

Building Capacity to Outsource Services: *Experiences and Lessons Learned in Botswana's Public Hospitals*



Since gaining independence in 1966, Botswana has served as an example of development success—experiencing high economic growth and progressing to a middle-income country classification. Throughout this process, the private sector presence in Botswana has remained small while the government has grown to become the dominant player in the economy and the country's main employer. With the national Privatisation Policy of 2000, the government began implementing a broad set of reforms to diversify the economy, address the volatility of its two main sources of domestic revenue, cattle and diamonds, and increase the efficiency of the public sector.

While privatisation is a national policy, its uptake by the various line ministries within the government has been slow. Fifteen years after the policy was enacted, the Ministry of Health (MoH), through the Ministerial Office of Strategy Management (OSM) and the Public-Private Partnerships Unit, has designed and implemented a number of outsourcing agreements for nonclinical services at seven regional and district hospitals in the country (S'brana, Nyangabgwe, Princess Marina, Sekgoma, Mahalapye, Letsholathebe II Memorial, and Scottish Livingstone). These nonclinical services include cleaning, laundry, security, grounds, and porter services. Food service is expected to be outsourced in a few facilities in the near future.

As the Government of Botswana's leader in outsourcing, the MoH has encountered and overcome challenges; these lessons learned are intended to serve as a resource for other Ministries as they undertake outsourcing initiatives.¹

"Until the [HFG] trainings we didn't know how to start [with managing a contract]. Now, after attending the workshops, we hold weekly meetings and inspections with our contractors. On our own we are able to perform spot checks and identify areas for the vendors to improve, we give feedback to the management and the contractors. The companies receive it well and make the necessary changes"

– Hospital Manager,
S'brana Psychiatric Hospital

¹ A full report is available: Cogswell, Heather, Mompoti Buzwani, Louise Myers, Elizabeth Ohadi, Naz Todini and Carlos Avila. April 2015. *Experiences in Outsourcing Nonclinical Services among Public Hospitals in Botswana*. Bethesda, MD: Health Finance & Governance Project, Abt Associates Inc.

Outsourcing Capacity-Building Resources

As outsourcing is a new initiative for the MoH, HFG conducted a series of three workshops to build the capacity of the MoH, Public-Private Partnership Unit, and the hospital administrators and contract managers in outsourcing.

- ▶ *Strengthening Outsourcing Services at the Ministry of Health.* This workshop covered a comprehensive list of the issues related to outsourcing services, from pre-bid preparatory work to the development of Service-Level Agreements (SLAs), to management of a concluded contract.
- ▶ *Building Capacity to Develop and Monitor SLAs.* The objective of this workshop was to improve MoH and hospital staff capacity around developing, negotiating, and monitoring SLAs.
- ▶ *Strengthening Public-Private Partnerships: Collaborative Approaches, Negotiation, and Conflict Resolution.* To strengthen the capacity of MoH staff and hospital managers around managing conflict and negotiating appropriate solutions to problems that arise between hospitals and contractors, a highly participatory training was held in conflict resolution and negotiation skills.

Service-Level Agreements

Service-Level Agreements can be the key to successful outsourcing initiatives. The SLA is a component of the overall contract between the hospital and the vendor that creates a common understanding about services, priorities, and responsibilities. An SLA includes negotiated, detailed task descriptions, task availability information, standards for timeliness, frequency tables, and quality measures for the provided services. Properly done, it is a communication tool that can help to minimise conflict between the contracting parties by carefully defining and managing expectations and monitoring the effectiveness of services.

A contract to outsource a service can be signed without an SLA, as has been the case with all of the current outsourcing contracts in Botswana. Many challenges that have arisen with the quality of the outsourced nonclinical services at the seven hospitals would have been mitigated with properly developed and detailed SLAs. The greatest challenge, therefore, with the outsourcing contracts at the hospitals is the lack of SLAs, and one of the greatest lessons learned is the importance of incorporating SLAs into outsourcing contracts from the outset.

Initial Findings

Financial and budgetary implications: Outsourcing contracts have significant financial and budgetary implications. At the time of the study, seven major district and referral hospitals were operating contracts for laundry, cleaning, porter, security, and landscaping services, with a combined recurring budget of US\$19.4 million (excluding capital and labour). On average, these contracts represented 41 percent of the recurring budget. Cleaning contracts had the largest contract value, representing, on average, 18 percent of the hospitals' annual recurring budgets. Laundry contracts represented 13 percent of the hospitals' annual recurring budgets, security contracts represented 3 percent, grounds/landscaping contracts represented 3 percent, and portering represented 2 percent.

Governance and regulation: At the start of the MoH outsourcing initiative, the Public-Private Partnership (PPP) Unit had heavy central control and oversight in the contracting process, and hospitals had a very small role in the decision making. The goal is to institutionalise the PPP work in the hospitals as quickly as possible. To achieve this goal, the PPP Unit will remain small and support the work of the hospitals in contracting so that the initiative can be institutionalised at the hospital level.

Service quality: A survey of over 200 hospital nursing staff indicated that the perceived service quality of cleaning, laundry, and security services has improved since outsourcing. The largest quality improvements were seen in the number and adequacy of staff after outsourcing, adherence to infection control policies, and improvements in the supply and quality of linen. Across all seven hospitals currently outsourcing cleaning services, an average of 61 percent of respondents noted that the quality of cleaning has improved since outsourcing. For linen and laundry services, an average of 75 percent across all seven hospitals felt the quality of linen and laundry services had improved since outsourcing. However, for security services, on average, only 50 percent saw improvement in the overall quality of security services since outsourcing.

Contract management: As a result of the HFG capacity-building workshops, hospitals have made significant changes in the way they manage their outsourcing contracts. Specifically, the hospital contract managers and vendor managers have started performing weekly "walk abouts" to jointly assess service quality. As part of these "walk abouts," the hospitals have started using checklists (taken from the workshops) to monitor service quality.

The checklists allow the hospital and vendor to identify, discuss, and address any concerns. In addition, the hospital has requested and receives more-frequent/more-complete service reports from the vendor. The new methods of contract management have resulted in better communication between the hospitals and vendors and improvements in service quality.

Gender: Botswana’s relatively low scores on international indicators relating to gender and human development demonstrate room for improvement in these areas. Economic diversification represents an opportunity to increase the economic empowerment of women. To do so, hospitals need to incorporate nondiscrimination policies into their contracts. To date, no nondiscrimination policies have been incorporated into the outsourced contracts. Despite this, there is initial evidence that outsourcing creates job opportunities for women. On average, the proportion of women in security, laundry, and cleaning services increased by 20 percent after outsourcing, with security services seeing the largest change in employment of women.

HIV: The public sector serves as the largest provider of antiretroviral therapy (ART), with approximately 85 percent of patients treated receiving treatment free of charge in the public sector (WHO 2005). The roughly 250,000 patients receiving ART in Botswana generate a total of 54,000 admissions per year and 1,415,000 outpatient visits per year. In absolute numbers, ART patients contribute to a large number of hospital visits per year and, in relation to total outpatient visits per year, represent a large proportion of visits—in some facilities ART patients contribute a quarter to a third of all outpatient visits. The President’s Emergency Plan For AIDS Relief (PEPFAR) 3.0 lays out a strategy to accelerate core interventions for HIV control to ensure transparency and accountability for impact. Outsourcing of nonclinical services contributes not only to comfort, cleanliness, and client satisfaction, but also to unmeasured quality of care and prevention of nosocomial infections. This contributes to PEPFAR’s action agendas by ensuring patient satisfaction with the health care system and thereby improving adherence to care; improving the efficiency of hospital financing and operations and thus maximising the investment to HIV and AIDS care and treatment; and advancing the human rights initiative to provide safe and dignified care to people living with HIV.

Key Lessons Learned

Several key messages and lessons learned from the successful outsourcing of nonclinical services include:

Develop contracts with SLAs

- ▶ The SLA requires a good faith effort on the part of both entities (the will to succeed needs to be stronger than the will to fail). The SLA allows the hospital considerable leverage and flexibility to address and correct vendor performance issues short of complete contract termination (which is the only remediation the current MoH outsourced contracts allow). Under the SLA approach, hospitals may create and refine a point-based performance system to encourage/enforce the level of performance desired. “The devil is in the details”: the SLA needs to include enough service information for the vendor to clearly understand the hospital’s expectations (i.e., what constitutes “good performance”).
- ▶ The contract should be regularly re-bid to assure that the hospital continues to pay a fair price for the service and is not missing the opportunity for the introduction of new technology or methodologies. Involve expert external parties to oversee competitive bidding and selection processes.

Manage hospital – vendor relationships

- ▶ Contractual relationships result in a win-win situation for both parties, and outsourcing can be successful only if there is a true partnership between the hospitals and the service providers. The relationship between the hospital and the vendor is complex, and this complexity requires a level of management sophistication on the part of both the hospital and the vendor. Seeking consensus between all actors affected by a contractual policy facilitates compliance. Taking the time to understand the issues and working out solutions at each stage is critical.
- ▶ The hospitals need to clarify the channels and modes of communication so both sides understand them.

Ensure smooth contract mobilisation

- ▶ The mobilisation phase is critical to ensuring a smooth and safe transition; it requires careful planning and monitoring on the part of both the hospital and the vendor.
- ▶ Conduct an orientation for the vendor at the very start of the contract; this should help the vendor better understand the mission and organisation of the hospital and the uniqueness of the hospital environment. This orientation should also serve as a way for the vendor to introduce itself to all hospital staff so everyone knows who’s who.



Before outsourcing, having a consistent supply of clean linens was a challenge. Since outsourcing, the quality has greatly improved

About HFG:

A flagship project of USAID's Office of Health Systems, the Health Finance and Governance (HFG) Project supports its partners in low- and middle-income countries to strengthen the health finance and governance functions

of their health systems, expanding access to life-saving health services. The HFG project is a five-year (2012-2017), \$209 million global health project. The project builds on the achievements of the Health Systems 20/20 project. To learn more, please visit www.hfgproject.org.

The HFG project is led by Abt Associates in collaboration with Avenir Health, Broad Branch Associates, Development Alternatives Inc., Johns Hopkins Bloomberg School of Public Health, Results for Development Institute, RTI International, and Training Resources Group, Inc.

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Manage the contract properly

- ▶ The role of the hospital in outsourcing is to manage the contract, not the contractor's staff. The service provider monitors the day-to-day performance of its line workers, and the hospital monitors the key performance indicators to measure overall compliance and assure quality.
- ▶ Hospitals must not underestimate how much time it takes to manage a contract. Contract monitoring needs to be rigorous and routine. Hospital management needs to schedule department manager meetings for outsourced service departments, make scheduled and nonscheduled inspections, and periodically audit the contractor's budget reports and supply inventories.
- ▶ The contract department manager is most successful when (s)he is an equal and participating member of the hospital department management team. The outsourcing relationship should be one of a partner mentality, with contract department manager participation on hospital emergency response teams and on multi-disciplinary hospital committees.
- ▶ A breach in the management cycle of the SLA effectively compromises the entire system: without sufficient monitoring, reports are useless; without good reporting, performance issues cannot be identified and addressed.

Assess service quality

- ▶ Develop monitoring tools together so both sides understand their purpose and application; conduct audits in a highly professional manner to focus on performance improvement; review reports together to identify problems and determine how to resolve (collaborative approach).
- ▶ The hospital should provide training to the vendor in infection control and other risk areas, to avoid critical mistakes and to help the vendor understand the rationale for hospital protocols and how the vendor's procedures must respect these. The hospital should also ask the vendors' site managers to serve on relevant hospital committees (infectious disease control, risk management, accreditation).
- ▶ Contractors should receive a copy of the South Africa hospital accreditation standards to study and use—the standards promulgated by the Council of Health Services Accreditation of Southern Africa (COHSASA). The hospital should clarify what these are, how the hospital is working towards the standards, and what role the vendor will have in the hospital achieving COHSASA certification.

Promote citizen economic empowerment

- ▶ Hospitals can play an important role in assisting in the capacity development of new, fledgling service providers in Botswana. Assistance may include training and orientation to the special requirements of hospitals, a stepped approach to contracting some services, and detailed service information provided in the SLAs.