

## Effective governance arrangements and governance capacity for strategic purchasing

Skills building session, Monday 8 October, 2018, HSR Liverpool

### Summary of discussions and group work results

Governance of the purchasing function has received little attention in both research and policy practice, although no one would dispute its importance. Effective governance arrangements around the purchasing functions are critical to allow for purchasing to become strategic. The question is how to assess and then more importantly how to strengthen and improve the governance arrangements for the purchasing function. For that matter, WHO has developed an analytical framework to assess governance arrangements for strategic purchasing.

- Purchasing refers to the allocation of funds to health providers for the provision of health services. The idea of *strategic* purchasing means to design and use the purchasing function in a way that it achieves strategic objectives of the health system. This implies linking the allocation of funds from purchasers to health service providers with *information* on provider performance and/or the population's health needs, to contribute to progress towards UHC.
- The tasks of strategic purchasing encompass benefits specification, appropriate and aligned provider payment systems with coherent incentives, building information management systems and last but not least, strategic purchasing also requires effective governance arrangements.
- With governance, we refer to strategic policy development, oversight and accountability arrangements, coordination and consultation platforms, and regulation.

The **objectives of this skills building session** were twofold: 1) to contribute to developing skills on undertaking a systematic analysis of a country's governance arrangements for strategic purchasing; and 2) to explore ways to enhance capacities of governance and purchasing actors.

The skills building session consisted of three parts:

- 1) After an introduction into the session by *Inke Mathauer*, *Loraine Hawkins* presented the new (draft) WHO analytical framework on governance for strategic purchasing, with a focus on the governance of the purchaser market and the governance of a purchasing agency. *Mohamed Mokdad* provided a country illustration from Tunisia where this framework was applied. *Ayako Honda*'s reflections and examples from other countries further complemented this.
- 2) A first round of group discussions allowed participants to further apply the framework's component to their country context and share country experiences on the strengths and weaknesses of their governance arrangements related to strategic purchasing.
- 3) After the coffee break, *Isidore Sieleunou* shared insights and findings from the Collectivity Group that explored governance arrangements for purchasing in several countries, followed by a second skills building element after the coffee break focused on ways to address the identified gaps in governance arrangements relating to purchasing, and on how to strengthen capacity for governance of purchasing. A third group identified future research questions on governance for strategic purchasing.

This document summarizes the discussions from the plenary session and the group discussions.

## 1. Governance of the purchaser market

### Strengths...

#### *Existence of a single or virtually single purchaser increases purchasing leverage*

Country participants cited the existence of their single purchaser agency as a strength in view of its increased purchasing power, compared to a multiple funds setup, such as in the Philippines and Nepal. On the other hand, the example of Japan shows that effective regulations applying across all purchasers, setting fee schedules that apply to all, come close to a virtual single purchaser, although with higher transaction cost. Moreover, even with a single payer (apart from MOH budget), the purchaser has often low leverage over providers in view of its limited purchasing power.

#### *A clearly defined framework clarifying roles of actors is an important starting point*

A clearly defined framework specifying roles for the different actors, and its implementation, were considered as an important starting point for deepening strategic purchasing, such as in India, Nigeria and the Philippines. Likewise, a strong voice of the Ministry of Health (MOH) in the agency's board was considered useful. In Nepal, for example, the MOH has five seats in the oversight board.

### ... and challenges found at country level ...

#### *Lack of coordination make improvements in purchasing difficult*

Lack of calibration and coordination among the different stakeholders, in particular inadequate collaboration between purchaser and providers, make it difficult to improve the purchasing arrangements. In a context where private providers often claim that they are not sufficiently paid, fruitful interactions and dialogue about payment rates is critical. The big question is how to make the public and private sector better partners.

#### *Different interests among stakeholders and governance actors make it challenging to pursue a joint vision*

Another challenge relates to the different interests of stakeholders and governance actors. For example, the Ministry of Finance is interested in carefully managing scarce public resources, while the Ministry of Health has an interest to invest more resources in healthcare service delivery and obtaining good value for money. Interests also differ among private providers vis-à-vis public providers. For good stakeholder relation management, a platform for consultation and coordination and interest reconciliation between the different stakeholders must be ensured to be able to pursue a joint vision.

- The example of Japan illustrates the need for and the role of a strong health council. Its role is to negotiate with and harness strong political “actors” (e.g. provider association, hospital association, pharmaceuticals, etc.). The involvement of these actors in the process of pricing health goods and services enables the Ministry of Health to reinforce the rules smoothly once the council makes the decision.

In various African countries, donor funding plays a critical role, however it is fragmented with no common basket or pool in place. A key challenge is thus how to coordinate the purchasing of external agencies.

#### *Weak enforcement of existing regulations*

Another governance gap relates to weak enforcement of existing regulatory mechanisms, especially of price schedules.

### ... and observed impacts of these governance gaps on strategic purchasing

#### *Duplicate coverage versus coverage gaps*

When governance of the purchaser market is weak, there is little coordination across fragmented health financing mechanisms. This may result in certain population groups being covered by several health coverage schemes, whereas others are not covered at all. Non-aligned multiple funding streams

also lead to gaps in service coverage, drugs and staff, making it difficult to see what is covered and who pays for what. Overall, this creates severe inequities in access.

### *Inadequate regulation of the provider market may lead to oversupply as well as undersupply and impede the introduction of strategic purchasing policy instruments*

Moreover, an inadequate level of regulation of the provider market may lead to inadequate provider availability: while unregulated healthcare markets may increase the number of private sector healthcare providers (and/or private practice by public healthcare providers), over-regulated healthcare markets may limit the number of private healthcare providers and exacerbate shortages in healthcare providers. Inadequate numbers of healthcare providers and/or poor distribution of public and private healthcare providers can then impede strategic purchasing.

## **2. Governance of the purchaser agency**

### **Strengths and weaknesses found at country level**

#### *Rigid line item budget allocations make strategic purchasing difficult*

In a number of countries, the challenge is how governments can purchase health services from a separate purchasing agency when line item budgets continue to prevail. This is particularly challenging in a federal context and within each state further devolved setup with limited autonomy, as is the case in India. Moreover, when there is a considerable share of supply side financing to pay salaries for health workers under a line item budget logic, it is difficult for the government and the Ministry of Health to make providers accountable, as the staff is under the Ministry of Health.

#### *Multiple layers of accountability are useful, but also challenging, when they are incoherent*

While multiple layers of accountability can be useful, in many instances, accountability and reporting lines are unclear or not adequately aligned with each other to ensure a strong public (good) orientation. Often, the Ministry of Health may not have a strong role in the oversight of the purchasing agency, resulting in inadequate ownership of the government. The following country examples illustrate the questions at stake.

- In South Africa, for example, the proposed bill foresees various technical committees to decide on strategic purchasing aspects, e.g. on HTA and benefits design. These committees will report directly to the Minister of Health, but they are independent and not accountable to anybody, and certainly not to the Purchasing Agency. The Purchasing Agency would also report to the Minister, but not to the Ministry of Health. As such, the Ministry of Health cannot oversee or control neither the technical committees nor the Purchasing Agency. Which agency is in the end accountable to the population, the Purchasing Agency or the MOH? Does this change, when the Purchasing Agency is more autonomous?
- In Nigeria, roles and responsibilities with respect to the state level purchasing agencies are not clearly delineated. It remains unclear whether the state level purchasers are a purchasing agency or a regulator.

#### *Incomplete separation of functions make governance and oversight of a purchasing agency difficult*

When there is an incomplete oversight-purchaser-provider split, i.e. the Ministry of Health is involved in the provision of services, which are purchased by a separate purchasing agency, it is difficult to exert strong governance on the agency, as is the case also in the Philippines.

#### *Strategic purchasing is also guided by political preferences, but may sometimes suffer from political interference*

Effective governance for purchasing may be affected by political interference, which was said to be the norm in many countries. For example, with respect to Health Technology Assessment, a new concept still in various countries, politicians may want immediate answers, whereas the technical staff

may not be able to have the required data and evidence quickly available so as to deliver immediate answers. It is therefore important for the technical staff to articulate to politicians what is feasible. This dialogue is critical and requires a platform. Another example is benefit design. This is not only a technical exercise that is merely focusing on efficiency. Often it is decided by values, but also through political priorities and considerations. Finally, several participants were worried about private sector capture.

### **... and observed impacts of governance gaps on strategic purchasing**

#### *Weak enforcement of regulations ultimately affecting financial protection*

One severe issue is the weak enforcement of regulations relating to payment rates, such that providers continue engaging in over-billing or balance billing. Out-of-pocket expenditure hence remains high affecting financial protection. Strong governance arrangements would also be needed to address inequities, for example as to the different levels of quality standards found in government facilities. This has been cited for South Africa as well as the Philippines, where the alignment between the purchasing function and quality aspects would need to be strengthened. Another question is how to use contracting as a strategic purchasing leverage and how to ensure coherence under a contracting policy.

### **3. Conducive factors for governance of purchasing**

#### *Strong leadership and political will are key drivers*

One important factor conducive for effective governance of purchasing is *leadership*. Strong political will and a high level of motivation are required to make purchasing more strategic.

#### *Technical and implementation capacity is critical*

Technical capacity of purchasers is equally of utmost importance: This relates to being able to effectively audit healthcare providers, to have strong financial management capacity and the ability of purchasers to manage pooled resources. Second, purchaser capacity to *implement* its purchasing functions and related regulations and rules is critical. In Ghana, for example, the delays of NHIA in reimbursing healthcare providers prevented a 'trust' relationship between the purchaser and healthcare providers, and negatively influenced healthcare providers' attitudes towards NHIS members. This also points to the importance of effective stakeholder relation management by the purchasing agency. Finally, there also needs to be a shared understanding of the strategic use of the purchasing function in an integrated public system, and how public financial management rules are conducive or not for strategic purchasing.

#### *Generating and using data is critical for purchasing decisions*

The availability of reliable, up-to-date data is critical for purchasing decisions, and so are interoperable information management systems. But on top of that, there is also need for a culture and capacity of generating and using data for decision making.

### **4. How to address gaps in the governance of a purchaser market and of a purchasing agency**

#### *Capacity strengthening is a key step*

A first important step is to develop capacity of key actors to manage the purchaser market, to exert oversight and to set up and manage an effective legal and regulatory framework. Approaches need to be tailored and customized to the country context and consider the historical development and cultural background. Building capacity for governance of the purchasing function has to be undertaken through an incremental approach.

### *A constructive dialogue between politicians and technical staff is needed for purchasing decisions*

It is also important to understand that politics cannot be separated from governance. Therefore, politicians and technical staff need to engage with each other, and governance mechanism should create this opportunity. In fact, governance means bringing together all stakeholders at all levels, i.e. government actors, partners, purchasers, providers, as well as other Ministries.

### *The dynamics and interactions of purchasing agencies and sub-national governments need to be well understood and steered*

There is also need to better understand and steer the dynamics and interactions between devolution in the public sector and a national purchasing agency and their sub-national offices, and appropriate coordination mechanisms need to be in place, as outlined in the following country illustration.

- In the Philippines, decentralisation preceded the establishment of social health insurance. This has created some incoherences in the institutional set up and makes strategic purchasing difficult, also in light of prevailing supply side subsidies. Contracting government facilities by PhilHealth and introducing fiscal autonomy of Provincial Governments are potential ways to address these gaps.

### *Sequencing and phasing strategic purchasing reforms appears more feasible*

Participants also felt that the move towards more strategic purchasing needs to be undertaken in a phased manner, rather than as a big bang approach, so as to be able to manage the various dynamics coming into play. This may mean to first focus on strategic purchasing for the primary health care level and then move to the hospital level, or in other instances, the phasing relates to the type of services purchased.

Likewise, while the basic functions of financial management and accounting are critical for moving towards more strategic purchasing, It is not an either –or, instead countries should and need to establish both basic functions as well as strategic purchasing elements in parallel.

### *Strengthening governance for strategic purchasing can be pursued even when governance of the broader system is weak*

Finally, while there is strong agreement that governance is important, it does not get sufficient attention in many countries. Country representatives suggested that international health partners take a stronger role in talking about governance of the health system and more specifically of purchasing. Certainly, it is more difficult to strengthen governance for strategic purchasing, if in fact the wider governance of the health system and within the government is poorly developed, however it is not impossible. In fact, the health sector has often been the arena where important reforms were piloted and spearheaded, such as the introduction of program budgeting. It is hence argued that incremental, but critical changes in governance arrangements related to the purchasing function are feasible. Burundi was cited as an example, where performance based financing is effectively implemented and it has contributed to making purchasing more strategic, while the overall governance context is described as not satisfactory.

## **5. How to strengthen capacity for governance of purchasing**

### *A wide range of skills and sound institutional arrangements are needed by a strategic purchasing agency*

Strategic purchasing is not just about health financing, it requires many skills, e.g. in the field of service delivery, public health, legal provisions, financial management. A Chief Executive Officer of a purchasing agency hence needs to have a good understanding in these areas. At the same time, his/her orientation of the CEO towards the public interest is critical. An existing framework and strong institutional arrangement are helpful in supporting and providing guidance to a CEO. This calls for capacity strengthening at the institutional level and stable and sound institutional arrangement.

### *Capacity strengthening needs to be continuous and based on multiple methods*

There is often a substantial turn over in staff in the Ministry of Health, and also within the purchasing agency, when it is part of the MOH. A coherent capacity building plan needs to be in place, and capacity building activities have to be offered on a continuous basis. Capacity strengthening modalities that are practiced in other areas can also be applied here, such as on-line trainings, mentoring and supportive supervision. In addition to this, it will be helpful to identify enthusiastic and capable change agents in the various organizations.

### *Various actors need to benefit from capacity strengthening and role clarification*

Strengthening capacity for governance of purchasing requires to focus on the purchasing agency, but equally important on the Ministry of Health. The latter needs to be made aware of its roles and functions and what a purchasing agency is about. Likewise, in countries with several layers of purchasers, such as in Nigeria or Colombia, it must be clarified who is the regulatory and who is the purchaser, what are their roles and functions, upon which to derive the capacity strengthening needs. All actors need to understand what strategic purchasing means and implies.

Health care facilities, including doctors, nurses and managers need also to benefit from capacity strengthening activities, foremost to understand payment methods and reporting requirements. For example, providers need to know about the expected outputs, and feedback on their performance requires an effective communication platform. It was also felt that the media should be part of a capacity strengthening plan to better understand technical matters relating to purchasing, but also the political economy related thereto, so as to avoid being drawn into the politics of special interest groups.

### *Capacity strengthening needs to include sub-national levels and communities, patients and beneficiaries need to be empowered*

Governance for purchasing is not limited to the national level. It is equally important to build local governance at District and Provincial levels. Very importantly, capacity strengthening needs to be extended to the community, patient groups and beneficiaries. Ultimately, citizens need to be able to control public action and to express their demands. Given that purchasing is a very technical matter, e.g. in relation to payment methods, payment rate setting and the definition of the benefits, new approaches are required. Communities need resources and information, and there is need for a change in culture to empower and shift attention to people. These are the soft aspects of governance, in addition to the formal governance arrangements as discussed earlier.

Strong downstream accountability mechanisms need to be in place. A starting point are complaints and redress mechanisms at the community and facility level or at the district offices of the purchasing agency. This is where people and patients can complain and where their concerns can be taken up by a committee in charge of people's feedback and complaints.

### *Lessons on how to strengthen people's participation can be drawn from other health areas*

It was also noted that disease programs and movements, such as for example the fight against HIV/AIDS, have been successful in giving NGOs, lay persons and specific population/patient groups the opportunities to be involved in shaping the operations of such programs. While these were often parallel verticalized programs, there are lessons to learn about the process, and the important question is how to establish such people participation processes for the whole system. There are certainly political economy challenges at this level as well, and there is need to balance out interests when there are powerful patient and population groups in place. But there are many promising country examples.

- The "societal dialogue" ("social dialogue") in Tunisia developed into an effective process in which representatives from different parts of the society are included in a policy and vision dialogue.
- In Nigeria, upon the signing of the 2012 Health Law, development committees were established at various decentralized levels, who are involved in the discussion of several



technical matters, e.g. the development of the benefit package. Each development committee sends representatives to the higher level, who report back and give feedback to the community during town hall meetings taking place every three months.

## 6. Future research on governance for strategic purchasing

### *Questions related to roles, functions and choices:*

- What are the basic functions in purchasing? What is strategic in a given country context? Who should do what? How is in charge of regulation, purchasing and monitoring?
- What are the roles and powers of policy makers? Who defines the agenda for governance and purchasing? What is the meaning of government ownership in a context of donor dependency?
- How does culture and context influence available choices of governance? How to tailor governance to different contexts?
- Who defines the parameters of strategic purchasing, who regulates? Who monitors?

### *Questions on specific design features of governance arrangements:*

- How to make purchasing more strategic in integrated public systems?
- Is a single payer model better? How do single purchasing agencies vary across systems?
- Building on citizen participation for governance: How do citizen participation approaches work in practice? How representative are these and who is in and who is not heard? Are these approaches meaningful or merely tick-box exercises?
- What is an adequate level of autonomy for a purchasing agency?
- Should a HTA committee be an autonomous or should it be part of the purchasing agency? What factors should be taken into account for this decision?

### *Questions on actor responses to governance arrangements and policy changes:*

- How do players in the health market respond to policy changes? How do providers respond to price signals? How to incentivize patient responsiveness?
- Understanding gaming and corruption practices in strategic purchasing: what are providers' response to payment methods?
- What are the effects of strategic purchasing on health system objectives and UHC progress? How can this be assessed?

### **Acknowledgement:**

The organising team greatly appreciates the valuable inputs from participants and is grateful for the insights and country examples shared that help further shape our thinking on governance for strategic purchasing.

## **Annex: Group discussion questions**

Group work – Part 1:

**Topic 1: Governance of the purchaser market**

**Topic 2: Governance of the purchasing agency**

**Topic 3: Conducive factors for governance of strategic purchasing**

*When assessing your country situation along the analytical framework's components (Topics 1-3):*

- What are the strengths in your country?
- What are the challenges and gaps? What are the issues?
- What are the impacts of these challenges and gaps on strategic purchasing?

**Group work –Part 2:**

**Theme 1: Addressing gaps in governance for SP:**

How can governance weaknesses be addressed and what are the policy instruments to apply?

**Theme 2: Strengthening capacity for governance:**

What and whose capacities to strengthen, and how to do so?

**Theme 3: Generating evidence on governance for SP:**

What are the most important research questions on governance for SP?

*Also think of political economy and feasibility issues when exploring these questions.*