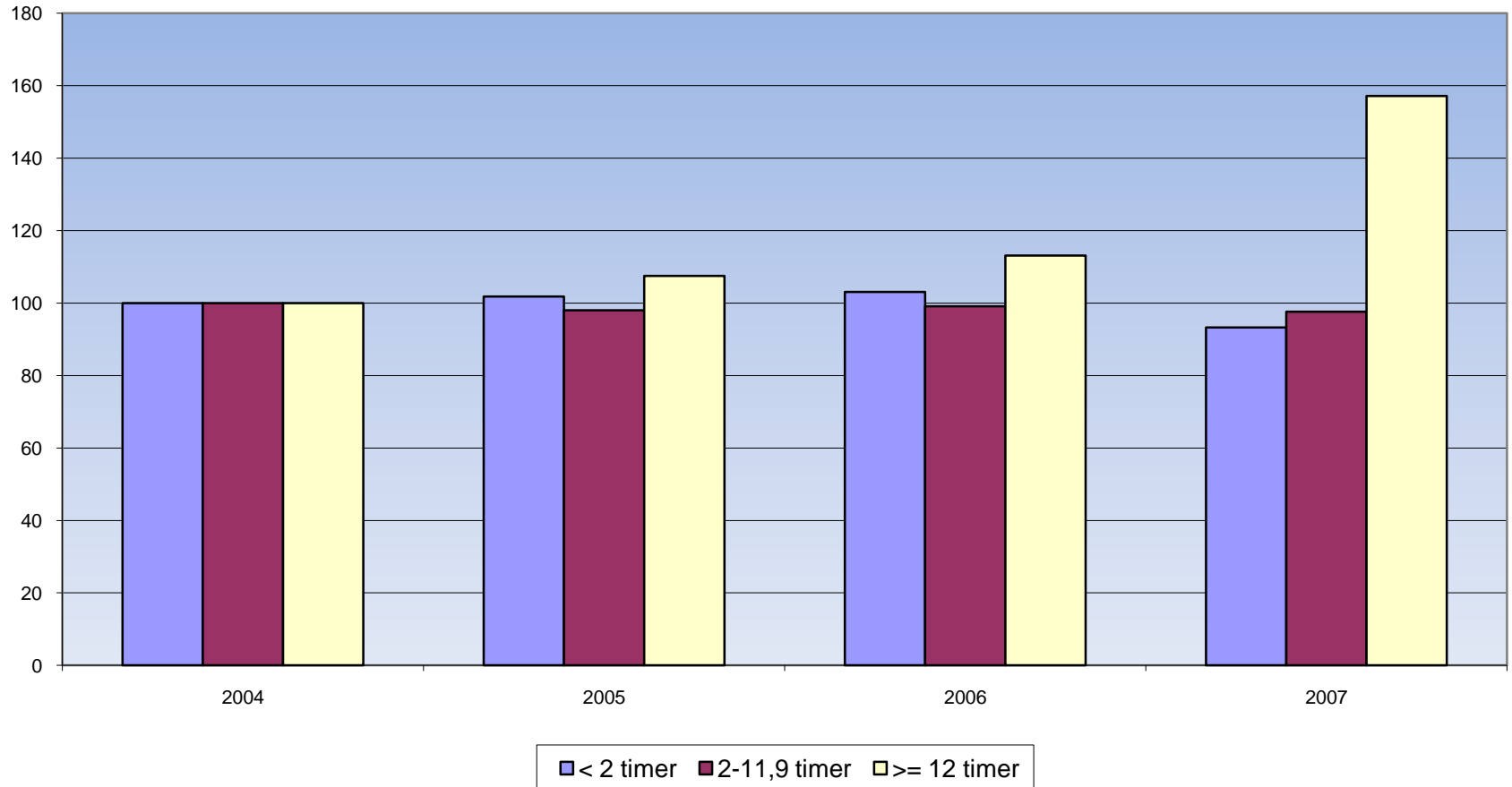
- 226.000 recipient of home/community care (2008)
  - 183.000 in "own home"
  - 43.000 in nursery homes
- Aprox. 100.000 personal are occupied with elderly care
- Aprox. 35-40.000 daily visits
- A total of 32 billion DKK spend on elder service each year (4,3 billion €)
- Aprox. 1250 nursery homes

# Double demographic challenge



# More people need more

Index: Time pr. citizen pr. week



# The danish case

- 1996 – 2002
  - About 8-10 municipalities have there own model of freedom of choice (of 271 )
- 2003 – 2009 – Law with two models
  - 1. Approval model
    - The municipality is main supplier
    - Tendering out – private main supplier
  - 2. Tendering out - model

# Approval model

(The municipality is main supplier)

- All companies can apply to be approved
- All suppliers have to be treated equally
- Companies get approved to practical help, personal help or food-delivery
- The municipality can choose to be divided into districts
- Annual calculation of the municipals expenses pr. hour = the price to the private companies
- All but one municipality use this model on the main tasks

# Approval model

(Private is main supplier)

- One private supplier is main supplier after a tendering out process
- All companies can apply to be approved – also after the tendering process
- All suppliers have to be treated equally
- The municipality can choose to be divided into districts
- Main supplier set the price – for all
- The municipality **can not** bid in the tendering process neither be approved after
- One municipality use this model on main tasks

# Tendering out model

- Tendering of each benefit – All-in-one is **not** allowed
  - The number of suppliers is prefixed
  - 10 % price limit (if there is freedom of choice)
  - If only one offer = Approval model
- 
- No municipalities have used the tendering out model on the main tasks

# Organizing freedom of choice

- BUM – model (Orderer-supplier-receiver)
  - Standards of quality – revisited annual
  - Individual decision from objective case manager
  - Division between orderer and supplier
- Information from suppliers
- Frame (limits) for change of supplier
- Documentation – electronic patient records
- [www.fritvalgsdatabasen.dk](http://www.fritvalgsdatabasen.dk)

# The dansih case - success or failure?

- 28 % choose private for practical help
  - Only one municipality have no private companies
- 2 % choose private for personal help
- 6 % of the allocated time to the private companies
- 5 % of the economy to the private companies

# How many choose private?

- App. 25 % use there freedom of choice
  - In Denmark it's 28-30 %
- App. 5 % **Want** to change supplier

# When is freedom of choice used?

- Entry – entry – entry
- If the customer is dissatisfied
- The customer follow there helpers

# What counteract freedom of choice?

- Different municipal systems
  - Standards
  - Electronic journals
- Low prices (wrong prices?)
- Geography
  - Long distances
  - Strategic position of the municipality
- Strong municipal suppliers
- Biased case managers
- Bad information flow to the customers

# What support freedom of choice

- Volume ! The bigger the cake – the bigger the slices
- High prices
- Strategic choices by the private supplier
- Weak municipal suppliers
- Separation of case managers (order) and the (municipal) suppliers
- Neutral case managers
- Information flow to the customers
- Good information flow between suppliers and the municipality in general

# Who are the suppliers?

- All municipalities have their own supplier-organization
- More than 200 private suppliers in 97 municipalities
- The most spread out supplier are approved in ... 19 municipalities (no. 2 is approved in 11)
- Swedish cases:
  - Attendo: 3 municipalities
  - Aleris: 4 municipalities
  - Forenede Care: 7 municipalities
- No large suppliers – no freedom of choice for personal help!

# Who have a business?

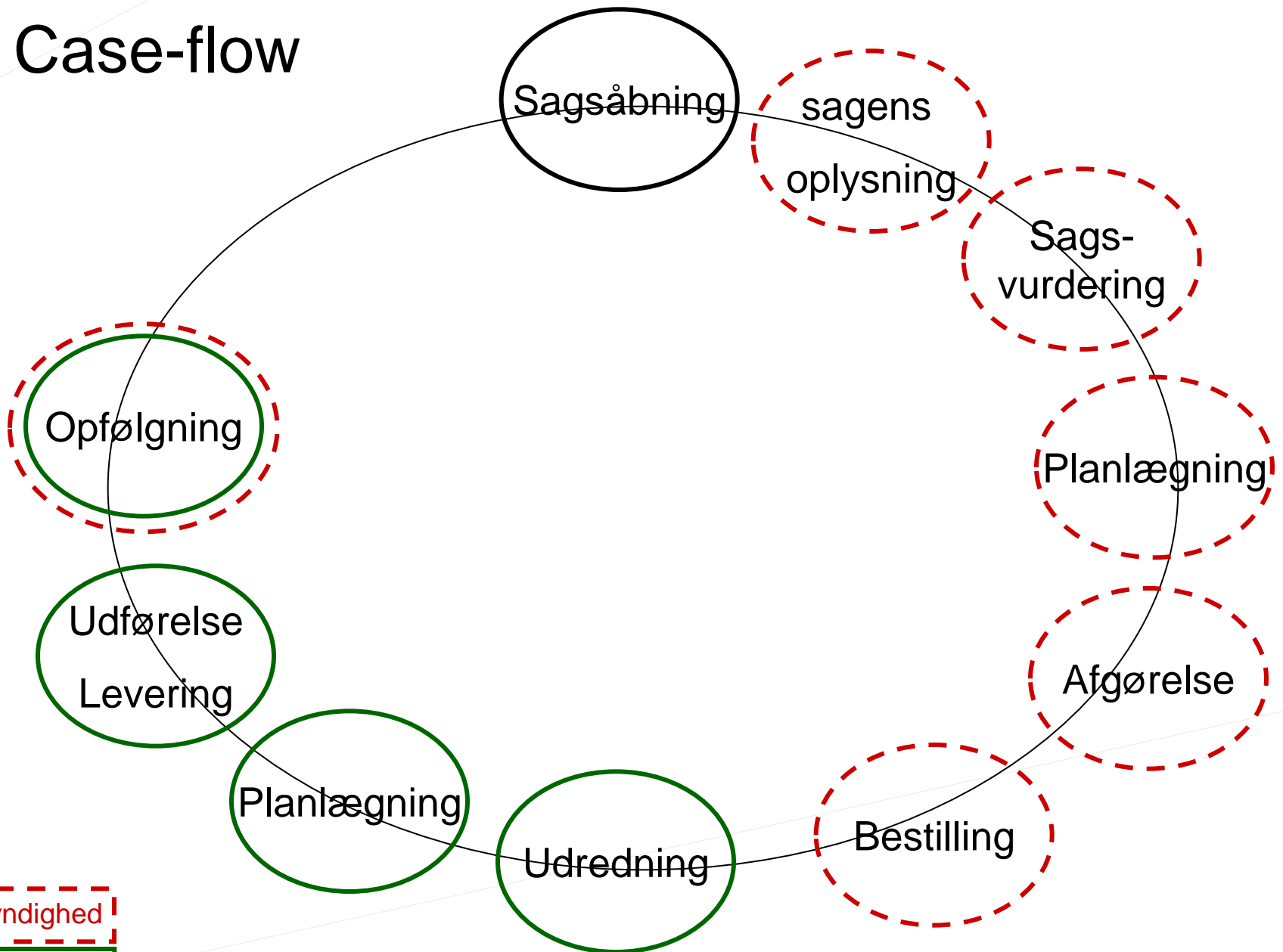
- Specialised services
  - Delfin Vask (midsize) Cleaning of clothes
  - Berendsen (large) Cleaning of clothes
  - Intervare (smallsize) Delivery of groceries
  - Medirest (midsize) Hot meal delivery
  - KRAM (midsize) Hot meal delivery
- Former private cleaning-companies
  - Lene Hovmands rengøring
  - La'Bel rengøring
  - Elite Miljø
- Undersuppliers
  - Multi-trans (midsize) Delivery of hot meal
  - Temporary employment agencies (home helpers and nurses) (smallsize)

# The role of the case manager

(myndighetsrollen)

- Decide what help each citizen can get
- Allocate decision to the supplier
- Supervision / inspection

# Case-flow



Myndighed

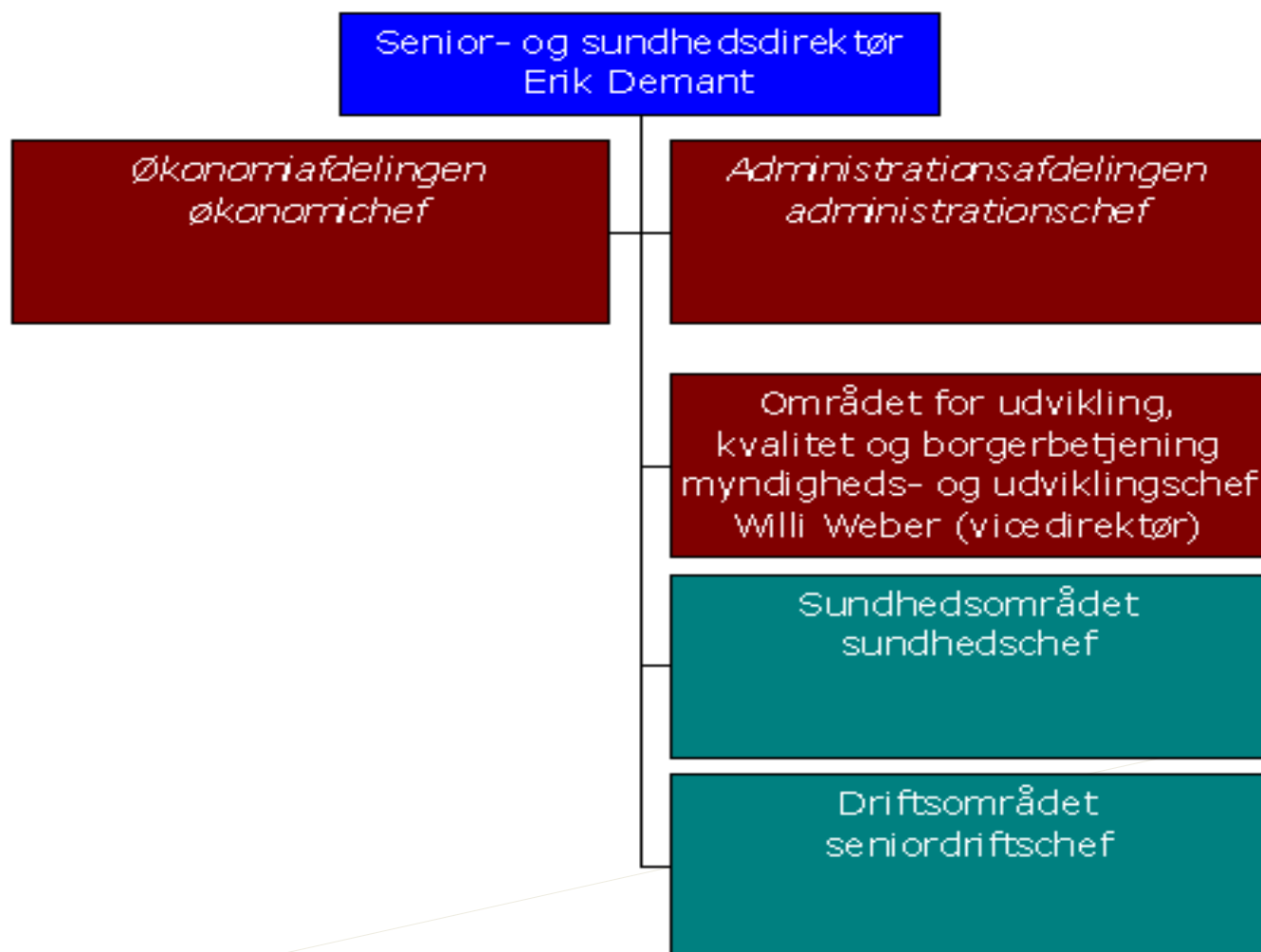
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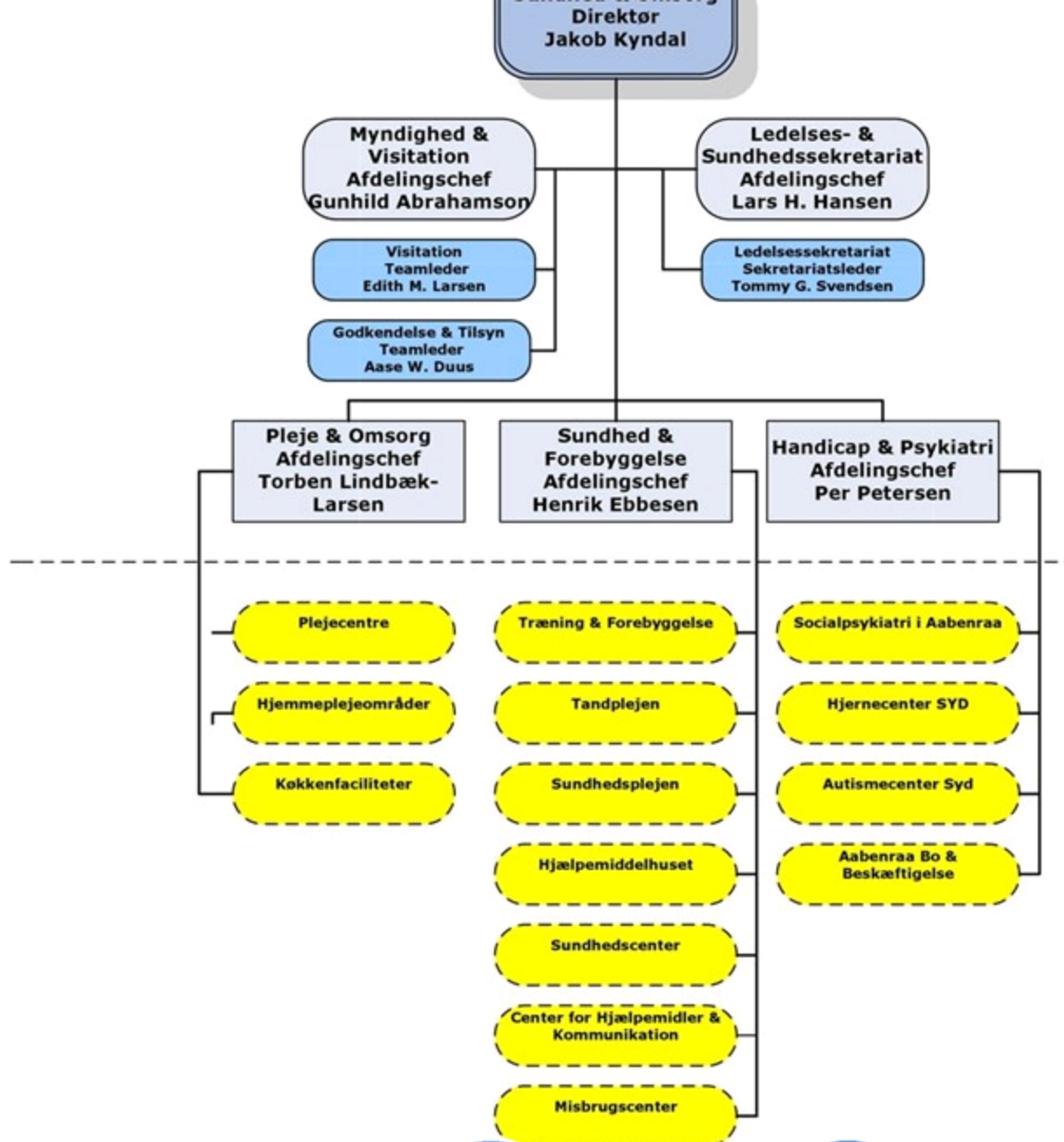
17-11-2009

# The role of the case manager

(myndighetsrollen)

- Decide what help each citizen can get
  - Visit and value the citizen (ICF-codes)
  - Make decision
  - Inform about possible choices
  - Documentation
- Allocate decision to the supplier
  - Inform about decision (start, content etc.)
  - Allocate timeframe (= \$)
- Supervision / inspection
  - Control of invoices
  - Inspections in the costumers home
  - Arrange costumers wish for change of supplier





# Municipal information and cooperation

- Do the rest of the organization treat the private suppliers equally with the municipal supplier?
- Information meetings – half-year or annual
  - Budget / economy
  - Can they communicate electronic with the municipality and the case managers? – ex: Electronic patient records
  - Are the private suppliers invited into development-projects (do they want to)?
  - Education – do we only give in-service course to the municipal supplier

# Problems in the process – the municipalities

## Problem

- Prices were (to often) wrong
- Case managers were “married” to the municipal supplier organization – old colleagues
- Extra control of the private suppliers
- Too detailed decisions kill the small suppliers

## Solutions

- Experience and models
- Competition board
- Education of case managers
- New employment
- Separation in the organization
- Building trust
- Allocate in packages

# Problems in the process – the private suppliers (market)

## Problem

- Getting volume, coping with access time
- Focus on satisfying the customer
- Few suppliers of personal help
- Cases of mismanagement
- Cases of mistreat

## Solutions

- Strategic growth
- Integration and understanding the municipality's service
- ?
- Let the customers vote with their feet
- Dialogue between case-managers / the municipality and the suppliers

# Why is practical help a success?

- The is easy to navigate for small companies, and they can combine the task with other business area
- Entry point for new costumers
- Only one or two helper(s) come in the home
- Relatively high prices
- More people are dissatisfied with the practical help

# Why is personal help a failure?

- No entry point – the costumers have a supplier
- Services are to be delivered 24-7-365
- Often many helpers in the costumers home
- The costumers are VERY satisfied with the municipal personal help
- Costumers disbelieve in the private suppliers competences
- Only about 50 % of the costumers are able to choose
- Each municipality have their own EPR
- Large companies don't have the necessary patience
- The law has focus on freedom of choice. Therefore no company can have monopoly in a district in period
- Elderly care are also health care
- The municipality are afraid to tender out personal help

# Our experiences until now

- Success for practical help – many suppliers, and the costumers are satisfied
- Only one municipality doesn't have freedom of choice for practical help
- The citizens choose at entry-point or if they are unsatisfied
- Freedom of choice for personal help is almost non-existing – especially the complex help
- The private suppliers of personal help has les satisfied costumers than the municipal
- A growing number of citizens has more than one supplier
- Freedom of choice for hot-meal delivery is limited – under 50 % of the municipalities has freedom of choice

# Our experiences until now

- To much bureaucracy – especially calculation of prices
- No competition on price
- Few private suppliers of complex help
- High private market share result in los of economy of scale for the municipality which gives higher prices ...

# Closure

- + BUM gives more security of rights to the citizens
- + BUM gives clear connection between economy and quality – responsibility is placed at the political level, not among the staff members
- + Increased focus on efficiency (to secure low prices)
- + Increased focus on competition, ex keeping helpers, development of quality
- Focus on the experienced quality
- More different helpers in the citizens home
- Dialogue and coordination becomes even more difficult
- Partnership is difficult with many (competing) suppliers

[www.lgdk.dk](http://www.lgdk.dk) / [www.kl.dk](http://www.kl.dk)

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