

Strengthening governance in purchasing markets – challenges when multiple funding flows exist

Ayako Honda

Health Economics Unit

University of Cape Town

RESYST-APO multi-country study

- **Limited empirical work** undertaken on purchasing in LMICs
- Study examines how purchasing mechanisms are functioning in LMICs from a **strategic purchasing perspective**
- **Case study design**: the purchasing arrangements/mechanisms operating in a country are the 'case'
- Between one and three **existing purchasing mechanisms** (cases) examined in each country
- **19 cases (purchasing mechanisms) in 10 countries** examined
- **Qualitative study**: data collected via document review, individual interviews and group discussions; both deductive and inductive approaches used in data analysis

Key messages from the purchasing study

1. Purchasing is an undervalued function of healthcare financing in public integrated systems
 - **Public management frameworks** can prevent strategic use of levers by public purchasers
2. Strategic purchasing in the public system is constrained by:
 - **Lack of clarity in the roles and responsibilities** of government, central purchasers and purchasing administrators
 - **Incongruity** between purchasing and other public policies and regulations

Example from Indonesia – Jaminan Kesehatan National (JKN), National Social Security

JKN	A single pool, mandatory health insurance, commenced in 2014
Purchaser	BPJS Healthcare
Funding sources	Central and local government budget; payroll contributions by employees and employers
Beneficiaries	State government and company employees, with expansion planned to reach the entire population
Providers	Both public and private health providers contracted
Provider payment methods	Capitation for primary healthcare; case-based payment for hospital care

- **Unclear organisational roles and accountability** between BPJS, Ministry of Health, District Health Office, and local governments caused confusion about:
 - Who audits / supervises BPJS
 - Who pays primary health care providers
 - Who monitors healthcare providers
 - To whom public providers are accountable

Key messages from the purchasing study

3. Effective implementation of strategic purchasing requires **capacity in purchasers**
 - reforms must be **carefully planned and phased** in such a way as to utilise available capacity while gradually improving the capacity of implementers so that they can undertake new tasks. This encompasses:
 - Identification of the capacity required to prepare and implement reforms
 - Assessment of the existing capacity of actor groups
 - Preparation for and implementation of reforms
 - Incorporation of capacity development components in reforms

Key messages from the purchasing study

4. Purchasers should improve **accountability to citizens** to better ensure needs of the community are met
 - Consistent findings of poor accountability to citizens
 - In systems where community accountability mechanisms exist, the mechanisms often faced implementation challenges
 - Community engagement mechanisms are not integrated into the design and review of policy decision-making
5. The presence of **multiple purchasing mechanisms**, unless designed as part of an integrated system, can undermine the ability of purchasers to undertake strategic purchasing

Multiple purchasing mechanisms and funding flows

- **Purchasing mechanisms** are characterised by the **funding flow and associated purchasing arrangements**, which send signals that shape healthcare provider behaviour
- When multiple purchasing mechanisms operate, **the combination of mechanisms**, and related funding and arrangements, influence healthcare provider behaviour (c.f. individual mechanisms)
- Multiple funding flows can impact on the financial resilience of health facilities, and **send signals to which providers respond in both intended and unintended ways** (e.g. discrimination against/towards patients, cost-shifting, etc.)
- The existence of multiple funding flows may **undermines the ability of purchasers** to undertake strategic purchasing

What can Governments do?

- **Set direction** – Plan for ‘strategic purchasing’ to improve health systems performance
 - Can Government consolidate the multiple purchasing mechanisms operating in a country?
 - Can Government design the public purchasing-based system to minimise the effect of parallel funding flows within the system (e.g. health workers salaries and payments from public purchasers)?

What can Governments do?

- Exert **influence through regulation** and other actions
 - Can Government coordinate / align / standardise the purchasing arrangements between all or some of the purchasers and healthcare providers (e.g. reporting, payment systems, payment rates, etc.)?
 - Can Government regulate to mitigate potential negative or unintended behaviour in providers?
 - Can Government take other action to make the purchasing in the health system more ‘strategic’?

What can Governments do?

- **What capacity** does Government require to provide effective stewardship over multiple purchasing mechanisms?
 - What technical / system / network capacity is required for Government to be able to undertake strategic planning?
 - What technical / system / network capacity is required for Government to align some or all of multiple purchasing arrangements (e.g. payment rates, payment mechanisms, reporting, etc.)?
 - What technical / system / network capacity is required for Government to be able to effectively regulate provider behaviour?