THE SHIFTING BALANCE OF PUBLIC AND PRIVATE INPATIENT PSYCHIATRIC SERVICES: IMPLICATIONS FOR ADMINISTRATORS

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ABSTRACT: Privatization of mental health care is a major trend in the delivery of mental health services. Besides the marked expansion of private and proprietary facilities there are more complex mechanisms at work, such as conversion from public to private auspices, substitution of private for public inpatient capacity, and overlapping of services between the two sectors. Administrators feel pressure to adopt "business-like" approaches as nonprofit institutions emulate for-profit ones. These influences are described, including increasing marketing, advertising, subspecialization and competitive strategies. The authors suggest that it remains a challenge for administrators to maintain those goals and outcomes most consistent with the mission of the institutions in which they work.

Introduction

The American health care system is a predominantly private sector enterprise (Marmor, Schlesinger & Smith, 1986; Starr, 1982). Until recently, mental health services have been a notable exception to this pattern of a private delivery system, especially for hospital care—some 90% of mental health inpatient services had, by the mid-1900s, been provided by public facilities in the more than 300 state and county mental hospitals with a capacity of over half a million beds (Morrissey et al., 1986).
In the past 10 years there has been a marked shift toward private freestanding psychiatric hospital units and beds—often managed by investor-owned multihospital companies—and in private, largely nonprofit, general hospital psychiatric units and services (Schlesinger & Dorwart, 1984). This shifting balance of public and private inpatient psychiatric services, which we refer to as privatization, has enormous implications for mental health administrators in public and private hospitals and in community-based settings. This paper describes and critically assesses the impact of privatization on mental health administrators.

**PRIVATIZATION AS A MAJOR TREND**

Privatization refers in general to the increasing provision of services in the private sector. In mental health it refers both to the growing number of private nonprofit and for-profit psychiatric facilities and the increased purchase of services from the private sector by public agencies. Many public policies have encouraged the development of mental health services in the private sector. Deregulation, for example, has allowed the continued expansion of general hospital inpatient units for adult patients, separate units for children, and increased services for patients with addictions. Privatization has many dimensions that range from corporate ownership by multihospital companies to joint ventures between nonprofit hospitals and for-profit companies. In its various forms, privatization has emerged as a major trend in the mental health sector over the past two decades.

National data on psychiatric inpatient services show that the increase in private ownership of psychiatric inpatient services is substantial. The proportion of all nonfederal psychiatric inpatient beds in private facilities (profit and nonprofit) has changed from less than 10% in 1970 to nearly 33% today. Between 1970 and 1987, the proportion of total nonfederal psychiatric inpatient beds in the U.S. under corporate for-profit auspices increased from one percent to 15% (Dorwart & Schlesinger, 1988).

Whereas 90% of general health care inpatient services in the United States are provided in the private sector, until recently the reverse was true for mental health inpatient care. It is clear that the current trend toward privatization will mean that the future financing and organizational environment both in the public and private provision of services will be more diverse and complex than in the past. Table 1 summarizes the growth of proprietary psychiatric hospitals owned by multihospital systems from 1980 to 1987 in number of hospitals and beds.

Much of this growth resulted from the purchase of what were formerly nonprofit hospitals, but some of it, especially in the past few years, is from construction of new facilities. This growth is continuing at a rapid pace. Clearly, proprietary psychiatric hospitals have become a major presence in