Brief 19: Innovative Financing – Results-Based Financing

**Results-based financing** (RBF) for health is a cash payment or non-monetary transfer that is made to a provider, manager, or consumer as an incentive to deliver or use priority health care services. Payment is made conditional on measurable actions being undertaken. RBF is an umbrella term that includes: pay-for-performance contracts with health care providers; output-based aid; and conditional cash transfers and other demand-side schemes. Payment can be made to a national or sub-national government, NGO, manager, health care provider, payer, or consumer of health services.

The international community is increasingly focused on achieving the health MDGs within the next five years, and RBF is gaining increasing attention as a strategy to scale-up provision of essential child and maternal health services. RBF schemes tie financing to the attainment of specific results or targets. It therefore offers a way to make service providers more accountable and also provides funding agencies with a clear method to determine the impact of their financing. RBF represents a shift from a ‘business as usual’ approach of funding inputs of health services such as medical equipment and supplies, pharmaceuticals and vaccines, training, vehicles, and buildings. With RBF, the funds are provided as an incentive to produce results.

**Overall, the impact of RBF on health outcomes is mixed.** Demand-side mechanisms, such as conditional cash transfers (CCTs) which link household payments to use of essential child health and education activities, have been associated with positive health outcomes. One study showed that the CCT was associated with increased immunization rates in Mexico and Nicaragua, particularly for households with less educated mothers and those situated furthest from health facilities.

The results of supply-side interventions are less clear, and in some cases have not shown improvement in health outcomes. In Rwanda, the RBF scheme was associated with positive health outcomes. Interventions such as performance-based payment for providers are harder to study because they often lack a fair comparison: what would have happened in the absence of the scheme? Implementation of supply-side mechanisms is dependent upon availability of quality health services, which may be a constraint in low-income countries. **Weak institutional arrangements**, management information, and monitoring and evaluation systems can make initiating an RBF scheme challenging. In addition, the cost of establishing an RBF scheme – and the long-term financial implications of the scheme – needs to be carefully considered.

**Country experiences of results-based financing**

Examples of RBF schemes include the pay-for-performance contracts between the **Haitian government and NGOs** providing health and family planning services. This scheme began as a pilot in 1999 with the support of USAID. The scheme covers approximately 2.7 million of the population. NGOs are contracted to provide a set of health and family planning services and, each year, pre-defined health and management targets are established against which
performance is measured. NGOs lose funding if they do not achieve their performance targets, and receive a bonus payment if they achieve or exceed their targets. 

*Plan Nacer* in Argentina began by providing basic health services to the poorest groups in the poorest provinces in the north of Argentina through a maternal and child health insurance program. Funding was provided by the MOH to provincial level health insurance agents on the basis of the agents achieving enrolment targets. In addition, health facilities were given financial incentives upon achievement of targets on 10 tracer conditions.

In *Rwanda*, a broad-based RBF scheme was put in place. This included providing financial payments to participating health facilities for incremental increases in the quantity of basic health services provided, such as immunization, prenatal care, and assisted deliveries. The overriding goal was to improve the utilization of health services by motivating providers to deliver services. Health facilities receive payments above routine budget levels based on achievement of pre-defined targets for both the quantity and quality of specific services achieved, such as institutional deliveries.

GAVI employs RBF through its *immunization services support (ISS)*, providing countries with a bonus payment per additional immunized child above their current coverage rates. This has been successful in raising coverage in GAVI countries. In addition, immunization coverage rates are usually one of the target indicators against which provider or consumer achievements are measured and payment is made.

### Case Study: Results-Based Financing in Rwanda

Rwanda is one of the pioneers of results-based financing. RBF was adopted as a national policy as part of the 2005–09 National Health Strategic Plan and subsequently incorporated into the National Finance Law. The Government also allowed bonus payments to staff at both public and NGO health facilities and district hospitals. Under the scheme, district steering committees negotiate 3 types of performance contracts: those between the Ministry of Health and the 30 administrative districts; performance contracts between district steering committees and the health center management committees; and motivation contracts between the health center committees and individual health workers.

Sources of health center revenue are derived from government funding of health workers, user fees, *mutuelle* membership fees, donor contributions, and payments from the RBF scheme. (See Brief 14: Risk-Pooling Mechanisms, for a discussion of the *mutuelle* approach.) In the scheme, facilities are reimbursed for the quantity of services provided according to a standardized fee structure for a list of 14 services (including immunization services), adjusted by a quality score. Health centers can raise revenues by increasing the quantity and quality of these services delivered. Bonus payments to health centers are calculated as follows:

**RBF earnings per facility** = (fees x quantity of target services delivered) x (% quality score)

Quality is assessed quarterly by the district hospital team examining 14 services and 185 variables. Scores of less than 100% discount the negotiated payment proportionately. Validation of facility reports of achievements is done through district committees and transfers are made directly into facility bank accounts. The staff in facilities makes decisions about the use of the funds: directed towards improving the facility or salary bonuses. In addition to provider-based incentives, the Rwandan Government provides free institutional deliveries to women who participate in regular antenatal clinics.

During the period of the scheme, contraceptive prevalence increased from 7% to 28%, and assisted deliveries increased from 29% to 52%. HIV prevalence and malaria incidence declined. Between 2005
and 2007, under-5 mortality declined from 198 to 103 per 1000 live births, and immunization (DTP3) coverage increased from 83% to nearly 100%. An impact evaluation showed that the RBF was associated with improved health outcomes, such as weight for age and child height.

**Lessons learned in results-based financing**

The development and implementation of RBF schemes can be complex. As in the case of health insurance schemes, RBF schemes require detailed and interlocking systems and procedures: financial and health management information systems; verification mechanisms; payment mechanisms; contracting capacity; quality assurance; and fund management capacity, among others. Based on a review of RBF mechanisms supported by the World Bank world-wide, the following lessons have been learned:

**Political commitment and country ownership** at national and sub-national levels are essential to good design, effective implementation, and sustainability of RBF elements.

**Involvement of all relevant stakeholders in the design** of the RBF scheme helps to mitigate resistance and facilitate understanding of the mechanism.

**A focused and gradual approach** appears useful for layering reforms and facilitating the institutional changes required to create the right environment for RBF implementation. However, RBF mechanisms have been established quickly to fulfill needs in fragile states and post-conflict environments.

**Adequate organizational structures and institutional capacity** are key for RBF mechanisms to work well.

RBF projects need to focus on improving quality of services provided, in addition to increasing overall service provision and utilization.

**Selection of performance indicators** is critical. Independent validation of achievement of indicators linked to performance-based contracts is necessary to mitigate ‘gaming’ and perverse incentives to over-report results.

**Adequate and appropriate monitoring and evaluation frameworks** are critical for demonstrating results to stakeholders and for fostering sustainability.
### Table 19.1 Assessment of the value of results-based financing (RBF) for immunization financing

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictable</td>
<td>The amount and timing of resources generated depends upon achievement, and verification of achievement, of results. RBF may be less of a predictable source of financing in an environment where achieving results is challenging.</td>
</tr>
<tr>
<td>Additional to government financing</td>
<td>If the RBF is donor-supported, resources can be additional to government financing.</td>
</tr>
<tr>
<td>Equitable</td>
<td>Unknown at present, as evidence is weak. Financial incentives may enhance targeting of previously underserved populations.</td>
</tr>
<tr>
<td>Efficient</td>
<td>Because of the focus on results rather than paying for inputs, this mechanism might enhance the efficiency of service delivery. The cost and cost-effectiveness of these mechanisms both need to be evaluated.</td>
</tr>
<tr>
<td>Feasible</td>
<td>RBF mechanisms can be highly complex undertakings which require: tracking of provision/use of the quantity and quality of services provided; verification of achievements; contracting with providers; and establishing funds flow and financial management mechanisms.</td>
</tr>
<tr>
<td>Sustainable</td>
<td>Sustainability depends upon whether there are adequate resources to cover the cost of paying households for use of services, or paying providers for services rendered.</td>
</tr>
<tr>
<td>Promotes self-sufficiency</td>
<td>Depends upon whether a country can afford the long-term cost of the financial incentive. Countries may feel pride in – and ownership of – their RBF mechanisms and this may enhance self-sufficiency.</td>
</tr>
<tr>
<td>Fosters greater accountability</td>
<td>RBF mechanisms require verification of achievement of results and this may enhance accountability. However, there will be an incentive to over-state results which may lead to creative ways of 'gaming the system'.</td>
</tr>
</tbody>
</table>

### Further Reading

RBF for Health: [www.rbfhealth.org](http://www.rbfhealth.org)