

WHAT INFLUENCES NONPROFITS PERFORMANCE IN HEALTH POLICY

ABSTRACT: In recent decades nonprofits became a major actor in Brazilian health public policies. Health policy contracts between nonprofits and government focused initially on service provision, but the developments in their relationships in São Paulo reveals that over time the tasks and roles of each actor evolve. There are health nonprofits whose expertise is in managing contracts with the city government of São Paulo, while others manage simultaneously contracts with other local and regional governments, and for a third group the contracts with government are only a small part of their operation. Also, these organizations present a different level of commitment to the area where they work. By analyzing the contracts and interviewing key actors involved in this process, we intend to identify organizational characteristics that may influence the performance of government-nonprofit contracts in São Paulo. This research can inform actors on upcoming changes in contract management based on these associated characteristics.

KEYWORDS: nonprofits; health policy; policy making

1. INTRODUCTION

Hybridization of policy arrangements is part of the changes imposed by the reforms around the world. This process means that different sectors – governmental, non-profit and private – cooperate and intersect in the implementation of public policies (Bielefeld & Cleveland, 2013; Considine & Lewis, 1999, 2003; Thomann et al., 2018). Hybridization is conceived as formal and informal arrangements through which different sectors and governance mechanisms overlap (Seibel, 2015). Its functioning depends on the ability of organizations to adapt to multiple organizational logics (Fossestøl et al., 2015). As a result, hybridization produces diverse effects for public policies and for the different actors who implement them (Thomann et al., 2018).

The hybridization process raises several questions about the ability of organizations to cooperate, especially when their institutional environments are very different and the development of policies “requires change in the ‘operating culture and procedures’ (Scheirer, 1994, p. 62) of multiple organizations (Kinney, 2006)”. Understanding how this cooperation process occurs and how organizations develop skills to move between different institutional environments in the production of policies is a central theme in this literature. Although understanding of these processes has improved, there are still gaps in our knowledge of what effects hybridization has for the organizations involved, especially when very different institutional values are at stake. Which kind of organization performs better during processes of hybridization? Which mechanisms are behind the performance? These are questions to be addressed by this paper in which we empirically observe the Brazilian case.

The process of hybridization has increased in Brazil over the last years, especially concerning the involvement of nonprofit organizations in areas as health, social work and, recently, education. In this paper we analyze the case of nonprofits in health policy. Nonprofits have a long history of action in the Brazilian health policy. In fact, many of the first hospitals in Brazil were not-for-profit organizations maintained by religious orders (Landim, 1998). During the 20th century, however, the state and private for-profit organizations increased their actions in the country. Despite that, nonprofits were always part of the Brazilian health system, and these organizations gained a new importance with the managerial contracts (“*contratos de gestão*” in Portuguese) created in the 1990s.

The state reform conducted by Fernando Henrique Cardoso government in Brazil introduced this new form of contract as a way to maintain the supply of free public services, but offered by nonprofit organizations that receive public funds and would supposedly respond to government directions with more efficiency (Bresser-Pereira, 2010). A nonprofit that intends to sign a managerial contract with a government Brazil must first obtain from this government the title of social organization (“*organização social*” in Portuguese). Only organizations that fulfil certain requirements, such as publishing its results, having an elected board, and previous experiences in their field of action, may apply to become a social organization.

Previous studies claim that health policy contracts established by the São Paulo regional government are a paradigmatic case of the Brazilian state reform (Sano & Abrucio, 2008). These studies evaluate these health managerial contracts by different lenses, concluding that they present a better performance measured for instance by more services provided with a lower cost (Ferreira Junior, 2003), but they bring limited advances to accountability in the sector (Contreiras & Matta, 2015; Sano & Abrucio, 2008). By 2011, more than 60% of the public health equipment in city was managed by nonprofits (Contreiras & Matta, 2015). Since then, evidence indicates that nonprofits’ participation in health policy grew even more in São Paulo, with a complete renovation of the contract between 2014 and 2016. Besides, the policy arrangement of nonprofits’ participation in health policy expanded to several neighboring municipalities.

Despite the scale of these partnerships, there is limited knowledge on the performance actually achieved by nonprofits when they manage public health facilities over the course of many years. Is there variation in nonprofits’ performance? Who performs better? Interviews and literature review lead to hypotheses related to a proper knowledge of community needs, nonprofits’ resource dependence, and stewardship theory. Overall, resource dependence is associated with an improved performance. Results regarding stewardship theory and the level of community deprivation are mixed, but positive and significative for certain goals. These answers can help inform improvements in health policy in São Paulo.

Taking these questions into account, this paper intends to explore how organizational characteristics relate to the performance of nonprofits in São Paulo’s health policy. Previous research highlighted the inadequacy of the government structure to properly regulated and manage contracts with social organizations providing health policy (Contreiras & Matta, 2015). Research claims that health policy contracts established in São Paulo are a paradigmatic case of the Brazilian state reform (Sano & Abrucio, 2008). These studies evaluate health managerial contracts by different lenses, concluding that they present better performance in relation to government’s management of health facilities (Ferreira Junior, 2003), but research also suggest that these contracts bring limited advances to accountability (Sano & Abrucio, 2008). It remains unclear, however, what influences a nonprofit better performance. Therefore, this paper discusses, specifically:

- 1) If different nonprofits performance similarly when providing health services in contracts with the São Paulo local government;
- 2) What factors determines a better performance for nonprofits providing health services in contracts with the São Paulo local government.

2. THEORETICAL APPROACH

One of the major effects of New Public Management (NPM) reforms was the incorporation of different types of non-state organization into public service provision (Thomann et al, 2018). Via various partnership or contracting arrangements, non-profit and private organizations began to develop hybrid models of service provision with state organizations. This hybridization process has had several consequences for both policies and provider organizations, as it requires

the development of skills that will allow organizations to move between multiple organizational logics. Moreover, analyzing the effects of the process of hybridization, the literature points out that different types of arrangements and different factors influence the performance of these organizations and the policies they implement. Factors as resources, degrees of dependence and knowledge are important to explain the differences in the way organizations operate under processes of hybridization.

Considering the goal of identifying organizational factors that help to explain performance in government-nonprofit contracts, this research presents three hypotheses:

2.1. Resource dependence

Previous studies present positive evaluations on government-nonprofit collaborations, such as the specific knowledge that nonprofits have on the territory where they act (Boris & Steuerle, 2006). Cross-sector collaborations may lead to better results than government and nonprofits working autonomously (Bano, 2018). On the other hand, such arrangements may have negative outcomes (Bryson et al., 2015). Nonprofits may become dependent on government funding, changing their priorities to continue these relationships, while the government may also become dependent on the nonprofit for service provision, for instance (Khieng & Dahles, 2014). A balanced and mixed funding structure may be important for nonprofits to avoid this dependence (Frumkin, 2002).

Looking strictly on the government perspective, however, when a high share of the nonprofits' budget comes from contracts with that government, it is expected that these nonprofits will be more willing to comply with government orientations, because the risk is too high of losing the contract if these instructions are not followed. Therefore:

Hypothesis 1) A higher dependence on government funds will be associated to nonprofits better performance on goals established by the government

2.2. Stewardship theory

Government-nonprofit relations evolve over time. Van Slyke (2007) discusses the importance of nonprofits changing their role from government agents to stewards. Applied to the relation between government and nonprofits, stewardship theory assumes that the interest of both parts can be aligned to reach collective goals and solve public problems based on trust and reputation build between the partners (Van Slyke, 2007). Stewardship theory assumes that actors are intrinsically motivated in these arrangements (Van Puyvelde et al., 2012). In fact, this point can be related to the resource dependence previously mentioned. Bennett & Savani, (2011, 217) mention how nonprofits act strategically to “initiate, direct, control, and assume overall strategic responsibility for state-funded activities” when facing mission-drift due to resource dependence. Therefore, if the relationship between government and nonprofits moves in this direction, it is expected that nonprofits will perform better than in a principal-agent arrangement.

Hypothesis 2) In a stewardship relationship between nonprofits and government, nonprofits are expected to perform better than in a principal-agent relationship.

2.3. Local knowledge

Many studies suggest that a benefit for the government when hiring nonprofits is to gain access to communities where government legitimacy can be damaged (Jing & Hu, 2017; Smith & Lipsky, 1993). Assuming that the government is successful in identifying nonprofits with a proper level of knowledge of the territory where they work, nonprofits acting in resource deprived areas are more likely to perform better than in non-deprived areas.

Hypothesis 3) Nonprofits working at most deprived areas are more likely to reach higher levels of performance than nonprofits working at less deprived areas.

3. METHODOLOGY

This research relies on two types of data: interviews with actors involved in managing government-nonprofit contracts for health policy in the city of São Paulo; and an original dataset build with characteristics of the districts where nonprofits' work, their financial statements, and performance evaluations.

3.1. Interviews

Seven interviews were conducted with actors with experience in different roles of the government-nonprofit contracts: three with individuals who worked at the São Paulo local government managing contracts with nonprofit service providers, and four with workers from two of these nonprofit providers. The table below details these interviews

Table 1 – Interviews

Organization	Interviewee role	Date
Nonprofit A	Contract manager	04/27/21
Nonprofit A	Health center manager A	04/27/21
Nonprofit A	Health center manager B	04/27/21
Nonprofit B	Primary care manager	08/06/21
São Paulo government – health department	Former chief of staff (2015-2016)	05/13/21
São Paulo government – health department	Health secretary in Maua; former health secretary in Osasco and São Paulo	05/19/21
São Paulo government – health department	Contract manager	05/20/21

Management contracts are organized territorially in the city of São Paulo. That is, among the 96 districts of the city of São Paulo, management contracts with nonprofits cover 94 of these districts, distributed among nine organizations.

The goal of these interviews was to identify the key elements that could explain nonprofits' performance. Therefore, the open-ended questionnaire had questions related to the routine management of these contracts.

This led to three main elements: professionals indicate that a) nonprofits level of knowledge of the communities has related to their performance; b) the intensity of nonprofits' resource dependence is related to their performance; and c) the relationship established between nonprofits and government was also related to nonprofits' performance.

3.2. Dataset

An original dataset was build using district socioeconomical variables in the territories where each nonprofit work, besides financial data for each nonprofit and performance indicator.

Performance data¹ – the dependent variables adopted here – are available at the health department's website. Performance for each nonprofit in every year is the calculated in three

¹ Available at:

<https://www.prefeitura.sp.gov.br/cidade/secretarias/saude/ acesso a informacao/index.php?p=178347>.

Access November 2nd, 2021.

key goals that these nonprofits have for each of the health clinics they manage: a) the percent of medical appointments done by the nonprofit in each year in relation to the total medical appointments defined by the government as a target for these nonprofits; b) the percent of nursery appointments done by the nonprofit in each year in relation to the total nursery appointments defined by the government as a target for these nonprofits; and c) the total community health visits done by the nonprofit in each year in relation to the total community health visits defined by the government as a target for these nonprofits.

As social organizations able to sign management contracts with the government, all of the nine nonprofits must have their financial statements online on their websites. The financial data adopted here is a measure of resource dependence: the annual revenues coming from government contracts divided by the total revenues of nonprofits in that year. This became the first independent variable of this study. The different patterns adopted by each nonprofit organization for releasing their financial data, however, made it impossible to collect data from two of these organizations.

Besides nonprofits' financial data, independent variables include two socioeconomic variables measured as the average of the districts covered by each nonprofit: the percent of the population living in slums and percent of teen pregnancy. These variables come from an annual survey² of inequalities in the city, and data from selected variable is available between 2016 and 2019. It is worth mentioning that, considering the low number of observations in this study, some potential independent variables were discarded due to a high correlation with other variables.

Finally, a variable indicates that, in 2017, a new administration was elected to run the city of São Paulo. We test if this change in government leads to better nonprofits' performance. Table 2 below presents the summary statistics.

Table 2 – Summary statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
Year	36	2017.5	1.113	2016	2019
PercSlums	36	11.31	7.83	2.01	26.75
AgeDeath	36	66.19	4.97	56.61	73.35
TeenPreg	36	11.07	2.99	6.97	16.28
ResDep	34	42.48	31.87	5.02	101.03
ChangeGov	36	0.75	0.43	0	1
PerMedA	34	79.12	8.99	53	94.92
PerNurA	34	108.88	14.10	92.14	152.35
PercCWH	34	92.02	6.88	69.59	102.77

With these data, we run time series regressions for each of the dependent variables considered here, as described in the next section.

4. FINDINGS

On a general level, the interviews indicate that health managerial contracts in the city of São Paulo are characterized by a strong government dependence on nonprofit providers. After several years of contracts with nonprofit organizations, a consensus among the interviewees is that the government is no longer capable of ending these contracts and running directly the health public facilities in the city, at least in the short term. This happens because the

² Available at: <https://www.nossasaopaulo.org.br/campanhas/#13>. Access November 2nd, 2021.

government does not have the necessary personnel or expertise to conduct the regular processes in these facilities.

On the other hand, nonprofits' dependence on the government vary. There are well structured nonprofits, connected to for-profit organizations and wealthy donors, that can maintain a higher quality level to their activities even without government funds. However, there are nonprofits that rely on government funds for a large share of their budget. Without these government contracts, some nonprofits would have no means to keep its personnel and activities.

Managerial practices changed over the years with these contracts. Government political orientation seems to matter, with left government more committed to controlling the relationship. Nonprofits more connected to a certain territory or with specific fields (as church, for example), and with a prepared and qualified staff are perceived by the government as legitimate to suggest changes in policy directions. Interviews suggest that individual ties are also relevant to an evolution of these relationships.

The results of the regressions help to detail this analysis. Table 3 presents these results.

Table 3 – Regression results

	DV: Percent of Medical Appointments done	DV: Percent of Nursery Appointments done	DV: Percent of Community Health visits done
Constant	-1779.968 (2513.39)	1021.368 (5128.932)	3036.562 (2968.335)
Year	0.915 (1.246)	-0.455 (2.542)	-1.461 (1.471)
PercSlums	0.438 (0.186)**	0.947 (0.381)**	0.342 (0.220)
TeenPreg	-0.331 (0.401)	-0.320(0.819)	-0.701 (0.474)
ResDep	0.136 (0.365)***	0.181 (0.746)**	0.790 (3.751)*
ChangeGov	8.191 (3.176)***	-9.083 (6.482)	7.171 (3.751)*
Observations	32	32	32
Adj R-squared	0.72	0.53	0.34

OBS: Standard deviation between parentheses; * 10% significance level; ** 5% significance level; *** 1% significance level

These results indicate, first, that the most consistent results, that remains present for all performance indicators, although with a different significance level, is the positive association with resource dependence. That is, as predicted in hypothesis 1, the more a nonprofit is dependent on the contracts with the city of São Paulo, the better will be its performance. The need to maintain the contract is an important driver of nonprofits' effort.

Another important result, supporting hypothesis 2, is the improved performance on medical appointments and community health visits that nonprofits reached under the new São Paulo government administration, after 2017. This could be due to several reasons, such as “easier” goals established at this administration. However, the evidence from the interviews suggests that really what happens is more a matter of building trust between nonprofits and the health department administration, that moves the relationship beyond a typical principal-agent arrangement to the co-construction of policy directives. Managers at different nonprofits consider the relationship with the government to be a horizontal relationship. On the other hand, interviews with managers from the previous administration made it clear the concerns on the government becoming dependent on nonprofits. This led, in the revision of contracts done between 2014 and 2016, to establishing roles that clearly establish the government as the policy maker and nonprofits simply as service providers. What the results indicate, therefore, is that nonprofits will perform worse in these situations.

Finally, the positive association between the percent of slums in the districts where nonprofits work and the reaching of medical and nursery appointments suggests that more deprived areas, where could be challenging to provide health services are being successful in these goals. This is aligned with the speech of nonprofit managers that emphasize as their differentials in relation to the government a better knowledge of the territories where they work.

5. CONCLUSION

Government-nonprofit relationships are pervasive and health is a key policy area for these relationships. The managerial contract is governance tool created in recent decades in Brazil to better regulate this relationship. Despite the existing studies that analyze different aspects of these contracts, there is limited knowledge on what makes a better partner for these contracts. By analyzing the performance of nonprofits in the city of São Paulo between 2016 and 2019, and identifying factors influencing this relationship, this study intends to provide evidence that may serve to improve these contracts. Resource dependence, having a horizontal relationship with the government, and having an improved knowledge of the territory where these nonprofits work are all factors that appear here as positively associated with performance.

There are, however, a number of concerns when interpreting these results. First, the resource dependence results may not hold for smaller cities. In São Paulo, managing contracts that are worth millions of dollars, nonprofits are able to develop a very professional administration. This may not be the case if nonprofits depend on smaller contracts, with less room for allocating resources among several health equipment.

Second, the improved performance that nonprofits achieve with a government administration that establishes a more horizontal relationship bring concerns. First, in these horizontal relationships, who is actually in charge of policy making? There may be conflicts of interests if nonprofits that are supposed to provide services get to choose which services to provide. Besides, when establishing the goals for nonprofits in these horizontal relationships, is the government really prioritizing what is necessary for the public?

Despite these concerns, this study may be useful for improving government-nonprofit partnerships for health policy in Brazil biggest city.

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