An Extended Performance Reporting Framework for the Italian Healthcare Industry

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ABSTRACT
Recent accounting scandals in the private and public sectors have drawn increasing attention to the shortcomings of traditional financial reporting. In an attempt to respond to these limitations, various reporting frameworks have been developed. The paper proposes a comprehensive Extended Performance Reporting (EPR) framework which integrates three different approaches, namely Intellectual Capital (IC), Balanced Scorecard (BSC) and Social and Environmental Reporting (SER).

Further, this research study argues that there is a need for such an EPR framework to address industry-specific variables; in fact, most of the literature on EPR tends to be of a generalized nature and does not address specific organisational or industry-related issues. Thus, the paper develops a ‘prototype’ EPR framework for the Italian healthcare industry, by reviewing the different kinds of documents issued by organisations and governments and identifying the specific issues and objectives related to Italian healthcare industry.

The proposed healthcare EPR framework is useful for healthcare organisations in order to consolidate and integrate SER, ICR and BSC within a comprehensive model of EPR. At the same time pilot studies in different kind of organisations within the Italian healthcare system (Public and Private Hospitals, Local Healthcare Units) are required in order to identify and test the metrics suitable for monitoring the elements included in the proposed framework.

Keywords: Social Reporting; Intellectual Capital Reporting; Balanced Scorecard; Social and Environmental Reporting; Extended Performance Reporting; Italian Healthcare
An Extended Performance Reporting Framework for the Italian Healthcare Industry

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1. Introduction

Recent accounting scandals in the private and public sectors (such as the cases of Parmalat, Enron, HIH, One.Tel and World.com) have drawn increasing attention to the shortcomings of traditional financial reporting (TFR) (Johnson & Kaplan 1987). Concurrently, developments in the operating context of organisations, such as the rise of the knowledge-based economy and the movement towards sustainable development have led to criticisms that the TFR framework presents an incomplete picture of an organization's value (Brennan & Connell 2000) and activities (Elkington 1998).

Various reporting frameworks have been developed in an attempt to resolve some of the limitations of TFR. In particular, the present research reviews the frameworks developed in three extended reporting “approaches”, namely intellectual capital (IC)\(^1\), Balanced Scorecard (BSC) and Social and Environmental Reporting (SER)\(^2\), arguing that each literature streams only partially resolves the shortcomings of TFR and that there are benefits in combining the three frameworks in a comprehensive Extended Performance Reporting framework (EPR).

Furthermore, this paper argues that there is a need for such an EPR framework to address industry specific variables. A problem with EPR (IC, BSC and SER) is that they tend to

\(^1\) IC, as defined by Brooking (1996, p.12) is “the combined intangible assets which enable the company to function. Enterprise = Tangible Assets + Intellectual Capital”. Guthrie et al. (2003), classify IC assets into three categories: internal (structural) capital, external (customer-related) capital and human capital.

\(^2\) SER incorporates both social and environmental reporting and has been defined by Deegan (1999, p. 972) as: “[T]he provision of information about the performance of an organisation with regard to its interaction with its physical and social environment. This would include such factors as an organisation’s interaction with the local community; the level of support for community projects; the level of support for developing countries; the health and safety record; training, employment and education programs; and environmental performance.”
be of a general nature and do not address specific organisational or industry issues. For example, ‘[t]he GRI recognizes the limits of a one-size fits all approach and the importance of capturing the unique set of issues faced by different industry sectors’ (GRI, 2005).

In spite of their importance, to date few studies have incorporated industry variables in their reporting frameworks (Guthrie et al. 2003). This study attempts to address this limitation of previous literature by incorporating healthcare industry-specific variables into the EPR framework. The development of such a framework for the Italian healthcare system requires three steps. The first step involves integrating the reporting frameworks from the IC reporting, the BSC and the SER literatures. The second step involves identifying industry-specific items for the Italian Healthcare Industry (IHI). The third step involves the development of the IHI-EPR framework, its test and refinement.

These development steps are outlined in Figure 1. The paper is organized as follows. Section 2 depicts a model for integrating the ICR, SER and BSC frameworks within the EPR framework. Section 3 identifies relevant industry-specific issues in the Italian Healthcare Industry, whereas section 4 presents a review of the disclosure tools currently available to healthcare organizations. Section 5 proposes the EPR framework for the Italian Healthcare Industry and section 6 draws some conclusions.
Figure 1: Process for developing the EPR framework for Italian Healthcare Industry

**Step 1: The integration of frameworks from the IC, BSC and SER literature**

1.1 Selection of an IC reporting framework  
1.2 Selection of a SER framework  
1.3 Identification of the BSC framework  
1.4 Integration of the three frameworks in an EPR framework

**Step 2: The identification of industry-specific items**

2.1 Review of publicly available planning and reporting documents issued by central and regional governments and concerning the healthcare sector  
2.2 Review of currently available industry-specific indicators by sustainability ranking organisations  
2.3 Review of publicly available reports of companies within the Italian Healthcare industry that have been internationally recognised as best practices

**Step 3. Development of final disclosure instrument**

3.1 Integrate industry specific indicators into the draft EPR  
3.2 Summarise, refine and remove duplications  
3.3 Pilot studies  
3.4 Make appropriate adjustments to the final EPR
2. A proposal for the integration into an Extended Performance Reporting framework

The first step in the development of an EPR framework for the Italian Healthcare Industry involves integrating the frameworks from the ICR, BSC and the SER literatures into an EPR framework.

The present section briefly presents the ICR, SER and BSC frameworks (sub-sections 2.1-2.3), identifies their overlappings and complementarities and develops a model for integrating them within the EPR framework (sub-sections 2.4-2.5).

2.1 Intellectual Capital Reporting

The development of IC literature is strictly related to the shift from the industrial age to the information age. Guthrie and Petty (2000) state that “intellectual assets, such as competencies, processes and people are the hidden sources of current and future wealth”.

Commensurate with the growth in knowledge-based organisations, the management, measurement and disclosure of IC has gained importance (Guthrie 2001; Kaplan & Norton 1996; Petty & Guthrie 2000). Thus, in the knowledge economy, organisations need to manage their IC assets effectively, and to leverage them for the benefit of their stakeholders.

Guthrie et al. (2004) propose a IC reporting framework which combines and consolidates previous IC frameworks (namely those of Brooking (1996), Edvinsson and Malone (1997), Roos et al (1997), and Sveiby (1997)). Its elements are shown in Table 1.
Table 1: The IC reporting framework proposed by Guthrie, Petty and Ricceri (2005).

<table>
<thead>
<tr>
<th>Internal Capital</th>
<th>External Capital</th>
<th>Human Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual Property</td>
<td>Brands</td>
<td>Employee</td>
</tr>
<tr>
<td>Management Philosophy</td>
<td>Customers</td>
<td>Education</td>
</tr>
<tr>
<td>Corporate Culture</td>
<td>Customer Satisfaction</td>
<td>Training</td>
</tr>
<tr>
<td>Management processes</td>
<td>Company names</td>
<td>Work-related knowledge</td>
</tr>
<tr>
<td>Information/networking systems</td>
<td>Distribution channels</td>
<td>Entrepreneurial spirit</td>
</tr>
<tr>
<td>Financial Relations</td>
<td>Business collaborations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Licensing agreements</td>
<td></td>
</tr>
</tbody>
</table>

2.2 Balanced Scorecard Reporting

The BSC framework is based on Porter’s (1980, 1985) industry and competitor analysis (Kaplan and Norton 1996). According to the BSC framework, TFR are not sufficient in guiding and monitoring value creation processes in response to the growing complexity and dynamism of social and economic context. The BSC is intended to provide organisations with a balanced list of both financial and non-financial measures for tracking short-term and long-term performance (Kaplan and Norton 1996). It supplements financial with non-financial measures from three perspectives: the customer’s perspective; the internal-business-process perspective; and the learning and growth perspective. The financial perspective includes traditional financial measures. The customer perspective measures how well the organisation is creating and delivering products and services that are valued by customers (e.g., customer satisfaction, retention). The internal-business-process perspective is focused on the internal processes that will deliver objectives established for current and future customers and shareholders. The learning and growth perspective includes measures relating to employees, systems that facilitate learning and knowledge creation, and climate for action.
The original BSC framework presented by Kaplan and Norton (1996) was chosen as a basis of reference, see, Table 2, since the recent developments of the model do not concern the fundamental dimensions and categories of the framework, but the cause-and-effect dynamic among the enclosed perspectives –financial, customer satisfaction, internal business process, learning and growth- (see, Zingales et al., 2002) or the definition of the specific measures to be included in each perspective (Grojer, 2001).
Table 2: The Balanced Scorecard

<table>
<thead>
<tr>
<th>Categories</th>
<th>Financial measures that reflect:</th>
</tr>
</thead>
</table>
| Financial perspective            | - Revenue growth and mix;  
|                                  | - Cost reduction/productivity improvement;                                                        |
|                                  | - Asset utilisation/investment strategy.                                                           |
| Customer perspective             | Core outcome measures:                                                                             |
|                                  | - Market share;                                                                                   |
|                                  | - Customer retention;                                                                             |
|                                  | - Customer acquisition;                                                                          |
|                                  | - Customer satisfaction;                                                                         |
|                                  | - Customer profitability.                                                                        |
|                                  | Customer value propositions:                                                                      |
|                                  | - Product and service attributes (e.g. price, quality, product/service);                          |
|                                  | - Customer relationship (e.g. the delivery of product/service to customers);                     |
|                                  | - Image and reputation (e.g. how an organisation defines itself for its customers or brand).      |
| Internal-business-process        | The innovation process comprises two groups of measures:                                           |
| process perspective              | (1) measures for basic and applied research; and (2) measures for product development.            |
|                                  | Measures for basic and applied research:                                                           |
|                                  | - Percentage of sales from new products;                                                          |
|                                  | - Percentage of sales from proprietary products;                                                   |
|                                  | - New product introduction versus competitors' and also new product introduction versus plan;      |
|                                  | - Manufacturing process capabilities (e.g. density of chips that could be produced on a silicon wafer); |
|                                  | - Time to develop next generation of products.                                                     |
|                                  | Measures for product development:                                                                 |
|                                  | - Time to market; and                                                                              |
|                                  | - Break-even time.                                                                                |
|                                  | The operations process:                                                                          |
|                                  | - Time, quality and cost measurements of operating processes.                                    |
|                                  | The post-sale service process:                                                                   |
|                                  | - Time, quality and cost measurements of billing, collection and dispute resolution processes;     |
|                                  | - Performance measures associated with the safe disposal of waste and by-products from the production process. |
| Learning and growth perspective  | Employee capabilities:                                                                           |
|                                  | - Employee satisfaction;                                                                          |
|                                  | - Employee retention;                                                                             |
|                                  | - Employee productivity.                                                                          |
|                                  | Situation-specific drivers of learning and growth:                                                |
|                                  | - Re-skilling the workforce;                                                                      |
|                                  | - Information system capabilities;                                                                 |
|                                  | - Motivation, empowerment and alignment.                                                           |

Source: Summarised from Kaplan and Norton (1996)
2.3 Social and Environmental Reporting

SER has recently grown in importance due to the increasing interest in the “sustainable development” and “social responsibility” concepts. Sustainable development is generally regarded as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (WCED 1987, p. 43).

The movement towards sustainable development has given rise to the re-emergence of the criticism that the TFR framework only gives an incomplete account of business activities (Elkington 1998; Gray et al. 1993; Gray, Owen and Adams 1996; Mathews 1997) as it precludes information about an entity’s external impacts. Thus, SER has been developed in response to the need to develop alternative approaches to reporting of social and environmental issues in order to account for the social and environmental impacts that organisations have on society (Deegan 2005).

A range of tools and guidelines for social and environmental reporting are available3. Our framework refers to the Sustainability Guidelines released by GRI (2002; 2005) due to its comprehensiveness in addressing the different aspects and dimensions of SER (see Guthrie, Yongvanich, 2005). The GRI Guidelines (2002) and the relevant performance indicators are shown in Table 3.

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3 For example, social accountability system (SA8000), AccountAbility 1000 (AA1000), and Global Reporting Initiative Sustainability Reporting Guidelines (Guidelines 2002). SA8000 is a tool for ensuring workplace throughout the supply chain (Social Accountability International 2005). AA1000 is an accountability standard, focused on securing the quality of social and ethical accounting, auditing and reporting (Institute of Social and Ethical AccountAbility, 1999). GRI Guidelines 2002 are used by organisations for reporting on the economic, environmental, and social dimensions of their activities (GRI 2002).
### Table 3. The Global Reporting Initiative Sustainability Reporting Guidelines

<table>
<thead>
<tr>
<th>Category</th>
<th>Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Direct economic impacts</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
</tr>
<tr>
<td></td>
<td>Providers of capital</td>
</tr>
<tr>
<td></td>
<td>Public sector</td>
</tr>
<tr>
<td>Environmental</td>
<td>Environmental</td>
</tr>
<tr>
<td></td>
<td>Materials</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
</tr>
<tr>
<td></td>
<td>Water</td>
</tr>
<tr>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td></td>
<td>Emissions, effluents and waste</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
</tr>
<tr>
<td></td>
<td>Products and services</td>
</tr>
<tr>
<td></td>
<td>Compliance</td>
</tr>
<tr>
<td></td>
<td>Transport</td>
</tr>
<tr>
<td></td>
<td>Overall</td>
</tr>
<tr>
<td>Social</td>
<td>Labour practices and decent work</td>
</tr>
<tr>
<td></td>
<td>Employment</td>
</tr>
<tr>
<td></td>
<td>Labour/management relations</td>
</tr>
<tr>
<td></td>
<td>Health and safety</td>
</tr>
<tr>
<td></td>
<td>Training and education</td>
</tr>
<tr>
<td></td>
<td>Diversity and opportunity</td>
</tr>
<tr>
<td>Human rights</td>
<td>Strategy and management</td>
</tr>
<tr>
<td></td>
<td>Non-discrimination</td>
</tr>
<tr>
<td></td>
<td>Freedom of association and collective bargaining</td>
</tr>
<tr>
<td></td>
<td>Child labour</td>
</tr>
<tr>
<td></td>
<td>Forced and compulsory labour</td>
</tr>
<tr>
<td></td>
<td>Disciplinary practices</td>
</tr>
<tr>
<td></td>
<td>Security practices</td>
</tr>
<tr>
<td></td>
<td>Indigenous rights</td>
</tr>
<tr>
<td>Society</td>
<td>Community</td>
</tr>
<tr>
<td></td>
<td>Bribery and corruption</td>
</tr>
<tr>
<td></td>
<td>Political contributions</td>
</tr>
<tr>
<td></td>
<td>Competition and pricing</td>
</tr>
<tr>
<td>Product responsibility</td>
<td>Customer health and safety</td>
</tr>
<tr>
<td></td>
<td>Products and services</td>
</tr>
<tr>
<td></td>
<td>Advertising</td>
</tr>
<tr>
<td></td>
<td>Respect for privacy</td>
</tr>
</tbody>
</table>

**Source:** GRI (2002: 36).

### 2.4 ICR, BSC and SER: the case for integration

According to the previous analysis and as suggested by recent literature (e.g. Zingales, 2002) the reporting frameworks that have been developed by the IC, BSC and the SER approaches are partial.
In fact, the information provided by the IC, BSC, and SE reporting frameworks is incomplete but complementary. IC and BSC frameworks do not sufficiently address the non-economic performance of an organisation. Although Kaplan and Norton (1996) explicitly acknowledge the interests of shareholders and customers, they indicate that they do not think that all stakeholders are automatically entitled to a position on the scorecard. Also, they do not discuss how additional perspectives should be added into a scorecard (Norreklit 2000). SER, while giving attention to an organisation’s social and environmental impact, inadequately addresses the limitations of traditional financial reporting in reporting economic performance (Gray et al 1996).

In other words, there is no reporting framework that addresses, at the same time, the rising concerns in relation to environmental and social problems, the need for a “balanced” approach to value creation (short/long term, financial and non financial measures, strategic and operational business level) and the emerging of the knowledge-based economy.

2.5 The proposed EPR Framework

This paper proposes an EPR framework by using the strengths, avoiding the limitations and the potential overlaps of the three approaches quoted above. This requires combining the reporting dimensions (“class” of metrics) and categories (homogeneous group of measures within the same “class”) of the ICR, BSC and SER frameworks in order to establish the main dimensions and categories of the EPR framework.
In the establishment of the EPR dimensions, it is observed that both ICR and the BSC contains the following dimensions:

- Internal Structure (IC), or Internal-Business-Process Perspective (BSC);
- External Capital (IC), or Customer Satisfaction Perspective (BSC);
- Human Capital (IC), or Learning and Growth Perspective (BSC).

These categories adequately represent system, structure, and actors whose goals are to satisfy customers and create economic value.

As far as SER is concerned, environmental and social performance may be integrated into the three main dimension cited above, assuming that “if it is to achieve simultaneous improvement of the economic, environmental and social performance, environmental and social issues should be considered in all processes of business activities of a firm” (Zingales et al, 2002). Consequently, the three dimensions of the EPR framework are “external capital”, “internal structure” and “human capital”. The economic dimension both from BSC and SER is excluded from the EPR framework, since they repeat or merely combine the information of TFR. This is shown in Figure 2.

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4 The three dimensions in the combined EPR disclosure framework strictly adhere to the contemporary classification scheme for intangibles derived from Sveiby’s (1997) IC reporting framework (namely internal capital, external capital, and human capital).
Figure 2: Process for combining the ICR and SER frameworks
Taking separately the integration of the main categories of SER and BSC within the EPR framework (see, Figure 2), the “environmental performance”, “society” and “product responsibility” categories from the GRI (2002) Sustainability Reporting Guidelines were included within the External Capital dimension of EPR. “Labor practices and decent work” and “human rights” categories from the Guidelines were collapsed into the Human Capital dimension of EPR.

As far as BSC framework is concerned, within the innovative processes and learning and growth perspectives, different categories focusing on internally developed resources are employed (see, Grojer, 2001). Therefore, in an EPR framework some categories within single BSC perspectives should be separated, such as “employee capabilities” (human capital) and “information system capabilities” (internal structure/infrastructure capital).

The EPR model developed by combining the three frameworks is depicted in Figure 3.
Customers, Other Stakeholders/Society Relations, ICT/Infrastructure Capital, Internal Work Processes, Innovative Processes, Corporate Governance Structure, Capacity and Willingness to Act, Quality of Workplace; about sixty elements. Each element of the framework should be accounted for through some metrics, which are not included in the presented framework since they should be sector- and organization- tailored.

The next step will require the inclusion of industry-specific items in the combined EPR framework and, thus, the identification of the specific issues of the Italian Healthcare Industry.

3. Identification of Italian Healthcare Industry “specific issues”: in search of what really counts

The present section is aimed at identifying Italian healthcare Industry specific “issues”; according with the specific purpose of the paper, we define the cited “issues” as the peculiar performance dimensions of healthcare organisations or the objectives of the healthcare system as a whole.

The investigation will consider “issues” specific to Italian National Healthcare System configuration and functioning (for a more complete analysis about the Italian National Healthcare System see, Fattore, 1999; Anessi Pessina et al., 2005a). Several of the identified issues can be considered common to healthcare organizations irrespective of the specific country healthcare system.
According to a review of the Italian National Healthcare System within the present regionalization dynamic (Anessi Pessina, Cantù 2005b), the main “issues” of the IHI are:

- Health status of the population;
- Equity (access to care and distribution of financial burden);
- Universality and accessibility of healthcare assistance;
- Citizen’s satisfaction on service quality and availability;
- Risk management, most critical in operations and clinical activities;
- Financial affordability and economic sustainability of public healthcare system and its components;
- Continuum of care, intended as the interdisciplinary and inter-organisational coordination which allows a greater focus on patient needs;
- Improvement of territorial care networks among hospitals and primary care deliverers, in order to maximize the clinical effectiveness;
- Investment in quality, as comprehensive improvement of all aspects of care: infra-structural adequacy, process efficiency, clinical results achievement, patient rights observance;
- Clinical governance, an innovative approach to care organisation which embodies three key attributes: recognisably high standards of care, transparent responsibility and accountability for those standards, and a constant dynamic of improvement;

In brief, according to Hisao (2003) classification, organizations within the Italian healthcare industry face two kinds of main objectives (see Figure 4):
• “final” objectives (e.g. health status, equity, universality, etc.), depending on several factors such as healthcare system design and functioning, life styles, technical advances, evolution of diseases, demographic factors, etc.
• “intermediate” objectives (e.g. efficiency, effectiveness, clinical governance, etc.), directly depending on organizations management and performances.

Figure 4: Healthcare system objectives.

4.Disclosure tools of healthcare organizations: opportunities for consolidation

Given the variety of objectives and the narrow inter-relation among them (the accomplishment of intermediate objectives may be interpreted as a “precondition” for the achievement of the final ones), organisations and governments involved in public healthcare system (Healthcare Ministry and related agencies at the central level, Healthcare departments at the regional level) have developed an articulate reporting system, on the basis of their roles and perceived accountability relationships.
Table 4 represents a classification of different kinds of documents included in the “system” quoted above, which are further discussed below.

*Table 4: External reporting documents issued by organizations in the Italian healthcare Industry: an overview*

<table>
<thead>
<tr>
<th>Territorial level</th>
<th>Types of external reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Level:</td>
<td>- Reporting on Health Status of Italy</td>
</tr>
<tr>
<td></td>
<td>- Reporting on Essential and Uniform Assistance Level (cost and service level)</td>
</tr>
<tr>
<td></td>
<td>- Statistical reports on outcome and sustainability indicators</td>
</tr>
<tr>
<td>- ASSR <em>(agency for the regional healthcare systems)</em></td>
<td></td>
</tr>
<tr>
<td>- Healthcare Ministry</td>
<td></td>
</tr>
<tr>
<td>Regional Level (Regional healthcare departments)</td>
<td>- Reporting on Regional health plan objectives</td>
</tr>
<tr>
<td></td>
<td>- Benchmarking tools (”multidimensional” performance assessment)</td>
</tr>
<tr>
<td></td>
<td>- Reporting on Essential and Uniform Assistance Level</td>
</tr>
<tr>
<td></td>
<td>- Social and Health Annual (or periodical) Relations</td>
</tr>
<tr>
<td></td>
<td>- Reports on Political Mandate</td>
</tr>
<tr>
<td>Local Level</td>
<td>- Charter of Services</td>
</tr>
<tr>
<td></td>
<td>- Social and Health Annual Relations</td>
</tr>
<tr>
<td></td>
<td>- Customer satisfaction reports</td>
</tr>
<tr>
<td></td>
<td>- Quality standards reports</td>
</tr>
<tr>
<td></td>
<td>- Report on Mission</td>
</tr>
<tr>
<td></td>
<td>- Social reporting</td>
</tr>
<tr>
<td>- Local Healthcare Unit (LHU)</td>
<td></td>
</tr>
<tr>
<td>- public and private hospitals</td>
<td></td>
</tr>
</tbody>
</table>

At the central level, the Healthcare Ministry is responsible for the broader level of performance of the public healthcare system; its disclosure tools are therefore centered on the health status of the population (e.g., Reporting on the Health Status of Italy), on the monitoring of sustainability indicators such as the accessibility rate to service, the clinical appropriateness, the level of expenses economic/financial equilibrium of the system. Differences among Regions are the main focus of the information included in these reports.
Regions are the principal level of government involved in healthcare issues\(^5\); they periodically make up specific monitoring systems, on the healthcare system objectives cited above, which involved Local Healthcare Units (LHUs)\(^6\) and both private and public delivers, whose data are also embodied in the Social and Health Annual Relations.

In addition, Regions periodically produce reports to the political representatives on the results achieved Regions voluntary realize “Reports on Political Mandate” accounting to the population for the main results achieved by political executives. In these reports healthcare issues take on a relevant weight, through the disclosure about how public money is spent for services and system-wide indicators such as the capacity to meet the demand for care, the life expectancy of population, the success rate of clinical treatment for homogeneous pathogen group.

In Tuscany and Veneto, regional administrative organs have created specific benchmarking tools definable “Multidimensional Performance Assessment” among LHUs in order to monitor the comprehensive performance of the public healthcare systems (see e.g. Lega et al. 2004). More specifically, in Tuscany\(^7\), benchmarking measures are classified in the four categories, typical of the BSC framework applied to healthcare organizations (see, Inamdar N., Kaplan R.S., Bower M., 2002; Baraldi, 2005): economic and financial balance; clinical processes (effectiveness, customer retention and

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\(^5\) Regions are in the same time the regulators of their regional healthcare systems, shaping the institutional setting (number of local healthcare units, competing rules among private and public service delivers, accreditations requirements, etc.) and the “holdings” of the Local Healthcare Units and Public Hospitals in their territories.

\(^6\) Local Healthcare Units are subjects responsible to guarantee the public healthcare assistance at the local level, purchasing services from conventioned private providers and providing directly the assistance. After the 1992 reform of the Italian HHS there are about two hundred LHUs.

\(^7\) For further research see [www.meslab.sssup.it](http://www.meslab.sssup.it).
attraction, specialization level, etc.); learning and growth (scientific and applied research, professional education, organizational setting) and customer satisfaction.

At the local level a further document used by Hospitals and Local Healthcare Units is the “Charter of Services”, presenting the access modes, characteristics and quality standards of the services provided to the population. Reports on LEA cost, quality and availability are compulsory reports issued by LHUs, requested by Healthcare Ministry and Regions on behalf to the population.

Quality Standards Reports and the Customer Satisfaction Reports are voluntary kinds of report, issued especially by hospitals, mainly concerned with the achievement of performance related to “quality”, in its broad sense. In the healthcare industry “quality” is a highly regulated and multidimensional matter. In this perspective there are several quality dimensions to consider: information and communication with patients about treatments and associated risks; patient security and safety (e.g. minimization of infection or contamination risk) additional service quality, “care process” quality (e.g. admission time optimization, timeliness of care, patient flow improvement, recovery from treatment, continuum of care), clinical effectiveness and appropriateness. In Italian Healthcare System several quality standards are used, such as the ISO system and, more recently, the Joint Commission International standards (e.g., gradually introduced by Lombardia).

Furthermore, the introduction of quasi-markets mechanism in the IHS since the 1992 reforms has stressed the level of competition within the National system and with private
providers. Also, it has stimulated the production of voluntary and compulsory reporting regarding number of clinical events dealt with, complications incurred, admission time, patient profile (age, sex, residence, etc.).

Finally, Social Reporting has been adopted in the IHS. The first experiences took place in the late 1990s (see, Vagnoni, 2001). Since then the number of SR has been steadily growing, both on a voluntary base and on a specific mandate by Regions. Social reporting by IHOs is extremely different in term of structure, content and readability of documents, being alternatively seen as: i) a “non specialized” communication tool, which offers to patients and citizens the fundamental knowledge about services provided line of actions and external impact on society in order to improve the image of the organisation; ii) a “specialized” communication tool for recipients such as Regions, trade unions, conferences of the mayors, which represent the corporate performance in a “stakeholders’ perspective”; iii) change management tool facilitating or communicating (both internally and externally) organizational or institutional changes (Alesani, Marcuccio, Trinchero, 2005). A peculiar kind of social reporting issued by LH is the so-called “report on mission”; compulsory requested by Regions (Emilia-Romagna and Umbria8) or voluntary produced by organisations,(Lecco LHU, Monza LHU, etc.). In these documents, organisations accounts for the relevant results achieved in relation with the major objectives of current Regional (or National) Healthcare Plan or draws a “balance” of the relevant choices made by the top management and the subsequent measurable impacts of them.

8 See http://www.ausl2.umbria.it/canale.asp?id=446; www.regione.emilia-romagna.it/agenziasan/bilmissione; in both cases Regions provided to LHUs specific guidelines explaining the structure and contents of these mandatory reports.
In summary, this review of the “state of the art” of reporting in IHS organisations highlights the fragmentation in reporting by healthcare organizations. The number of different types of reporting documents and the partial overlapping bring about a situation allowing for consolidating, integrating and include the main contents within a comprehensive industry-specific EPR framework (see, Figure 5).

*Figure 5: The reporting document system managed by organisations: connections with healthcare system objectives*
5. A prototype EPR framework for the Italian Healthcare Industry

In the present section, the industry specific-issues cited above are systematically integrate within the three dimensions of the general EPR framework (step 3.1 of the “Process for developing the EPR disclosure guidelines” proposed in Figure 1). This step involves the reshaping of the general model: the integration of the specific Italian Healthcare industry issues in the pre-existing or new categories and the exclusion of some “inadequate” categories of the general model.

The general EPR framework has to be modified by taking into account the following items and inserting them in the framework:

1. **Patients rights.** It focuses chiefly on privacy regulations, on policies for human dignity preservation, on complaints against management and on the management of waiting lists;

2. **Clinical effectiveness.** This requires accounting for clinical records (care success rates, mortality, number of complications incurred, etc.);

3. **Quality and accreditation matters.** It focuses on quality certifications obtained by organisation and on records about patient safety and health;

4. **Clinical governance and Care networks,** accounting for tools, practices and organizational dynamics made up to improve the focus on patients and to improve the comprehensiveness and specialization of the territorial care system;

5. **Public function delivery,** focusing particularly on performance measures concerning LEA (cost and service availability);
6. **Funding arrangements**, accounting for volume and characteristics of provided service, or in other words reporting on “value for money”;

7. **Scientific and applied research**, reporting on scientific research results or on evidences from new service delivery arrangements (continuum of care, patient flow management, logistics, etc.);

8. **E-health**, accounting for advancement in information integration within the organization and with other service delivers, for provision of on-line services (such as electronic transmittal of clinical test score) or for participation to regional e-health projects.

9. **Working environment conditions.** It aims at reporting work and job conditions in the organization (e.g., professional pathologies and nightly turn over are measured) as well as outside the organization (e.g., professional and traveling accident disclosures).

On the other hand, some characteristics included in the cross-sector EPR model were removed from the Italian Healthcare Industry-EPR framework, in particular those typical of an “industrial” sector environment, barely adequate to represent performance, sustainability and value creation of a care service delivery organisation.

For example **product brand, distribution channels, win sale contract** (External capital dimension) and **copyright** (Internal structure) have been removed from the model, similarly to **customer longevity**, which in the context of care delivers is inappropriate.

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9 E-health is definable as the use of electronic devices for care service delivering, involved by the growing need for information exchange among service providers and within the public healthcare system. Several regions have begun projects for creation of health service personal smart card and electronic case sheet: integration and uniqueness of information about patient conditions and past clinical events is expected to help improving efficiency and clinical effectiveness.
Other elements were resuited; for example new product introduction/product innovations and time to market can be usefully substituted with new treatment/medical techniques introduction or drug experimentation. In the same way, pursuit of new market opportunities is more suitable if considered as service portfolio management (e.g. the possibility to enlarge or specialize the services provided, include new medical or surgery specialty). Moreover, the element programs for improving efficiency of service delivery (HSEC) must be enlarged to include programs aimed at improving effectiveness (such as the patient-centered task force and organizational structures).

Also, Product responsibility and good product quality are collapsed in items such as patient rights, quality of services and clinical effectiveness. In addition, the whole “Corporate governance” category (Internal structure) can be properly re-defined as “Governance”, in order to include health-industry distinctive elements such as clinical governance, purchaser-provider relations and public function delivery.

The resulting Italian Healthcare Industry-EPR is represented in figure 6.
Figure 6 The proposed Extended Reporting framework for the Italian healthcare industry

**IHI-EPRF**

**External Capital**

*Customer relations*
- Customer satisfaction
- Customer health and safety
- Patient rights
- Information
- Privacy
- Human dignity
- Quality of core and peripheral services
- Clinical effectiveness
- Service characteristics
  - Innovative treatment
- Specialisation level (tertiary and quaternary care)
- Complications percentage
- Service Volume
- Customer retention
- Customer base
- Market share
- Reputation
- Additional or improved services,
- Service portfolio management
- Joint venture and alliances
- Good customer relationship

*Information technology*
- Database of information
- Networking (among service delivers, governments, patients)
- E-health and communication tools within healthcare system (on-line services, e-case sheet)
- Internet

*Internal work processes*
- Systems, methods and technology
- Methodologies for assessing and managing risks
- Efficiency and Health, Safety, Environment and Community (HSEC) improvement program
- Effectiveness improvement program (e.g. patient centered task force)

**Internal Structure**

**Human Capital**

*Capacity and willingness to act*
- Employee competence
- Employee satisfaction
- Employee retention and turnover
- Employee absenteeism
- Employee productivity and profitability

**Society relations**

*Environmental performance indicators:*
- Materials
- Energy
- Water
- Biodiversity
- Emissions, effluents and waste
- Suppliers
- Products and services
- Compliance
- Transport
- Overall

*Social performance indicators:*
- Human Rights
- Strategy and management
- Non-discrimination
- Freedom of association and collective bargaining
- Disciplinary practices
- Security practices
- Indigenous rights

*Society:*
- Essential and Uniform Assistance Level warranty
- Community
- Bribery and corruption
- Political contributions
- Competition and pricing

**Innovative process**
- Scientific research for improving clinical effectiveness
- Applied research on service delivery (continuum of care, patient flow, logistics)
- New treatment/techniques introduction
- Drug experimentation
- Patents
- Copyrights

**Governance**
- “Clinical governance”
- Accreditation matters
- Funding arrangements
- Public function delivery
- Healthcare networks and collaborative relationships
6. Summary and conclusions

In response to the growing concerns over the limitations of traditional financial reporting for both public and private sector organizations, the present work aims to contribute to the development of a comprehensive EPR framework for the IHS. By assuming that the emphasis of social reporting and other reporting experiments, such as ICR or Balanced Scorecard, while diverse, are complementary to one another and could be integrated, the paper consolidates the different approaches into a comprehensive EPR framework and identifies the main industry-specific issues to be taken into account for developing an Italian Healthcare industry EPR framework.

However, the proposed framework, though healthcare-industry specific, provides only the main elements of an EPR; the specific metrics of the reporting should be tailored to address the needs of the single organisation (e.g., public or private Hospital, Local Healthcare Unit) within the institutional setting of each Healthcare Regional System.

Therefore, the development of the proposed framework is a first step of a process which might further involve (points 3.3. and 3.4 of the “Process for developing the EPR disclosure guidelines” proposed in Figure 1):

- a pilot study within a panel of public and private healthcare organizations in order to
  i) test the suitability of the framework; ii) refine the framework identifying its specific metrics; iii) analyse the phases and the steps involved in the implementation of an effective Extended Performance Management.
• The comparison among the pilot experiences and a comprehensive review of the EPR framework for the Italian healthcare industry.

• The preparation of “guidelines” for developing an inclusive Extended Performance Management process for Italian healthcare organizations.

As far as the identification of pilot study incubators is concerned, suitable contexts may be organisations which have already implemented non-traditional performance documents, such as “social reporting” or “reporting on mission”.

Starting from these documents and the information systems already available, these organizations may:

• identify the “shortfalls” in their performance assessment systems and their voluntary reporting documents in relation to the elements and the categories included in the proposed EPR framework;

• test the relevance of including the proposed EPR elements and categories in their voluntary reporting;

• recognize the specific EPR metrics and measures which best fit within the specific organizational context;

• develop a company-specific EPR model within the general framework proposed.

Social reporting/reporting on mission can thus be considered as a starting point in order to create an extended performance reporting system, integrating the “impact on stakeholder” perspective within further frameworks.
7. References


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