

Purchasing health services for UHC: How to make it more strategic?



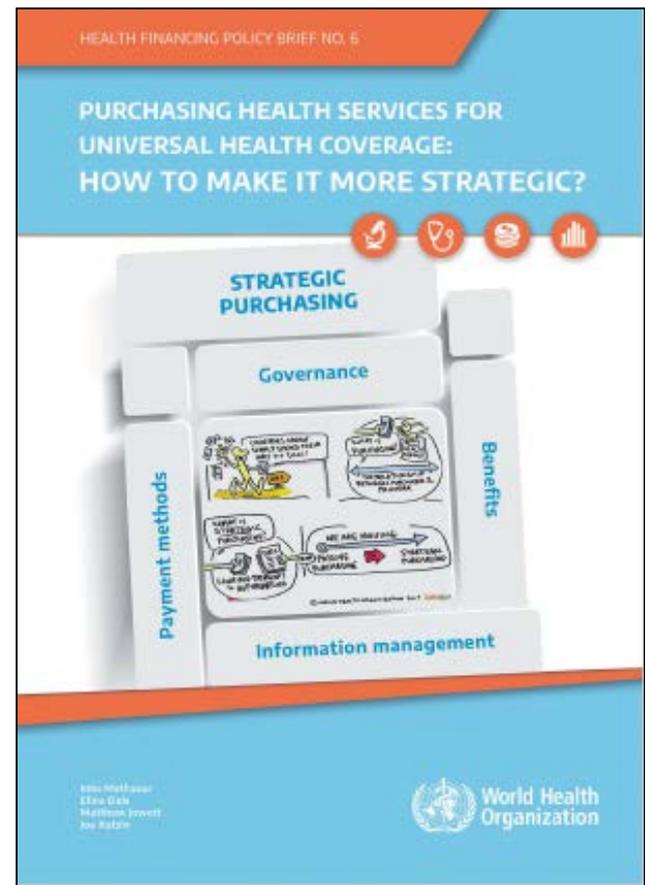
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WHO Health Financing Policy Brief

1. What is purchasing and when is it strategic?
2. Why is strategic purchasing important for universal health coverage and how feasible is it?
3. Strategic purchasing policy options: What do we know from theory and practice?
4. How does strategic purchasing link with other issues related to health financing?
5. The perspective of WHO



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What is purchasing

- **Allocation of pooled funds from purchasers to health care providers on behalf of the population for the provision of health services**
- Health purchasing \neq procurement of medicines, supplies.
 - Procurement refers to the process of selecting vendors, establishing payment terms and negotiating contracts for obtaining commodities in bulk

Purchasing agencies can take many forms

- ministry of health
- subnational authorities (e.g. at provincial or district levels)
- a mandatory health insurance
- voluntary health insurance agency
- a community-based health insurance scheme
- a non-governmental organization, etc.

Moving from passive to strategic purchasing

- **Allocation decisions based on information on the performance of providers and the health needs of the population served**
- Active, evidence-based process that defines
 - which specific health services should be bought
 - from which providers
 - how the services should be paid for and at what rate

Countries at all income levels are seeking to progress on this continuum towards more strategic purchasing

Passive

Strategic



- “Passive”

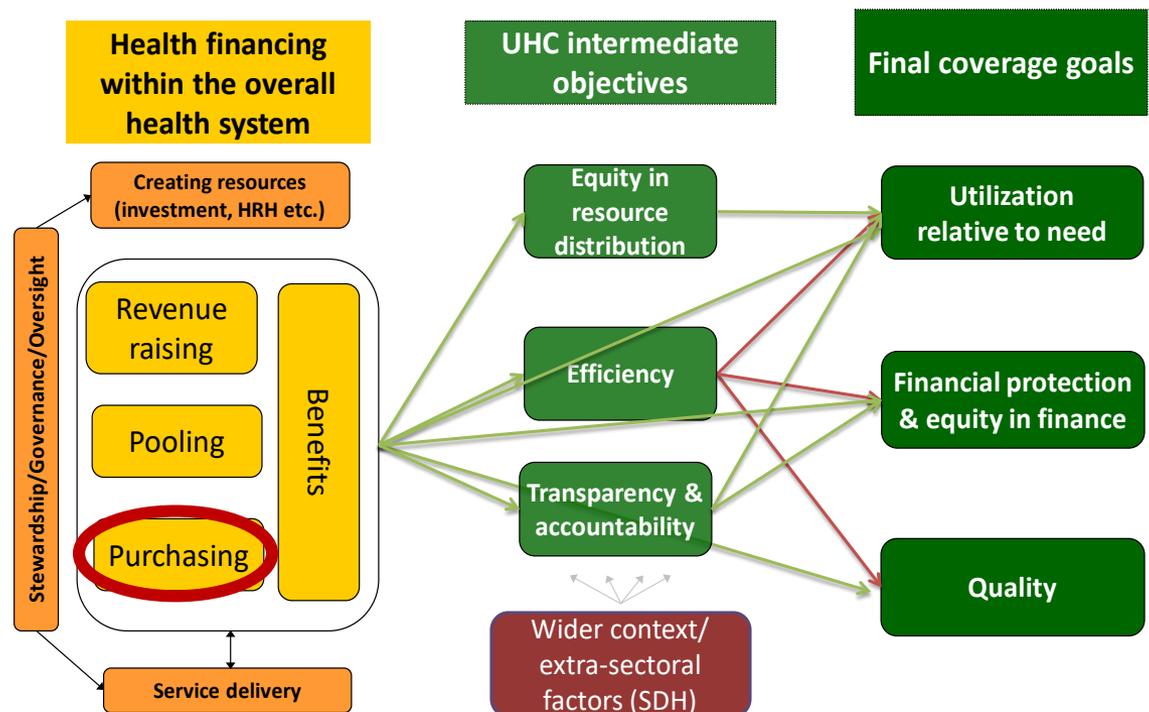
- resource allocation using norms (e.g. number of beds)
- Little or no selection of providers
- Little or no quality monitoring
- price and quality taker

- “Strategic”

- payment systems that create **deliberate incentives for efficiency and quality**
- selective contracting
- quality improvement and rewards
- price and quality **maker**
- managing costs

Why is strategic purchasing important for universal health coverage?

- Revenue raising and effective pooling of funds for health are important, but strategic purchasing is vital for countries to be able to progress towards UHC.
- Strategic purchasing transforms budgets into effective coverage to achieve UHC objectives



How feasible is strategic purchasing?

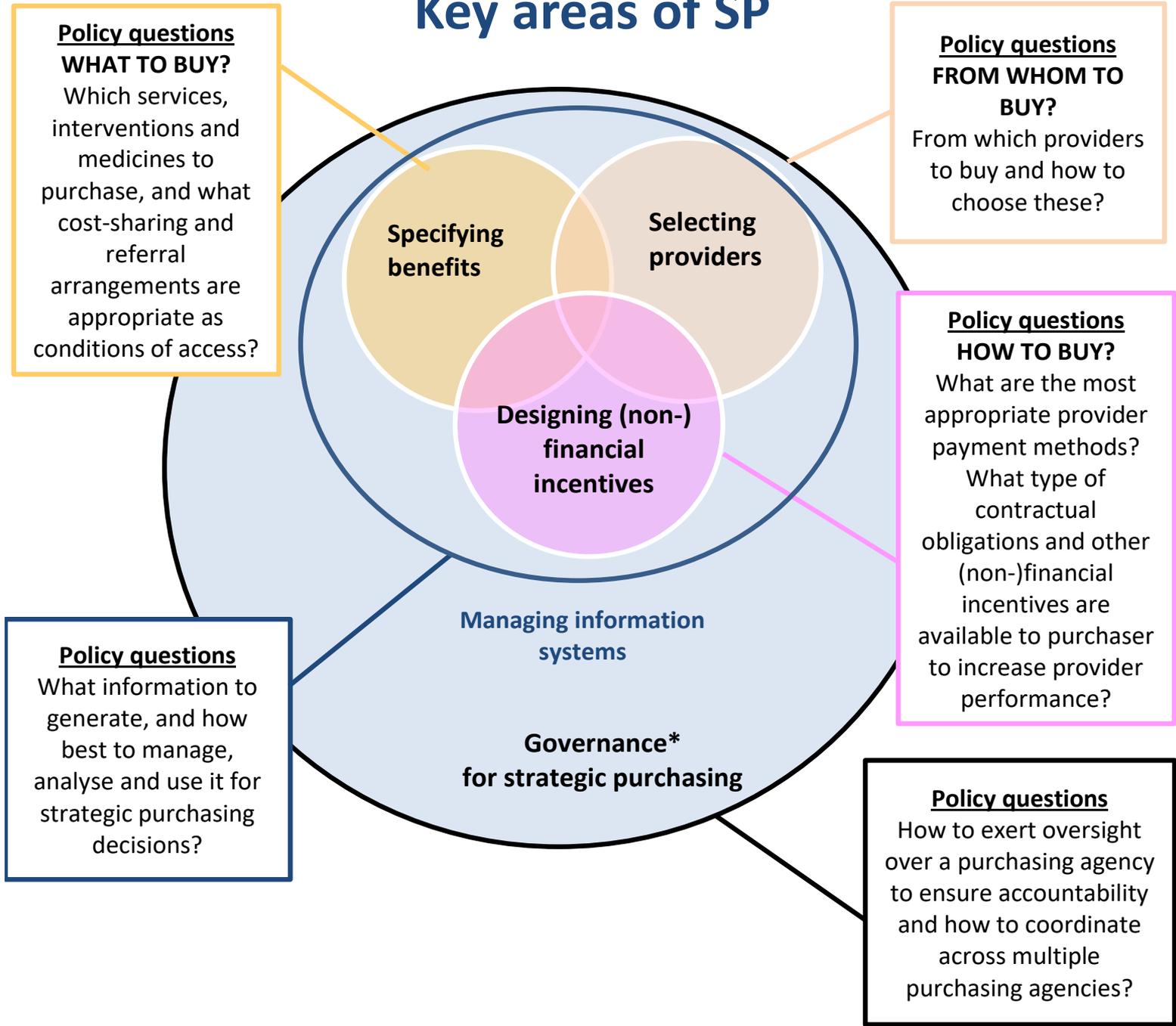
- SP reforms don't have to be big-bang changes, but can be gradual and in several packages



These changes are within the realm of the health sector, can often be steered by the Ministry of Health.

- New health technologies, priorities, changes in provider behaviour etc. emerge, requiring the adaptation of purchasing arrangements.

Key areas of SP



What to buy:

Specifying benefits

- **Decisions on the benefit design**, i.e. those benefits to be covered by public funds, are in many cases **made by higher levels of govt.**
- **The purchasing agencies play a pivotal role** in further **operationalising the stated benefits** within a given budget
E.g. choices on
 - specific treatment options for a specific health condition
 - medicines to be covered (e.g. generics only).
- It involves **specification of conditions of access** to these services: **patient cost-sharing** and **referral rules**.
- Specifying benefits requires **regular revision & updating process** (e.g. through utilisation reviews).
- Need for **specification of service and medicines standards**, although this may in some cases be undertaken by the MoH.

From whom to buy: Selecting providers

- Purchasers need to define and specify **levels** and **types of providers** (public, private) to provide services
- **Selective contracting** and **accreditation** to select from which providers to buy.
- The use of selective contracting is however **limited in practice**
 - in rural and remote areas, one provider only available
 - Politically challenging

How to buy:

Coherent incentives in mixed provider payment systems and contractual arrangements

- **Appropriateness of a payment method depends** on the health system's objectives, challenges, the type of services to be paid for and contextual factors, such as the level of provider autonomy.
 - Each provider payment method has advantages and disadvantages; each creates its own (financial) incentives.
- **Purchasers can** use payment methods and related incentives to **influence provider behaviour** (and how they use resources), e.g.
 - pay relatively higher amounts for PHC services to incentivise providers to put greater focus on these
 - pay relatively lower prices for high-cost but low-priority services to limit the provision of these services.

How to buy (cont.):

Coherent incentives in mixed provider payment systems and contractual arrangements

- **Purposively aligned payment methods to set right incentives:**
 - Harmonisation of payment methods and rates across purchasers
 - Blended payment methods, e.g. PBF and Fee-for-Service
 - Bundled pay
 - Pay-for-coordination arrangements
- Need for **regular revision of payment methods**
- Need for **complementary administrative mechanisms** to ensure that payments over time continue setting the right incentives to providers (utilisation reviews, audit, claims review and fraud control measures)
- To be able to respond to any incentives, **providers** need sufficient **managerial and financial autonomy** and **capacity**

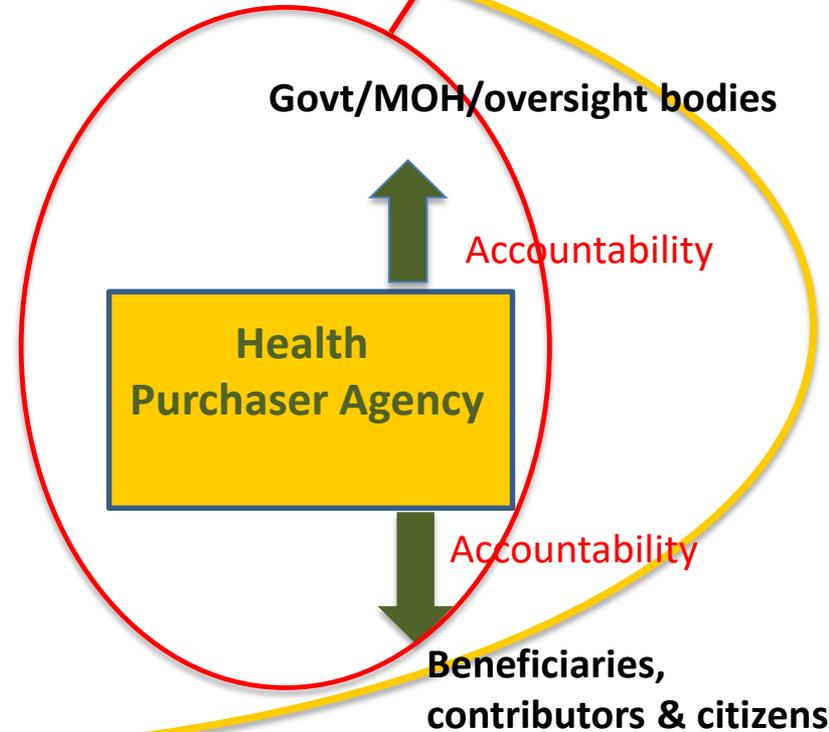
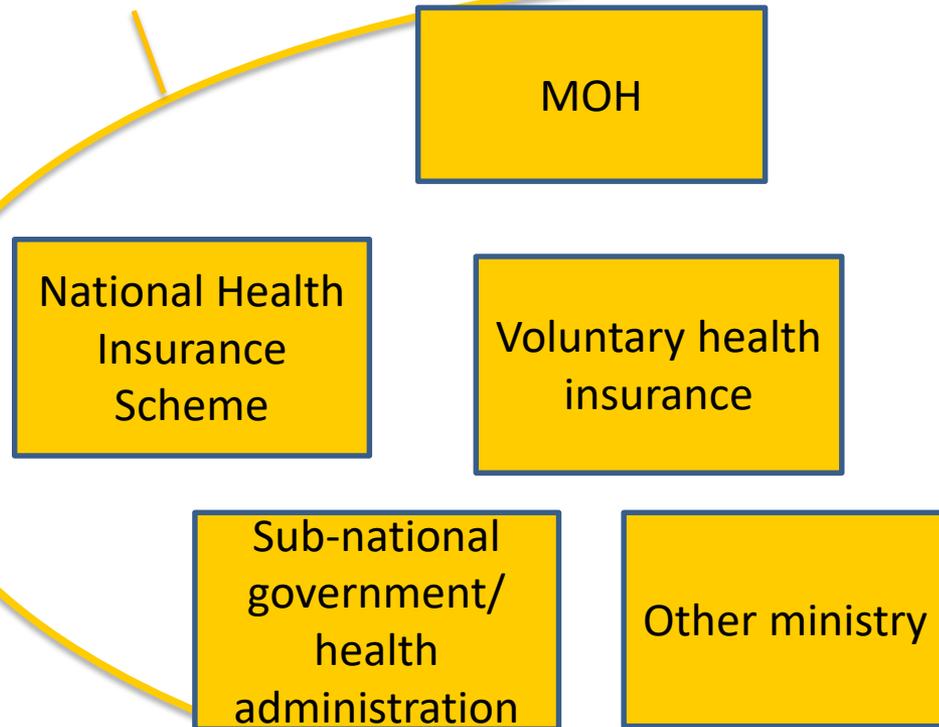
Supporting strategic purchasing decisions: Integrated or interoperable information management systems

- **Need for detailed and up-to-date information** (clinical, financial data, data on quality and service-delivery outputs)
 - to allocate funds according to population needs and provider performance
 - to design payment methods
 - to monitor provider behaviour
- **Frequent problems:**
 - Detailed data not available
 - Lack of harmonised or inter-linked data systems
 - Several information subsystems operate in isolation, not inter-operable
- **Safeguard patient privacy and guarantee system accountability!**

Supporting strategic purchasing decisions: Effective governance arrangements for SP

Governance of the
healthcare purchasing
system

Governance of a
purchasing agency



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Governance arrangements:

- effective oversight mechanisms
- stakeholder participation,
- clear accountability and reporting lines, and
- clear legal mandate for SP

Empowerment of citizens and patients:

- information on their entitlements and rights,
- functional feedback channels and complaints mechanisms.

Need for alignment of strategic purchasing policies with other health system and health financing policies

Alignment issues in relation to:	Ways to address alignment issues
<p>Revenue raising:</p> <ul style="list-style-type: none"> • Paying for promised benefits must not exceed revenues raised, so as to avoid implicit rationing and informal payments, persistent deficits in health insurance funds, or non-payment of providers, which ultimately erode coverage. 	<ul style="list-style-type: none"> • Align the specifications of benefits with available funding and/or adjust the funding and priority given to health to bring it in line with benefits that should be covered.
<p>Pooling:</p> <ul style="list-style-type: none"> • A good pooling architecture creates the potential for an equitable distribution of resources according to needs. The purchasing arrangements need to ensure that this potential is maintained and is further enhanced by creating the right incentives for efficiency, equity and financial protection. 	<p>In a single pool:</p> <ul style="list-style-type: none"> • Introduce allocation formulas with the purpose of risk adjustment to reflect health needs/risks, independent of the revenue-raising capacity of the catchment area populations. <p>In a system with multiple pools:</p> <ul style="list-style-type: none"> • Harmonize benefits, payment methods and rates.
<p>Public financing management (PFM):</p> <ul style="list-style-type: none"> • The budget may not reflect the service package when presented on the basis of inputs (e.g. salaries, utilities, medical supplies) and/or by facility (health centres, district hospitals, university hospitals). • More active purchasing is constrained where input-based line-item budgets capped at facility level do not allow for full implementation of output-based payment methods. • There may be different purchasing arrangements and accounting procedures for different revenue streams. • PFM rules may not allow the use of public funds to pay private providers. 	<ul style="list-style-type: none"> • Shift away from detailed input-based budget formulation, appropriation and expenditure management to programme-based budgeting to allow for clear identification of purchased services. • Use the same accounting and reporting procedures regardless of the revenue stream. • Adjust PFM rules to enable contracting with private providers.
<p>Service delivery:</p> <ul style="list-style-type: none"> • Purchasing arrangements, and particularly payment methods, may not be aligned with service delivery objectives (e.g., care coordination and integration, focus on primary health care) or defined benefits and may contribute to fragmentation of service provision. • Payment methods may favour health service provision in urban over rural areas, or secondary care over primary care. 	<ul style="list-style-type: none"> • Clearly define benefits in terms of priority services and related conditions of access; allocate resources towards these priorities, with payment mechanisms that incentivize better quality, equity and efficiency. • Introduce bundled payment or add-on performance incentives for care integration and coordination.

WHO perspective and key messages

Range of SP measures and policy options: requires capacity to introduce these changes

Need for system perspective: don't try to optimise a specific scheme only

Sequencing of health financing reforms for successful implementation

SP reforms often "technical": not all changes need approval by parliament or high-level legislation

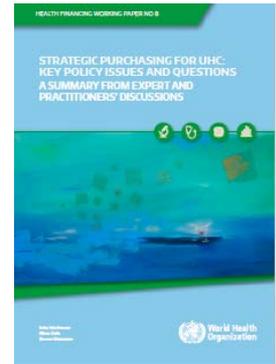
Political economy lie behind "technical" issues: political & inst. feasibility must be understood and addressed

Strategic purchasing needs to be supported by effective governance arrangements

New WHO guidance materials on strategic purchasing:



Analytical guide to assess a mixed provider payment system



Strategic purchasing for UHC:
Key policy issues and questions.

A summary from expert & practitioners' discussions



Governance for strategic purchasing:
An analytical framework to guide a country assessment



Implementing the Universal Health Insurance Law of Egypt: **What are the key issues on strategic purchasing and its governance arrangements?**

Available on:

www.who.int/health_financing/documents/en/

Thank you very much for your attention

Questions?

Comments!

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www.who.int/health_financing