



THE PORTUGUESE HEALTH REGULATION AUTHORITY

Title: Red Tape Costs in the Health Sector

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Executive summary

The Portuguese Health Regulation Authority (ERS), in fulfilling the request of the Ministry of Health, conducted a study in order to identify red tape costs in the health sector, to assess their impact and, consequently, to propose measures to reduce them.

According to the relevant literature, red tape costs can be defined as rules, regulations, and procedures that remain in force and entail a compliance burden for the organization but have no efficacy for the rules' functional object, and could affect entire organizations or specific stakeholders (Bozeman, 1993¹).

To frame this topic in a broader economic context, we considered two economic freedom indexes: 1) Index of Economic Freedom, and 2) Doing Business Project, both published in 2014. In the first index Portugal ranked as the 69th freest economy (in a total of 186 countries), improving 0.4 points over the previous year, and in the second index Portugal ranked in the 23th position (in a total of 189 countries).

Considering health sector dynamism as a measure of the impact of red tape costs in its attractiveness and performance, we highlight the expansion of the private sector, both in terms of health expenditure funding and provision of care. Although health investment has reduced between 2004 and 2013, consumption and employment in the health sector grew over this period, which makes this sector more dynamic than other sectors in Portugal.

The identification and description of red tape costs specific to the health sector was based on the knowledge accumulated over the years by ERS as the regulator of the

¹ Bozeman, B. (1993) A Theory of Government "Red Tape". *Journal of Public Administration Research and Theory*. 3(3): 273-303.

health system, complemented with national and international literature insights. Additionally, ERS requested the Portuguese Global – Trade & Investment Agency to provide information about red tape costs signaled by health sector companies and measures taken to eliminate such costs, given the role of that agency set forth in the legislation on the subject of red tape costs.

To further identify and assess the impact of red tape costs, ERS conducted a survey among stakeholders with relevant experience in the health sector, divided in the following four categories: i) health managers from public, private and social providers; ii) health professionals; iii) heads of Public Administration institutions with relevant activities in the sector; and iv) academic experts.

The survey results led to the conclusion that the most relevant red tape costs are found in the legal and regulatory system, in administrative procedures, and in public procurement and Government payments. The costs classified by respondents as more relevant are related to restrictions in hiring professionals by National Health Service (NHS) hospitals, legal and regulatory overlaps, payment delays to private providers working for the NHS, and difficulties related with NHS' computer systems.

Finally, ERS proposed a set of measures to reduce or eliminate such red tape costs.