Governance for strategic purchasing: instruments to improve quality of health services. Lessons from Indonesia

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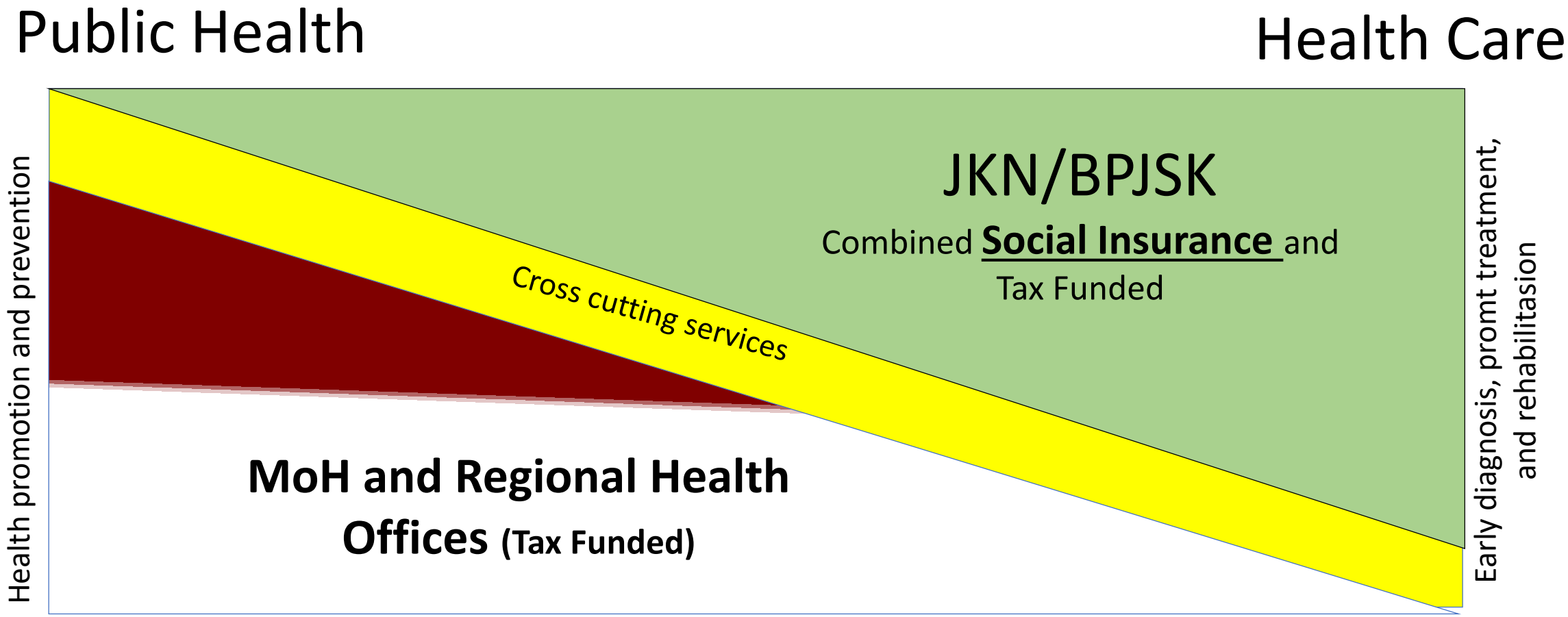
Discussant: Lluis Vinyalis Torres, WHO-SEARO

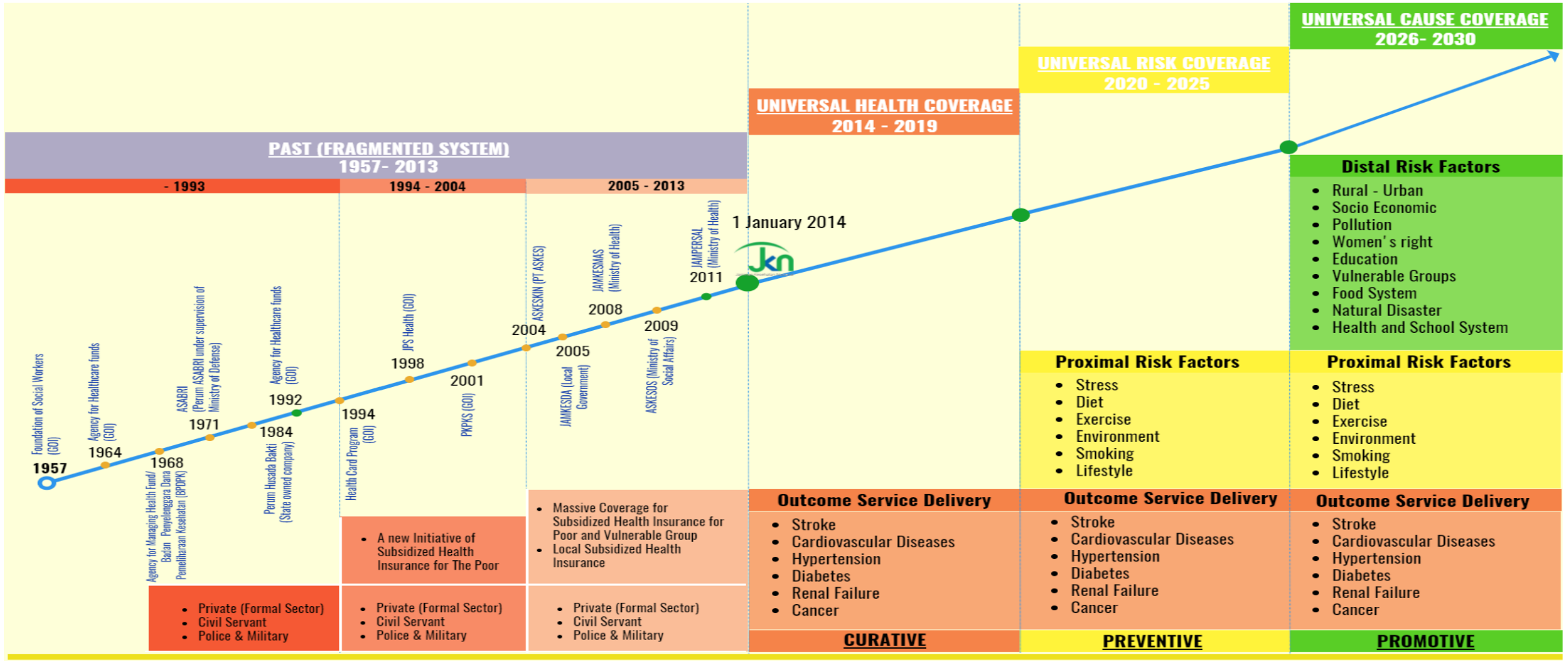
Agenda

1. Background and current situation
2. Overview of challenges
3. SHP Instruments and process to improve quality of priority health services

Overview: JKN as Part of the Indonesian Health System
Article 20 of the Health Law of 2009 Provides Division of Financing for Public Health and Personal Health care



Landmarks of Health Insurance and Health Risk Management



Source: Agustina et al. The lancet, Jan 2019

THE GRAND DESIGN OF JKN

1. To ensure equity across various groups and regions, the JKN is a **single pool nationwide**. Administratively it is equipped with branch offices in various districts/cities
2. The risk-pooling and risk sharing are financed by 5% contribution of waged earners, three nominal amount for non-waged to represent income differences, and a fixed amount of subsidized contribution for the 40% poorest Indonesian
3. Benefit is **medically necessary/Comprehensive benefit** to ensure preventive care at individual level. Services are provided at contracted public and private health care providers
4. To ensure efficiency, since the beginning, the JKN uses **strategic purchasing**—previously known as "managed care techniques" in the USA. It uses **gate keeping** system.
   - It pays primary care providers using **performance based capitation**
   - It pays hospital care using **case mix based group** (DRG) purchasing.
   - Only small portions of care are paid on schedules fees

Pooling and Sharing Functions

1. Waged earners (formal sector) share contribution, low ceiling!!
    1. Private employees: 1% employee and 4% employer
    2. Public employee: 2% employee and 3% employer
    3. Collections have been almost 100%
2. Non-Waged earners: Three different classes of contributions the non-waged family can choose from, expected to represent income levels and class of inpatient care.
    1. Collections are highly problematic. On average just above 50%
3. The Government pays contribution, nominal amount per capita per month. Currently at IDR 23,000 (about USD 1.80)--
4. By law, contributions and the ceiling of wages/salary are adjusted periodically. The consensus is every two years to adjust with inflation and to improve quality. In practice, it remains challenging

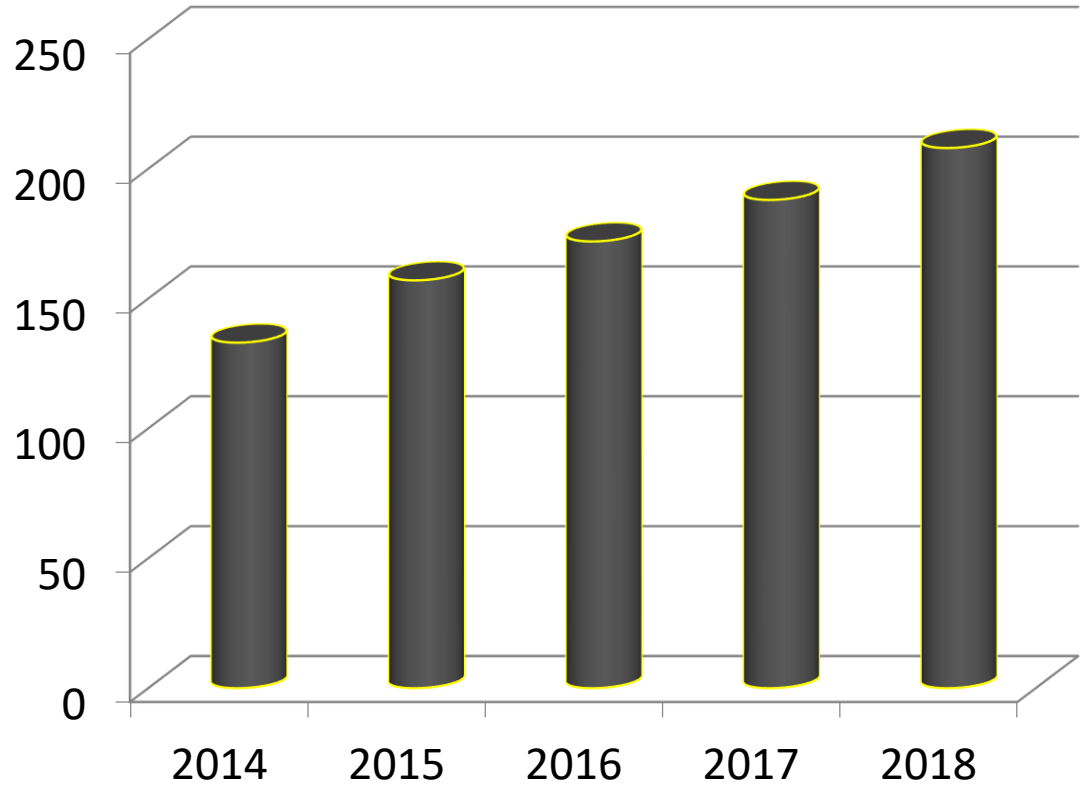
Purchasing Functions

- SHI Indonesia has adopted strategic purchasing (capitation, package prices, e-tender for drugs, and negotiated prices) since the early 1980s
- The JKN, integrated all SHI and social assistance programs, expands capitation and CBG payments nationwide triggering massive hospital efficiency.
- An agency under the MoH, PPJK, is established to evaluate and calculate prices, simulated with expected revenues
- A commission of Health Technology Assessment (HTA) is established
- A commission on national formularies has been working since the early 1990s and
- A nationwide e-tendering for drugs and supplies has been implemented since 2014
- Improvements of strategic purchasing is a continuing process

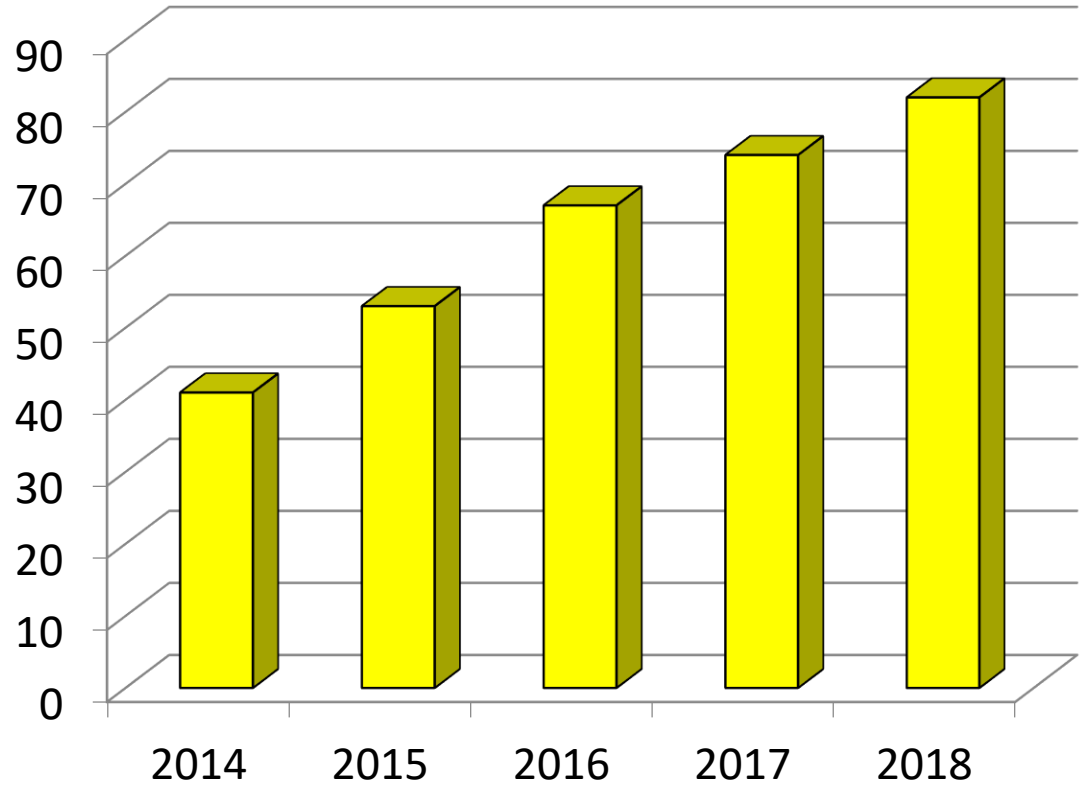
Current Achievements and Challenges

Progress of JKN: Population Coverage and Pooling of Funds

Population Coverage, millions

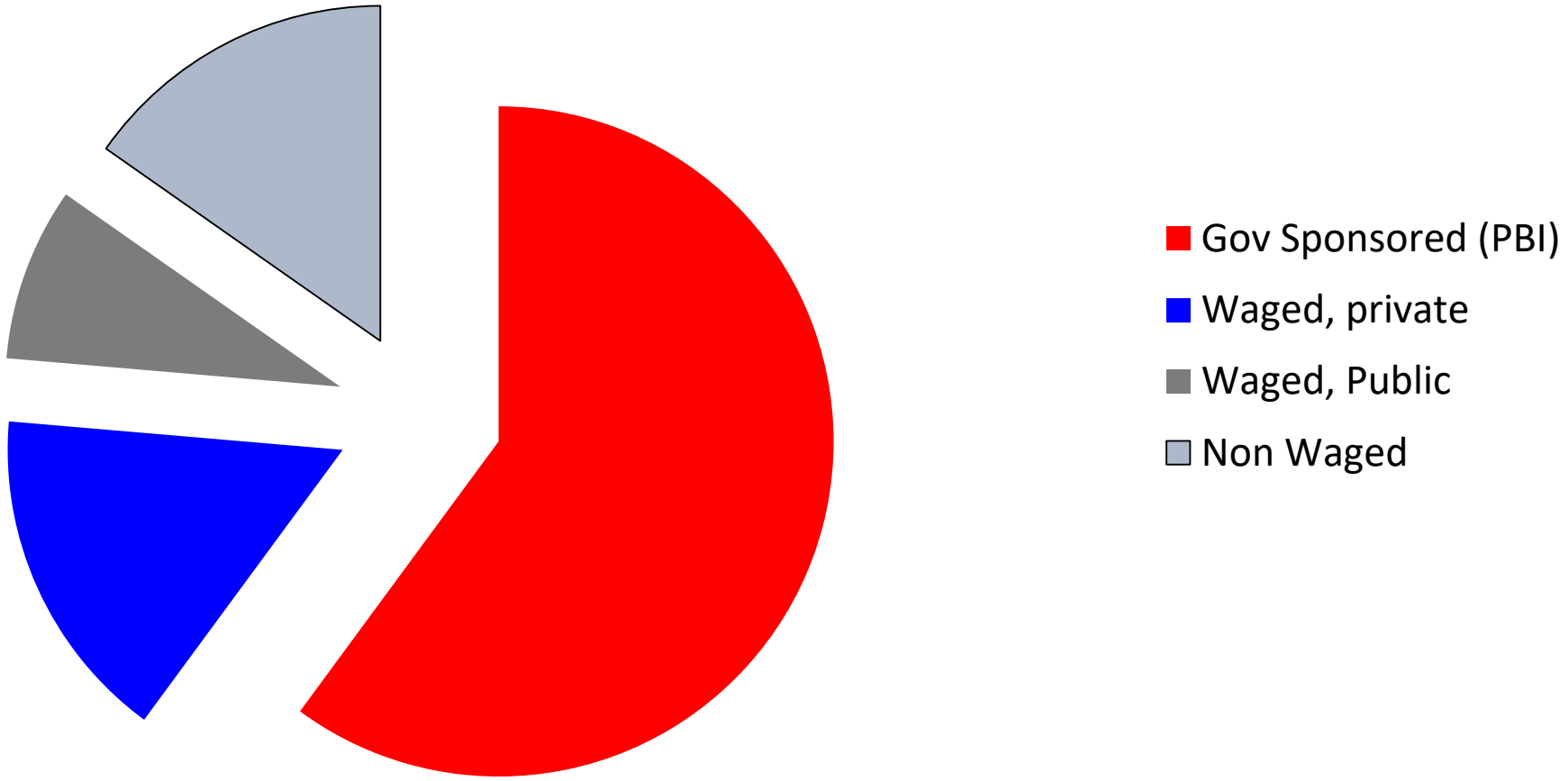


Revenues, IDR Trillions

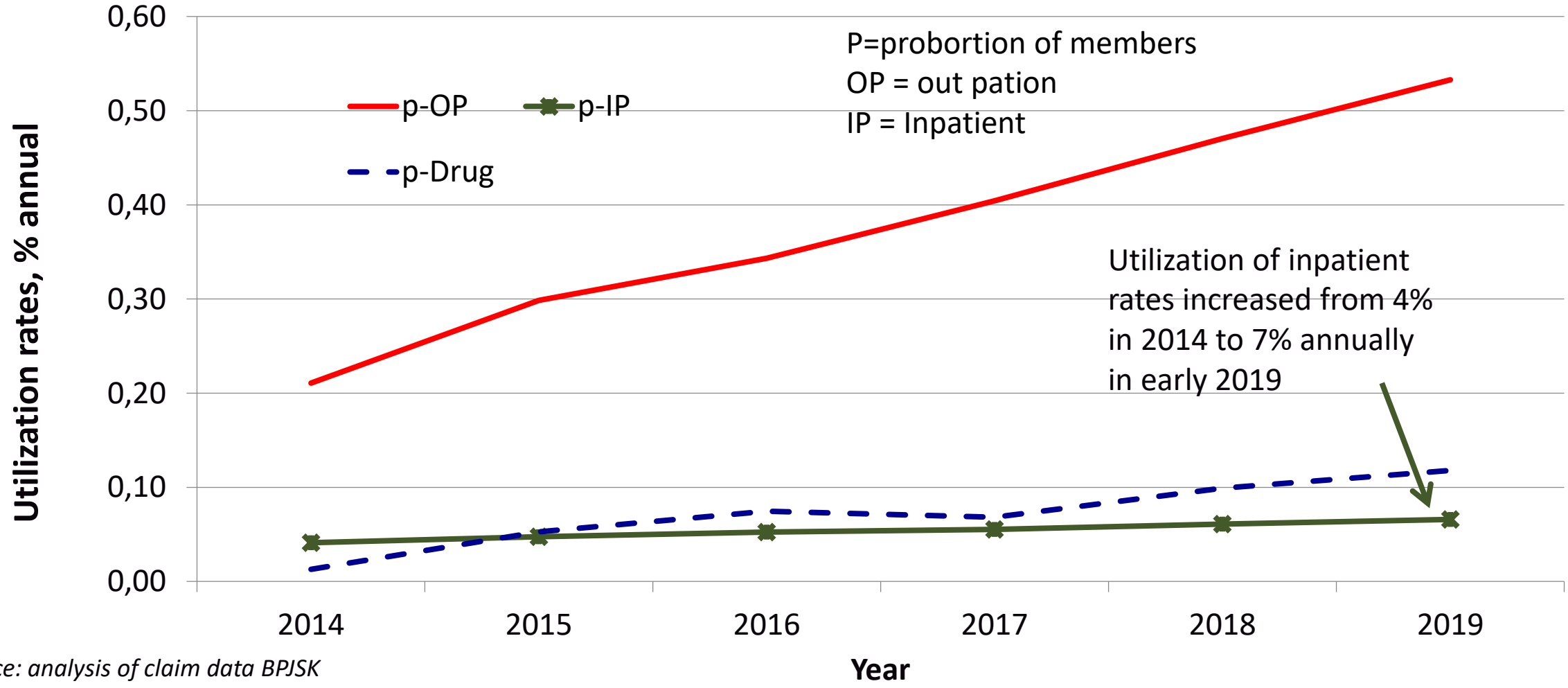


Souce BPJS report 2017

Distribution of JKN Members, 2018



Utilization rates increased as access and supplies improved, BUT the contribution rates were not increased due to fear of “protest” from the public



Source: analysis of claim data BPJSK

The Main Challenges

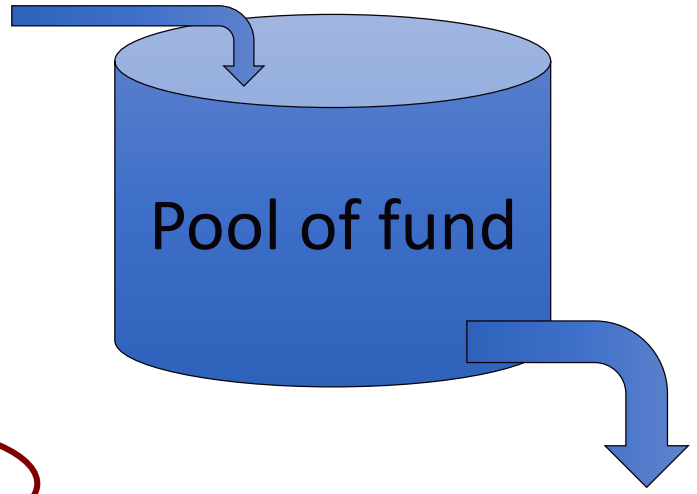
- There are (still) lack of full understanding of the overall concept and implementation of the JKN resulting in inconsistencies in the implementation of the JKN
  - Contributions have been set with greater political consideration instead of technical know how of social insurance principles
  - Pricing of health care providers mainly by considering expected revenues, instead of market costs of group of services (CBG)
  - Price adjustments have not been made regularly and timely
- Tariff to (especially) private providers mostly below the market prices, resulting in some restrictions to access contracted private providers.
- Capitation payment has not been adjusted for six consecutive years.
- The BPJSK is under pressure to control costs, due to deficits in six consecutive years. It is inconsistent with the root cause of deficits—inadequate contributions

THE POLITICS OF DEFICITS

In the last five years, the JKN has been suffering from enlarging deficits. What and why?

1. Contribution of 5% of wages was calculated without ceiling, BUT it was set with low ceiling of IDR 8 m monthly salary (USD 600)
2. The subsidized contribution was calculated at IDR 36,000, but it was set at IDR 23,000

Contriburions were politically set below actuarial adequacy

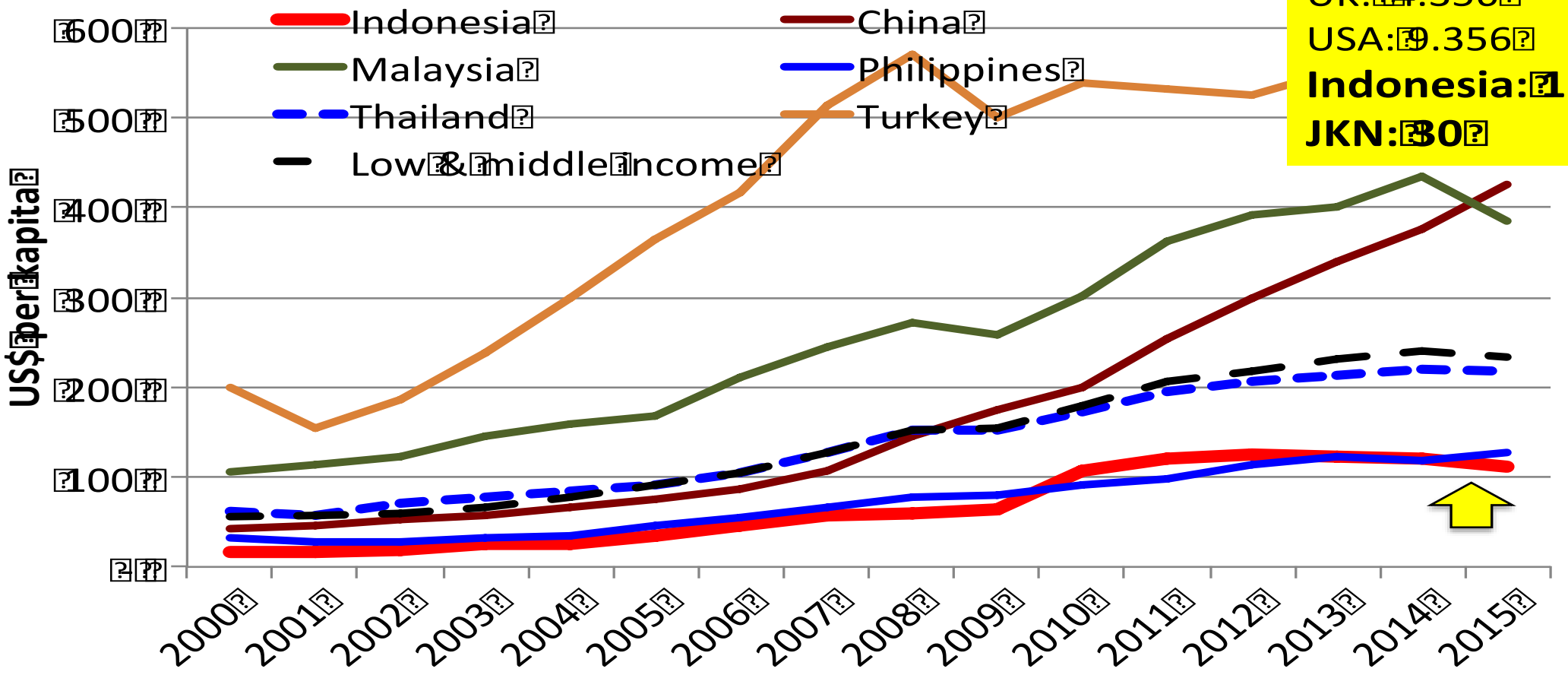


Payment to providers BELOW the market costs

Contribution for the governement employees was taken ONLY from the low basic salary (about 10-15% take home income)

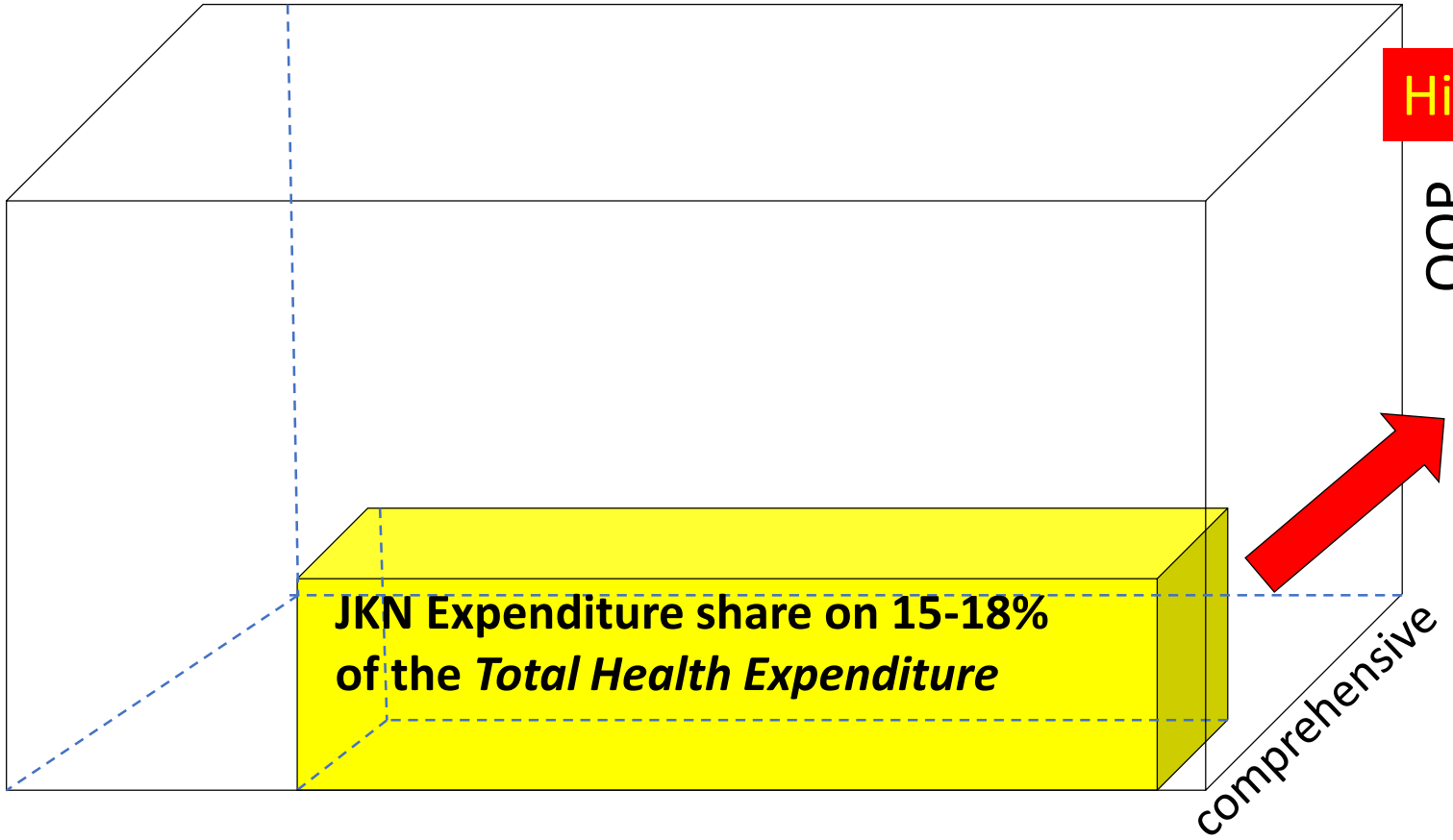
Per Capita Total Health Expenditures Remain Low

Year of 2015:
S Kore: 2.013
UK: 4.356
USA: 9.356
Indonesia: 112.
JKN: 30



From various World Bank Data, 2018.

Fact – *Stunted* JKN
JKN: Severe Anemia and Malnourished



Ideally, the JKN share should at least 55% THE when the population coverage reached 80%

Current Strategic Purchasing Project

STRATEGIC PURCHASING HAS BEEN IMPLEMENTED SINCE 1980. IMPROVEMENTS ARE BEING UNDERTAKEN

CURRENTLY THINKWELL IS SUPPORTING THE GOVERNMENT OF INDONESIA IN IMPROVEMENT OF STRATEGIC PURCHASING:

- Melinda and Bill Gates Foundation (SP4PHC) supports improvements of strategic purchasing for family planning and Maternal&Neonatal services

- The USAID (HFA) supports improvements of strategic purchasing especially for **TB*,** MNH, and HIV/AIDS services

Dr. Hafidz will discuss more details on this strategic purchasing for TB

An Opportunity for More Strategic Health Purchasing

Phase 1 Strategic Health Purchasing Support to Indonesia

- Period (November 2016- August 2018)

- Support on institutional arrangements and governance
  - Who decides on what? Who does what

- In Indonesia both the MOH and BPJS-K are health purchasing agencies.

Source: Cashin (2019). Summary of R4D Strategic Health Purchasing Support to Indonesia. Results for Development

Findings Phase 1: Strategic Health Purchasing in JKN

JKN REGULATION	TOTAL
Law on National Social Security System (SJSN) and Law on BPJS	2
Government Regulation	13
Presidential Regulation	12
Minister of Health Regulation	17
Minister of Finance Regulation	2
Minister of Home Affairs Regulation	1
Presidential Decree	5
Minister of Social Affairs Decree	3
Minister of Health Decree	14
Minister of Health Circular Letter	6
Minister of Social Affairs Circular Letter	1
Minister of Home Affairs Circular Letter	1
BPJS Regulation	14
BPJS Board of Directors Regulation	3
BPJS Service Director Circular Letter	1
TOTAL	102

Regulations create lack of clarity

- Lack of clarity in the overall responsibility for purchasing in JKN.
- BPJS-K remains a relatively passive purchaser
- Limited the strategic potential to ensure the sustainability of JKN while improving access, quality, and financial protection.

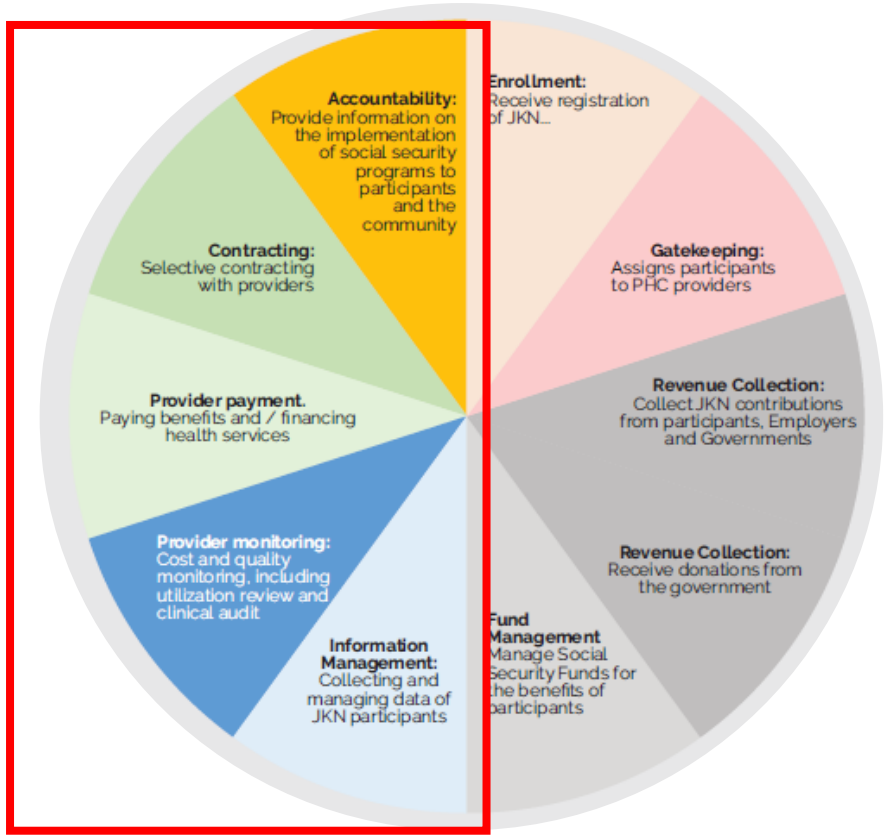
MOH has key purchasing functions

- Specify the criteria for health facilities contracting with BPJS-K (credentialing)
- Specify data reporting requirements in BPJS-K contracts
- Develop provider payment systems and setting payment rates
- Regulate how public primary health care facilities use BPJS funds

Source: World Bank. 2018. Functional and Regulatory Review of Strategic Health Purchasing Under JKN : Purchasing of Primary Health Care Under JKN (English). JKN policy note. Washington, D.C. : World Bank Group.

Findings Phase 1: Unclear distribution of purchasing function in Indonesia's JKN

Purchasing Agency (BPJS-K)



Ministry of Health

Source: World Bank. 2018. Functional and Regulatory Review of Strategic Health Purchasing Under JKN : Purchasing of Primary Health Care Under JKN (English). JKN policy note. Washington, D.C. : World Bank Group.

Facilitated stakeholder process and supporting analytics

SHP Technical Working Group

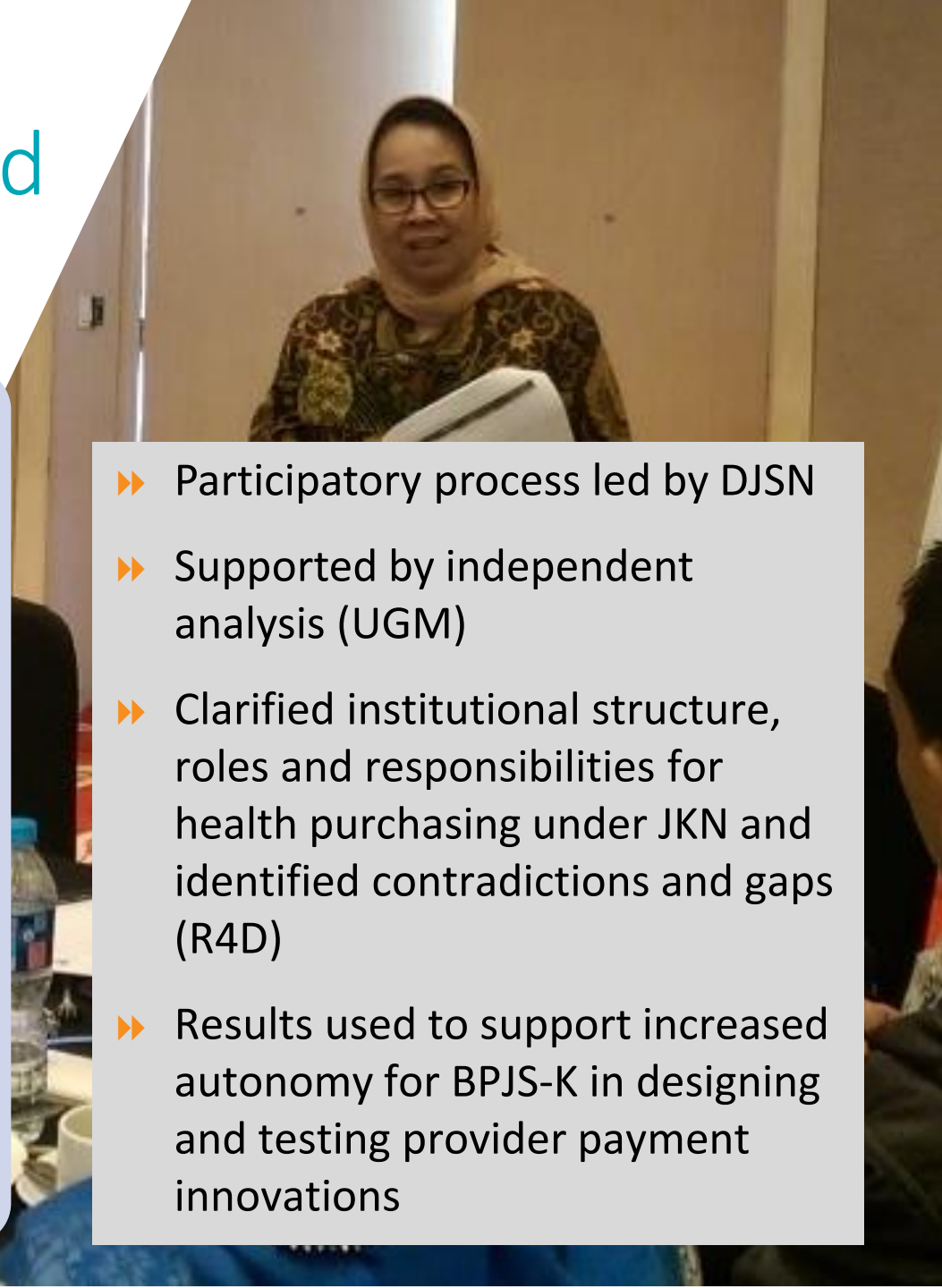
- Discuss key issues, validate analyses, and reach consensus
- Policy options for revised institutional structure and regulatory framework

Analytical input

- Review of regulations related to health purchasing under JKN
- Stakeholder interviews: what is happening in practice?

Capacity-building

- ½ day targeted trainings on SHP : BPJS, MOH program, MOH finance, MOF, local government
- Online course and resource site (Universitas Gadjah Mada)



- Participatory process led by DJSN
- Supported by independent analysis (UGM)
- Clarified institutional structure, roles and responsibilities for health purchasing under JKN and identified contradictions and gaps (R4D)
- Results used to support increased autonomy for BPJS-K in designing and testing provider payment innovations

Source: Cashin (2019). Summary of R4D Strategic Health Purchasing Support to Indonesia. Results for Development

Phase 2 Strategic Health Purchasing Support to Indonesia

- Period (August 2018- present)

- Operational Policies and Systems
  - How are purchasing functions carried out?

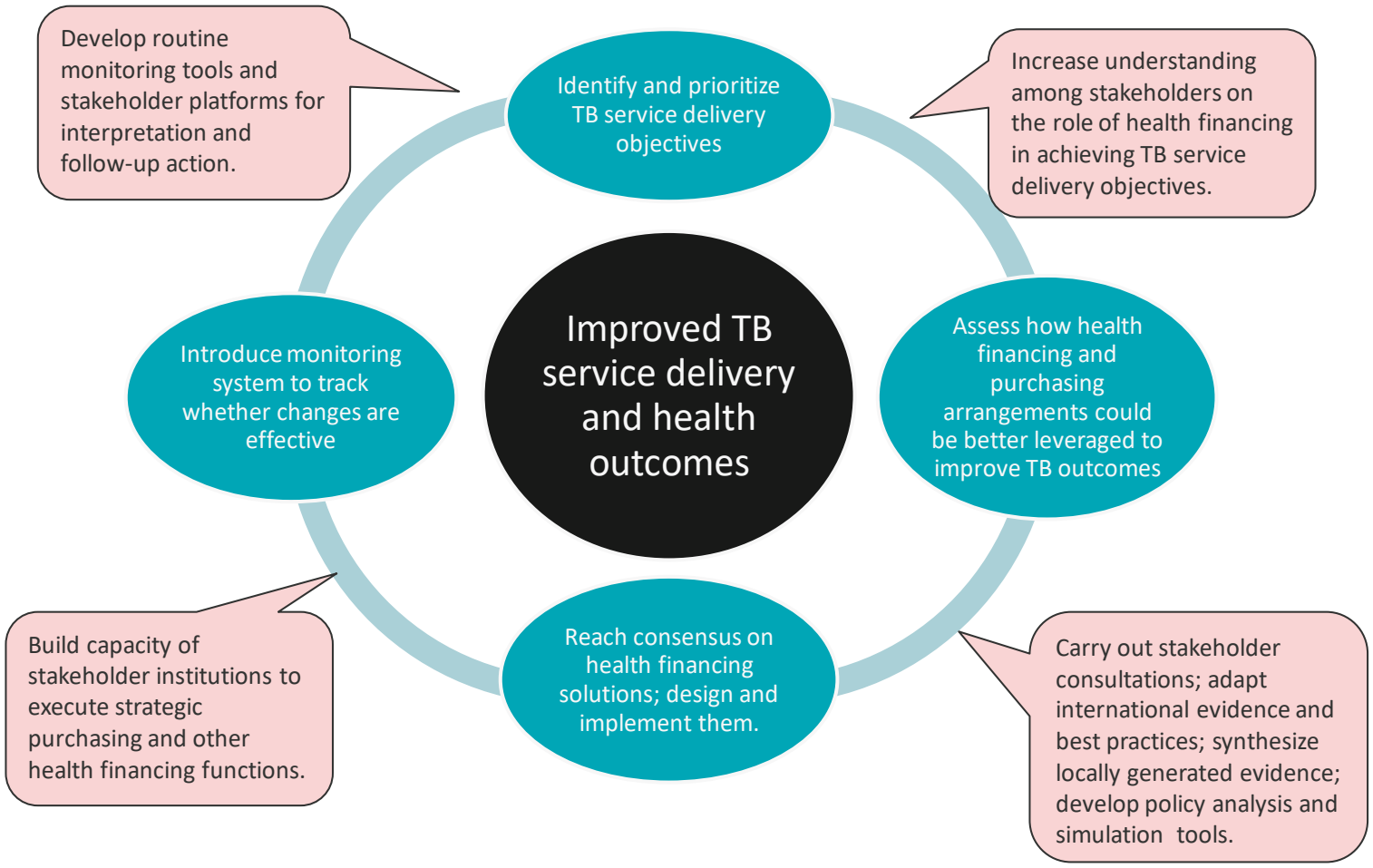
- Improve operational processes for TB and MNH:
  - Refine provider payment systems to improve priority programs
  - Improve use of data

- Build capacity to analyze, design & implement reforms

Source: Cashin (2019). Summary of R4D Strategic Health Purchasing Support to Indonesia. Results for Development

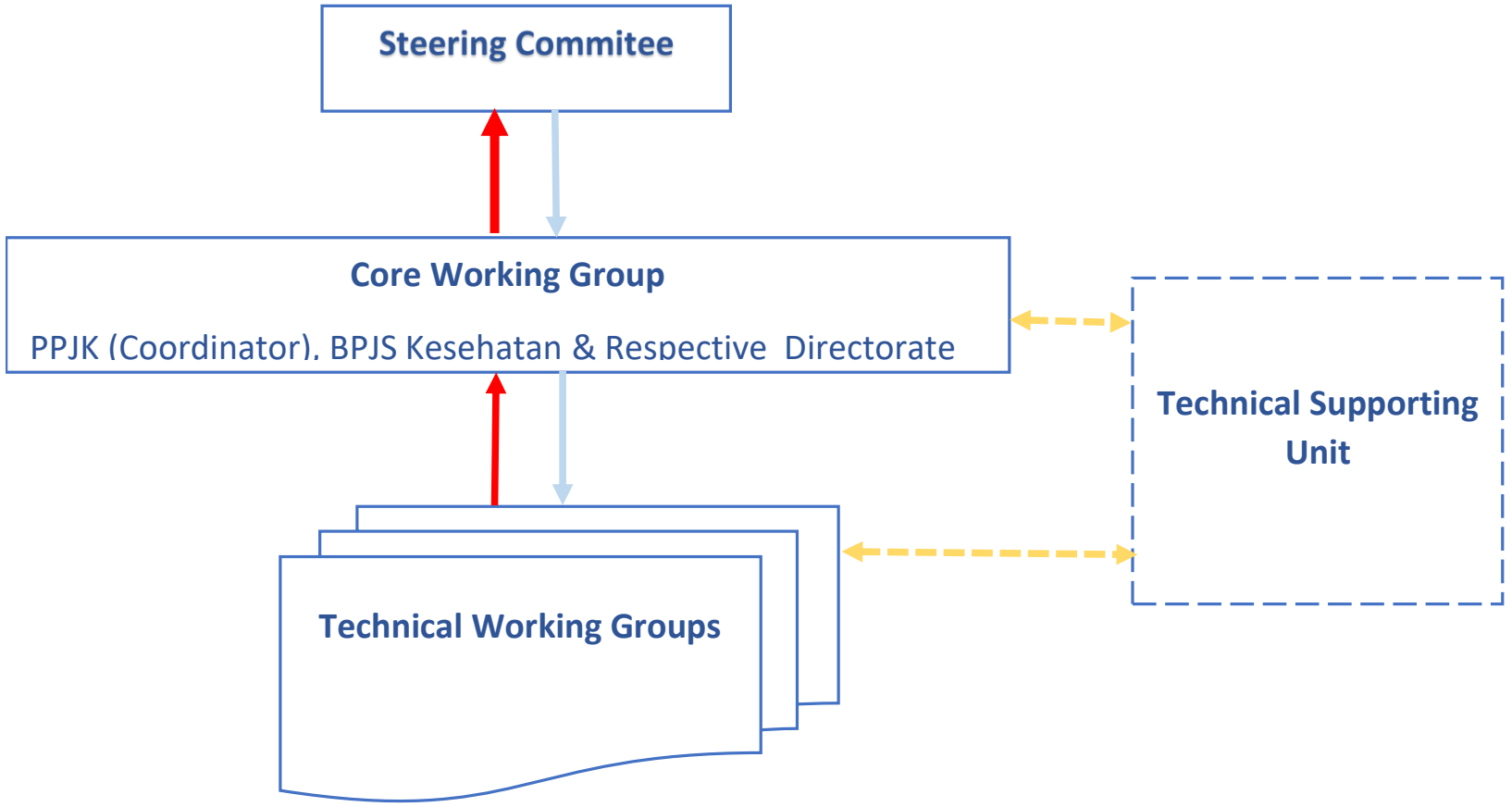
Multi-stakeholder process to improve purchasing for TB services

- Process driven by objectives to improve service delivery and health outcomes
- Solution design based on stakeholder experience and consultations
- Options informed by locally driven analytics and international evidence and good practice



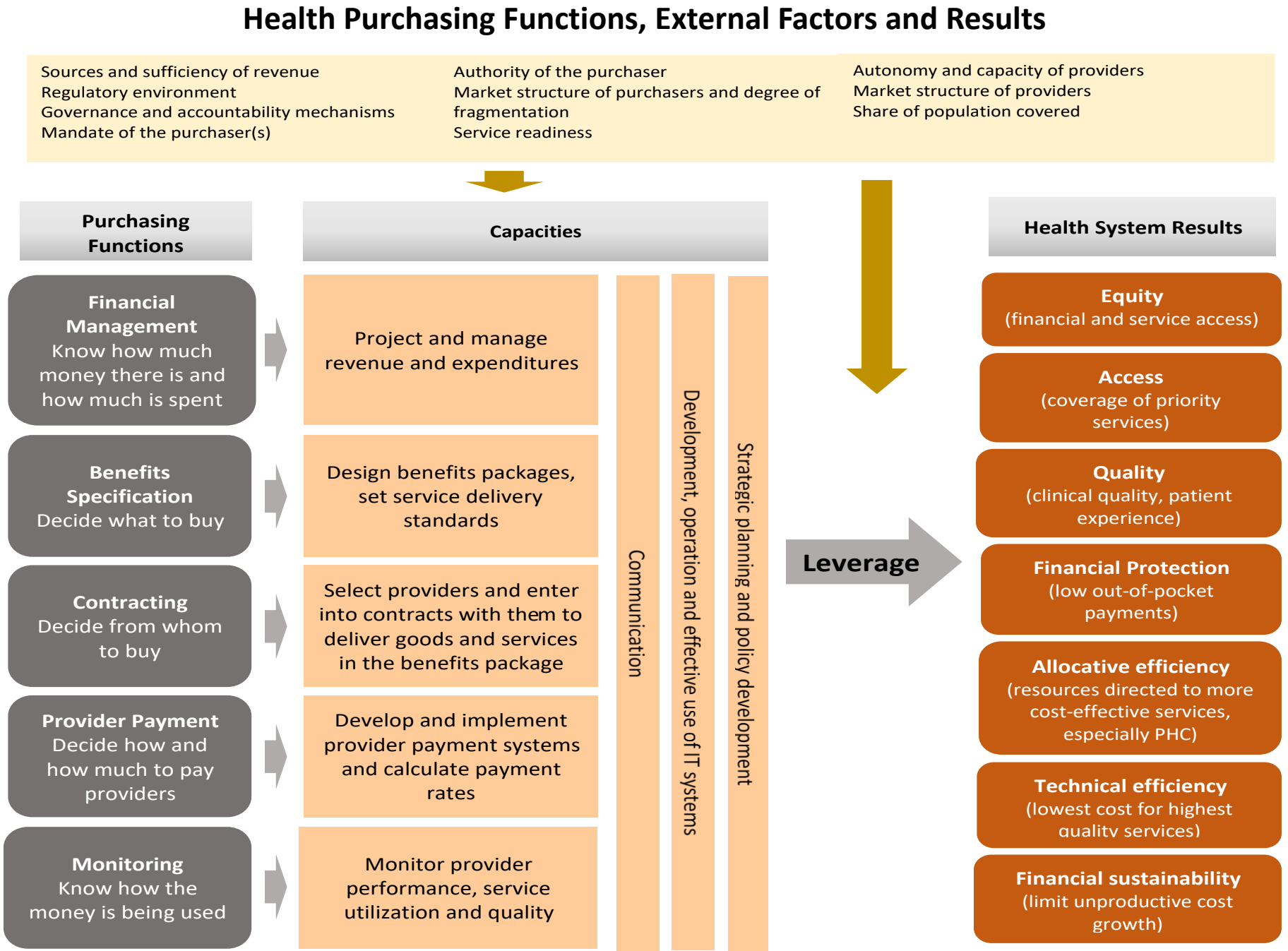
Source: Cashin (2017). Results for Development

Strategic Health Purchasing Working Groups



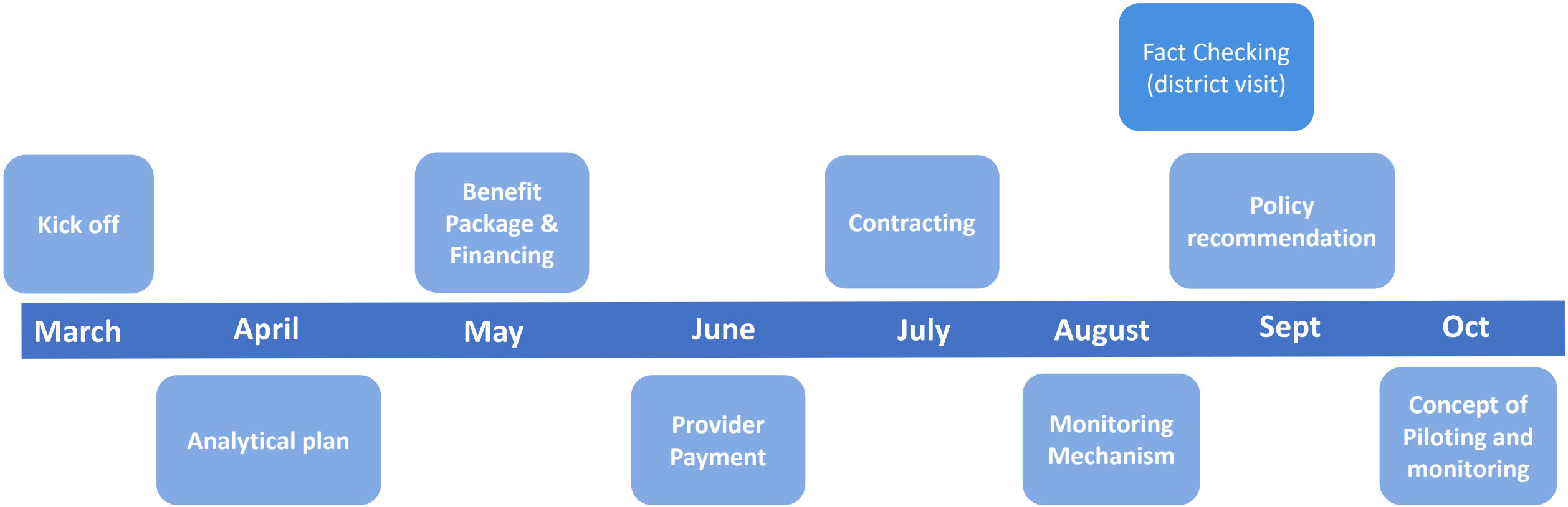
Source: USAID-BANTU, 2019

Outputs of the TWG Process will be based on a holistic approach to improving purchasing and payment for TB



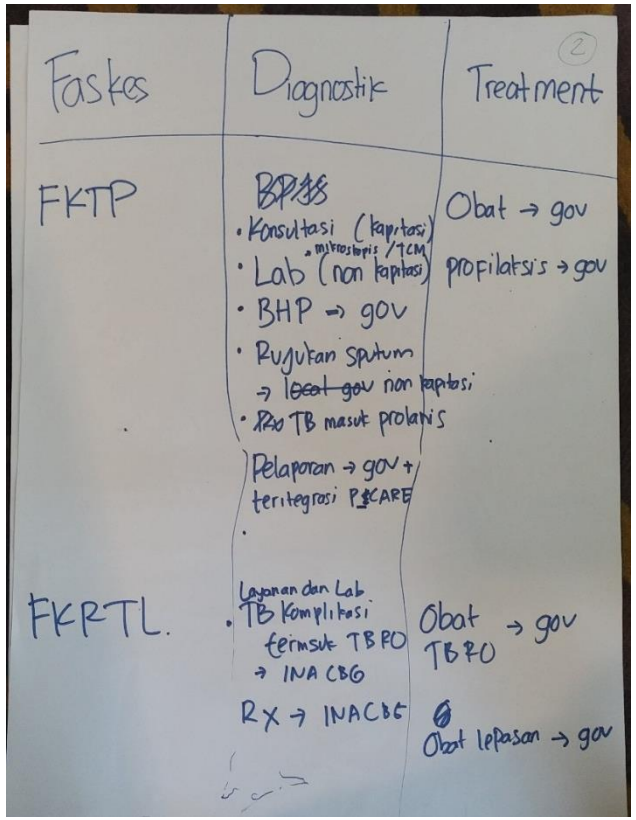
Source: Cashin (2018). Results for Development

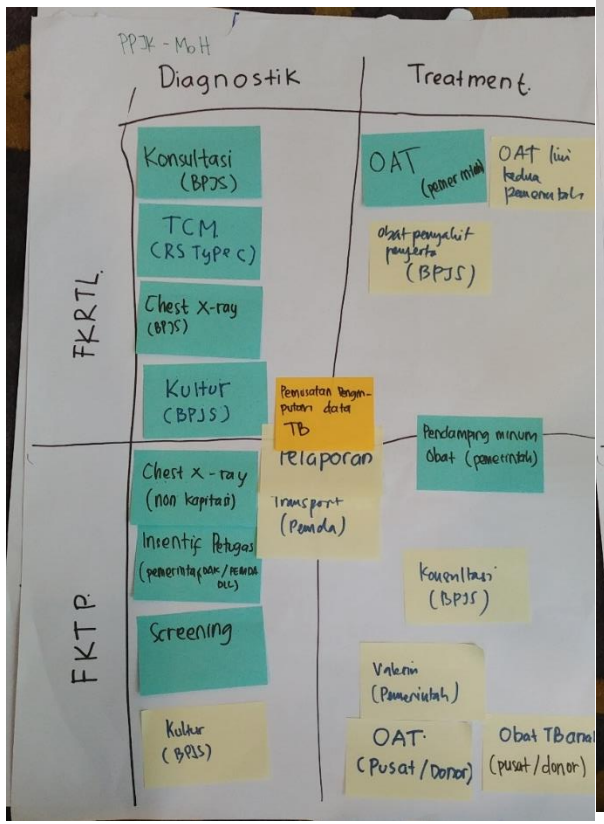
Process

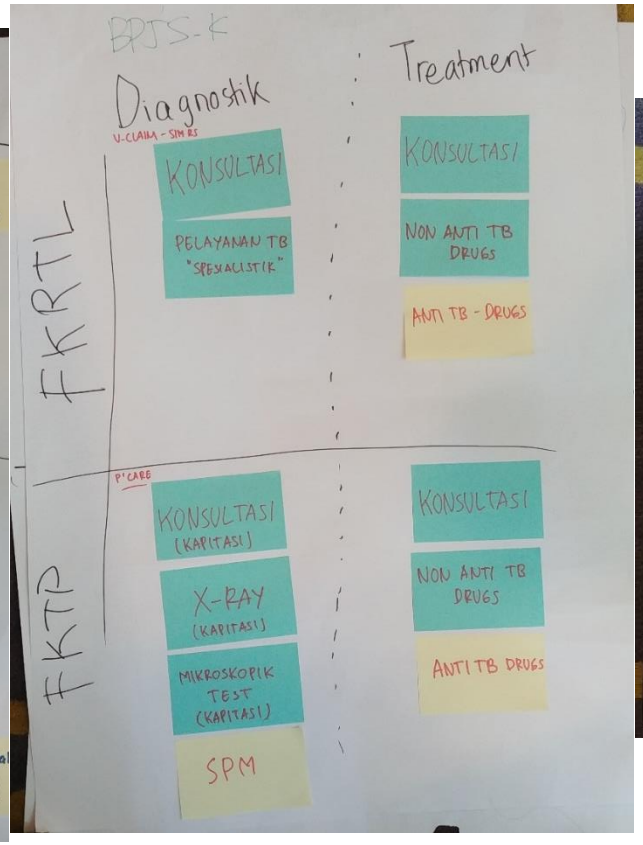


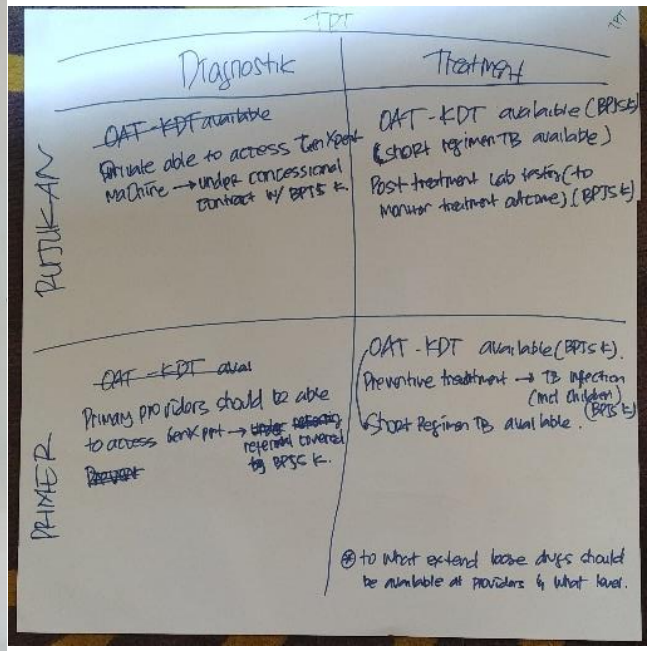
Source: USAID-BANTU, 2019

Benefit Package Brainstorming

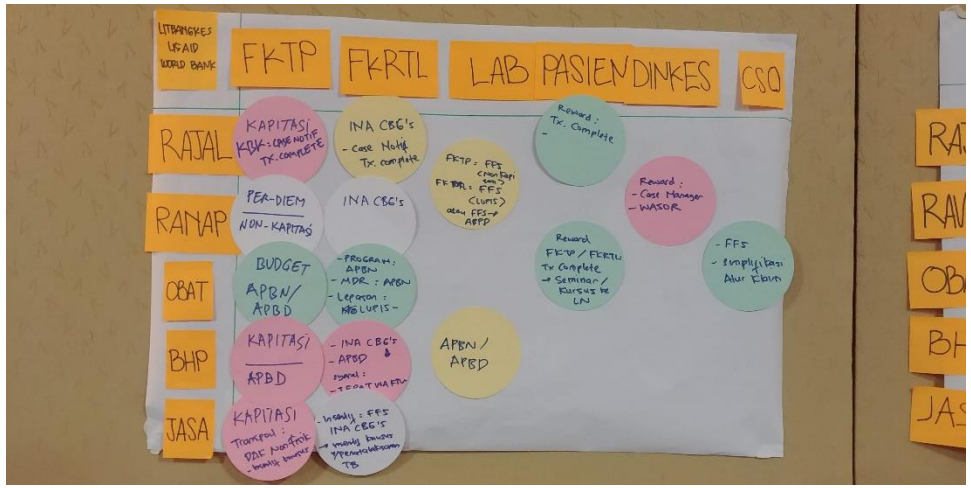


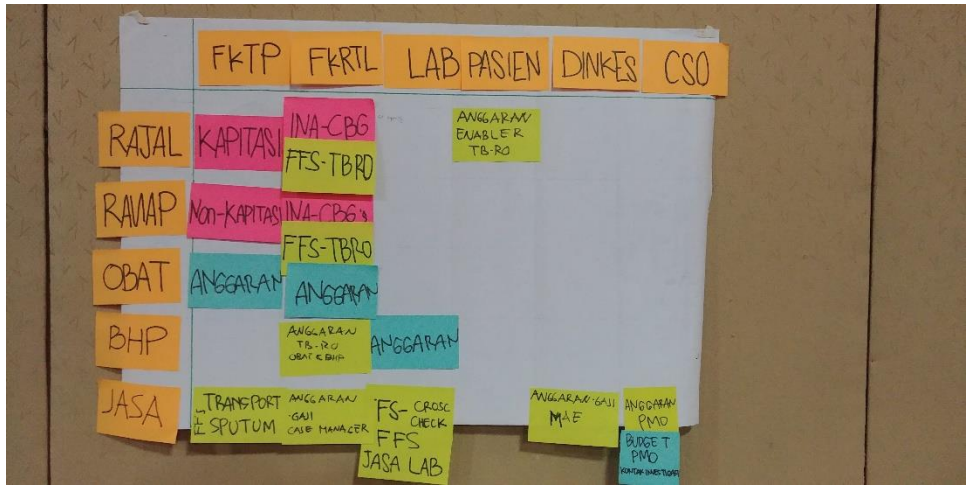


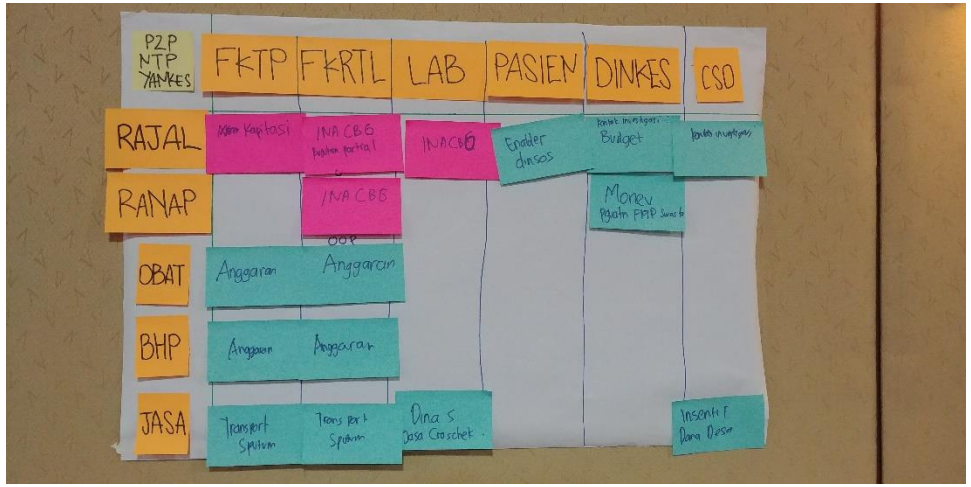


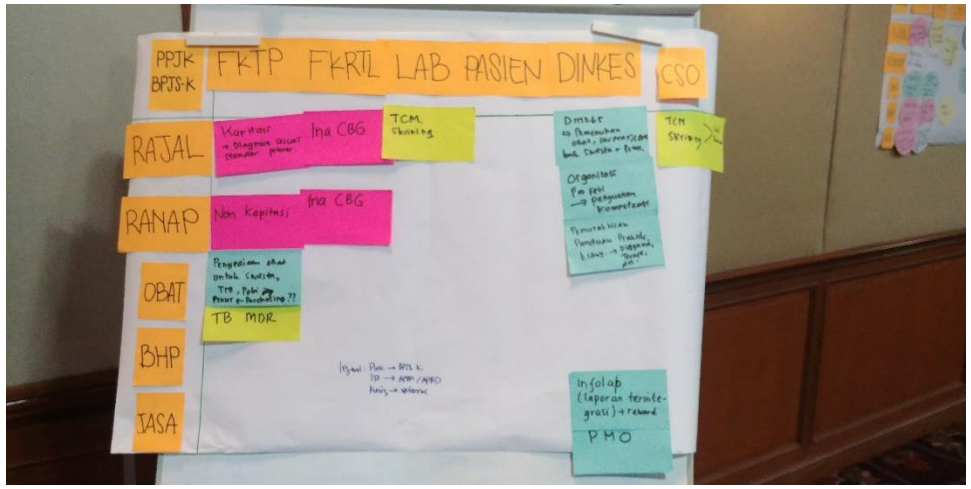


Provider Payment Mechanism Brainstorming

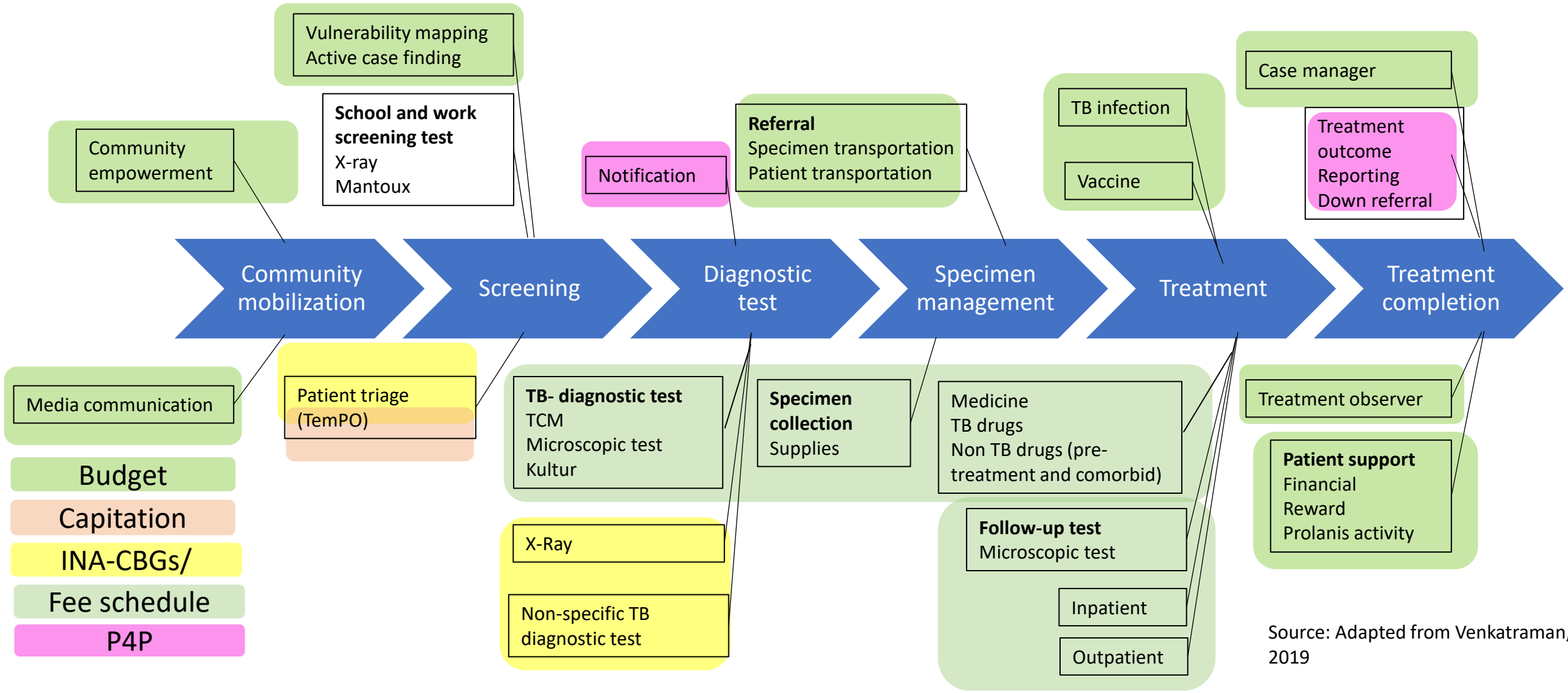






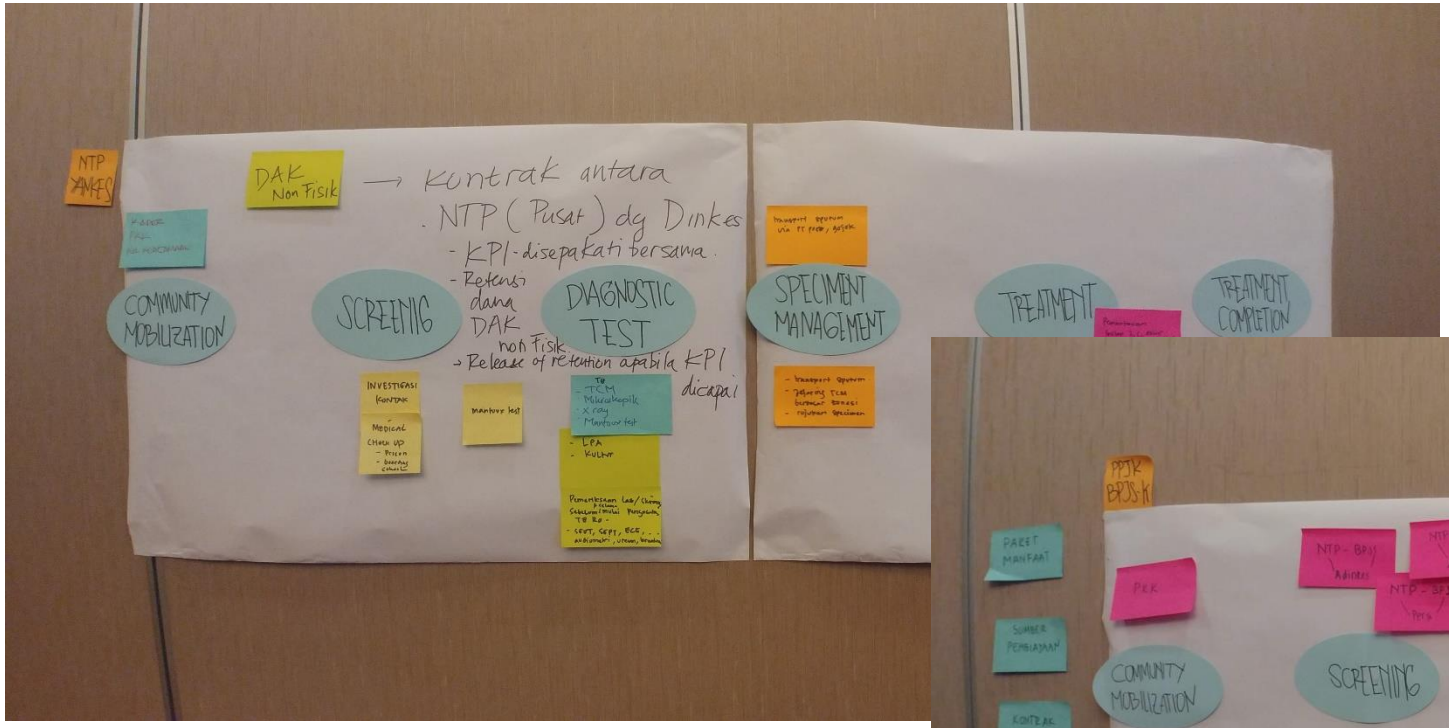


Fish Bone Diagram: TB benefit package and payment mechanism brainstorm



Source: Adapted from Venkatraman, 2019

Contracting Brainstorming



Criteria for assessment of policy options to improve service delivery and health outcomes

Technically valid from a purchasing and provider payment perspective

Addresses key incentives for improving service delivery objectives and considers potential consequences – “First do no harm”

Administratively not overly burdensome for providers

Impact on BPJS-K budget not overly burdensome

Source: Cashin (2018). Results for Development

Analytical activities to support assessment of policy options against criteria

1. GOI SHP TWG “fact checking” in districts to validate policy options
2. Mapping incentives at play for different providers at key points in the TB diagnosis and treatment process
3. Claims data analysis and budget impact analysis

Next Steps

- Final GOI TWG policy design based on incentive mapping, claims data analysis and budget impact analysis
- Policy options with multi-stakeholder GOI consensus proposed for testing – October 2019
- Purchasing pilot design, including BPJS-K monitoring system
- Sensitization and training at district level in preparation for pilot implementation - 2020

Thank you!