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Inside Outsourcing: Experiences of Outsourced Physical Therapy Services in Dutch Hospitals

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Abstract

Over the past years, it has become more common in Dutch hospitals to outsource allied healthcare services to the private sector. This development has affected hospital-based physical therapy significantly. And as a result, there is an increasing need for guidance in this new situation. In response to this, the Dutch Association of Physical Therapy in Hospitals (NVZF) conducted a comprehensive study into the process of outsourcing with the objective to inform and advise physical therapy services in hospitals about outsourcing developments. Eight Dutch hospitals where physical therapy services had been outsourced or where this option was explored, were interviewed. The EFQM-Model (European Foundation for Quality Management – Excellence Model) was used to examine the outsourcing process. This provided the following insights into the outsourcing process of physical therapy in Dutch hospitals: (a) three motives of the board of a hospital to outsource the department of physical therapy and three factors influencing whether outsourcing will occur, (b) four different organizational structures of physical therapy services, two of which reflect outsourced services and (c) nine critical factors to be considered by hospital-based physical therapy services when outsourcing occurs. The results of the research were summarized in a Dutch guideline consisting of three parts named “Identifying Motives for Outsourcing and the Probability of Outsourcing”, “Organizing according to the Right to Exist”, and “Development Goals for the Future using the Critical Factors from the Research Results”.

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Inside Outsourcing: Experiences of Outsourced Physical Therapy Services in Dutch Hospitals – an Opinion Piece

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ABSTRACT

Over the past years, it has become more common in Dutch hospitals to outsource allied healthcare services to the private sector. This development has affected hospital-based physical therapy significantly. And as a result, there is an increasing need for guidance in this new situation. In response to this, the Dutch Association of Physical Therapy in Hospitals (NVZF) conducted a comprehensive study into the process of outsourcing, with the objective to inform and advise physical therapy services in hospitals about outsourcing developments. Eight Dutch hospitals where physical therapy services had been outsourced or where this option was explored were interviewed. The EFQM-Model (European Foundation for Quality Management – Excellence Model) was used to examine the outsourcing process. This provided the following insights into the outsourcing process of physical therapy in Dutch hospitals: (a) three motives of the board of a hospital to outsource the department of physical therapy and three factors influencing whether outsourcing will occur; (b) four different organizational structures of physical therapy services, two of which reflect outsourced services; and (c) nine critical factors to be considered by hospital-based physical therapy services when outsourcing occurs. The results of the research were summarized in a Dutch guideline consisting of three parts named 1) Identifying Motives for Outsourcing and the Probability of Outsourcing, 2) Organizing according to the Right to Exist, and 3) Development Goals for the Future using the Critical Factors from the Research Results.

Keywords: outsourcing, hospitals, allied health care, opinion, Netherlands, NVF, physical therapy, physiotherapy

INTRODUCTION

In 2011, the Dutch government presented a new policy on healthcare. A key point of this policy is to concentrate expensive, complex, and acute care in hospitals, while ensuring that less complex general healthcare is provided in close proximity to people.¹ This development led to the substitution of hospital care by general care (care as directed by general practitioners) and general care by self-management. Consequently, hospitals experienced minimal growth in production, transferred part of their production to general care outside the hospital, and focused on complex care. This led to drastic financial cutbacks and a reassessment of the organization of care.² One of the leading principles in this reorientation is to ensure the effectiveness and efficiency of every aspect of hospital care.

This development has affected allied healthcare (physical therapy, occupational therapy, speech therapy and dietitians), which is a specific service in the ninety Dutch hospitals and operates as a cost center (a department which contributes to a company's profitability indirectly). In some hospitals, the reorientation has already led to the outsourcing of (parts of) services of allied healthcare to general care.

However, after the introduction of the new policy, hospital-based allied healthcare services were not provided with any guidance regarding the process of outsourcing or the consideration thereof. In response to this problem, the Dutch Association of Physical Therapy in Hospitals (NVZF), representing 1,891 physical therapists working in hospitals, analyzed the process of outsourcing, while focusing on physical therapy. This analysis was conducted with the purpose to get insight into: a) the motives of the board of the hospital for outsourcing and the factors influencing whether outsourcing will occur; b) the effect of the new outsourcing trend on the organizational structure of the department of allied healthcare; and c) factors affecting the success of the outsourcing process. The NVZF has created a guideline that discusses these elements and recommends certain practices to hospital-based physical therapy in the process of outsourcing.

METHOD

The NVZF invited nine hospitals that have outsourced or considered outsourcing (parts of) hospital-based allied healthcare services in the period from 2012 to 2015, to participate in a policy-based research into the process of outsourcing. There was no intention to carry out scientific research since no patients were involved. Furthermore, no approval from an ethics committee or institutional board was needed. After the interviewees signed a participant consent in accordance with Dutch law and standards, the researchers visited eight hospitals and interviewed the management of the hospital-based allied healthcare services. Nine interviews were planned and executed, each having a duration of 60-90 minutes. These interviews were conducted following a topic list, a fixed set of semi-open questions, as developed by the board of the NVZF based on input they received from the field (Appendix 1). Information was gathered about the motives for outsourcing, the way it had been executed and critical factors for the success of the outsourcing process. For the latter part, the EFQM (European Foundation of Quality Management)³ excellence model was used as a framework. This model is commonly used in European and Dutch healthcare as a framework for quality management and organizational excellence.⁴ Following the topic list, the researchers wrote down the responses provided by the management simultaneously and assembled them in one interview report for each visited hospital, after having reached consensus about the content. Afterward, an inductive content analysis of the reports was carried out, using Atlas.ti 7 software.⁹⁻¹¹ After open coding, the EFQM model was specifically used for grouping and categorization of the critical success factors. The factors "leadership," "people," "policy & strategy," "partnerships & resources," "processes," "people results," "customer results," "society results," and "key performance results" were grouped in the categories "enablers" and "results."^{3,4} Figure 1 shows the EFQM model, the groups and categories, and the way in which these entities are related.

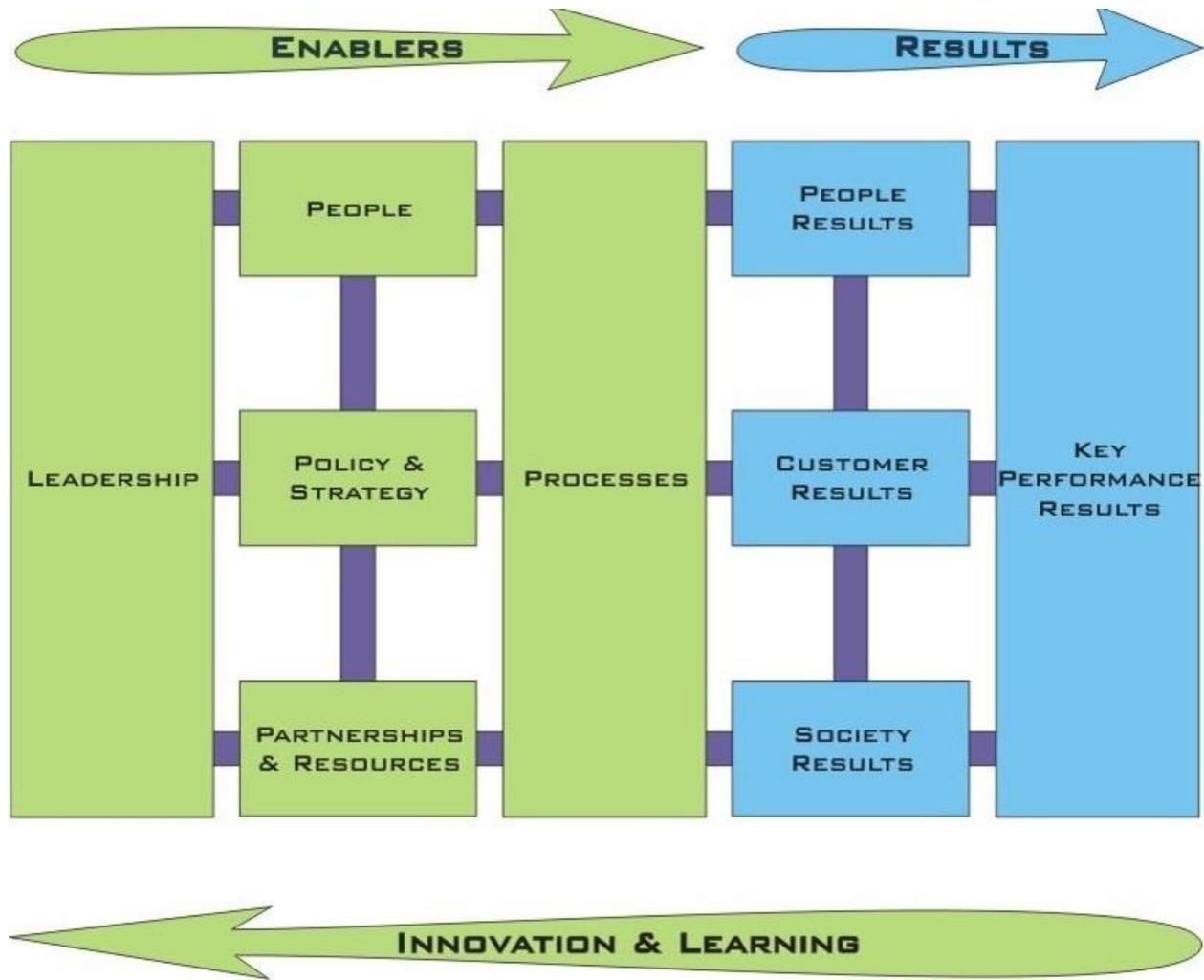


Figure 1: EFQM Model

RESULTS

Eight hospitals accepted NVZF's invitation to participate in the research, one refused for reasons of sensitive business information. The eight interviewees were all responsible for the hospital-based allied healthcare and/or hospital-based physical therapy. Five of them were male, three were female, with an average age of 51.8 years (SD 6.8). Their average years of experience in their positions were 6.5 years (SD 4.7).

The results are summarized in Table 1.

Table 1: Summary of results on the main categories

ISSUE	RESULTS
Motives for outsourcing	<ol style="list-style-type: none"> 1) The financial situation of the hospital 2) Presence of a vision and strategy of allied healthcare 3) The ratio of operations between in- and outpatients
Factors influencing outsourcing	<ol style="list-style-type: none"> 1) Hospitals in a negative financial situation 2) Hospitals lacking vision and strategy on how to develop the allied health care services 3) Hospitals providing the majority of allied health care services to outpatients

Organizational structures	<ol style="list-style-type: none"> 1) Allied health care remains part of the hospital 2) Allied health care remains part of the hospital with some opening to the publicly financed general care (networking) 3) Only operations on outpatients are outsourced 4) Operations on in- and outpatients are outsourced
Nine critical factors for success	<ol style="list-style-type: none"> 1) A clear and inspiring vision of allied healthcare 2) Lean process management 3) Transparency of quality 4) Labor conditions 5) Focus on the care of inpatients 6) Treatment of outpatients with high complexity and/or urgency 7) Clear communication 8) Self-empowerment of therapists 9) Focus on a long-term policy

Analysis of the interviews resulted in three main insights into the process of outsourcing: motives of the board of the hospital for outsourcing, factors influencing whether outsourcing will occur, different organizational structures of the hospital-based allied healthcare services after outsourcing, and critical factors to be considered specifically by physical therapy services for a successful outsourcing process.

The research demonstrated that the process of outsourcing is usually initiated by the board of the hospital or a private corporation operating in general healthcare. After having identified the motives for outsourcing, three factors seemed to indicate whether outsourcing will occur. These factors are the financial situation of the hospital, the presence or absence of a vision and strategy of the allied healthcare services, and the ratio of operations between inpatients and outpatients where relatively more outpatients undergo treatment of the allied healthcare service. The hospitals most likely to outsource are hospitals in a bad financial situation that lack a vision and strategy on how to develop the allied healthcare and that provide the majority of services to outpatients.

In the situation of the Netherlands, four organizational structures of hospital-based allied healthcare services were identified, considering the recent development of outsourcing, as shown in Figure 2.

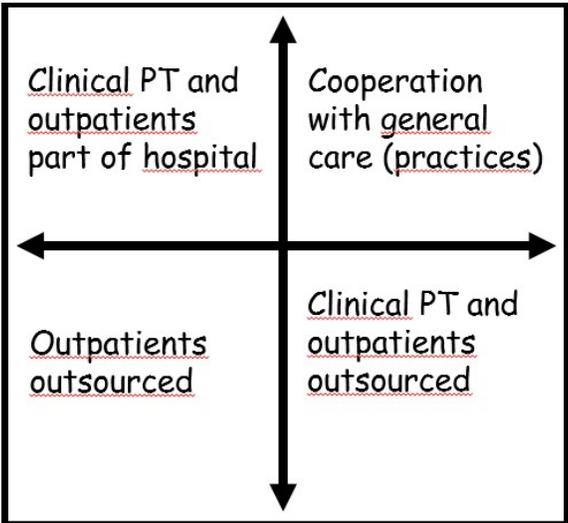


Figure 2: Organizational structures of hospital-based allied healthcare services

After an extensive analysis of the information classified by the EFQM excellence model nine factors were identified that contribute to a successful outsourcing process for hospital-based physical therapy: a clear and inspiring vision of allied healthcare, lean process management, transparency of quality, labor conditions, focus on care of inpatients, treatment of outpatients with high complexity and/or urgency, clear communication, self-empowerment of therapists and focus on long-term policy.³

DISCUSSION

First of all, the main motive to outsource is financially driven. For more than ten years, it has been unclear whether services provided by therapists to outpatients should be paid by health insurance companies as is the case in general care, or by hospitals out of their clinical budget. Similarly, either the health insurance companies or the hospital pays for bills for outpatients depending on who refers the patient: the general practitioner or the medical specialist working in the hospital. This has aggravated the uncertainty of hospitals.

Besides this, organizational motives are prevalent in hospitals that develop a strategy to only finance primary hospital care (doctors and nursing), which leads directly to the outsourcing of all support services including allied healthcare. The services then needed are indirectly financed by service level agreements, most of them on an annual base. Finally, the motive to outsource could be capacity driven when the board of the hospital believes that the service of allied healthcare provided to the hospital is not sufficiently profitable given the square meters the allied healthcare occupies in the hospital. This motive often becomes relevant when a hospital is renovating or building a new hospital.

The first two structures of Figure 2 demonstrate traditional organization models. In both structures, the department of allied healthcare remains part of the hospital organization. In the *first* model, all operations are performed as part of the hospital, which was the situation in all Dutch hospitals before 2012. The *second* model demonstrates some opening to allied healthcare practitioners working in the publicly financed general care. In this situation, networks are implemented for certain groups of patients to be able to continue providing allied healthcare when they are dismissed from the hospital and to develop knowledge together about evidence-based and best practices for these groups.

On the contrary, in the latter two structures, the recent development of outsourcing is reflected. They present contemporary models in hospitals where allied healthcare is dealing with outsourcing. In the *third* scenario, only operations for outpatients are outsourced. The allied healthcare services for inpatients remain part of the hospital organization. This means that therapists who work for outpatients are no longer employed by the hospital but are either employed by private practice(s) or start their own private practice of general care, within the hospital. The *fourth* scenario demonstrates the situation where all services, inpatient and outpatient, are organizationally fully outsourced to the private general care and treatment still takes place at the hospital.

Successful processes of outsourcing depend on nine critical factors. First of all, it is important to develop a clear and inspiring vision of allied healthcare, which is not only in line with the strategy of the hospital but is also flexible enough to evolve alongside changes in hospital policy. When the allied health services adopt policies consistent with its vision, it will strengthen its values and inspire its contributors and main stakeholders of the provided services. Secondly, lean process management is critical to the success of outsourcing. By organizing work processes more efficiently, the provided allied healthcare would be more profitable for the hospital and of value to more patients while maintaining the same number of employees.

Transparency of good quality has been identified as a third critical factor. A successful formula for allied health services is to treat specific patient groups of the hospital with exceptional quality and to demonstrate within the borders of a leading quality system (JCI or Qmentum for example) the outstanding quality of the services by showing the results achieved.^{5,6} This should then become part of the marketing strategy of the hospital for these special groups. A fourth factor to focus on is labor conditions. In the Netherlands, these conditions differ for therapists working in hospitals and general care (private practices). There is a collective labor agreement for hospital employees, but not for workers in private practice, and the emphasis in private general care is on profit in contrast to a hospital where quality is emphasized. Both conditions make a transformation from hospital therapist to a private therapist very complex, with even the risk of disturbing some laws on social policy in the Netherlands. A fifth important factor is to focus on inpatients instead of outpatients. Returning to the core business of the hospital ensures that the allied healthcare services remain closely connected to the hospital; at the same time, it strengthens the relationship with important stakeholders such as medical specialists, the board, and management.

The fifth key factor is closely related to the sixth key factor, namely to treat only outpatients whose treatment would correspond to the expertise of the hospital or who are too complex or urgent to treat in general care. This policy should not be adopted for profit but to encourage quality, special research, and innovation. Profound knowledge of allied healthcare offered in the surroundings of the hospital is highly important. In deciding which care to provide within the hospital and which care to outsource, a model called the "Zwolle Model" could be of help.⁷ As shown in Figure 3, this model divides patient diagnosis groups depending on the complexity and/or urgency of their disease in different needs they have in self-care, general care or complex care.

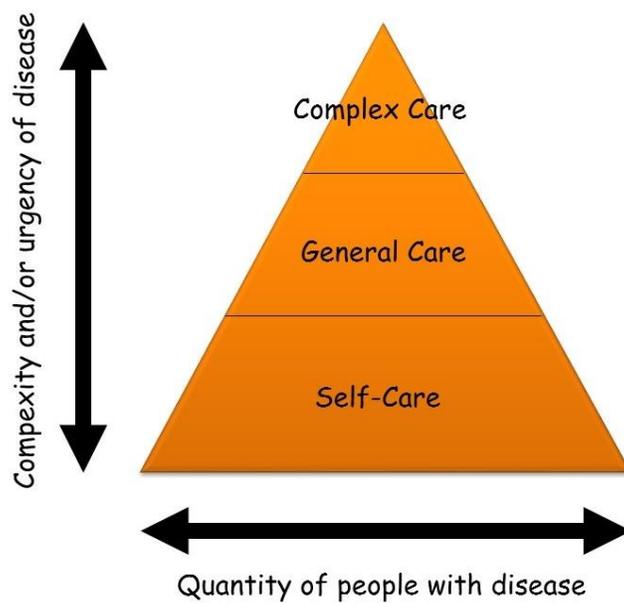


Figure 3: Zwolle Model

Clear communication at every stage of the process is a seventh critical factor for the success of outsourcing. This is not only important for therapists to maintain a good relationship with the hospital, but also to prevent the most experienced therapists from leaving the hospital to find a job elsewhere, which would result in a significant loss of clinical expertise. Directly related to this is the eighth critical factor: the self-empowerment of therapists. Employees who are satisfied with their job deliver better results than unsatisfied employees. A higher job satisfaction can be achieved by giving employees of the allied healthcare services more responsibility in organizing and performing their work duties and more involvement in the decision-making process of the department whether to outsource or not.

The ninth and last critical factor relates to the question whether the focus of outsourcing should be on the short term or long term. In the short term, outsourcing of allied healthcare could be considered profitable by the board of the hospital. However, in the long term, outsourcing is a difficult process which requires the same amount of financial resources for the department of allied healthcare without outsourcing it. This is because therapists would be hired for a higher price than the former cost price in allied health service, tax shortfalls, and the extra effort spent by nursing staff to align the allied health services with primary care.

Limitations

Limitations of this study are the significant differences in local policy and organizational structures of the eight interviewed hospitals. As a result, the saturation of the qualitative data was not always optimal. For example, all interviewees carry different job titles. On the other hand, this study included almost the maximum number of hospitals in the Netherlands where outsourcing was discussed. More data was not available. Furthermore, we only interviewed employees responsible for the hospital-based allied healthcare and/or physical therapy, not members of higher management or the board of the hospitals. Therefore, the results we found are only from the perspective of the management of allied healthcare and/or physical therapy, and therefore typically inside-out results.

Generalization of the results is debatable. Because we researched the complete Dutch situation, generalization can only take place internationally. However, internationally, the (financial) organization of healthcare differs significantly and it is doubtful whether this research can be generalized. Nevertheless, we hope that some similarities exist so that global hospital-based allied healthcare services could benefit from our findings.

Guidance

The NVZF assembled the research outcomes into a model, in order to provide guidance to the departments of physical therapy in hospitals as to when outsourcing should be explored by the board or management of the hospital. This model was primarily designed by both authors/interviewers and finalized after presenting and discussing it in the board of the NVZF.

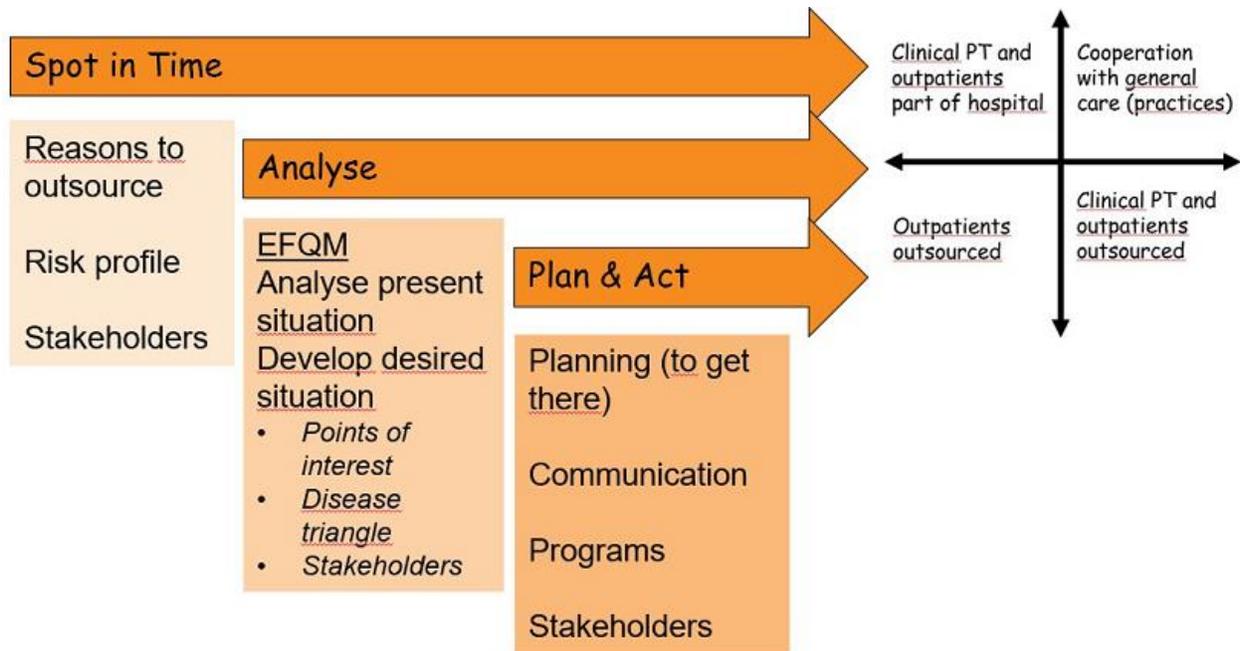


Figure 4: The outsource model

According to Figure 4, the outsource model consists of three phases. The first phase consists of identifying any development that could lead to outsourcing. These developments can be identified by analyzing hospital policy and by communicating with the most important stakeholders of hospital-based physical therapy services. In the second phase, the EFQM excellence model is used to analyze the present situation and to decide upon the desired structure in which the departments of allied healthcare should be organized.³ The identified critical factors and the “Zwolle Model” could be useful in our opinion, as well as the involvement of the most important stakeholders.⁷ Finally, in the third phase, the desired outsourcing process should be realized by planning and programming, good communication and the involvement of major stakeholders.

CONCLUSION

By interviewing eight hospitals where (partial) outsourcing of allied healthcare services occurred or was considered and by using the EFQM excellence model as a framework, important insights into the process of outsourcing in the Dutch situation came to light. Motives for outsourcing are the financial situation of the hospital, a focus on primary care, and lack of space. Factors influencing the probability that hospitals will outsource their allied healthcare services are a bad financial situation, the absence of a vision or strategy of their allied health services, and the ratio of production between in- and outpatients where relatively more outpatients undergo treatment by the allied healthcare service.

From the four structures in which hospital-based allied healthcare can be organized, two new structures have developed besides two old structures, as a result of the impact of outsourcing. Nine critical factors to consider for a successful implementation of outsourcing the hospital-based physical therapy services are a clear and inspiring vision of allied healthcare, lean process management, transparency of quality, labor conditions, focus on care of inpatients, treatment of outpatients with high complexity and/or urgency, clear communication, self-empowerment of therapists and focus on long-term policy.

Implications for Practice

The gathered information has been summarized in a guideline for the NVZF and their members.⁵ The NVZF board and members have indicated that this model is useful and provides important guidance when the outsourcing of hospital-based physical therapy is considered. Although this policy-based research focuses mainly on physical therapy as a part of allied healthcare in Dutch hospitals, we think that the conclusions could apply to a large extent for other hospital-based allied healthcare in the Dutch situation.

Implications for Research

Even though it was not the purpose of this research, in our opinion, the data has demonstrated that no conclusions can be drawn on the question of whether an outsourcing process has been successful. This is a complex issue and difficult to measure. The research has demonstrated that the success of hospital-based physical therapy services depends on adopting a clear vision and

leading one's own transformation rather than opting to outsource or not. Our recommendation is to study the success of outsourcing in a follow-up research, which should depend on a fully scientific design.

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