

# STRATEGIC PURCHASING FOR UHC: KEY POLICY ISSUES AND QUESTIONS

## A SUMMARY FROM EXPERT AND PRACTITIONERS' DISCUSSIONS



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World Health  
Organization

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# 1. INTRODUCTION

Three broad principles guide health financing reforms to accelerate progress towards universal health coverage (UHC). The first is to move towards a predominant reliance on compulsory (i.e. public) funding sources. The second is to reduce fragmentation in pooling to enhance the redistributive capacity of these prepaid funds. The third, and the focus of this document, is to move towards strategic purchasing, which seeks to align funding and incentives with promised health services (1).

A *passive* approach to purchasing is characterized by providers automatically receiving funds (budget allocations) or payment independent of performance, by the absence of performance monitoring or when there are no efforts to influence the quantity or the quality of health services. Shifting to more *active* or *strategic* purchasing involves linking the transfer of funds to providers, at least in part, to *information* on aspects of their performance or the health needs of the population they serve.

Strategic purchasing is hence a purposeful approach to purchasing. However, it is not all or nothing, as there is a continuum from passive to more strategic purchasing. The objectives of strategic purchasing are to enhance equity in the distribution of resources, increase efficiency (“more health for the money”), manage expenditure growth and promote quality in health service delivery. It also serves to enhance transparency and accountability of providers and purchasers to the population. This contributes to the ultimate goals of maximized health outcomes and equity in health gains, financial protection and equity in financing as well as responsiveness (2).

Countries at all levels of income are considering or implementing reforms to increase the extent to which purchasing of services in the health system is strategic. Improving the purchasing function is a constant challenge for health system stewards: new opportunities (e.g. new health technologies or practices, greater availability of data through digitalization) and challenges (e.g. new health priorities, changes in provider behaviour) emerge continuously and require adaptations in how best to purchase services over time.

The purpose of this document is to outline and frame key policy issues and questions that are considered critical for reforms to shift towards strategic purchasing. The paper summarises and structures the issues emerging from the discussions held during a WHO organised one-day meeting of strategic purchasing experts in April 2016. This event explored key issues that countries should tackle in order to develop strategic purchasing policies and reforms as well as country capacity strengthening needs. Moreover, the paper includes the views and insights collected during a one-day strategic purchasing workshop that was co-organized by the World Health Organization and the Institute of Tropical Medicine (Antwerp) in September 2016 in Rabat, Morocco, together with practitioners, largely from the *Financial Access to Health Services* and *Performance Based Financing* Communities of Practice (3) (see lists of participants of the two events in the Annex). Lastly, we seek to enrich this paper with our own country work experiences, country examples and references to elaborate on the raised issues.

## 2. FRAMING KEY POLICY ISSUES AND QUESTIONS IN STRATEGIC PURCHASING

This section presents and frames five key themes that emerged as being critical for a reform dialogue on strategic purchasing, using country examples for illustrations. The five themes are:

*as overarching health systems function:*

- 1) governance;

*as core aspects of purchasing:*

- 2) information management systems;
- 3) benefit package design;
- 4) mixed provider payment systems;

*as cross-cutting aspects:*

- 5) managing alignment, dynamics and sequencing.

The following sub-sections frame the issues and suggest key policy questions thereby pointing to capacity strengthening needs, knowledge gaps or future research questions. While the themes are outlined separately in the following sub-sections, they are closely interlinked, and analysis and reform design and implementation need to be undertaken with a systemic perspective that deals with these themes jointly. These issues are relevant for countries at all levels of income, but the discussion here focuses on low- and middle-income countries (LMICs), as they are faced with more fundamental institutional challenges than are high-income countries with more established purchasing arrangements.

### 2.1. GOVERNANCE ASPECTS IN STRATEGIC PURCHASING

#### UNDERSTANDING THE CHALLENGES IN GOVERNANCE OF THE PURCHASING FUNCTION

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” (4). It is also referred to as exercising authority, setting roles and responsibilities and shaping interactions of the different health actors, and in this context specifically of purchasers, providers, provider associations, society and beneficiaries (5, 6). This requires leadership and institutional and technical capacity of those actors in charge of governance, as well as being grounded in citizen/population representation. The effective exercise of the health system function of governance is a critical enabler for *strategic purchasing*. As the purchasing agencies are thus governed by the governance actors, they have primarily an “executive function”, i.e. they implement purchasing policies.

However, as suggested by discussions with experts and country officials, in many countries the governance arrangements in health systems, and in particular with respect to purchasing, function poorly, are underdeveloped or even absent. A frequent challenge, especially in systems with multiple purchasers, is fragmentation and lack of coordination in the policymaking and oversight functions in that different actors (for example various ministries



and purchasing agencies) are involved in determining the operations around purchasing tasks. For example in Lao PDR, the MOH, as the national health authority, is responsible for the health sector policies. It has also been responsible for managing the Health Equity Fund for the Poor and overseeing Community-Based Health Insurance for people working in the informal sector. On the other hand, the Ministry of Labour and Social Welfare has been responsible for policy making regarding two separate social security schemes for formal sector employees (7). This fragmentation had made it difficult to align purchasing aspects across the different schemes, such as payment methods and rates as well as benefits.

A second challenge relates to insufficient capacity for governance. Country experience suggests that there is need to align capacity of the Ministry of Health and its related governance arrangements with that of the operational capacities of various players and stakeholders involved in purchasing, in particular that of the Ministry of Finance (8). When the governance actors are weak, a health insurance fund may absorb the policy function, but this can be problematic, for example, where affiliation to the insurance fund is less than universal, policy is driven more by what is good for the insured rather than what is good for the whole population.

- Which executive functions relating to strategic purchasing should be delegated to which existing actors?
- Specifically when there is a health insurance agency in place: what criteria should guide decisions on the attachment of the agency to one ministry rather than another (e.g. Ministry of Health versus Ministry of Labour)?
- What are effective purchasing arrangements in a decentralized health system?

## GOVERNABILITY REQUIREMENTS FOR STRATEGIC PURCHASING

Purchasers and providers need to be “governable” in order to enable strategic purchasing. Governability means the extent to which purchasers and providers can be steered to serve system-wide goals defined by health policymakers, and in particular, progress towards UHC. While this may vary from one country to another, the following three aspects can be seen as important factors.

First, the purchasing agencies need to have a clear mandate for being a strategic purchaser based on legal provisions that specify its powers, i.e. decision-making space as well as a sufficient level of autonomy. Lack of a clear mandate and an unclear division of authority between the Ministry of Health and

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