



**FACTSHEET** | Financing research theme

October 2014

### STRATEGIC PURCHASING FACTSHEET

The issues of health care financing and universal health coverage (UHC) are currently at the centre of global policy debate. A core function of health care financing is purchasing – the process by which funds are allocated to providers to obtain health services on behalf of the population. If designed and undertaken strategically, purchasing can improve health systems performance by promoting quality, efficiency, equity and responsiveness in health service provision and, in doing so, facilitate progress towards UHC.

The RESYST (Resilient and Responsive Health Systems) consortium, in collaboration with the Asia Pacific Observatory on Health Systems and Policies, has recently commenced a multi-country study to critically assess the performance of health care purchasers in a range of low and middle-income countries, and to identify factors influencing that performance. The countries involved in the study are: China, India, Indonesia, Kenya, Nigeria, South Africa, Tanzania, Thailand, the Philippines and Viet Nam.

The research will examine the relationships between different groups of actors in order to understand the various components of strategic purchasing and the organisational environment within which it operates. It uses a case study approach whereby the purchasing arrangements or mechanisms in countries are the 'case' in each study, and the organisational relationships for purchasers are the unit of analysis.

This factsheet gives an overview of the different purchasing mechanisms covered in the study, which range from general tax finance public provision systems, to voluntary community-based health insurance schemes, and mandatory national social health insurance schemes. It identifies the source of finance for each scheme and the different provider payment methods that are used, including fee-for-services, budget allocation, capitation and diagnostic related groups.

The factsheet also provides an overview of the 10 countries involved in the research, demonstrating their heterogeneity in terms of socio-economic and health systems development.







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RESYST purchasing study webpage:

http://resyst.lshtm.ac.uk/researchprojects/multi-country-purchasingstudy

Asia Pacific Observatory on Health Systems and Policies

http://www.wpro.who.int/asia\_pacific\_observatory

#### PROFILES OF PURCHASING MECHANISMS EXAMINED IN THE STUDY

#### **NIGERIA**

General tax -funded health services Publicly financed public services; state level pool with contributions from the national pool

Population coverage: Entire population

Source of finance: Government budget (State level)
Purchaser organisation: State Ministries of Health
Provider payment method: Budget allocation

National health insurance scheme (NHIS) Mandatory health insurance for formal sector workers (government workers and 'organised' private sector workers); single pool

Population coverage: 3% of total population

Source of finance: Payroll tax contributions by employees (5% of basic salary) and

employers (10% of basic salary)

Purchaser organisation: Private Health Care Organisations

**Provider payment method:** Capitation for primary care services; fee-for-service for secondary and tertiary care

Private health insurance

Voluntary schemes open to

formal (usually as an employment

benefit) and informal sectors; run

and owned by private, for profit

Population coverage: 1.8% of total

insurance companies; multiple

Source of finance: Premium

(individual or corporate)

contributions by beneficiaries

Purchaser organisation: Private

Provider payment method: Fee

for service for outpatient care and

inpatient care at contracted public

and private health facilities; limited

use of capitation for outpatient

health insurance companies

#### **KENYA**

### Community-based health insurance

Voluntary schemes open to all but mainly targeting rural populations; individual schemes are usually part of a network formed and supervised by non-governmental organisations; some networks pool resources

Population coverage: 1.2% of total

Source of finance: Premium contributions by households. Some activities for new schemes are subsidized by NGOs e.g. marketing and stationery

Purchaser organisation: Community based health insurance schemes

**Provider payment method:** Feefor-service for inpatient care only at contracted public health facilities

### INDIA State gov

#### State government funded health services (Tamil Nadu)

Publicly financed public services; single pool **Population coverage:** Entire State population

**Source of finance:** Central and State budgets

Durchaser erganisation: State Departments of He

**Purchaser organisation:** State Departments of Health and Family Welfare

Provider payment method: Budget allocation

New health insurance scheme, 2012 Mandatory health insurance for state government employees; one pool per state

**Population coverage:** All government employees, employees of public sector organizations, co-operative societies

**Source of finance:** Payroll contribution by employees (service tax component is borne by Government)

**Purchaser organisation:** Public Insurance Company (United India Insurance)

**Provider payment method:** (Both public and private providers) case-based payment system

#### CHINA

New Cooperative Medical Scheme Public, mandatory insurance for the entire rural population; multiple pools at the county level

Population coverage: 98% of the total rural population

**Source of finance:** 80% from central, provincial and county government subsidies, 20% from individual premium contributions

Purchaser organisation: County-level governments

**Provider payment method:** Mixed with fee-for-service and case-based payment system

#### **VIET NAM**

Social health insurance scheme Mandatory social health insurance for the whole population; single purchaser mechanism

Population coverage: 69% of total population

**Source of finance:** Multiple: fully subsidized premium for the poor; partial subsidies for the informal; payroll tax contribution by formal public and private employees and employers

Purchaser organisation: Vietnam Social Security

**Provider payment method:** Fee-for-service is the dominant payment mechanism at all health facilities (64.5%). About 42% of 600 district hospitals receive capitation payments

#### **PHILIPPINES**

National Health Insurance Program Mandatory health insurance for the whole population; single pool

Population coverage: 74.9% of total population

**Source of finance:** Multiple: fully subsidized premium for the poor; premium contributions by public and private employees and the informal sector

Purchaser organisation: Philippine Health Insurance Corporation

**Provider payment method:** Outpatient care- moving towards capitation with fixed co-payment and case payment for selected procedures; non-catastrophic inpatient care- case rate payment; balance billing allowed only for non-poor; catastrophic inpatient care (Z benefit) - case payment with negotiated contracts at a limited number of hospitals

# 10 COUNTRIES

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PURCHASING MECHANISMS

**THAILAND** 

**Universal Coverage Scheme** General tax-funded; non-contributory scheme for population who are not government or private employees

Population coverage: 75% of total population

**Source of finance:** General tax through annual budget bill to National Health Security Office

**Purchaser organisation:** National Health Security Office

Provider payment method: Capitation for out-patient care through contractual agreement with networks of primary healthcare and district hospitals; Global budget for DRG for in-patient services, reimbursed to hospitals

#### Civil servant medical benefit scheme

Mandatory non-contributory for government employees and dependants

Population coverage: 9% of total population

**Source of finance:** General tax through annual budget bill

**Purchaser organisation:** Comptroller General Department; Ministry of Finance

Provider payment method: Fee-for-service for outpatient services directly reimbursed to hospitals; DRG without global budget for inpatient care; also different bands of costs weighed in favour of tertiary care and teaching hospitals

#### **INDONESIA**

General tax funded health services Publicly financed public services; single, national pool

Population coverage: Entire population

**Source of finance:** Central and local government budgets

Purchaser organisation: Local government

Provider payment method: Budget allocation

National social security Single pool, mandatory health insurance for state government employees; company employees, with expansion to informal sector planned; the poor are financially supported by publicly financed premium

Population coverage: 52% of total population

**Source of finance:** Central government budget and some local government budget; payroll contributions by employees and employers; premiums from community

Purchaser organisation: BPJS

**Provider payment method:** Capitation for primary health care; INA-CBG (DRG type) for hospitals; providers claim for referral services

Jamkesda Local government funded insurance schemes; the objectives, beneficiaries and mechanisms vary widely between local government regions

Population coverage: N/A

Source of finance: Local government budget

**Purchaser organisation:** Some district/provincial government (not all)

**Provider payment method:** Throughout the country, local governments use a range of provider payment methods to transfer resources to health care service providers to obtain services for beneficiaries

#### **SOUTH AFRICA**

General tax-funded health services Publicly financed public services; single pool

**Population coverage:** Entire population **Source of finance:** Government budget

Purchaser organisation: Provincial departments of health
Provider payment method: Budget for facilities, salaries for staff

Medical schemes Private voluntary health insurance "medical schemes"; multiple pools

Population coverage: 16.6% of total

Source of finance: Premium contributions

Purchaser organisation: Medical schemes

**Provider payment method:** Fee-for-service; some general practitioners have accepted capitation payments to serve lower income groups; some private primary health care 'clinics' where staff are paid on a salary basis; some private hospitals receive per diem payments or diagnosis related group (DRG) payments for a limited number of schemes

#### **TANZANIA**

allocation

#### General tax funded health services

Publicly financed public services; single, national pool

**Population coverage:** Entire population

**Source of finance:** Government budget; central budget donor support and basket funding

**Purchaser organisation:** Ministry of Health and Social Welfare and Local Government Authorities

Provider payment method: Budget

## National Health Insurance Fund (NHIF)

Mandatory health insurance for government employees

**Population coverage:** 7.1% of total population

**Source of finance:** Premium contributions; equally shared between employee and employer

**Purchaser organisation:** National Health Insurance Fund

they settle the claims

Provider payment method: Fee-forservice after health providers submit the claims; the scheme also gives loans for supplies and equipment to the facilities and deducts this when

# Community-based health insurance fund

Voluntary insurance scheme targeting the informal sector; multiple pools

**Population coverage:** 7.9% of total population

**Source of finance:** Annual premium contribution by households; premium varies across districts

Purchaser organisation: Local Government Authorities Provider payment method: Mainly

through budget allocation; some districts have entered into service agreement with faith-based facilities where they pay them on capitation basis

### AT A GLANCE: KEY INDICATORS FOR THE STUDY COUNTRIES

|  | CHINA | INDIA | INDONESIA | KENYA | NIGERIA | PHILIPPINES | SOUTH<br>AFRICA | TANZANIA | THAILAND | VIET NAM |
|--|-------|-------|-----------|-------|---------|-------------|-----------------|----------|----------|----------|
| Population (million) <sup>1</sup>  | 1,357 | 1,252 | 250       | 44    | 174     | 98          | 53              | 49       | 67       | 90       |
| GNI per capita<br>(US\$) <sup>1</sup>                                      | 6,560 | 1,570 | 3,580     | 930   | 2,760   | 3,270       | 7,190           | 630      | 5,370    | 1,730    |
| Tax revenue<br>(% GDP) <sup>1</sup>  | 11    | 11    | 11        | 20    | 2       | 13          | 27              | 16       | 17       | NA       |
| Total health<br>expenditure<br>(THE) (% GDP) <sup>2</sup>                  | 5.4   | 4     | 3         | 4.7   | 6.1     | 4.6         | 8.8             | 7        | 3.9      | 6.6      |
| THE per capita (US\$)²   | 322   | 61    | 108       | 45    | 94      | 119         | 645             | 41       | 215      | 103      |
| Government<br>health<br>expenditure<br>(% govt. exp.) <sup>2</sup>         | 13    | 9     | 7         | 6     | 7       | 10          | 14              | 10       | 14       | 10       |
| Out-of-<br>pocket health<br>expenditure<br>(% THE) <sup>2</sup>            | 34    | 58    | 45        | 48    | 66      | 52          | 7               | 32       | 13       | 49       |
| Physicians,<br>nurses and<br>midwives<br>(per 1,000 pop.) <sup>3</sup>     | 3.8   | 2.4   | 1.6       | 1     | 2       | 7.2*        | 5.7             | 0.2      | 2.5      | 2.3      |
| Births attended<br>by skilled health<br>staff<br>(% of total) <sup>3</sup> | 100   | 52    | 83        | 44    | 49      | 72          | 91*             | 49       | 100      | 93       |