Analytical Framework to assess Governance for Strategic Purchasing

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World Health Organization
I think we are going around in circles

Source: A. Maynard

Strong governance would help!

I. Providers and (pharmaceutical) industry

Policy makers

Purchasing actors and patients
In a nutshell:
What do we mean by purchasing and governance?

- Purchasing refers to the allocation of pooled funds to health providers for the provision of health services.
- **Strategic** purchasing means to link the allocation of funds from purchasers to health service providers with information on provider performance and/or the population’s health needs to improve efficiency, equity and quality and to contribute to progress towards UHC.
- Strategic purchasing involves several core areas that need to be aligned: specification of services and interventions; choice of providers; and design of (non-)financial incentives (provider payment methods).
- Strategic purchasing also requires effective governance arrangements.
- Governance is an overarching health systems function and is about “ensuring strategic policy frameworks exist and are combined with effective oversight, coalition-building, regulation, attention to system-design and accountability” (WHO 2007).
Rationale:
Why does this topic matter?

• Strategic purchasing is essential for progress towards UHC
  – SP transforms budgets and funds into benefits, with the aim of
    distributing resources more equitably, realizing gains in efficiency and
    sending signals to providers to improve the quality of health services

• Effective governance arrangements constitute a critical enabler for
  strategic purchasing,
  – i.e. making purchasing more strategic requires strong coordination of
    all key actors, clear decision-making rules and appropriate regulations.

• In many countries, governance arrangements in health systems, and
  in particular with respect to purchasing, function poorly, are under-
  developed or even absent.
  – This makes a move towards more SP difficult
Purpose of the framework

• assess whether a country’s existing governance arrangements around the purchasing function are conducive to more strategic purchasing
• identify strengths as well as weaknesses in governance arrangements, which prevent more strategic purchasing
• explore options to overcome these gaps

Focus of the framework:

• Mandatory health insurance and government health purchasing schemes (with respect to governance of the agency level)

Target audience: policy makers, policy advisers

Users of the framework: health system specialists focusing on strategic purchasing and governance
Structure of the document

• **Introduction**
  – Definitions (purchasing, SP, governance), purpose, methodology

• **Part A – Conceptual part**
  – provides the conceptual underpinnings and outlines the various governance areas related to purchasing

• **Part B – Country assessment guidance**
  – presents the analytical steps to undertake this assessment, consisting of five assessment steps
Areas of assessment

1. Broader fiscal, political and general governance context and overview of the health financing system
2. Governance of the health care purchasing market
3. Governance arrangements of an individual purchaser
4. Conducive factors for effective governance for strategic purchasing

=>

Summary assessment of governance for strategic purchasing and development of recommendations
Where does governance take place?

1. Broader socio-economic/fiscal & political/health system governance context

2. Governance of the purchasing market

- MOH
- National Health Insurance Scheme
- Voluntary health insurance
- Local government/Local health administration
- Other ministry

3. Governance of a purchasing agency

- Govt/MOH/oversight bodies
- Health Purchaser Agency
- Accountability
- Beneficiaries, contributors & citizens

Conducive factors
Analytical framework on governance for strategic purchasing:

Presentation of the core conceptual components
Overview of the session

Governance of the Healthcare Purchasing Market

Governance of the Health Purchasing Agency

Conducive Factors for Good Governance when moving to *Strategic* Purchasing*
COMMON GOVERNANCE ISSUES - RISKS OF FRAGMENTATION

1. Coordination & alignment of all actors around shared objectives

2. Purchasers need financial & contractual leverage over providers

3. Clear roles & responsibilities

4. Avoiding perverse incentives between different purchasers

5. Minimising administration & transactions costs - sharing data...

6. Public financial management alignment & provider autonomy & governance issues
### Governance & types of purchasing markets

#### Options

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<tr>
<td>1.</td>
<td>Single national purchaser pools most funds</td>
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<tr>
<td>2.</td>
<td>Competing funds, open to all</td>
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<td>3.</td>
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#### Positive Governance Aspects

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<td>Financial leverage, whole-system leverage, scale economies</td>
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<td>Competition, choice, selective contracting may be politically easier</td>
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<tr>
<td>Benchmarking may be possible, selective contracting may be easier</td>
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<tr>
<td>Local participation, local government coordination &amp; local accountability</td>
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<tr>
<td>Supply side policy tools can complement purchasing especially in major service change</td>
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<tr>
<td>Few positives! Selective contracting may be easier than when most funds are pooled</td>
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## Governance & types of purchasing markets

### Options

1. Single national purchaser pools most funds
2. Competing funds, open to all
3. Non-competing purchasers for different groups of people
4. National + local purchasers
5. Supply side financing OR aid finance plays a large role
6. Out-of-pocket payment still plays a large role

### Governance issues...

- **Soft budget constraint, no benchmarks**, pressure to give extra funding to providers with deficits
- **Non-transparent competition**, low financial leverage, failure regime needed, high admin cost
- **Soft budget constraint**, unequal BPs, low financial leverage, high admin. cost
- **Cost shifting**, uncoordinated care across boundaries & diluted accountability if responsibilities are unclear
- **Uncoordinated strategies**; MoH conflict of interest as owner of provider & overseer of purchaser
- **Low financial leverage** if there is balance billing or informal payment; cost-shifting to private funding if benefits package is limited & unclear to patients
## Governance & Regulation Responses

### Options

1. **Single national purchaser pools most funds**
2. **Competing funds, open to all**
3. **Non-competing purchasers for different groups of people**
4. **National + local purchasers**
5. **Supply side financing still plays a large role**
6. **Out-of-pocket payment still plays a large role**

### Responses to Governance Issues

- **Credible multi-year budget; sophisticated oversight; use sanctions for poor management performance**
- **Standard basic BP, transparency duties, failure regime, promote mutual or non-profit forms**
- **Regulate payment method, price & performance metrics; pool data; benchmark (for Option 2 too)**
- **Clarify responsibilities; develop purchaser coordination; integrate pathways/payment**
- **Clarify responsibilities; coordinate planning; reduce MOH ownership role; shift funding to purchaser**
- **Price regulation for BP services; simple BP; clear public/private boundary; info & advocacy**
COMMON GOVERNANCE ISSUES:

1. Conflict & misalignment between MOH and purchaser

2. Lack of clear, coherent objectives or strategic direction

3. Purchaser lacks autonomy or capacity to be held accountable for objectives

4. Ensuring legitimacy - participation & consultation

5. External accountability for results & use of resources
Elements of formal governance for a health purchasing agency

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<th>Governance mechanism</th>
<th>Desirable features for good governance</th>
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<td>Clear decision-making roles, rules &amp; processes</td>
<td>Clear decision rules &amp; coherent division of roles &amp; authority between MOH, MOF, oversight body &amp; purchaser</td>
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<td>Public interest mandate &amp; clear strategic objectives</td>
<td>Clear objectives; balanced set of objectives including financial sustainability, financial protection, improving health, equity</td>
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<td>Autonomy &amp; authority matched to capacity</td>
<td>Purchaser has enough decision authority to be able to meet its objectives, autonomy is commensurate with capacity</td>
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<td>Effective oversight</td>
<td>Independent board &amp;/or division of Ministry or regulator; regular reporting to board on finances, activities &amp; results</td>
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<td>Stakeholder participation</td>
<td>Inclusive, balanced &amp; meaningful input from stakeholders to key decisions; rules to prevent conflict of interest</td>
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<td>Coherent accountability lines</td>
<td>Coherent multiple lines accountability lines; support transparency</td>
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<td>Firm budget constraint</td>
<td>Credible, budget constraint, consistent with benefits package;</td>
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<td>CEO has appropriate skills &amp; performance incentives</td>
<td>CEO appointed in transparent competition; merit-based selection; adequate salary; good career path</td>
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Matching autonomy, accountability & capacity of the Health Purchasing Agency

HPA is an Operational arm of the Ministry, Administrative role
Ministry retains most decision authority & accountability for outcomes, efficiency, access, financial sustainability

HPA is a strategic Purchaser, Shaping Health Sector
Stronger decision authority over relevant policy levers *matched with*
High capacity & stronger accountability for outcomes, efficiency, access financial sustainability
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<th>Legal and Institutional Autonomy of the Health Purchaser</th>
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| **Branch of Ministry of Health, no board.**  
  Accountable to Minister.  
  Little autonomy. |  
| **Executive agency accountable to MOH, or MOH-chaired board.**  
  Day-to-day Autonomy. |  
| **Independent state Agency/corporation.**  
  Accountable to Labor Minister/Cabinet/President. |  
| **Autonomous statutory body.**  
  Accountable to elected stakeholder board & regulator (& legislature) |  

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<th>Financial Autonomy of the Health Purchaser</th>
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| **In MOH budget,**  
  Uses Treasury & Tax Agency systems.  
  Detailed control over Budget line items. |  
| **On-budget. Own Budget.**  
  Uses Treasury & Tax Agency systems.  
  Flexible output budget.  
  Ex-post control. |  
| **Coordinates with Budget**  
  Collects revenue.  
  Little discretion to manage reserves.  
  State audit. |  
| **Off-budget.**  
  Collects revenue.  
  Manages reserves.  
  Hires auditor. |  

**Too little autonomy to be strategic**  
Too much autonomy weakens accountability  

**Too little flexibility or incentive to improve performance**  
Too much autonomy duplicates administration & controls
“No leap-frogging”- first get basics of financial control right

Line item budgets, execution bottlenecks, controls bypassed, corruption in procurements, payments & audit

Outputs
Outcomes
Global budgets
Conductive factors for strategic purchasing

1. Good data
2. Effective information management systems
3. Managerial capacity and leadership
4. Effective relationship between governance actors, purchasing agencies & other key stakeholders