

# Overview of Strategic Health Purchasing: Functions and policy instruments

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# What is health purchasing?

The allocation of pooled funds to providers on behalf of the population.

*Health purchasing does not have to involve an insurance agency (MOH is also a purchaser).*

Health purchasing ≠  
Procurement  
OOP

# What is strategic purchasing?

Making strategic decisions based on information

## Decide what to buy

- Defining the benefits package and expansion
- Deciding which medicines to buy
- Defining service delivery and quality standards

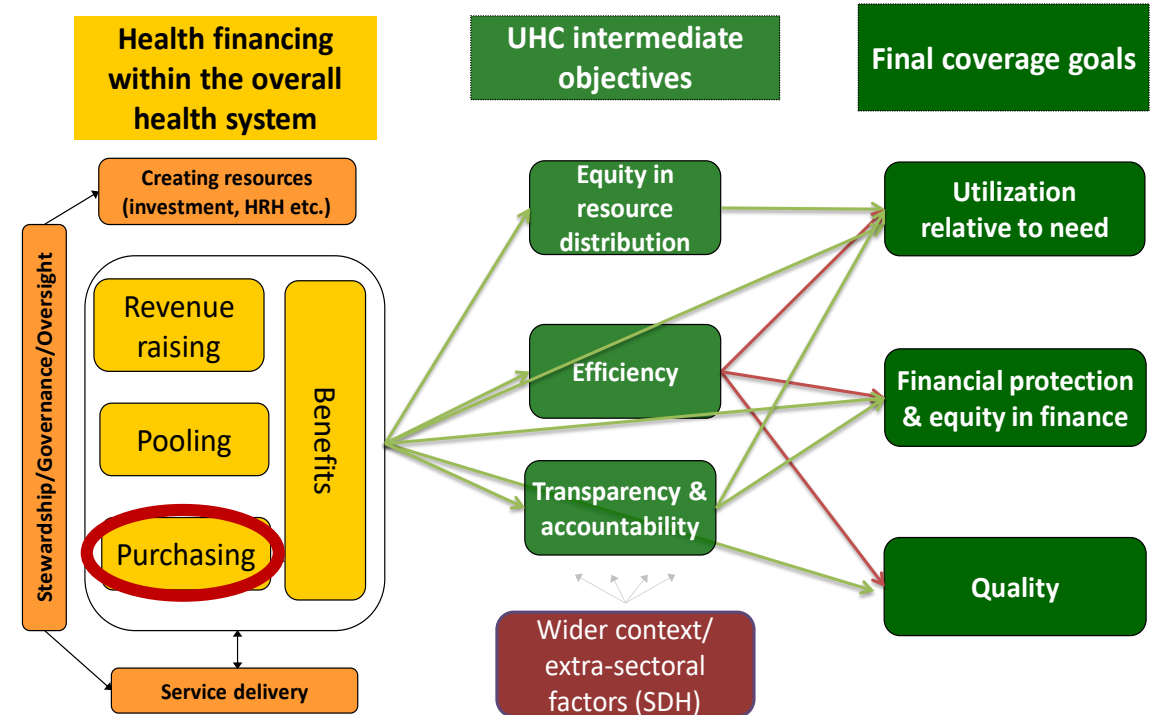
## Decide from whom to buy

- Selecting providers to contract with
- Selecting medicines suppliers
- Contracting with private providers

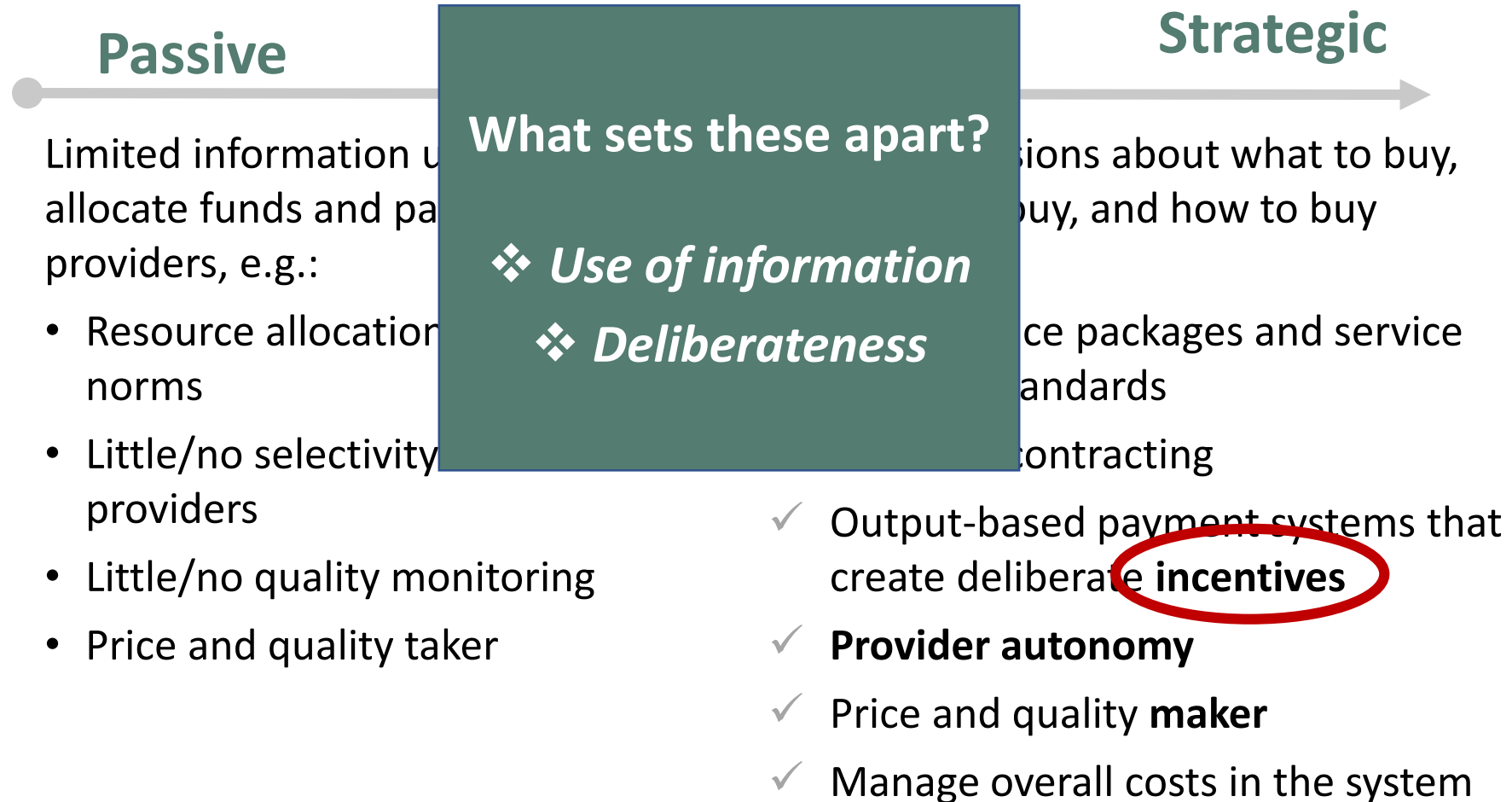
## Decide how to buy

- Setting the terms of contracts
- Selecting and designing provider payment methods
- Setting provider payment rates
- Monitoring provider and system performance

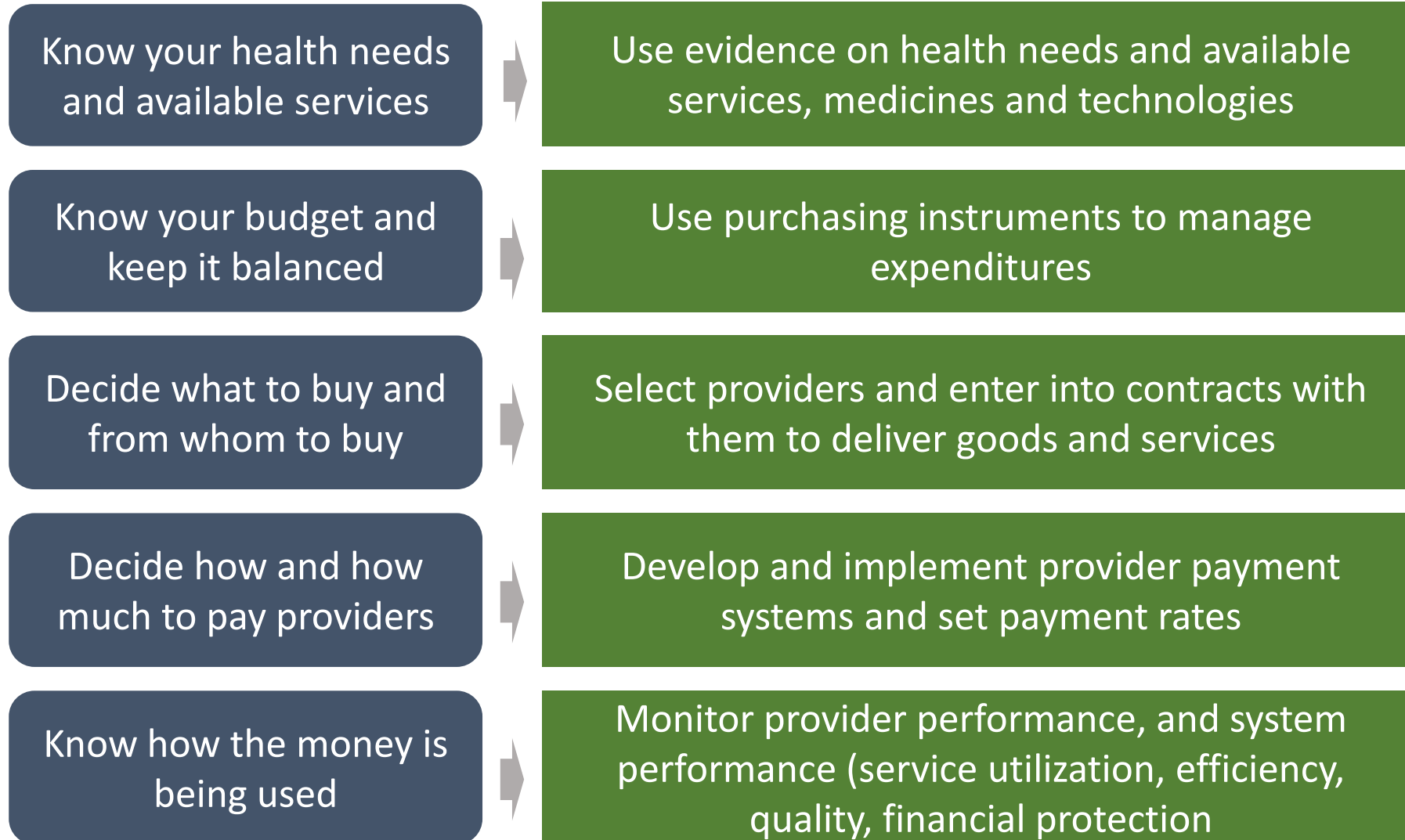
## To achieve health system objectives



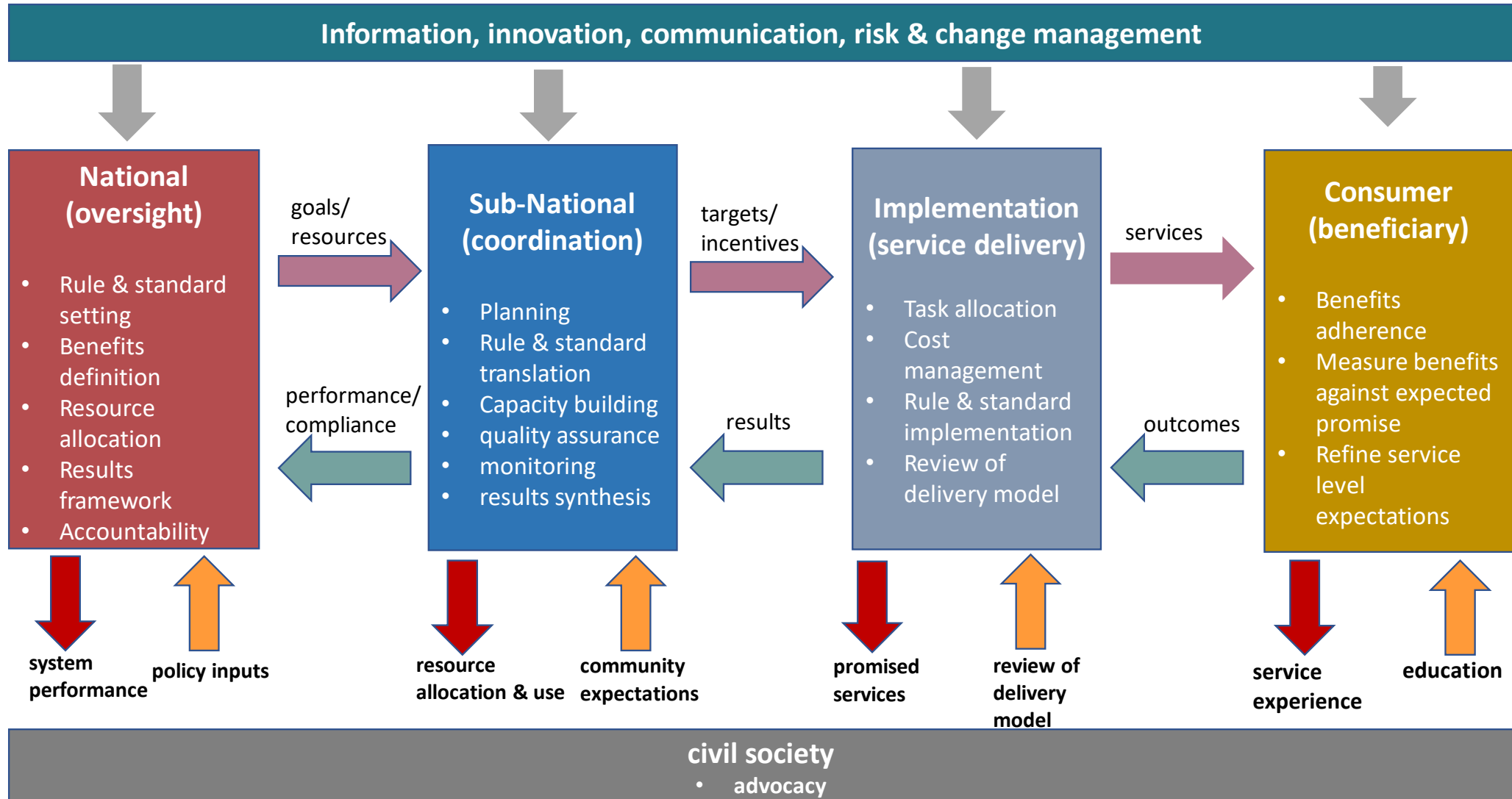
# Moving from passive to strategic purchasing



# Functions of strategic purchasing



# Strategic purchasing has to reach all levels of the system



# How to make strategic purchasing work

## Institutional Arrangements & Governance



### Who does what? Who decides on what?

- ❖ Institutional roles & responsibilities for purchasing functions and policies
- ❖ Purchaser-provider split

## Operational Systems



### How are purchasing functions carried out?

For example:

- ❖ Contracting and provider payment systems, incl. claims management process
- ❖ Information systems and data flows
- ❖ Monitoring systems

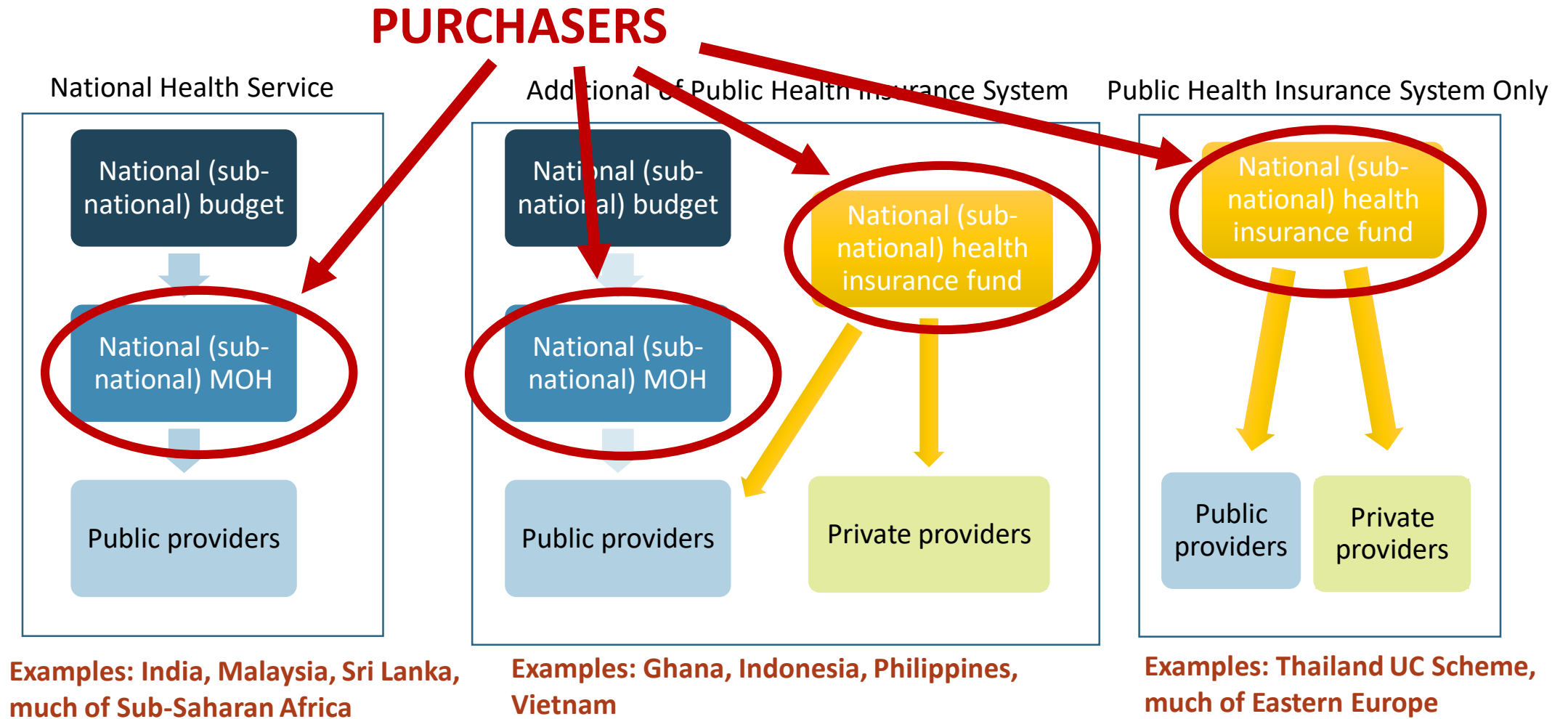
## Capacity-building



### What capacities are needed?

- ❖ Implement & manage improved systems

# Institutional arrangements for health purchasing





# Distribution of purchasing functions in different systems

		Estonia	Malaysia	Ghana	Kenya
Purchaser-provider split		✓	No	Partial	Partial
Purchasing Functions	Provider Payment Development	Purchaser/Ministry	MOH—health facility budgets	Purchaser/Ministry	Purchaser/Ministry
	Payment Rate-Setting	Purchaser/Ministry	MOH—health facility budgets	Purchaser (MOH input and negotiation with providers)	Purchaser (MOH input and negotiation with providers)
	Provider Contracting	Purchaser	None	Purchaser	Purchaser
	Quality Monitoring	Purchaser	MOH	Purchaser/MOH	Purchaser/MOH

# Operational systems for strategic purchasing

**Information Systems**

**Benefits specification  
process**

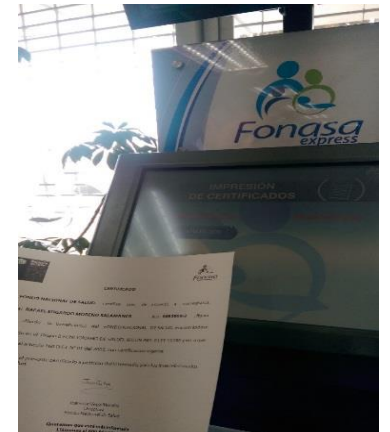
**Contracting procedures**

**Provider payment (design and  
rate-setting process)**

**Claims/payment processing**

**Medicines pricing and  
procurement system**

**Provider and system  
monitoring**



# Examples of operational systems

	Estonia	Malaysia	Philippines	S. Korea	Thailand	Kenya
Information Systems	Fully automated/ integrated	Good progress but fragmentation	Fragmented	Fully automated/ integrated	Fully automated/ some fragmentation	Fragmented
Contracting	Some selective contracting	N/A	Based on annual credentialing	Mandatory participation of all providers	Selective contracting with public/private networks	Selective contracting with private providers
Claims Processing	Automated	N/A	Manual	Automated	Automated	Started: electronic claims system
Provider Payment	Mixed methods (capitation, DRG, FFS, P4P)	Line-item budget	Mixed methods (capitation, DRG, FFS)	Fee-for- service; limited P4P	Mixed methods (capitation, DRG, FFS)	Capitation, FFS, per diem, case based
Provider Monitoring	Routine monitoring tools	Quality standards and indicators	Mostly through credentialing	Routine monitoring tools	Routine monitoring tools	Monitoring tools

Source: Various Health Systems in Transitions (Europe and Asia/Pacific Observatory on Health Systems and Policies)

# Some challenges to implementing strategic purchasing

## Challenges related to institutional constraints, public financial management rules, political economy factors, and technical capacity

- ✓ Unclear institutional responsibility and accountability of purchasers, weak governance arrangements to enable purchasers to act strategically
- ✓ Inadequate technical and institutional capacity
- ✓ Poor information systems and lack of accountability measures
- ✓ Persistence of line-item budgets and PFM rules not allowing for output-oriented payment methods or provider autonomy
- ✓ Lack of political will to actually change resource allocation

# Main messages

- ✓ More money alone will not achieve UHC
- ✓ Countries that have made sustainable progress toward UHC use strategic purchasing levers to:
  - balance **efficiency gains** with
  - **improved health service delivery and better quality.**
- ✓ Effect strategic purchasing requires
  - Appropriate (and clear) institutional structure to allocate responsibility for the purchasing functions
  - Well-designed and implemented operational systems to carry out purchasing functions
  - Provider autonomy
  - Evolving institutional and technical capacity
  - And political will!