Overview of Strategic Health Purchasing: Functions and policy instruments

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AfHEA pre-conference workshop on strategic purchasing
11th March 2019, Accra Ghana
What is health purchasing?

The allocation of **pooled** funds to providers **on behalf of** the population.

*Health purchasing does not have to involve an insurance agency (MOH is also a purchaser).*

Health purchasing ≠ Procurement OOP
What is strategic purchasing?

Making strategic decisions based on information

**Decide what to buy**
- Defining the benefits package and expansion
- Deciding which medicines to buy
- Defining service delivery and quality standards

**Decide from whom to buy**
- Selecting providers to contract with
- Selecting medicines suppliers
- Contracting with private providers

**Decide how to buy**
- Setting the terms of contracts
- Selecting and designing provider payment methods
- Setting provider payment rates
- Monitoring provider and system performance

To achieve health system objectives

- Health financing within the overall health system
- Creating resources (investment, HRH etc.)
- Revenue raising
- Pooling
- Purchasing
- Stewardship/Governance/Overight
- Service delivery
- Benefits

- UHC intermediate objectives
- Equity in resource distribution
- Efficiency
- Transparency & accountability
- Wider context/extra-sectoral factors (SDH)
- Quality
- Utilization relative to need
- Financial protection & equity in finance
- Final coverage goals

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To achieve objectives:
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Moving from passive to strategic purchasing

**Passive**

Limited information used to allocate funds and pay providers, e.g.:
- Resource allocation using norms
- Little/no selectivity of providers
- Little/no quality monitoring
- Price and quality taker

**Strategic**

Deliberate decisions about what to buy, from whom to buy, and how to buy services:
- Clear service packages and service delivery standards
- Selective contracting
- Output-based payment systems that create deliberate incentives
- Provider autonomy
- Price and quality maker
- Manage overall costs in the system

**What sets these apart?**

- **Use of information**
- **Deliberateness**
<table>
<thead>
<tr>
<th>Functions of strategic purchasing</th>
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</thead>
<tbody>
<tr>
<td>Know your health needs and available services</td>
<td>Use evidence on health needs and available services, medicines and technologies</td>
</tr>
<tr>
<td>Know your budget and keep it balanced</td>
<td>Use purchasing instruments to manage expenditures</td>
</tr>
<tr>
<td>Decide what to buy and from whom to buy</td>
<td>Select providers and enter into contracts with them to deliver goods and services</td>
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<tr>
<td>Decide how and how much to pay providers</td>
<td>Develop and implement provider payment systems and set payment rates</td>
</tr>
<tr>
<td>Know how the money is being used</td>
<td>Monitor provider performance, and system performance (service utilization, efficiency, quality, financial protection)</td>
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Strategic purchasing has to reach all levels of the system.

- **National (oversight)**
  - Rule & standard setting
  - Benefits definition
  - Resource allocation
  - Results framework
  - Accountability

- **Sub-National (coordination)**
  - Planning
  - Rule & standard translation
  - Capacity building
  - Quality assurance
  - Monitoring
  - Results synthesis

- **Implementation (service delivery)**
  - Task allocation
  - Cost management
  - Rule & standard implementation
  - Review of delivery model

- **Consumer (beneficiary)**
  - Benefits adherence
  - Measure benefits against expected promise
  - Refine service level expectations

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- **Information, innovation, communication, risk & change management**
- **Policy inputs**
- **Community expectations**
- **Promised services**
- **Review of delivery model**
- **Services**
- **Outcomes**
- **Experience**
- **Education**
- **Civil society**
  - Advocacy
How to make strategic purchasing work

Institutional Arrangements & Governance

Who does what? Who decides on what?
- Institutional roles & responsibilities for purchasing functions and policies
- Purchaser-provider split

Operational Systems

How are purchasing functions carried out?
For example:
- Contracting and provider payment systems, incl. claims management process
- Information systems and data flows
- Monitoring systems

Capacity-building

What capacities are needed?
- Implement & manage improved systems
Institutional arrangements for health purchasing

**PURCHASERS**

National Health Service

- National (sub-national) budget
- National (sub-national) MOH
- Public providers

Examples: India, Malaysia, Sri Lanka, much of Sub-Saharan Africa

Additional of Public Health Insurance System

- National (sub-national) budget
- National (sub-national) MOH
- National (sub-national) health insurance fund
- Public providers
- Private providers

Examples: Ghana, Indonesia, Philippines, Vietnam

Public Health Insurance System Only

- National (sub-national) health insurance fund
- Public providers
- Private providers

Examples: Thailand UC Scheme, much of Eastern Europe

Purchaser-Provider Split
Distribution of purchasing functions in different systems

- **Purchaser-provider split**: Estonia (✓)
- **Provider Payment Development**
  - Purchaser/Ministry
  - MOH—health facility budgets
- **Payment Rate-Setting**
  - Purchaser/Ministry
  - MOH—health facility budgets
- **Provider Contracting**
  - Purchaser
  - None
- **Quality Monitoring**
  - Purchaser
  - MOH

- **Malaysia**
  - No
- **Ghana**
  - Partial
- **Kenya**
  - Partial

- **Kenya**
  - MOH (MOH input and negotiation with providers)
Operational systems for strategic purchasing

Information Systems

Benefits specification process

Contracting procedures

Provider payment (design and rate-setting process)

Claims/payment processing

Medicines pricing and procurement system

Provider and system monitoring
### Examples of operational systems

<table>
<thead>
<tr>
<th>Information Systems</th>
<th>Estonia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>S. Korea</th>
<th>Thailand</th>
<th>Kenya</th>
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</thead>
<tbody>
<tr>
<td>Fully automated/integrated</td>
<td>Good progress but fragmentation</td>
<td></td>
<td></td>
<td>Fully automated/integrated</td>
<td>Fully automated/some fragmentation</td>
<td>Fragmented</td>
</tr>
<tr>
<td>Some selective contracting</td>
<td>Automated</td>
<td>N/A</td>
<td>Based on annual credentialing</td>
<td>Mandatory participation of all providers</td>
<td>Selective contracting with public/private networks</td>
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<td>Automated</td>
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<tr>
<td>Mixed methods (capitation, DRG, FFS, P4P)</td>
<td>N/A</td>
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<td></td>
<td>Fee-for-service; limited P4P</td>
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<tr>
<td>Automated</td>
<td>Automated</td>
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<td>Routine monitoring tools</td>
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- **Estonia**: Most through credentialing
- **Malaysia**: Mixed methods (capitation, DRG, FFS)
- **Philippines**: Mostly through credentialing
- **S. Korea**: Started: electronic claims system
- **Thailand**: N/A
- **Kenya**: N/A

### Source
Various Health Systems in Transitions (Europe and Asia/Pacific Observatory on Health Systems and Policies)
Some challenges to implementing strategic purchasing

Challenges related to institutional constraints, public financial management rules, political economy factors, and technical capacity

✓ Unclear institutional responsibility and accountability of purchasers, weak governance arrangements to enable purchasers to act strategically

✓ Inadequate technical and institutional capacity

✓ Poor information systems and lack of accountability measures

✓ Persistence of line-item budgets and PFM rules not allowing for output-oriented payment methods or provider autonomy

✓ Lack of political will to actually change resource allocation
Main messages

✓ More money alone will not achieve UHC
✓ Countries that have made sustainable progress toward UHC use strategic purchasing levers to:
  – balance efficiency gains with
  – improved health service delivery and better quality.
✓ Effect strategic purchasing requires
  – Appropriate (and clear) institutional structure to allocate responsibility for the purchasing functions
  – Well-designed and implemented operational systems to carry out purchasing functions
  – Provider autonomy
  – Evolving institutional and technical capacity
  – And political will!