

# *More Attention for Care*

VISIES OP DE ANTILLIAANSE EN ARUBAANSE GEZONDHEIDSZORG



# *Governance in the healthcare sector of Curaçao*

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## **Introduction**

On December 3rd 2005 the St. Elisabeth Hospital in Curaçao celebrated its hundred and fiftieth anniversary. In that same year a new interim Supervisory Board was appointed to supervise management of the hospital after a conflict that had been going on for years. The members of the Supervisory Board were replaced and the bylaws of the organization were modernized. In December 2005 the IMF stated in the preliminary conclusions of the consultation that healthcare governance is an issue (IMF, December 2005). In March 2006 Curaçao's Ombudsman reported that the care in homes for the elderly in Curaçao is alarmingly poor (*Antilliaans Dagblad*, 2 March 2006; *Amigoe*, 24 March 2004).

In recent years the subsidized foundation *Kraamkliniek Rio Canario* experienced governance issues. So did the corporatized laboratory *Analytisch Diagnostisch Centrum* which had to cope with a fraud charge of several millions. These developments in the healthcare sector in Curaçao lead to the question: how is the healthcare sector in Curaçao governed?

Healthcare governance, according to the Dutch Healthcare Governance Commission, is:

*... a system of rules and codes of conduct for good administration and supervision in healthcare organizations and for proper accountability to and scope for influence by stakeholders concerning the way in which the health system achieves its objectives and delivers high quality and effective care. (Healthcare Governance Commission, October 1999)*

According to the list of the Minister of Health of the Netherlands Antilles 46 organizations are involved in healthcare in Curaçao. The list is incomplete. According to another list, managed by the Island government agency of Public Health (GGD) it concerns 87 organizations. The difference between the two lists is that the island government registration includes associations of patients and insurance companies. But this second one is neither complete nor up to date.

Research in the libraries in Curaçao makes clear that there are no studies on the topic of governance in the local healthcare sector. There is a historical

description of the development of healthcare (Stattius van Eps & Luckman-Maduro, 1973). It should be mentioned that the Foundation Federation Care Institutions (*Stichting Federatie Zorginstellingen*) held a conference on April 23rd 2004 on the topic of healthcare governance.

Given the stage of research in the area of healthcare governance in Curaçao, the objective of this article is to provide a preliminary sketch of the current situation and to create a basis for further future research in this area.

### Structure of this paper

After the introduction, the methodology of research is explained, followed by models for healthcare governance. There is a short description of the historical context of healthcare governance in Curaçao and a description of its current situation. This is followed by analyses of the governance of the healthcare sector in Curaçao. The article is summarized in the conclusions.

### Methodology and delimitations

In the first stage of this research, the literature about healthcare in Curaçao was explored to look for relevant publications on the topic. This was followed by an examination of the research done by international, mainly Dutch, authors on the subject. In the second stage a database of all organizations in the healthcare sector in Curaçao was created. This database was derived from the listing of institutions compiled by the Ministry of Public Health of the Netherlands Antilles and the Agency of Public Health of the Island Government of Curaçao (GGD). All 87 organizations were approached and interviewed in January and February 2006, based on a questionnaire. The conclusions were discussed by a panel of experts at a conference hosted by the University of the Netherlands Antilles on April 22<sup>nd</sup> 2006.

### 1. Models and theories for analyzing the healthcare sector and hypotheses

To analyze governance in Curaçao's healthcare sector, several models were created or presented. Healthcare is financed and inspected by government and the insurance companies and comprises four categories of organizations:

- Governmental organizations that prepare the healthcare policy and legislation;
- The healthcare providers, which are organized in three layers: intramural institutions, polyclinics and residential healthcare providers;
- The professional associations;

- The patients or consumers and their associations: those who purchase the services offered by the providers. This governance healthcare model is inspired by the ideas of Boot & Knapen (1996).

When studying governance, the Agency theory is perhaps the most powerful concept. This literature addresses the nature of contracts between two parties: the principal (or government) and the agent (or bureaucrats) (Bale & Dale, 1998). In the case of Curaçao government (the agencies) and the financers can be seen as principal and the providers and customers' associations as the agents. The Agency theory is related to the concept of the network society. The network society has evolved from the hierarchical society in several stages (Goede, 2005). Based on the previous model the following hypotheses can be formulated:

- Good Governance in the healthcare sector of Curaçao is poor and should be improved.
- Government is the principal, stating the policy and the organizations are agents that execute the policy, based on a service level agreement and report on the progress.
- The behavior of the agents depends on their legal form.

## **2. The historical context of healthcare management in Curaçao**

Curaçao was discovered in 1499 by the Spaniards. The island was confiscated by the Dutch in 1634. With a brief interruption of British rule, the island has remained part of the Dutch Kingdom till this day. The island's surface is 444 km<sup>2</sup> and it has about 140.000 inhabitants, forming a multicultural society. Western medicine arrived on the island when the Spaniards arrived – the original inhabitants, the Indians, had their own, indigenous systems of healthcare – and Dutch medicine arrived on the island in 1634 with the arrival of the doctors on board of the ships of the West Indian Company. After these ship's doctors, healthcare was taken over by the Dutch military doctors and afterwards joined by Jewish doctors who had escaped persecution in Europe. In the very early days, the Catholic Church played an important role in healthcare on the island. It was the Catholic Church that established the St. Elisabeth Hospital in 1855. The Advent Hospital was founded in 1968. The Public Laboratory was opened in 1916 and its current building was constructed in 1964. The Red Cross was established in the year 1931. Around 1874 public health was administrated by a town doctor (*Stadsgeneesheer*) and the Council of Health (*Geneeskundige Raad*). The council's task was to supervise and inspect healthcare on the island.

Between 1915 and 1918 the healthcare was restructured. It was in 1919 that the Departments for Public Health of the Netherlands Antilles were established on each of the islands. In 1951 the Agencies for Public Health of the Netherlands Antilles were created as a consequence of the constitutional changes when the Netherlands Antilles obtained self government (Status van Eps & Luckman-Maduro, 1973).

During a NASKHO-conference on healthcare, held from April 6th -7th 2006, mr. Kamsteeg gave his perspective on the historical development of healthcare from the 1950s until the present. He distinguishes the following periods. The 1950s were the era of charity. It was in the 1960s that government 'woke up' assuming an active role in healthcare. The 1970s formed the period of recognition of the healthcare sector by government. The 1980s was the period of growth of the healthcare sector. The 1990s constituted the epoch of strengthening the financial structure of healthcare. And the new millennium can be recognized as the age of social responsibility

### 3. Current situation in the governance of the healthcare sector in Curaçao

87 organizations are registered as being involved in healthcare in Curaçao.

Type	Frequency	Percent
Government Agency	3	15%
Associations of professionals	10	12%
Clinic	8	9%
Company medical organization	1	1%
Home care	3	3,5%
Institution for care	4	4,5%
Institution for elderly care	9	10%
Insurance company	5	6%
Labor union	1	1%
Other	7	8%
Patient association	26	30%
Total	87	100%

Table 1: Types of organizations in Curaçao's healthcare sector

The number of agencies (13) seems high. However, this is due to the fact that the Healthcare Agency of Curaçao has a broad scope when it comes to registering the organizations involved in healthcare on the island.

That is why the list includes for instance the agency that deals with sports and the agency for urban planning. The organizations in the healthcare sector of Curaçao have several legal structures:

Legal Structures	Frequency	Percent
Government Agency	9	10,5%
Associations	39	45%
Private Company	4	4,5%
Foundation	33	38%
State owned company	1	1%
Sui generis	1	1%
Total	87	100%

*Table 2: The legal constructions of the organizations in Curaçao's health-care sector*

The response for this research was 53%. It should be noted that the response was actually higher because several organizations had merged, reducing their number on the original list. The response is also influenced by the fact that many organizations could not be contacted because their address was unknown or because they were not active.

The government agencies' tasks include policy and legislation development, the purchase of services and the inspection of organizations involved in healthcare. The Executive Council of Curaçao states in its policy that the focus will shift from cure towards prevention and that the stakeholders will be involved in accomplishing the objective of the policy: value for money in the healthcare sector. Priorities are the regulation of the entrance of new healthcare providers on the market, care for the elderly, the increasing participation of stakeholders and construction of a new hospital.

In the policy it is also stated that Island government will purchase healthcare from subsidized organizations via the BZV. Moreover, for the first time a service level agreement was going to be signed with the BZV and the Executive Council Curaçao, which indeed happened (2004). In its Emergency Program, the Central Government of the Netherlands Antilles confirms the necessity of synchronizing its policy with the various Island Governments. Central Government states that it will also be focusing on quality and accessibility of healthcare for citizens. It is remarkable that the policy document mentions the concept of 'health governance' and that this concept is not further explored. The program also mentions the creation of a law on healthcare organizations and the introduction of a general healthcare insurance.



It is remarkable that, while healthcare governance has not been developed, laws on healthcare organizations and the general healthcare insurance have not been introduced either.

Associations and foundations are the most common type of legal structures. Six of these organizations were corporatized (*verzelfstandigd*) in the late 1990s, creating one state owned company and various public foundations. The organizations are of different denominations. The religious denomination is not prominent in 2006, based on the response in this research, although this is still the general perception. This perception is fed by the fact that the hospitals with a religious denomination have always played a prominent role. It should also be pointed out that mergers of organizations with religious denominations have taken place.

The stakeholders of the organizations are: government, the population, healthcare institutes, insurance companies, doctors and patients.

Healthcare organizations involve their stakeholders in several different ways but mainly (45.7%) via meetings with the stakeholders. How often these meetings with stakeholders are held and what is done with their output is unknown.

More than half of the organizations employ less than 25 persons. This means that the majority of the organizations have the configuration of a Simple Professional Bureaucracy (Mintzberg, 1979).

Most organizations in Curaçao's healthcare have only one manager. Most of the organizations in healthcare\* in Curacao (64%, 25 of the 39) have boards of less than 10 persons.

The small size of organizations is a reflection of the small scale of society as a whole. As a consequence it is difficult for organizations to realize economies of scale. There is no relationship between the number of people employed by the organization and the number of persons in the Board. There is, however, a relationship between the task of the organization and the size of the Board. The assumption is that given the objective of the organization, stakeholders are represented in the Board.

Sometimes (in only 5%, two out of thirty-nine organizations) the Commissioner or Minister of Health is a Member of the organization's Board.

19.5 % of the organizations experience political intervention. This is a relatively low number, taking into consideration that five out of the nine organizations, experiencing political involvement, are government agencies.

According to 11 of the 14 organizations surveyed, the duration of service

for board members is in accordance with the bylaws of the organization. It is remarkable that three Private Companies stated that they have violated the bylaws, and that Public Foundations declared that this issue holds no relevance to their organization.

The frequency of Board meetings in the healthcare sector of Curaçao is high. More than half of the Boards meet at least once a month. This brings up the question if in some cases the Board is 'sitting on the lap of management'.

48% of the organizations in Curaçao's healthcare sector are subsidized. The subsidized organizations are public and private Foundations. 21.7% of these organizations have a service level agreement with government. The organizations are government agencies and Public and Private Foundations. It is noteworthy that there are public foundations without an agreement. There are three subsidized organizations that have no signed performance agreements with government.

84.8 % of the organizations reported that they produce an annual financial report. This is an outstanding score. Noteworthy is that it concerns mainly associations that do not *publish* an annual report. 56.5% of the organizations have an accountant who audits the financial report. Half of the organizations periodically report to government about their performance.

The healthcare policy of government is unclear to more than half of the organizations. This number is high if one recognizes that, of the 15 organizations which gave a positive reaction to this question, 7 are government agencies.

63% of the organizations in Curaçao's healthcare sector reported that they are aware of the concept of Corporate Governance. This awareness is relatively low in Private Foundations and Associations. The organizations have a need for more governance frameworks in the healthcare sector.

Another noteworthy fact is that almost all respondents gave a good grade to their management for their performance. Organizations also gave good ratings to the board of supervision of the healthcare sector.

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#### 4. Analyses of the healthcare sector in Curaçao and conclusions

This section discusses the hypotheses formulated earlier, that:

*Good Governance in the healthcare sector of Curacao is poor and should be improved.*

At a first glance, one might conclude that healthcare governance in Curaçao is in a relatively good shape. This conclusion is not correct, given the organizations involved in this research. This study only includes the organizations registered by the government agencies. These organizations are probably in relatively good shape when it comes to governance. Not included in this research are the small private organizations that are poorly governed and that have had bad press lately.

During the conference, some participants were skeptical about the answers given by some of the respondents. They expressed their doubt about some of the foundations really having their annual financial reports in place according to the new law.

*Government is the principal stating the policy and the organizations are agents executing the policy based on a service level agreement and reporting on the progress.*

Of all the organizations that participated in this research, only half report periodically to government agencies. The fact that more than half of the organizations declare that the healthcare policy of government is not clear to them, is an indication that government is not acting as an effective principal.

The healthcare sector in Curaçao is a mix of government agencies, state owned companies, public and private foundations and associations. On March 1st 2004 the New Civil Law Code (*Nieuw Burgerlijk Wetboek*) came into effect. This has changed the landscape of Corporate Governance in Curaçao. The law lays down that members of supervisory boards are personally responsible for the consequences of mismanagement.

According to the law, a clear sign of mismanagement is late annual reporting. Significant is the fact that under the new law it is possible for a stakeholder of a foundation to request an intervention by the court. Radical as these changes under the new law may appear, compared to best practices the law

is disappointing. For example, only big corporations are required to operate transparently by law. In other words only big companies must publish their annual report. Although all organizations must produce an annual report, because these reports are not published, this practice is sometimes neglected.

The two layers of government in the Netherlands Antilles have contributed negatively to governance of the healthcare sector in Curaçao because of the confusing role of government. This issue will be resolved when the two layers of government cease to exist because of the constitutional changes, which are planned to come into effect in 2010. The abolition of the Central Government layer will make the structure more transparent and improve the conditions for Good Governance.

As long as there are two layers of government both Departments of Health on the two levels of government should improve in the area of network management. An up to date database should also be established. In addition, there should be an exchange of information on a regular basis between the two Agencies. This will contribute to making government a more effective and efficient principal.

One of the recommendations of this study is to update the registration of and communication with organizations involved in healthcare in Curaçao by the government agencies.

Government (Central and Island Government) is the official center for policy development of the healthcare sector. This policy should be more clearly communicated to the healthcare sector.

The Board for Public Health (*Raad voor de Volksgezondheid*) was created in 2005. The objective is to involve stakeholders on a regular basis in the process of developing government policy in the area of public health. This is a significant movement from Government to Governance. What is remarkable about the constellation of the Board for Public Health is the absence of the patients' associations and organizations focusing on prevention of disease.

The financing of healthcare in Curaçao is a mixture of the public and market systems. The discussion on the introduction of a general health insurance should be finalized in order to create more clarity.

Organizations involved in healthcare in Curaçao are aware of the issue of governance and have a need and desire for an improved governance framework. Government can take the initiative to develop a code for the healthcare sector.

But this initiative can be taken up by other stakeholders as well. The time is right to move governance in healthcare in Curaçao to the next level.

### **The behavior of the Agents depends on their legal form**

Consumers are organized in patient associations. These associations should be more involved in the process of policy development in the healthcare sector. According to this research there is room for improvement in the governance of the associations.

The healthcare professionals are organized in professional associations. These organizations should function more in accordance with their bylaws. According to this research, associations should improve their governance.

The healthcare institutions are legally mainly structured as Foundations. Others are structured as a Limited Liability Company. It is a concern that Public Foundations are under the impression that the period of a member of the Board is not ruled by the bylaws of the organization. Another concern is that there are subsidized organizations without the performance level agreement.

The small scale of the Curaçao community creates challenges for Good Governance. This is reflected in the so-called Simple Structure of organizations involved in healthcare in Curaçao. Small organizations are dominated by the strategic apex, with little support and limited standardization of process. Standardization is mainly realized via standardization of the skills of the professionals involved in the organization. In cases where the organization has enough volume there is a hybrid of the Simple Structure, Professional Bureaucracy and Machine Bureaucracy. This means a governance system that should be improved.

At first sight, political intervention seems limited. This may be a consequence of the characteristics of the Professional Bureaucracy. Influence in the professional organization is mainly based on knowledge of the profession and not on political power.

The perception might be that the Catholic Bishop plays a significant role in the governance of healthcare in Curaçao. This perception is a historical vestige and only plays a role when it comes to the St. Elisabeth Hospital. Boards of organizations in healthcare in Curaçao meet frequently. This indicates that organizations are well supervised. That raises the question whether they are not too closely supervised. Is the board not 'sitting on the lap' of management?

Based on this research one might conclude that financial management of the organizations is in order. The majority of the organizations produce a financial annual report and the majority has an accountant auditing this financial report. As stated during the conference, this finding was challenged.

### Recommendations discussed

At the conference held on April 22nd 2006 the participants discussed the possibility of creating a database to register all institutions, managers, board members and professionals involved in the healthcare sector. The objective of this database is to make the sector more transparent and to improve communication *within* the sector and *with* the sector.

The conference also proposed to develop a governance code for the healthcare sector. As part of this Governance Code, all organizations should publish an annual report. During the conference it became apparent that the Minister of Health is in the final stage of preparing two laws; the first one to regulate the entrance of professionals in organizations in the healthcare sector and the second one to regulate the submission of annual reports by organizations, regarding their annual activities.

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### **Miguel Goede – Curriculum Vitae**

Dr. Miguel P. Goede is an Associate Professor at the University of the Netherlands Antilles. His area of research is Good Governance for Sustainable Development for Globalizing Small Island Developing States in the Caribbean. His work includes over 30 publications. The governments in the Dutch Kingdom as well as the private sector frequently solicit his advice.

He studied Public Administration and Political Science from 1981 till 1987 in Nijmegen, the Netherlands. He worked as policy advisor for the island government of Curaçao from 1987 till 1993. In 1993 he joined Arthur Andersen till 2001. In 2005 he obtained his PhD in Public Administration at the University of Brabant, the Netherlands.

He is currently involved in the ICT Platform of Curaçao, updating the government policy to facilitate the knowledge and creative society of Curaçao. His preferred research method for studying globalization is by attending international conferences, especially in emerging markets.