

Resource allocation and Purchasing

What do we need to know? And why?

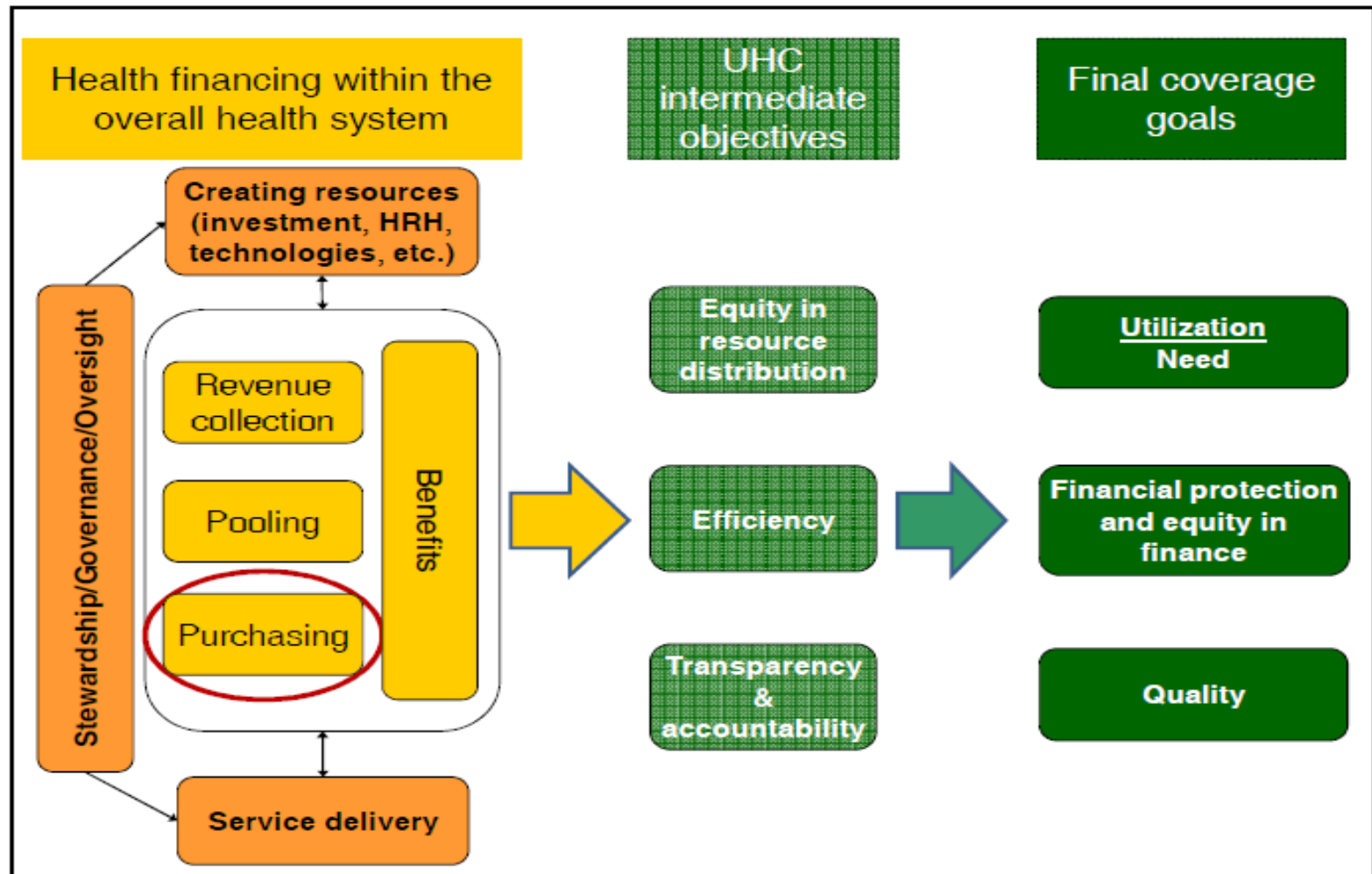
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In this session

- ❑ The place of Purchasing within the UHC framework
- ❑ What is Purchasing?
- ❑ Evolution towards Strategic purchasing
- ❑ Why is Strategic purchasing important?
- ❑ How can Strategic purchasing be done?
- ❑ ICT and Purchasing
- ❑ Governance and Purchasing.
- ❑ Conclusion.



Purchasing within the UHC framework





What is purchasing?

- ❑ Purchasing is a core function of any health system.
- ❑ Purchasing refers to the arrangements in place, and mechanisms used, to allocate pooled funds to health service providers.
- ❑ To obtain services on behalf of identified groups or the entire population.
- ❑ Embedded within purchasing is resource allocation
- ❑ Is there a difference between purchasing and procurement?



The Government of Nigeria at all levels has extensive experience in allocating health service funds.

Purchasing or Procurement?



Evolution - What is strategic purchasing

- ❑ Passive purchasing – Focused on inputs, not results
 - ❑ Simply paying bills (ATM-like).
- ❑ Strategic – Active, purposeful, continuous search for the best ways to reach a goal.
- ❑ Purchasing done in a manner consistent with goals
- ❑ Carried out with an eye for results - High level results
 - ❑ Buying the right services.
 - ❑ Buying for the right people.
 - ❑ Buying at the right price.

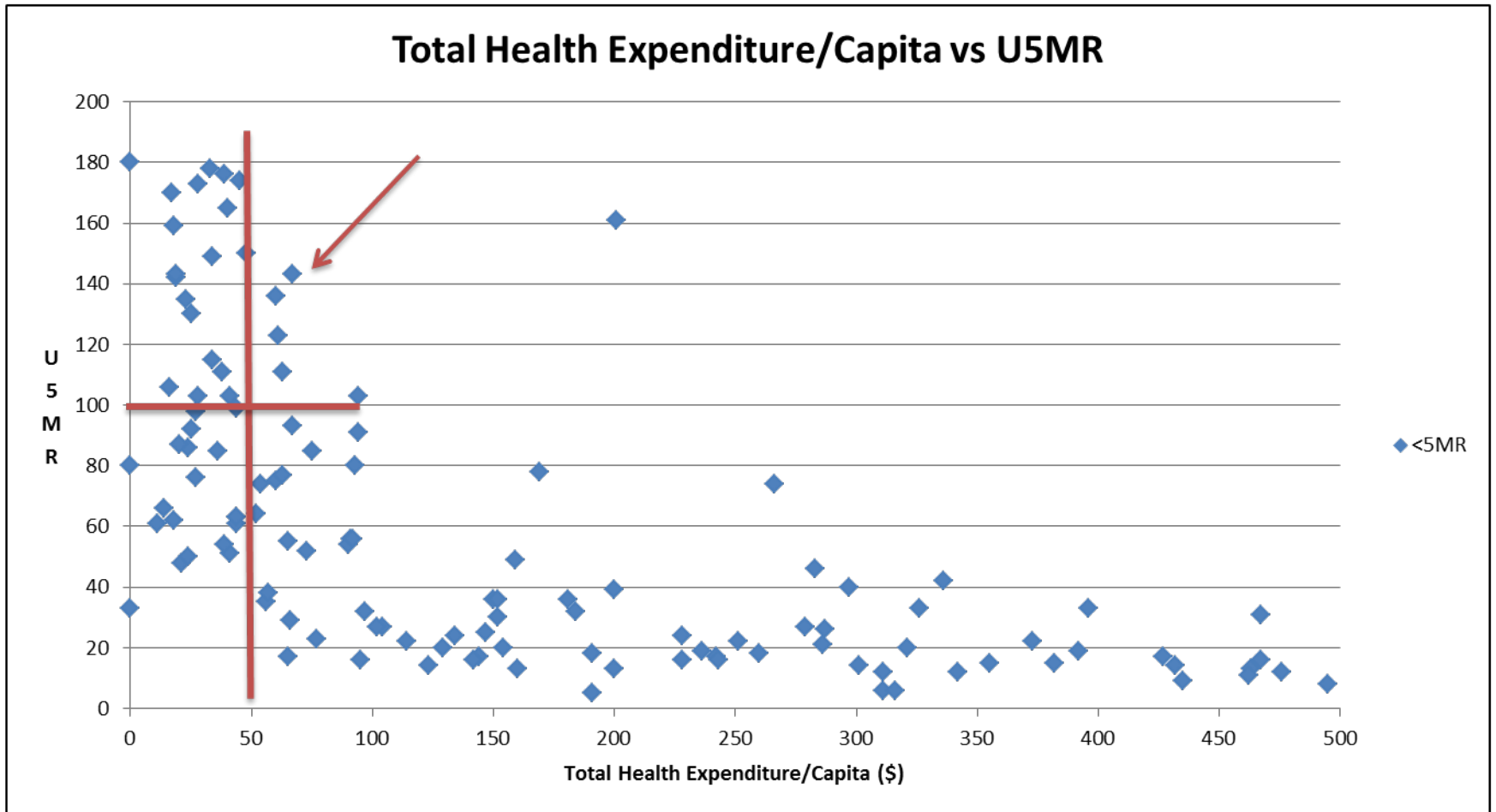


Why is Strategic Purchasing important?

As a function of health financing, it can help achieve

- ❑ Improved efficiency – Doing right things (More value for Money)
 - ❑ Technical Efficiency – Using given resources to maximum advantage.
 - ❑ Allocative Efficiency – Devoting right share of resources
- ❑ Improved equity in resource distribution
- ❑ Improved quality of services.
- ❑ Improved health systems and facilitate progress towards UHC.

More Health for money



How to do strategic purchasing

- ❑ Develop a clear set of priority goals
- ❑ Take key decisions

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.

Developing a set of priority goals

Refer to state strategic documents - Health policy, SSHDP.

- ❑ *Increase state Immunization Coverage among children aged 0-5 years by 2015;*
- ❑ *Reduce Infant Mortality Rate (IMR) from 79/1000 to 35/1000 by 2015;*
- ❑ *Reduce U5 Mortality Rate (U5MR) from 104/1000 to 45/1000 by 2015;*
- ❑ *Reduce by 30%, Mother-To-Child Transmission (MTCT) of HIV by 2015;*
- ❑ *Reduce by 40% the percentage of children 0 – 59 months with diarrhea by 2015;*
- ❑ *Reduce incidence of malaria from 11,534/100,000 to 7500/100,000 by 2015;*
- ❑ *Reduce level of maternal mortality from 1380/100,000 live births to 450/100,000 live births by 2015;*
- ❑ *Increase by 50% facilities providing BEOC by 2015.*
 - ❑ *Culled from the Bauchi state strategic health development plan 2010-2015.*



What services to purchase – Designing the Benefit package

- ❑ Design benefit package to promote priority 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.
- ❑ This should be clearly defined – Explicit.
- ❑ Costing the benefit package and Actuarial analysis to determine premium risk contribution.
- ❑ This needs to be reviewed and updated regularly.



Who is the purchaser

- ❑ Who is responsible for purchasing of services?: Existing or newly established agency.
- ❑ Critical purchasing functions – Claims management, Quality monitoring, Provider reimbursement etc.
- ❑ Capacity to do all these?
 - ❑ Role of Third Party Administrators, Health Insurance Agents.
- ❑ Move from integrated to separation of purchaser and provider functions
 - ❑ Purchaser-provider split.



For whom are we buying

- ❑ Beneficiaries – The whole populace.
- ❑ In reality – Prioritize
 - ❑ Those who cannot access care: Geographical/Financial
 - ❑ Vulnerable population: Pregnant women, Children under 5 etc.
- ❑ Trade offs between population coverage and service coverage – Rationing of resources.



From whom are we buying

Healthcare service providers that will help achieve priority goals.

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



How are we buying

- ❑ 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.
- ❑ Provider payment system is the provider payment method combined with all supporting systems – information systems and accountability mechanisms.

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	Retrospectively	Outputs	Increase the number of services and reduce inputs per service.



Key points on PPM

- ❑ There is no perfect provider payment method.
- ❑ They can all introduce both desired and perverse incentives.
- ❑ Whatever method is selected, close monitoring and evaluation will be necessary to identify and resolve issues and unintended consequences.
- ❑ Monitoring needs to be backed up by taking action on poor performance - De-accreditation/Instituting QI plans.



ICT and Strategic Purchasing

- ❑ The use of ICT from start to finish - Membership enrolment, Premium payment, Provider payment, Claims management etc.
- ❑ ICT reduces the risk of fraud and improves efficiency and effectiveness.
- ❑ Technology allows for up to date and timely information for decision making.
 - ❑ Quality monitoring
 - ❑ Oversight – monitoring and evaluation.
 - ❑ Transparency



Governance and Purchasing

- ❑ Effective Governance is crucial
 - ❑ Policy/Guidance - Clear and coherent policies, SOPs.
 - ❑ Intelligence gathering – Performance monitoring indicators.
 - ❑ Clear accountability mechanisms at all levels with transparency.
 - ❑ Intersectoral collaboration.
 - ❑ Citizen's voice – Feedback.



Summary

- ❑ Purchasing has important implications for how the entire health systems perform: Efficiency, access, quality of services and consumer satisfaction (Trust).
- ❑ 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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