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Outline: Tax-financed welfare services

• The why and how of privatization – choice and competition

• Education and independent schools

• Health care; telemedicine

• Learning from the Swedish experiment
“One task is to maximise the role of markets and individual choice…The state must also seek to be nimble and efficient.”

– Leader Nov. 20, 2021
Major reforms from 1990s

Government institutions

Product markets

Social welfare
Privatization spurred from local initiatives

- Thatcher elected in the UK
- Reagan elected in the U.S.
- First for-profit hospital 'Cityakuten'
- 'Lex Pysslingen' Prop. 1983/84:177
- Private preschool 'Pysslingen' starts
- Privatized care of elderly in Danderyd
- Major fiscal and financial crisis in Sweden
- 'Prop. 2008/09:74' Law for freedom of choice 'LOV'
- Allow independent schools, 'Prop. 1991/92:95'
- Sweden joins EU
- Prohibition against for-profit hospitals, 'Prop. 2000/01:36'
Quasi markets – risks and benefits
Profit levels grossly overestimated

Population believes 26 %

Actual profit margin 5 %
Private production shares 2017

- Personal assistance to the disabled: 75
- Primary health care: 37
- High school: 26
- Home-care service: 24
- Nursing home: 20
- Pre-school: 20
- Compulsory school: 15
- Specialized health care: 7
Education and independent schools
Share of students in independent schools, percent

Source: Swedish National Agency for Education
Free schools have improved results

Compulsory education
- Higher value-added scores
- More satisfied students
- Improved results
- Lower costs per student

Upper-secondary education
- Better results
- More inclined to attend post-secondary education
- Grade inflation worse: due to deep structural flaw in policy design
Increased segregation?

- No evidence on strategic behavior of where to locate free-schools (Angelov and Edmark 2016)
- Increased segregation: mostly due to housing (Böhlmark et al. 2016), but school choice has contributed (Fredriksson and Vlachos 2011)
- No evidence of systematic discrimination against disadvantaged groups (Edmark et al. 2014), but “fake inquires” revealed more subtle discrimination (Ahmed et al. 2020)
Health care and telemedicine
Privatization of health care

- Small quality differences
- Improved access
- Private hospital lower costs and more efficient

Choice Reform (LOV)
Telemedicine – popular but controversial

- Through mobile BankID, patients can access tax-financed telemedicine in Sweden
- Amount paid is on par, or lower, than physical meeting – about $20
- Subsidy first large, but lowered in several steps
- Advantages: avoid travel, better matching, language, more efficient
- Disadvantage: without good e-triage, risks overconsumption; harder to diagnose
Telemedicine accounts for 11% of primary health care

Number of digital visits in 2020 – gender and age
What have we learned?
The Swedish experiment – next steps

• Key to deliver quality services
  – Grade inflation avoidable; better use of technology

• Welfare services 20 percent of GDP

• Not getting the full benefits of telemedicine: scale and network effects

• Tougher monitoring of both private and public welfare services
  – Strengthen regulatory oversight
  – Unannounced inspections
  – Close things down