

# Governance for strategic purchasing: why does this matter and what are the issues?

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# What do we mean by governance?

*Governance is an overarching health systems function and is about “ensuring strategic policy frameworks exist and are combined with effective oversight, coalition-building, regulation, attention to system-design and accountability” (WHO 2007).*

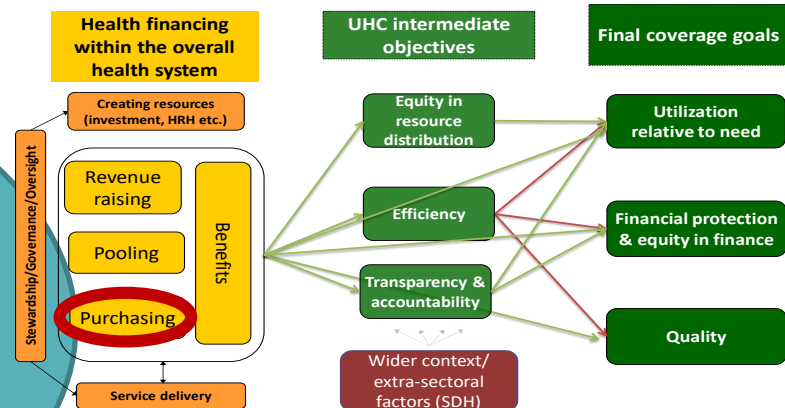
It applies equally to specific health system components and to **health financing** including **purchasing**

# Why does governance for SP matter?

## Strategic purchasing

### is essential for progress towards UHC

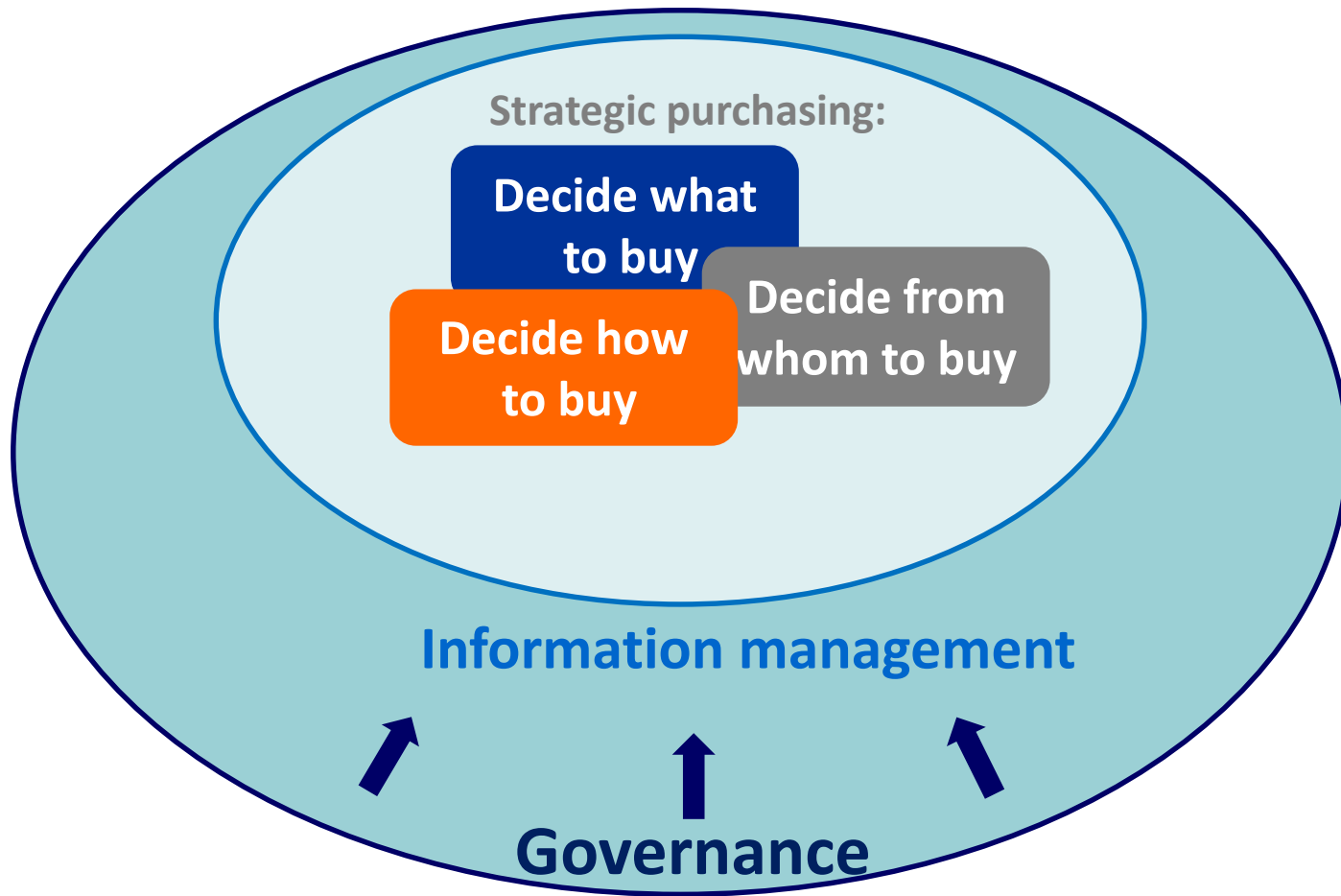
SP transforms budgets and funds into benefits, with the aim of distributing resources more equitably, realizing gains in efficiency and sending signals to providers to improve the quality of health services



## Effective

**governance arrangements constitute a critical enabler for SP,** i.e. making purchasing more strategic requires strong coordination of all key actors, clear decision-making rules and appropriate regulations.

**In many countries, governance arrangements of purchasing, function poorly, are under-developed or even absent.** This makes a move towards more SP difficult.



**Role of governance for strategic purchasing**

# What are the issues? What are possible effects of governance weaknesses?

- Power games, non-solved conflicts due to different group interests
- Mixed and messy provider payment system across purchasers
  - => May create contradictory incentives that lead to provider behaviour that is non-conducive to UHC objectives
- Lack of accountability and transparency:
  - => lack of trust and acceptance, drop-outs & no interest to enrol
  - => Mismatch between benefits + enrolment procedures and people's needs/preferences
- Non-aligned policies: Generous benefits, insufficient funds
  - => coverage gaps
- Lack of regulation or enforcement, e.g. balance billing:
  - => results again in higher out-of-pocket expenditure => affects financial protection, etc.



# WHO analytical framework to assess governance for strategic purchasing

prepared by L. Hawkins, I. Mathauer, Aurelie Klein

## Target audience and users:

Policy makers, policy advisers, health system specialists focusing on strategic purchasing and governance

## Purpose of the framework

- Guide the systematic analysis of a country's governance arrangements around the purchasing function
- Identify strengths as well as weaknesses in governance arrangements, which prevent more strategic purchasing
- Explore options to overcome these gaps

# Assessment steps

1. Broader fiscal, political and general governance context and overview of the health financing system
  - 2. Governance of the health care purchasing market**
  - 3. Governance arrangements of an individual purchasing agency**
  4. Conducive factors for effective governance for strategic purchasing
- => Summary assessment of governance for strategic purchasing and development of recommendations

# Two levels of governance for SP

Broader socio-economic/fiscal & political/health system governance context

Governance of the purchasing market

Governance of a purchasing agency

MOH

National Health Insurance Scheme

Voluntary health insurance

Sub-national government/health administration

Other ministry

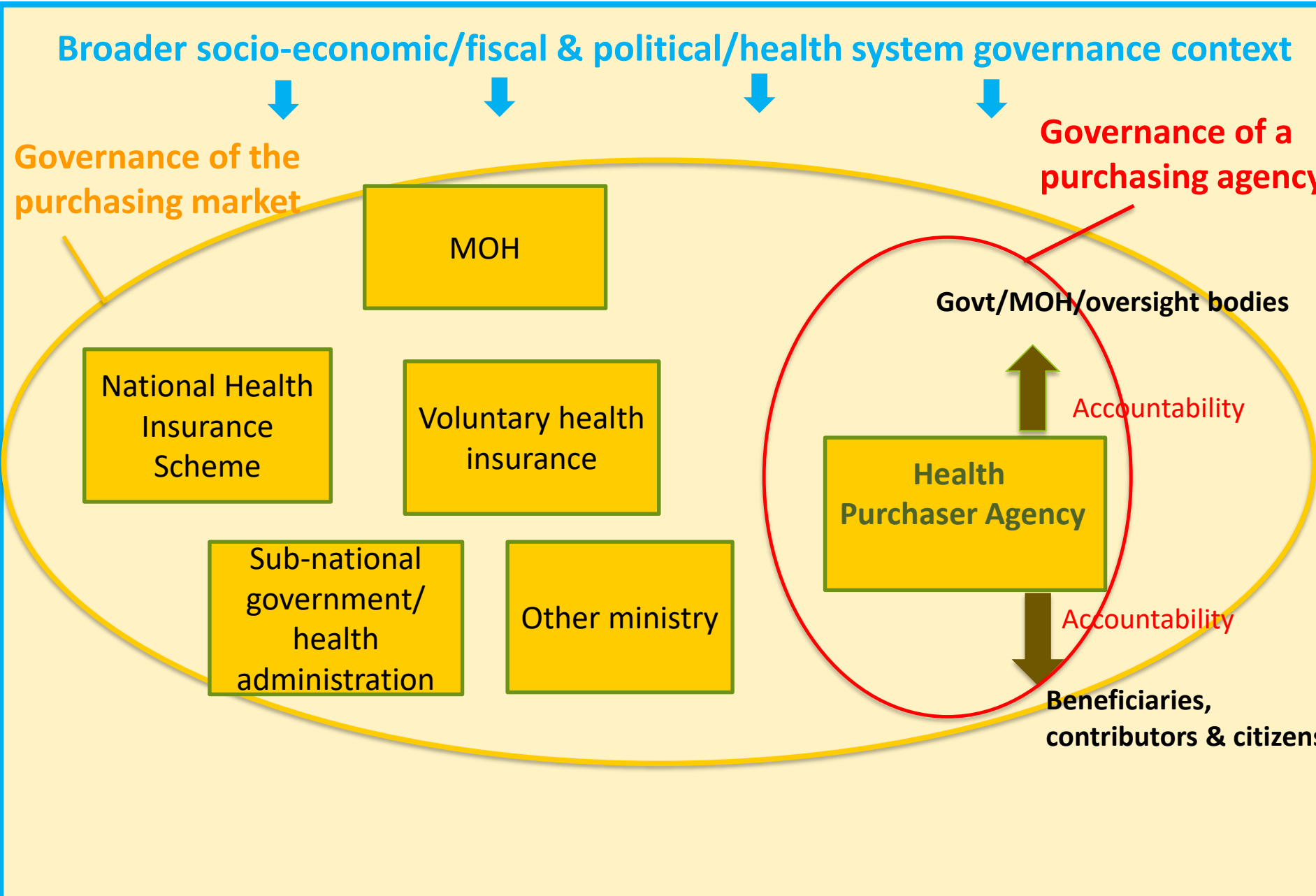
Govt/MOH/oversight bodies

Health Purchaser Agency

Accountability

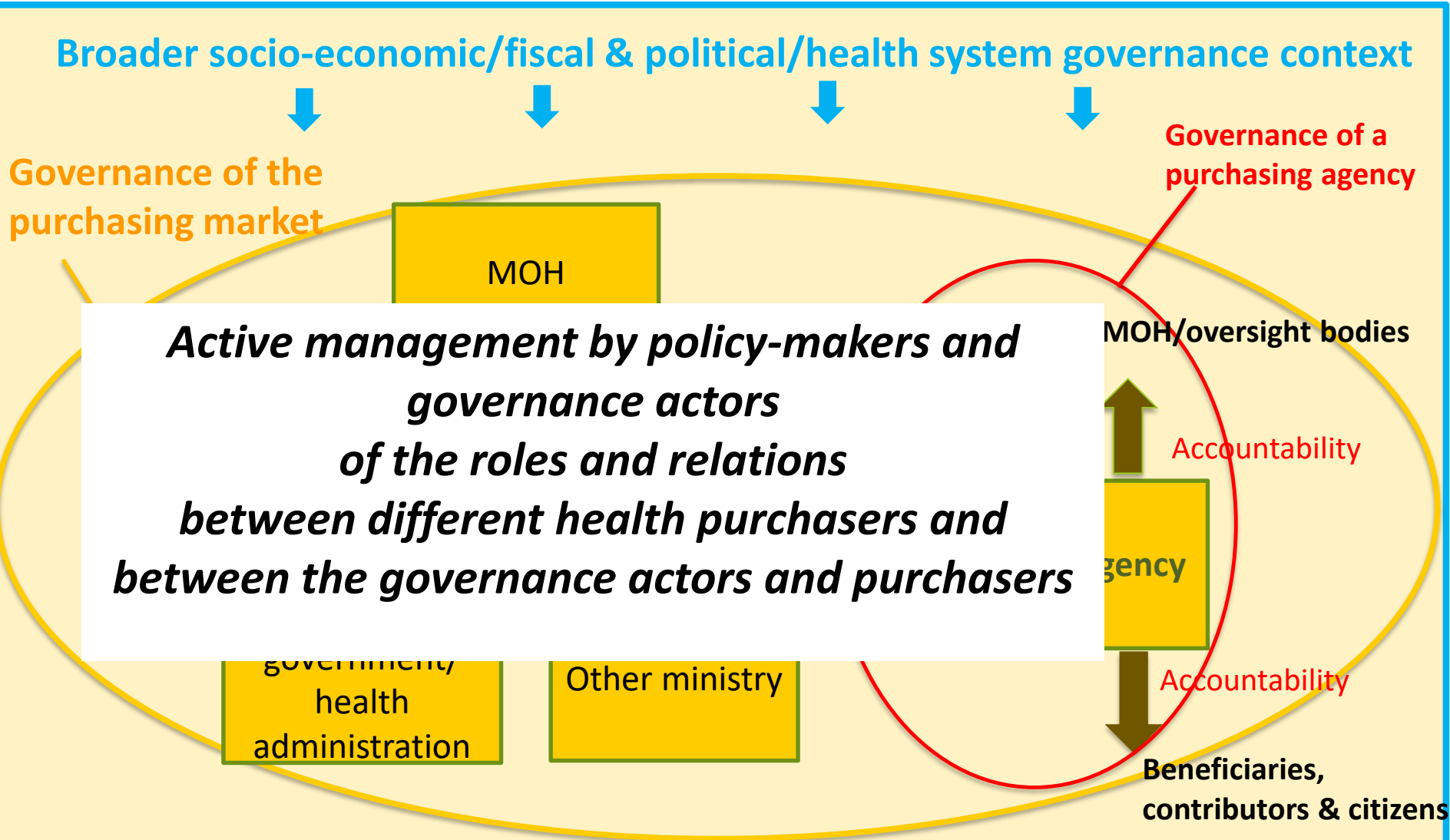
Accountability

Beneficiaries, contributors & citizens





# Two levels of governance for SP



# Types of health purchasing markets

Turkey, Indonesia, vision  
of Burkina Faso

1. Single national purchaser  
pools most funds

2. Competing funds,  
open to all

Netherlands,  
Germany,  
Colombia

3. Non-competing purchasers  
for different population groups

4. National +  
local purchasers

UK, Australia,  
Kenya, devolved  
countries

Kenya, Thailand,  
Tunisia, Mexico, Gabon,

Supply side financing playing a  
large role

Many low-and middle-  
income countries

Out-of-pocket payment  
still playing a large role

- In most countries, the health purchasing market is a mix of these types
- Each type (other than OOPs) has positive aspects, but also challenges; governance responses needed to address these

### 3. Non-competing purchasers for different population groups

## Example of Thailand and Kenya

### Opportunities for strategic purchasing:

Benchmarking of purchasers is possible if funding and benefits packages are comparable

May be easier for each purchaser to use selective contracting than for a single purchaser.

### Challenges to strategic purchasing:

Risk of a soft budget constraint, unequal benefits, low financial leverage of each purchaser; duplicate and hence high admin. cost, unless there are shared systems (e.g. common data repository, interoperability standards for IT systems)

### Governance responses to these challenges

Regulate payment methods and rates and performance metrics; integration of data; benchmarking

# Governance of the purchasing market: key tasks

## Setting strategic directions

- **policy analysis** and strategy development;
- **managing dynamics** and sequencing of reforms;
- ensuring an integrated or interoperable information management system exists.

## Coordination & alignment of stakeholders and purchasers

- defining and managing a **coherent division of labour** and effective **decision-making** among purchasers and governance actors;
- **consultation** with the population, **managing different interests**
- **empowering citizens** and patients through information on entitlements and rights.

## Legal provisions and regulation on purchasing

- **regulation** of purchasers and providers, incl. competition, purchaser-provider split;
- **alignment** of benefit design, provider payment mechanisms and rates among purchaser
- **public financial management rules**;
- specification of the role and **regulation of voluntary health insurance (VHI)**.

# Two levels of governance for SP

Broader socio-economic/fiscal & political/health system governance context

Governance of the  
purchasing market

Governance of a  
purchasing agency

Voluntary health  
insurance

MOH

Govt/MOH/  
oversight bodies

Accountability

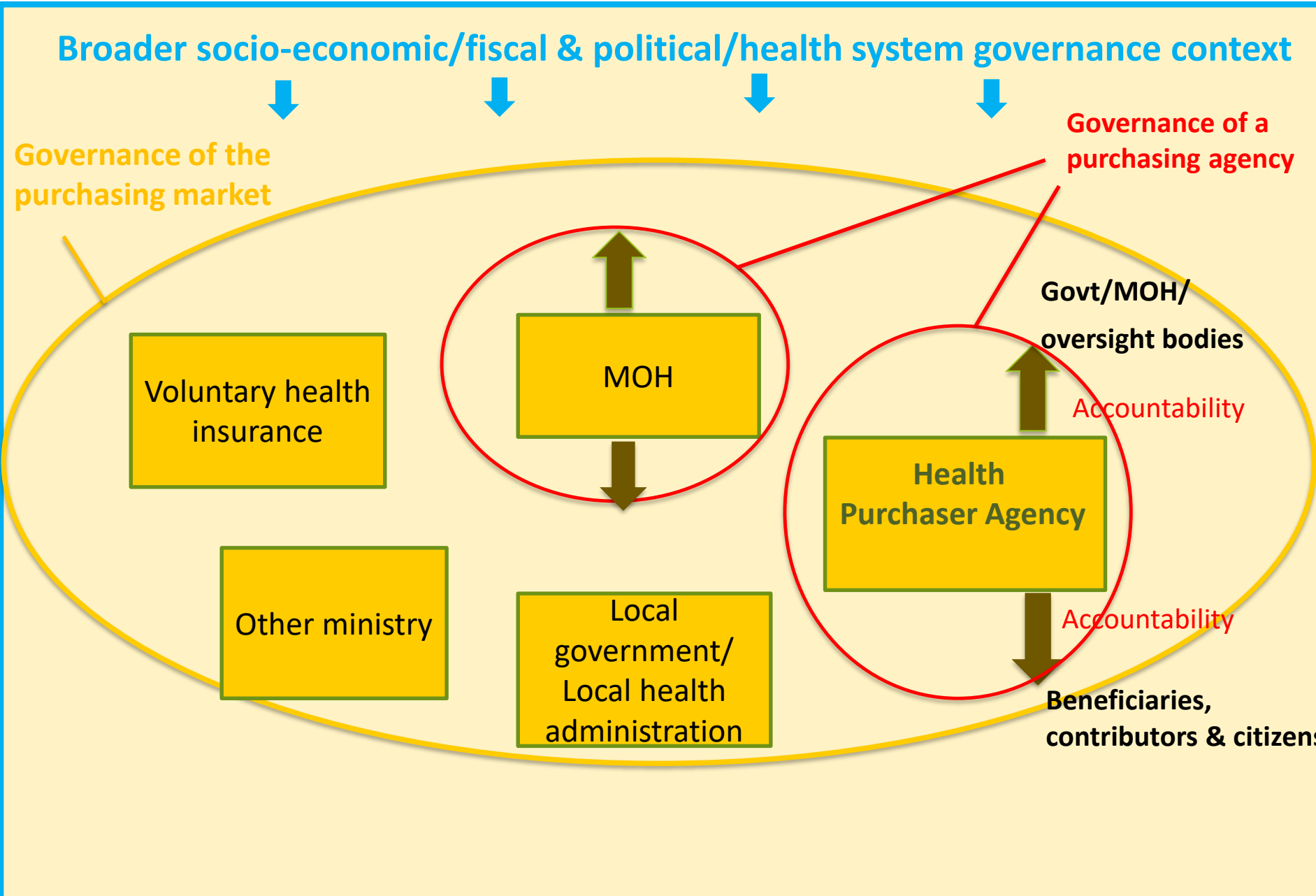
Health  
Purchaser Agency

Accountability

Other ministry

Local  
government/  
Local health  
administration

Beneficiaries,  
contributors & citizens



# Two levels of governance for SP

Broader socio-economic/fiscal & political/health system governance context

Governance of the purchasing market

Governance of a purchasing agency

Governance arrangements to direct a purchasing agency operate as a strategic purchaser

Voluntary health insurance

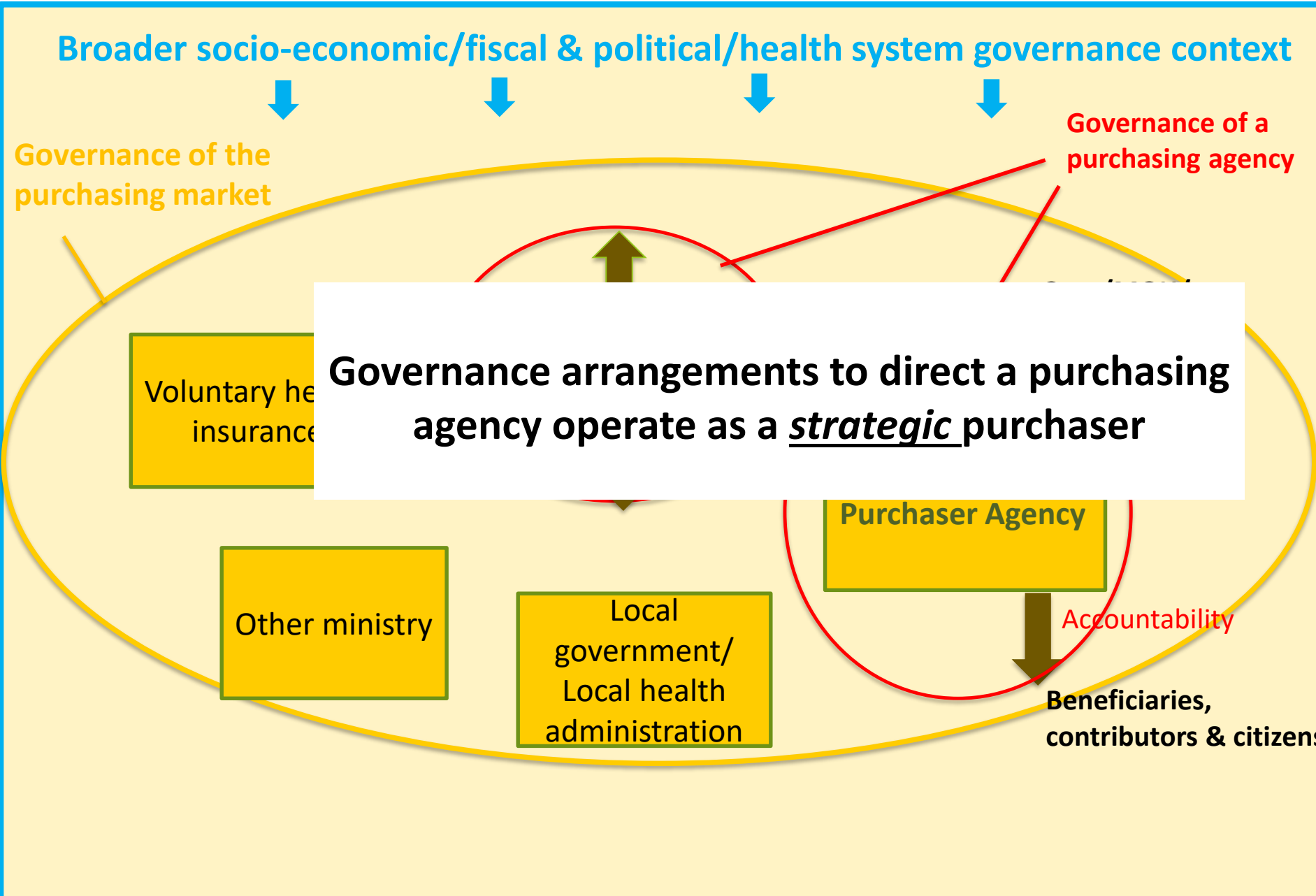
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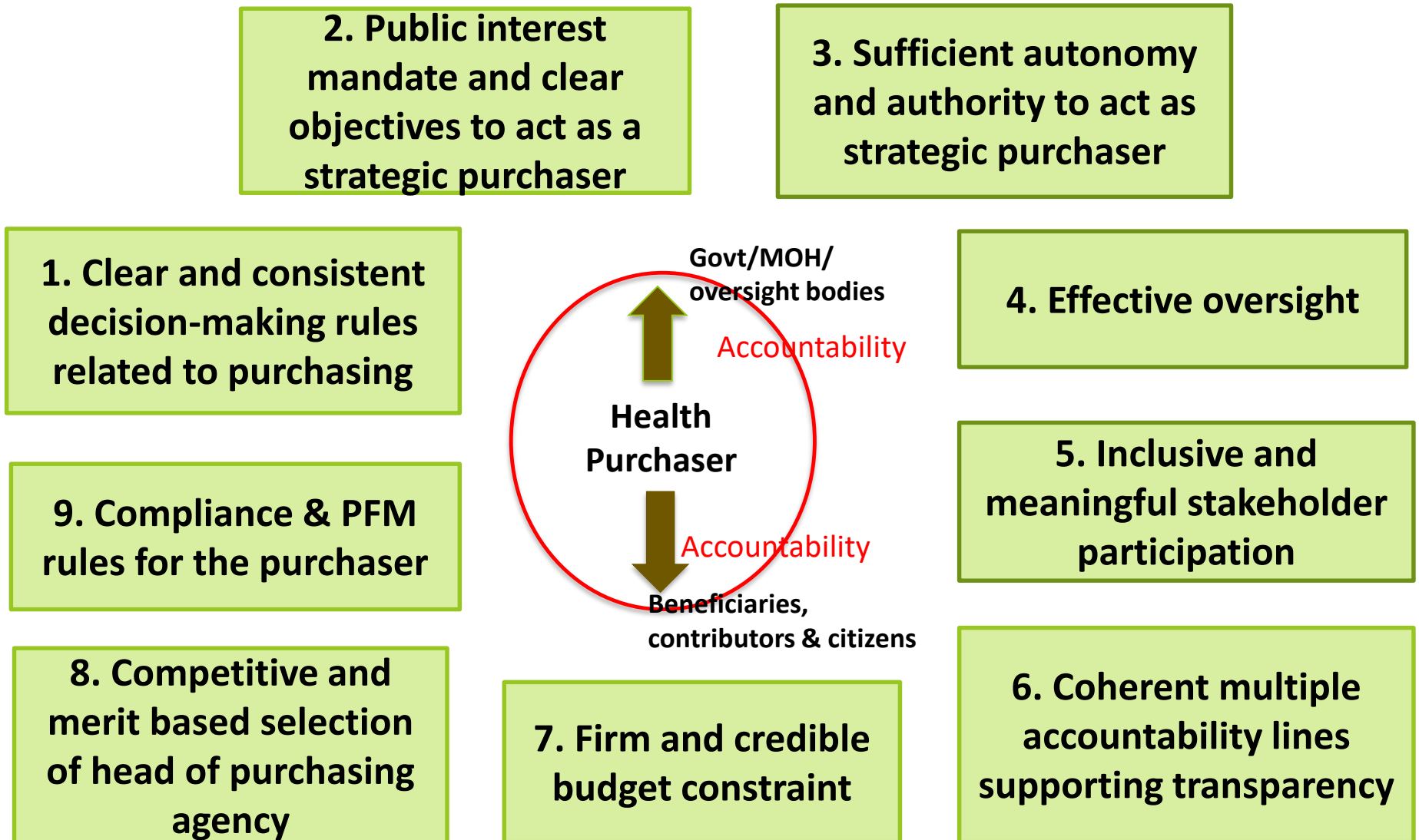
Purchaser Agency

Accountability

Beneficiaries,  
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# Governance arrangements at the level of the purchasing agency



## **Key messages:**

**Weaknesses in governance affect HF policies and strategies and may create incoherences in coverage extension**

**Certain degree of autonomy and clear mandate for the purchaser and for providers are critical to purchase and provide services in an equitable and efficient manner**

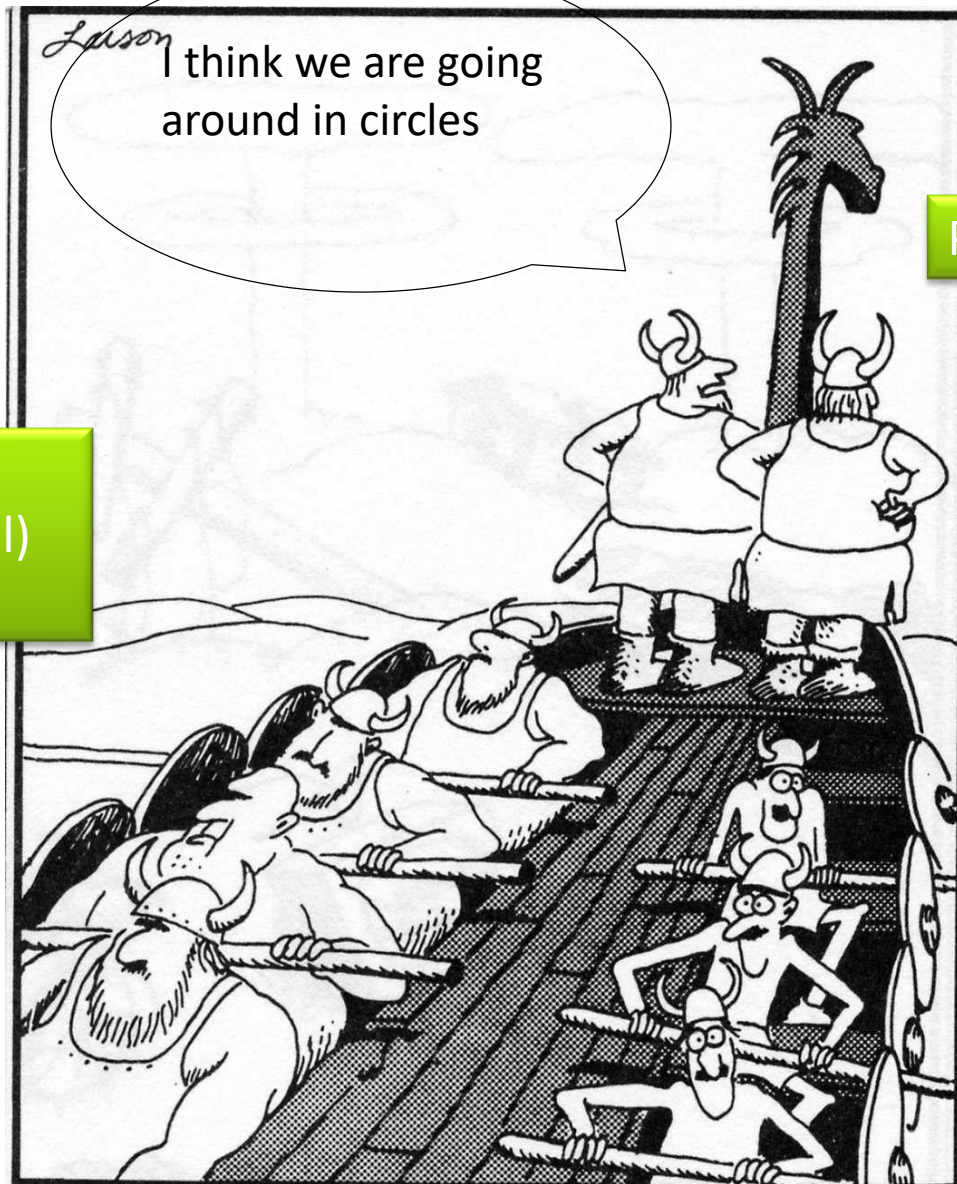
## **Entry points to strengthen governance**

- **Mapping stakeholders and their interests**
- **Clarification and alignment of accountability lines and decision-making processes**
- **Analysis of capacity gaps related to reform implementation**
- **For the MoH: more focus on the governance function and recruit staff with the respective competences needed (e.g., regulation, oversight)**



I.

# Strong governance would help!



Providers and  
(pharmaceutical)  
industry

Policy makers

Purchasing actors  
and patients

Source : A. Maynard

Thank you very much