Improving health system performance for UHC

strategic purchasing of health services

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Structure of the talk

1. What is meant by strategic purchasing / provider payment?
2. Pros and cons of payment methods
3. Tools and techniques – deciding on benefit package coverage
4. Tools and techniques – implementing benefit package
5. Example policy options – for consideration

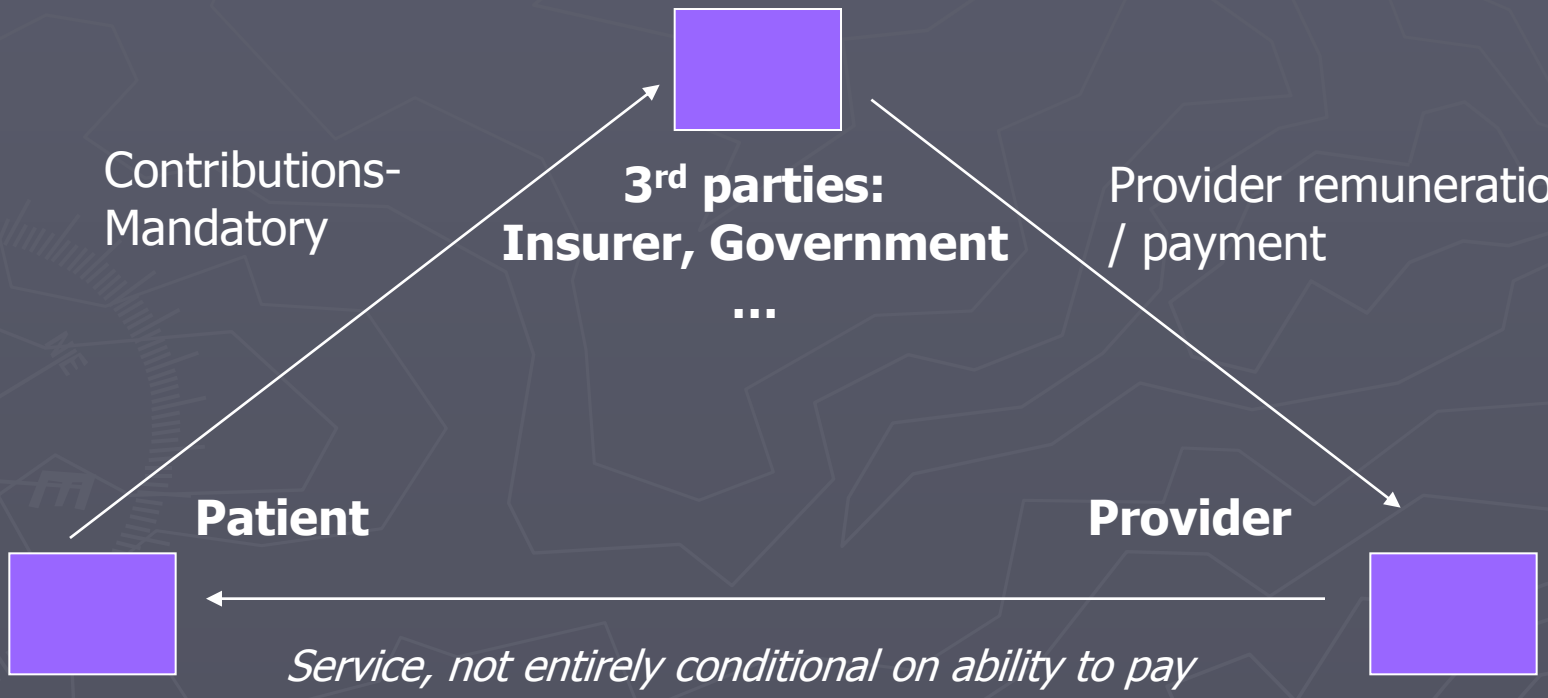
STRATEGIC PURCHASING?

The main financing functions

- Health care financing includes:

1. collecting resources – revenue generation for the heath system
2. pooling resources – improving equity and efficiency
3. **purchasing health care** – paying providers, pay for services, medicines etc

Socially responsible financing of healthcare



Provider payment

- *It is an incentive for*
- Increasing quantity of provision
- Increasing quality of care and service
- Cost-containment
  - Although it may look odd, in reality doctors are the main determinants of cost in healthcare systems

Strategic purchasing

- The objectives of social insurance systems are the health system objectives
- I.e. purchasing the healthcare that (i.e. making sure the health service):
  - Responds to legitimate expectations of public
  - Improves the health of the society
  - Ensures equitable distribution of responsiveness, health, and financial burden

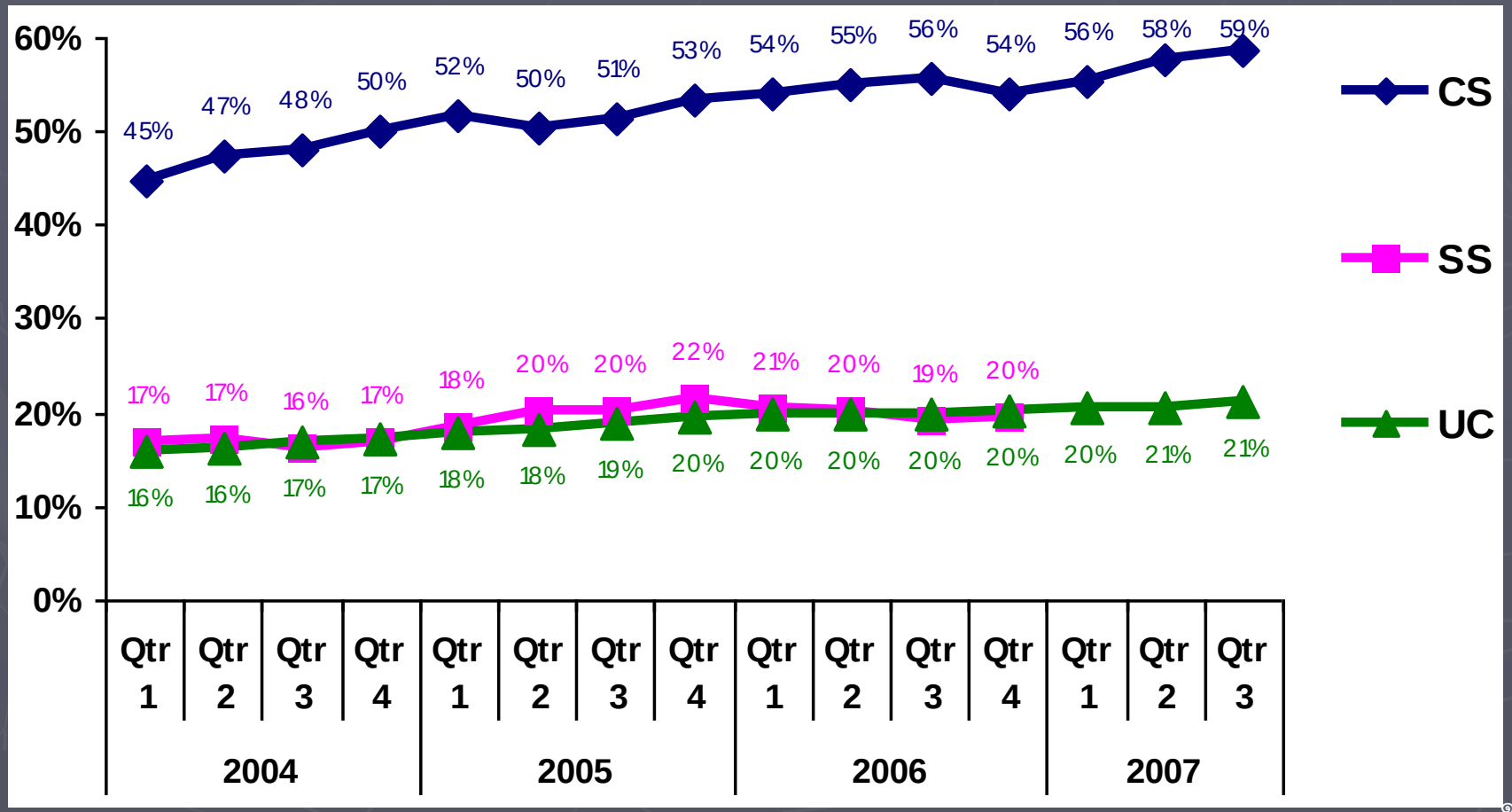
Strategic purchasing

- Which interventions improve health?
- Which interventions / care delivery and financing models result in equity outcomes?
- Evidence is required

PROS AND CONS OF PAYMENT METHODS

Payment method matters!

Practice variations for different scheme in Thailand – Cesarean Section



Limwatananon, C et al (2009)

Provider payment

- All methods have limitations
- The main objective is to change behavior
- Hence ought to know what behavior is sought
  - i.e. what services to buy
  - e.g. peritoneal dialysis i/o hemodialysis

Provider payment

- Mixed / blended methods are common
  - to avoid each method's pitfalls
  - limited use advisable
- Complexity in payment prevents supervision
  - And provides room for profiteering and fraud
- Payment methods should be complemented by other financing and care delivery policies

Payment methods

Rashidian A, 2010

	Wanted for	limitations
Salary	Easy to conduct - predictable Suitable for limited demand locations	Prone to under-performance
Fee for service	Increased 'productivity' i.e. doing more Increasing technical efficiency (with fixed fee schedules)	Doing more not always suitable – induced demand Increased cost and expenditure
Case mix payment	Distinguishing between case mix of services and patients Less prone to cost inflation	Technical difficulties of implementation Data requirements
Capitation	Cost containment effects Responsibility towards catchment population Promote prevention /disease protection Equity issues?	Promotes referring patients to others / delaying care provision Difficult to monitor performance
Bonuses – target payments	Important areas of service Accompanying other methods	Limited applicability Under-performance of untargeted behaviors

TOOLS AND TECHNIQUES FOR DECIDING WHAT TO PURCHASE

Tools and techniques – deciding on benefit package coverage

- Deciding on 'benefit package'
  - Includes essential 'drugs' and services
- Different levels of the services
  - What is provided at each level
- Priorities, contextual factors, and evidence of effects of the interventions are important

Tools and techniques – deciding on benefit package coverage

- Health Technology Assessment is a valuable tool
- For smaller (or low resource) countries, better to adapt from other countries
  - also several studies from the WHO

Cost-effectiveness of Interventions for Preventing and Treating Diabetes in Middle East and North Africa

Intervention (Level 1)	Cost per QALY	Feasibility
Glycemic control with insulin, oral glucose-lowering agents, diet, and exercise (<9.0%)	Cost saving	••••
Blood pressure control with medications (<150/<90 mm Hg)	Cost saving	••••
Foot care including patient and provider education, foot examination, foot hygiene, and appropriate footwear	Cost saving	••••

Notes: Feasibility is based on capacity of the health care system to deliver an intervention to the targeted population, the level of medical technology or expertise needed for implementation, the amount of capital required for an intervention, and the cultural acceptability. •••• indicates feasible for all 4 aspects, ••• feasible for 3, •• feasible for 2 • feasible for 1.

Source: *Disease Control Priorities in Developing Countries,* second edition, 2006, Tables 30.3 and 30.4

Cost-effectiveness of Interventions for Preventing and Treating Diabetes in Middle East and North Africa

Intervention (Level 2)	Cost per QALY	Feasibility
Care for women of reproductive age before they become pregnant	Cost saving	••
Lifestyle interventions to prevent diabetes with behavioral change, including diet and exercise to reduce bodyweight	$110	••
Influenza vaccination for the elderly	$310	••••
Eye exam to screen for and treat eye diseases	$590	••
ACE inhibitors for blood pressure control	$870	••
Smoking cessation with physician counseling and nicotine replacement therapy	$1,230	•••

Notes: Feasibility is based on capacity of the health care system to deliver an intervention to the targeted population, the level of medical technologies or expertise needed for implementation, the amount of capital required for an intervention, and the cultural acceptability. •••• indicates feasible for all 4 aspects, ••• feasible for 3, •• feasible for 2 • feasible for 1.

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Tools and techniques – deciding on benefit package coverage

- HTA systems
  - does not mean that HTAs should have been conducted in-house
- Requires a decision making structure
  - Which is transparent and enforced
- Should be linked with benefit package decisions

IMPLEMENTING THE BENEFIT PACKAGE – PURCHASING THE RIGHT SERVICES

Strategic purchasing considerations

- Decision on the setting of provision
  - Providing more services at primary care level
  - Especially for common infectious and chronic diseases - at primary care level
- Issues of volume-outcome relationships / also economies of scale for the service
  - Consolidation of the provision of high tech services

Strategic purchasing considerations

- Decision on the type of providers
  - Buying what services if provided by whom - CHW/ physician assistant/ nurse/doctor/specialist
  - Evidence suggests that many services can be effectively provided by lower cadres of care, at a lower cost
- Using the right choice of provider payment approaches

Tools and techniques – service pricing

- Service fee schedules – a policy tool
  - Pay more for things that produce value
  - Pay less / or none for the services you do not want
- i.e. fee schedules are not only to cover the costs!
  - The main intention is to encourage provision of required services

Tools and techniques – service pricing

- Keeping the price list simple and easy to implement
  - Consider a DRG-like approach
- Pricing system should also cover the private sector
- And to be set by the MoH
  - not the private sector

Tools and techniques – demand side incentives

- Targeted usage of co-payments
- A tiered system is preferred – but may be difficult to implement
- Keeping user charges close to zero for essential primary care services

Tools and techniques – utilization monitoring

- Pay for quality of services
  - Using evidence based clinical practice guidelines and pathways of care
  - Standards for process / and perhaps effectiveness outcomes
- Consider incorporating these into the providers contracts / job descriptions
  - E.g. generic prescribing
  - Using the national formulary

Tools and techniques – monitoring and supervision

- Support and supervision of front line staff
- Expanding the capacity for supervision and monitoring
  - Fraud and abuse amounts to about 10% of THE in many countries
- A strong and nationally implemented supervision system is required

EXAMPLE POLICY OPTIONS

Strengthening MoH planning and supervision capacity

- A strong planning unit within the MoH is required to focus and monitor benefit package:
  - Costs, coverage …
- Should include services and medicines sections
- Close link with other important stakeholders

Paying for essential drugs

- Effective, evidence-based and cheap medicines for:
  - **First priority: diseases that cause children and maternal mortality**
  - **Second priority: important chronic diseases**
- Giving priority to medicines required at all levels
- Donor trap! … recommending certain brands from certain countries

Paying for essential drugs

- A major consideration: many medicines are over-priced in the region
- Being aware of donor trap!
  - … recommending certain brands from certain countries

Implementing essential drugs system

- Ensuring essential medicines are accessible everywhere
- An efficient procurement and distribution system
- Linking medicines distribution system with vaccines procurement?

Provider payment – primary care

- Salary payment to primary care staff
  - Choose a general direction:

- ***either***
- Reasonable salaries + strong monitoring and supervision

  - *This might be the preferred option*

Provider payment – primary care

- Salary payment to primary care staff
  - Choose a general direction:

- ***or***
- Basic salary plus strong monetary incentives for performance (P4P, RBP …)
  - E.g. vaccination coverage – under five mortality reduction – comprehensive up-to-date registry of households – family planning coverage – bed net distribution – no under-the-table payments

….

Provider payment - hospitals

- Generally avoid fee-for-service payments to providers
  - Consider simplified DRG-like mechanisms in hospitals
- It can be a strong incentive to reduce underperformance in public hospitals
- With price control/earning caps in private sector
- Close monitoring of dual practice

Thank you for your attention

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