



Asia Pacific Observatory
on Health Systems And Policies



STRATEGIC PURCHASING: AN APPROACH TO BRINGING CITIZENS' PERSPECTIVES TO THE HEALTH SYSTEM

2 October 2014

3RD Global Symposium on Health Systems Research

SESSION OVERVIEW

- Introduction
- Overview of strategic purchasing
- Panel discussion – Country experiences
- Reflections from a policy perspective
- Conclusion and summary

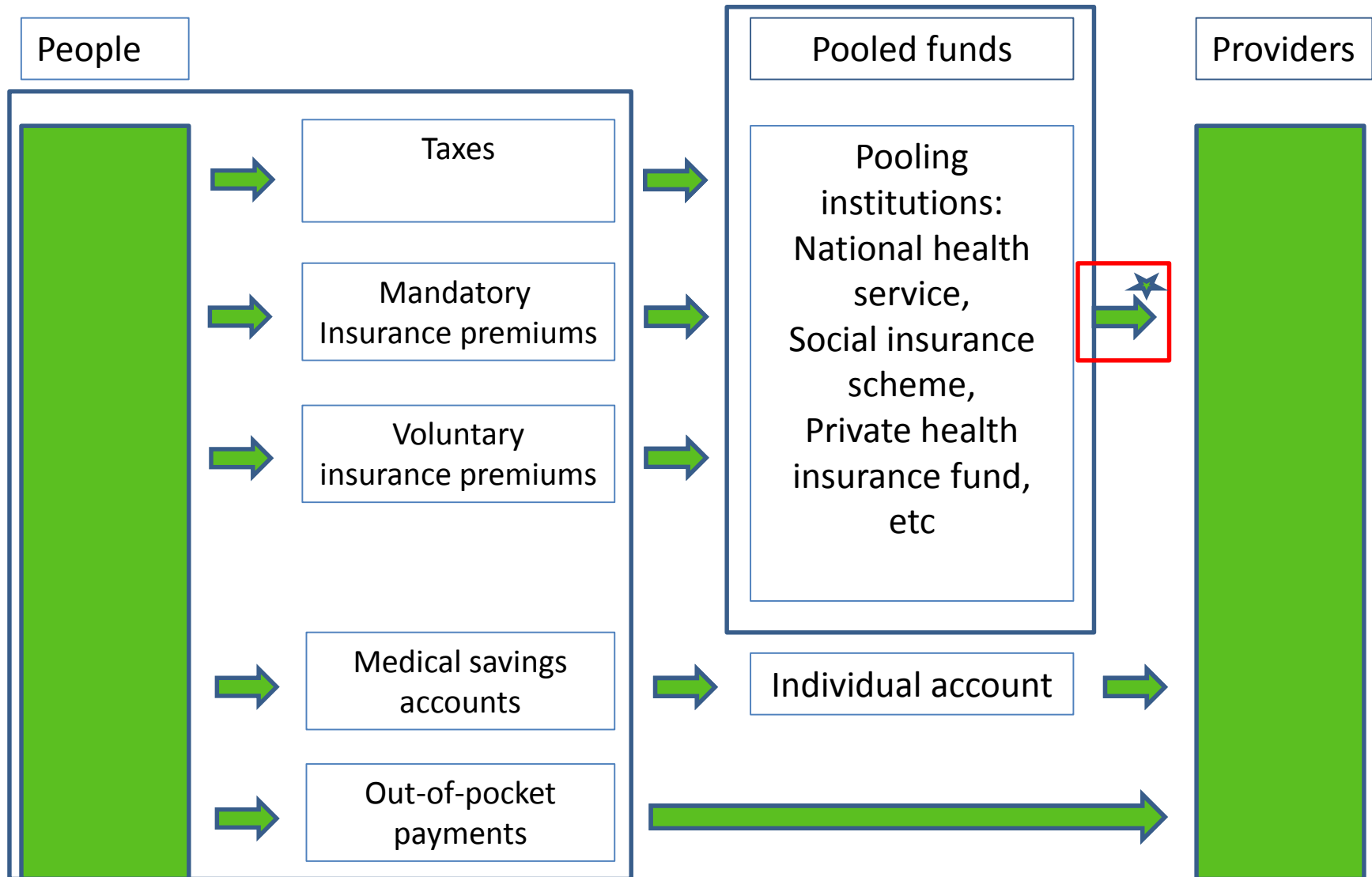
PURCHASING - DEFINITION

= The process of allocating funds to healthcare providers to obtain services for identified groups

Purchaser may be the Ministry of Health, an insurance scheme or an autonomous agency

“Purchasing is the critical link between resources mobilised for UHC and the effective delivery of health services”

PURCHASING IS INTEGRAL TO HEALTH FINANCING



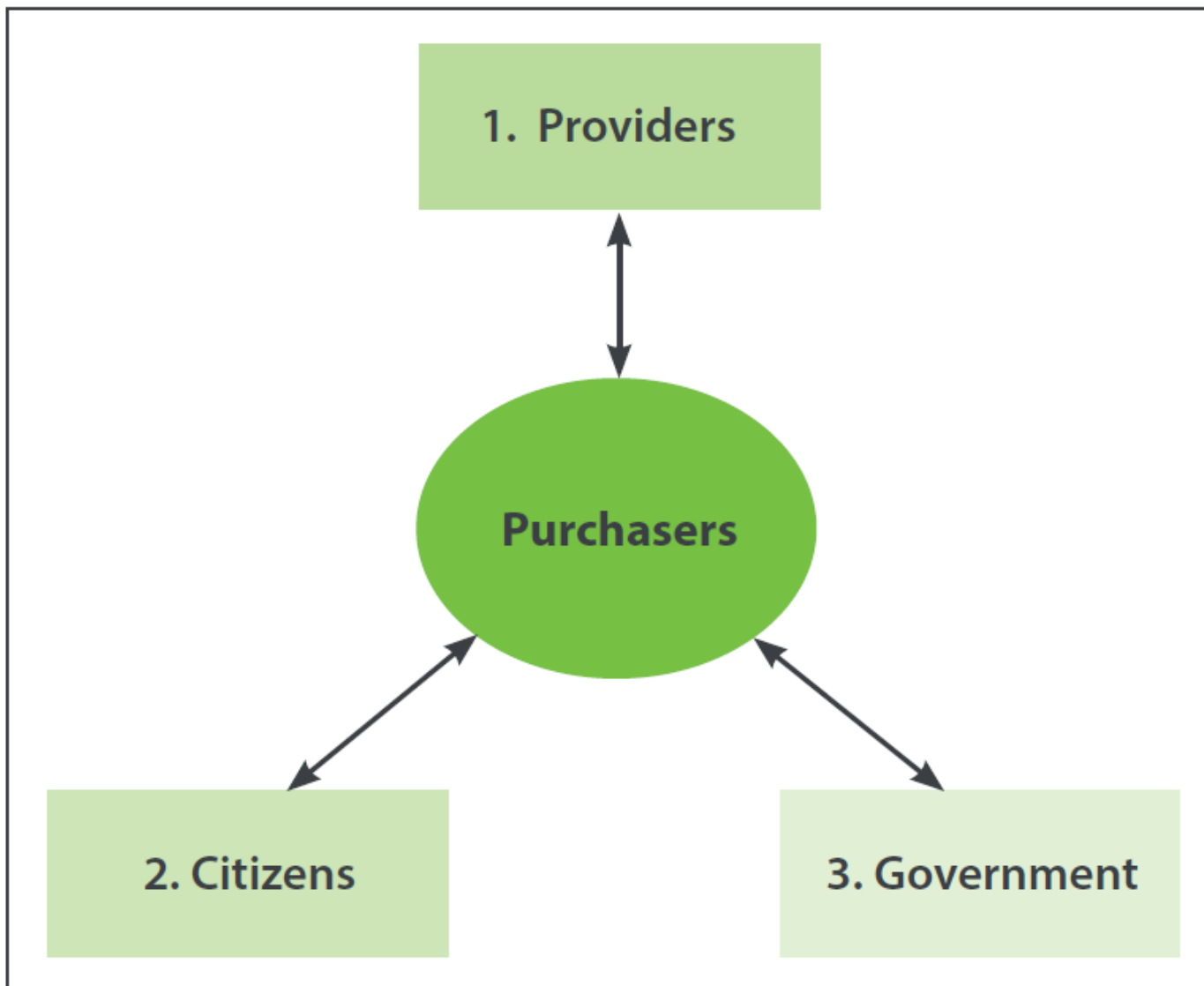
Adapted from Savedoff 2012

3 KEY PURCHASING FUNCTIONS



1. Identify the interventions or services to be purchased, taking into account population needs, national health priorities and cost-effectiveness.
2. Choose service providers, giving consideration to service quality, efficiency and equity.
3. Determine how services will be purchased, including contractual arrangements and provider payment mechanisms

PURCHASERS ACTIVELY ENGAGE IN 3 KEY RELATIONSHIPS



PURCHASERS AND CITIZENS

- Assess the service needs, preferences and values of the population and use to specify service entitlements/benefits
- Inform the population of their entitlements and obligations
- Ensure population can access their entitlements
- Establish effective mechanisms to receive and respond to complaints and feedback from the population
- Publicly report on use of resources and other measures of performance

PURCHASERS AND PROVIDERS



- Select and accredit providers
- Develop standards, guidelines, formularies to encourage quality and efficiency, and monitor adherence to them
- Design and implement a provider payment system to encourage efficiency and quality
- Use resource allocation and other policies to ensure equity
- Guard against corruption and fraud
- Establish and monitor user payment policies
- Develop, manage and use information systems

PURCHASERS AND GOVERNMENT



- Establish clear frameworks for purchaser(s) and providers
- Fill service delivery infrastructure gaps
- Ensure adequate resources mobilised to meet service entitlements
- Ensure accountability of purchaser(s)

RESYST-APO PURCHASING STUDY



- Describe the purchasing mechanisms in each country
- Illustrate each of the selected purchasing mechanisms using a framework of three core principal-agent relationships
- Critically assess the existing purchasing performance by comparing it with what purchasers would be expected to do under a strategic purchasing mechanism
- Identify factors that enable or hinder effective purchasing
- Draw lessons and make policy recommendations to promote effective purchasing arrangements for universal coverage.



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METHODS

- Case studies, in which the purchasing mechanism is the “case”
- Mixed methods – document review, key informant interviews, secondary data analysis
- Theory-informed evaluation/assessment: Are the institutions (resources, incentives, information, decision-making, delivery mechanisms and accountability) in place to achieve the objectives of strategic purchasing in a principal/agent framework
- Qualitative analysis: Deductive (based on theoretical framework) complemented by inductive analysis + cross-case comparison (within and between countries)

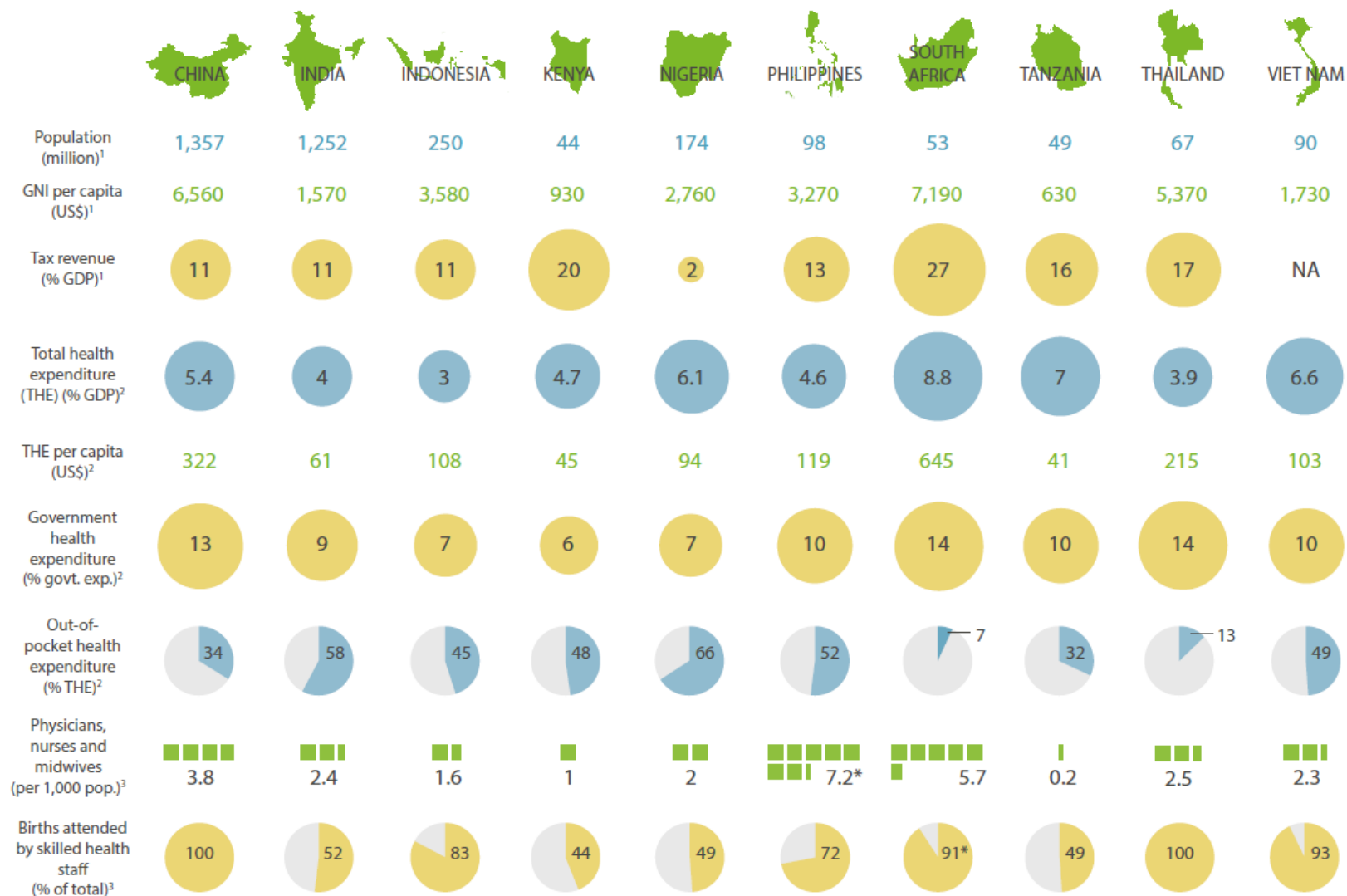
10 COUNTRIES, 19 PURCHASING MECHANISMS



	General tax funded service	Social Health Insurance	Private / voluntary insurance
China*		√ (NCMS)	
India (Tamil Nadu)	√	√	
Indonesia*	√	√√	
Kenya			√ √
Nigeria	√	√	
Philippines*		√	
South Africa	√		√
Tanzania	√	√	√ (CHF)
Thailand	√	√ (CSMBS)	
Vietnam		√	

*Asia-Pacific Observatory

AT A GLANCE: KEY INDICATORS FOR THE STUDY COUNTRIES



Source: World Bank, World Development Indicators, <http://data.worldbank.org/indicator>

¹2013 data, ²2012 data, ³Data from most recently available year ranging from 2003-2012, *Philippines data from 2004, South Africa data from 2003

KEY QUESTIONS

What are purchasing organisations expected to do to be responsive to the needs and preferences of citizens?

What are purchasing organisations expected to do to hold healthcare providers accountable to them and to the citizens, and to encourage high quality, efficient and equitable service delivery?

What are the challenges in moving to a more strategic form of purchasing? Are purchasers / Ministries of Health willing and capable of making these changes?

RESOURCES



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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 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 diagnosis 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.



FURTHER INFORMATION

RESEARCH ORGANISATIONS

- Center for Health Policy and Management, Faculty of Medicine, Universitas Gadjah Mada, Indonesia
- China Center for Health Development Studies, Peking University, China
- Health Economics Unit, University of Cape Town, South Africa
- Health Policy Research Group, University of Nigeria, Nigeria
- Health Strategy and Policy Institute, Viet Nam

- Ifakara Health Institute, Tanzania
- KEMRI Wellcome Trust Research Programme, Kenya
- International Health Policy Program, Thailand
- International Institute of Technology (IIT) Madras, India
- London School of Hygiene & Tropical Medicine, UK
- Philippine Institute for Development Studies, the Philippines

CONTACT

Email: ayako.honda@uct.ac.za
Twitter: @RESYSTresearch

RESYST purchasing study webpage:
<http://resyst.lshtm.ac.uk/research-projects/multi-country-purchasing-study>

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http://www.wpro.who.int/asia_pacific_observatory



What is strategic purchasing for health?

OCTOBER 2014

TOPIC OVERVIEW 4 | Financing research theme

Ever since the publication of the 2000 World Health Report, there has been a growing awareness that health financing is not simply about raising money. Instead, there are three key functions of health financing: revenue generation, pooling and purchasing. Nevertheless, global debates tended to continue to focus on the revenue generation function.

More recently, the 2010 World Health Report on financing for universal coverage noted that: *"Raising sufficient money for health is imperative, but just having the money will not ensure universal coverage. Nor will removing financial barriers to access through prepayment and pooling. The final requirement is to ensure resources are used efficiently."* This pointed to the importance of the purchasing function of health financing; purchasing is the critical link between resources mobilised for universal coverage and the effective delivery of quality services.

Although the key role of purchasing is being recognised gradually, there remains considerable confusion about what purchasing entails. There is an even greater lack of understanding of what is required for strategic or active purchasing.

This brief attempts to fill this gap by providing an overview of the key activities that a strategic purchaser should undertake. It draws on the limited literature on strategic purchasing, and RESYST (Resilient and Responsive Health Systems) consortium members' experience and understanding from involvement in supporting the development of purchasers. This conceptual model of strategic purchasing underpins an ongoing analysis of purchasing arrangements in 10 countries across members of RESYST and the Asia Pacific Observatory on Health Systems and Policies.

Some initial concepts

Purchasing refers to the process by which funds are allocated to healthcare providers to obtain services on behalf of identified groups (e.g. insurance scheme members) or the entire population (Kutzin 2001).

Purchasing involves three sets of decisions (World Health Organisation 2000; Figueras, Robinson et al. 2005):

- Identifying the interventions or services to be purchased, taking into account population needs, national health priorities and cost-effectiveness.
- Choosing service providers, giving consideration to service quality, efficiency and equity.
- Determining how services will be purchased, including contractual arrangements and provider payment mechanisms

It is undertaken by a purchasing organization which can be, for example, an insurance scheme, a Ministry of Health, or an autonomous agency. Purchasing should not be confused with procurement, which generally only refers to buying medicines and other medical supplies.

The 2000 World Health Report distinguished between passive and strategic purchasing:

"Passive purchasing implies following a predetermined budget or simply paying bills when presented. Strategic purchasing involves a continuous search for the best ways to maximize health system performance by deciding which interventions should be purchased, how, and from whom."

Strategic purchasing requires the purchaser to engage actively in 3 main relationships: with Government (Ministry of Health), with healthcare providers, and with citizens.

