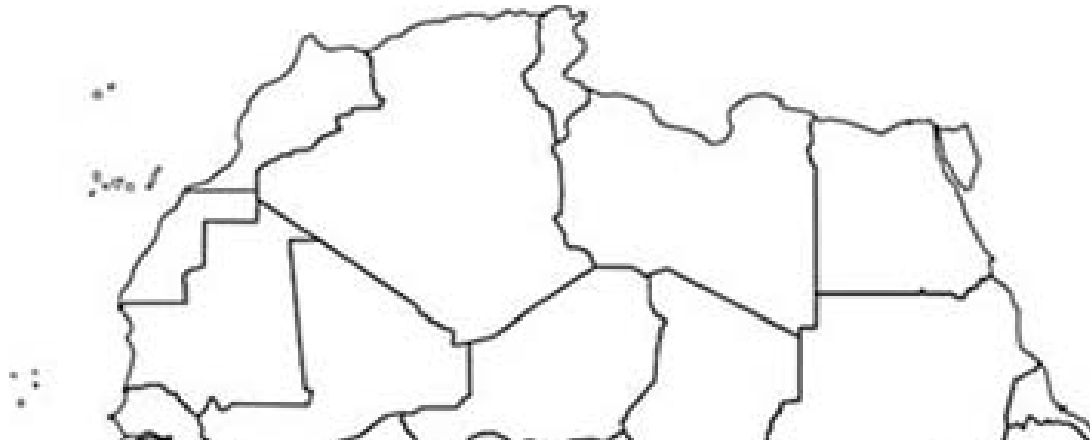




MINISTRY OF HEALTH
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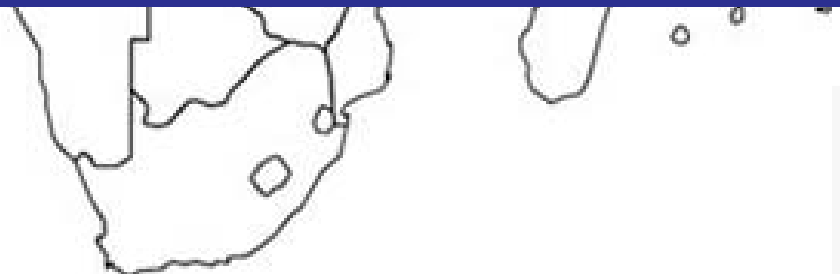


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**FINANCIAL PROTECTION AND IMPROVED ACCESS TO HEALTH CARE:
PEER-TO-PEER LEARNING WORKSHOP
FINDING SOLUTIONS TO COMMON CHALLENGES
FEBRUARY 15-19, 2016
ACCRA, GHANA**

Day 2, Session IV.



Strategic Purchasing for Expenditure Management

Financial Protection and Improved Access to Health Care Workshop

Accra, Ghana

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Amanda Folsom,
Program Director, Results for Development Institute
On behalf of the Health Finance & Governance Project and Joint Learning Network
for Universal Health Coverage



RESULTS FOR
DEVELOPMENT

Strategic purchasing as a complement to public financial management (PFM) reforms

- Strategic purchasing is an often underutilized health financing function that:
 - Helps balance system revenues and expenditures
 - Creates incentives for providers to improve quality and deliver services more efficiently
 - Promotes more “value for money”
 - Is closest to service delivery
- Strategic purchasing has the potential to:
 - Transform how health services are delivered
 - Improve health system performance
 - Help achieve and sustain UHC by managing within budget constraints and promoting financial sustainability

Evolution toward strategic purchasing

Weak

Money goes into system & services delivered, but little connection between the two

Passive

Output & prices defined by provider

Active

Output & prices defined by purchaser

Strategic

Output fully specified: which services & how & by whom they will be provided

Prices: financial incentives aligned with service delivery objectives

Cooperative relationship between purchaser & providers.

A range of mechanisms for strategic purchasing

- Contracting private providers to deliver package of benefits (e.g., India, Philippines, Kenya)
- Specification of the benefits package – defining what to purchase (e.g., Thailand’s comprehensive benefit with PHC focus)
- Financial incentives to government providers (e.g., Performance Based Financing in Rwanda)
- Provider payment reforms (e.g., shift from fee-for-service to capitation or case-based payments in Thailand, Vietnam, and Ghana)

“Health provider payment mechanisms --the way health care providers are paid to deliver the covered package of services— form the anchor of strategic health purchasing”

-- JLN Provider Payment Diagnostic & Assessment Guide

What are the options for provider payment?

Payment Method	Definition
Line-item budget	Providers receive a fixed amount to cover specific input expenses (e.g., personnel, drugs, utilities,).
Global budget	Providers receive a fixed amount of funds for a certain period to cover aggregate expenditures. Budget is flexible and not tied to line items.
Per diem	Hospitals are paid a fixed amount per day that an admitted patient is treated in the hospital.
Case-based (“DRG”)	Hospitals are paid a fixed amount per admission depending on patient and clinical characteristics.
Fee-for-service	Providers are paid for each individual service provided. Fees are fixed in advance for each service or group of services.
Per capita (“capitation”)	Providers are paid a fixed amount in advance to provide a defined set of services for each individual enrolled for a fixed period of time.

Incentives in provider payment systems

Providers have the incentive to deliver more of the unit of payment and to minimize their internal cost per unit

	Unit of Payment	Incentive
Fee-for-service	Each individual service	Increase number of services and reduce inputs per service
DRG	Each hospital discharge	Increase number of admissions and reduce cost per admission
Capitation	Each enrolled person	Increase number of enrolled persons and reduce cost per person

Discussion Question

1. What types of expenditure management mechanisms are you using?
 - What have been the challenges?
 - What has been successful?

Key Takeaways

- Health expenditure management is not about “cuts” or even just “costs.” It’s about how to set up a financial management system that allows purchasing of priority health services within an allocated envelope.
- Countries need a combination of sound, flexible PFM approaches and a strong strategic purchasing function.
- Health provider payment systems are the anchor of strategic purchasing.
- Countries need to make essential/priority services affordable through good purchasing, not the other way around (defining what they can afford).

For more information on Strategic Purchasing and Provider Payment Mechanisms

- **Joint Learning Network for Universal Health Coverage (JLN)**
 - Practitioner-to-practitioner learning about the practical “how-to’s” of UHC
 - www.jointlearningnetwork.org
 - Provider Payment Diagnostic & Assessment Guide