

Purchasing of services

What do we need to know? And why?

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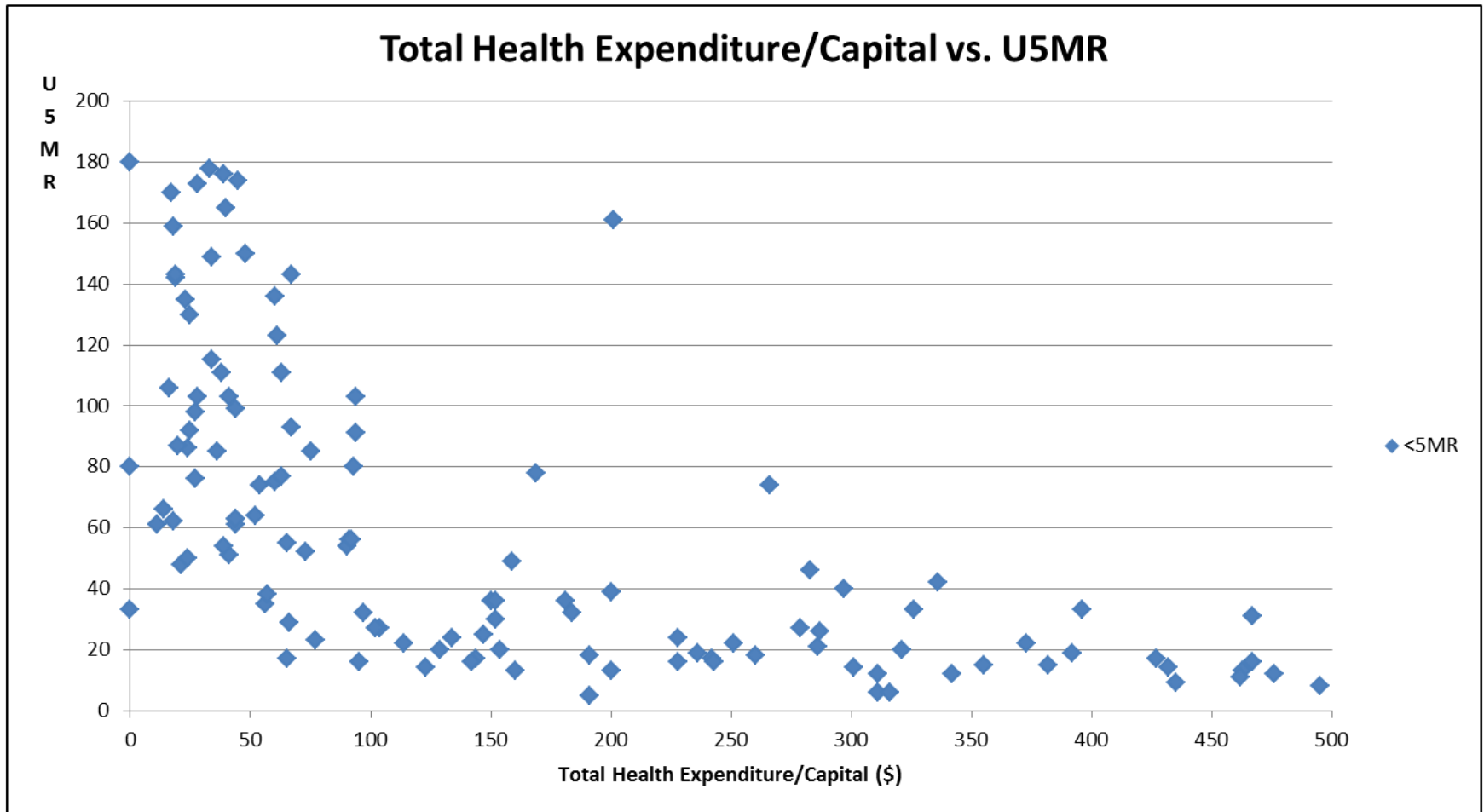
In this session

- ❑ Purchasing within the HCF framework
- ❑ What is purchasing?
- ❑ Evolution toward strategic purchasing.
- ❑ Strategic purchasing - key decisions.
 - ❑ The Benefit package
 - ❑ The Purchaser.
 - ❑ The Beneficiaries
 - ❑ The Providers.
 - ❑ Provider payment systems.
- ❑ Governance of Purchasing.

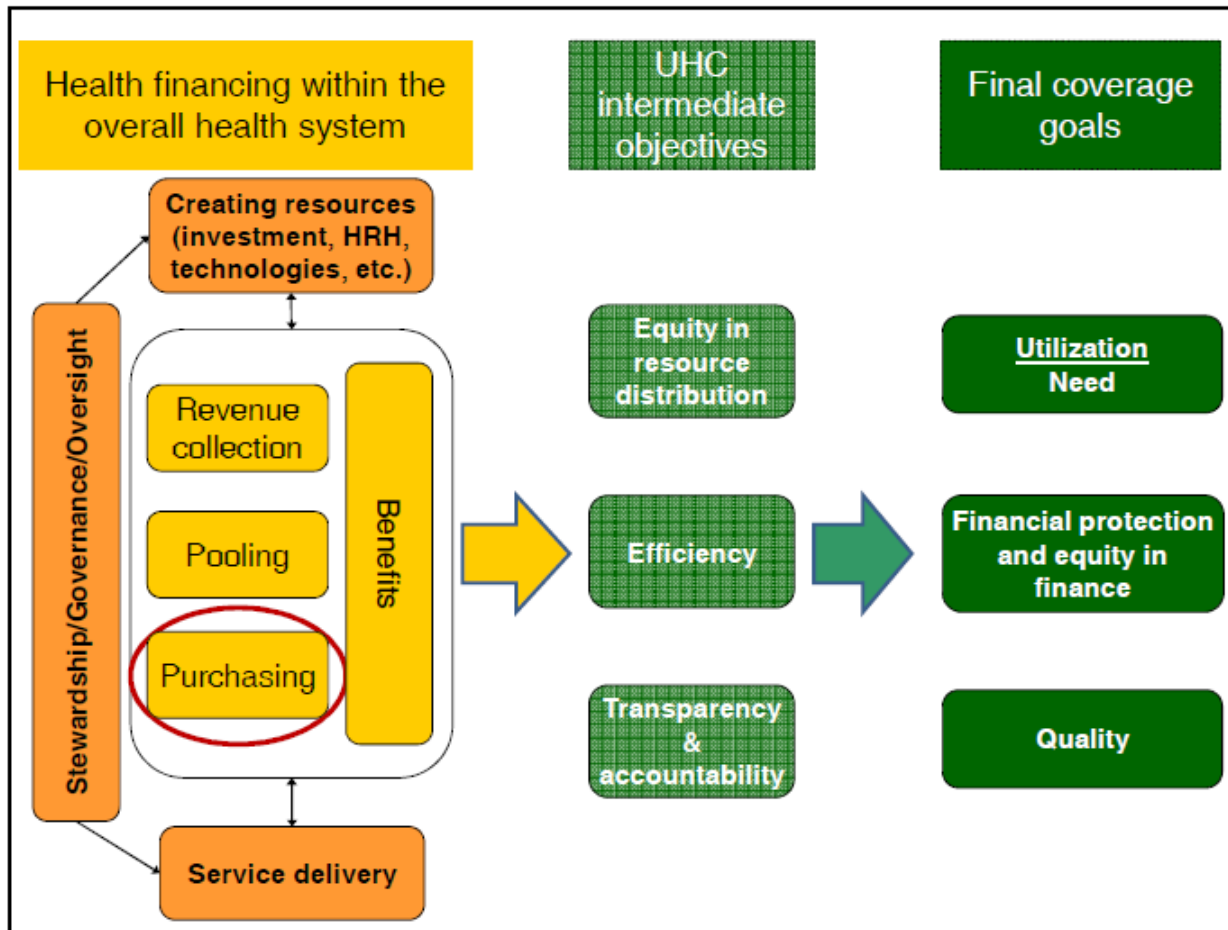


You just can't buy your way to
Universal Health Coverage

More money for Health – More Health for money?



Purchasing within the HCF framework



What is purchasing?

- A critical link between resources mobilized and pooled and the effective delivery of quality services.



- Purchasing refers to the process by which funds are allocated to healthcare providers on behalf of identified groups or the entire population.

Evolution toward strategic purchasing

PASSIVE

Focused on inputs, Not linked to clear results

STRATEGIC

Focused on Output & Results: Which services to buy & how & by whom they will be provided

Prices: financial incentives aligned with service delivery objectives

Cooperative relationship between purchaser and providers

Key decisions in strategic purchasing

- ❑ Strategic purchasing is not easy – It involves decisions on

What services to purchase?

- Define the service entitlement – Benefit package.

Who is the purchaser

- Define the entity responsible for resource allocation

For whom ?

- Define the target beneficiaries.

From whom ?

- Select providers and enter into contract to deliver goods and service in the benefit package

How to pay and at what Cost?

- Develop and implement provider payment systems and calculate payment rates.



What services to purchase – Designing the Benefit package

- ❑ Design benefit package to promote UHC goals.
- ❑ Clear and smart choices need to be made about what services can be included – Rationing.
 - ❑ Technical and Political considerations: Burden of disease, cost, effectiveness of treatment, open decision making process.
- ❑ In prioritizing, certain services should not be traded off.
- ❑ This should be clearly defined – Explicit.
- ❑ Costing the benefit package - Needs to be affordable within the resources available to the purchaser.
- ❑ This needs to be reviewed and updated regularly.



Who is the purchaser

- ❑ Who is responsible for purchasing of services: Existing or newly established agency.
- ❑ Capacity to purchase – Drives the key decisions involved in strategic purchasing.
- ❑ Move from integrated to separation of purchaser and provider functions
 - ❑ purchaser-provider split.
- ❑ Need for Third Party Administrators (TPAs)?



For whom are we buying

- ❑ Beneficiaries – The whole populace.
- ❑ In reality – Staggered coverage expansion.
- ❑ How do we cover the entire population
 - ❑ Which people to include first? – Be wary of the so called low hanging fruits.
 - ❑ Which group gets subsidized?



From whom are we buying

- ❑ Selection of healthcare service providers
 - ❑ Public, Private or Both.
 - ❑ Ensure universal access to services by population.
- ❑ Done through an accreditation process: Location, ability to provide appropriate range of services and quality of care.
- ❑ Must be held accountable by the purchasers.
 - ❑ Contractual agreement: Range of services, quality expectations, information required and action for poor performance.



How are we buying

- ❑ Provider payment mechanism is the anchor of strategic purchasing.
- ❑ A provider payment method is the mechanism used to transfer funds to providers and the *incentives* created as a result.
- ❑ The incentives generated through these mechanisms can have a powerful influence on the provider's efficiency and productivity.

Common methods for provider payment

Payment Method	Definition
Per Capita (“Capitation”)	Providers are paid a fixed amount in advance to provide a defined set of services for each individual enrolled for a fixed period of time.
Fee-for-Service (Fixed fee schedule)	Providers are paid for each individual service provided. Fees are fixed in advance for each service or group of service.

Provider Payment Methods, Characteristics and Incentives

	Characteristics		
Payment Method	Payment to providers made prospectively or retrospectively ?	Payment based on inputs or outputs?	Incentives for Providers
Capitation (Per capita)	Prospectively	Outputs	Increase number of enrollees, reduce inputs per service
Fee for service (fixed fee schedule)	Retrospectively	Outputs	Increase the number of services and reduce inputs per service.



Key points on PPM

- ❑ There is no perfect provider payment mechanism.
- ❑ They can all introduce both desired and perverse incentives.
- ❑ These strategies alone will not influence the behavior of providers. Instead, purchasers should actively monitor provider performance, particularly in terms of service quality.
- ❑ Monitoring needs to be backed up by taking action on poor performance - De-accreditation/Instituting QI plans.



Purchasing & Technology

- ❑ Technology allows for up to date and timely information for decision making.
- ❑ Important for oversight and monitoring and evaluation.
- ❑ Develop/Adapt robust Information Technology (IT) platforms that responds to the identified needs.
 - ❑ Membership enrolment, Premium payment, Provider payment, Claims management etc.



The Governance of Purchasing

- ❑ Governance makes the difference in purchasing.
- ❑ Clear policies, law and regulations that guide the activities of purchasers and providers.
- ❑ Setting of quality standards.
- ❑ Management systems - ICT
- ❑ Clear accountability mechanisms are required for purchasers and providers.
- ❑ Transparency – Information on the public domain.
- ❑ Citizen's voice – Feedback.



Summary

- ❑ Purchasing has important implications for how the entire health systems perform: Efficiency, access, quality of services and consumer satisfaction.
- ❑ Purchasing can provide additional financing for the health system through efficiency gains.
- ❑ The issue of purchasing has to take on increased importance in debates and discussions.



Thank you

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