

A WHO Analytical Framework:

Governance for Strategic Purchasing of Health Services

Lorraine Hawkins



**World Health
Organization**

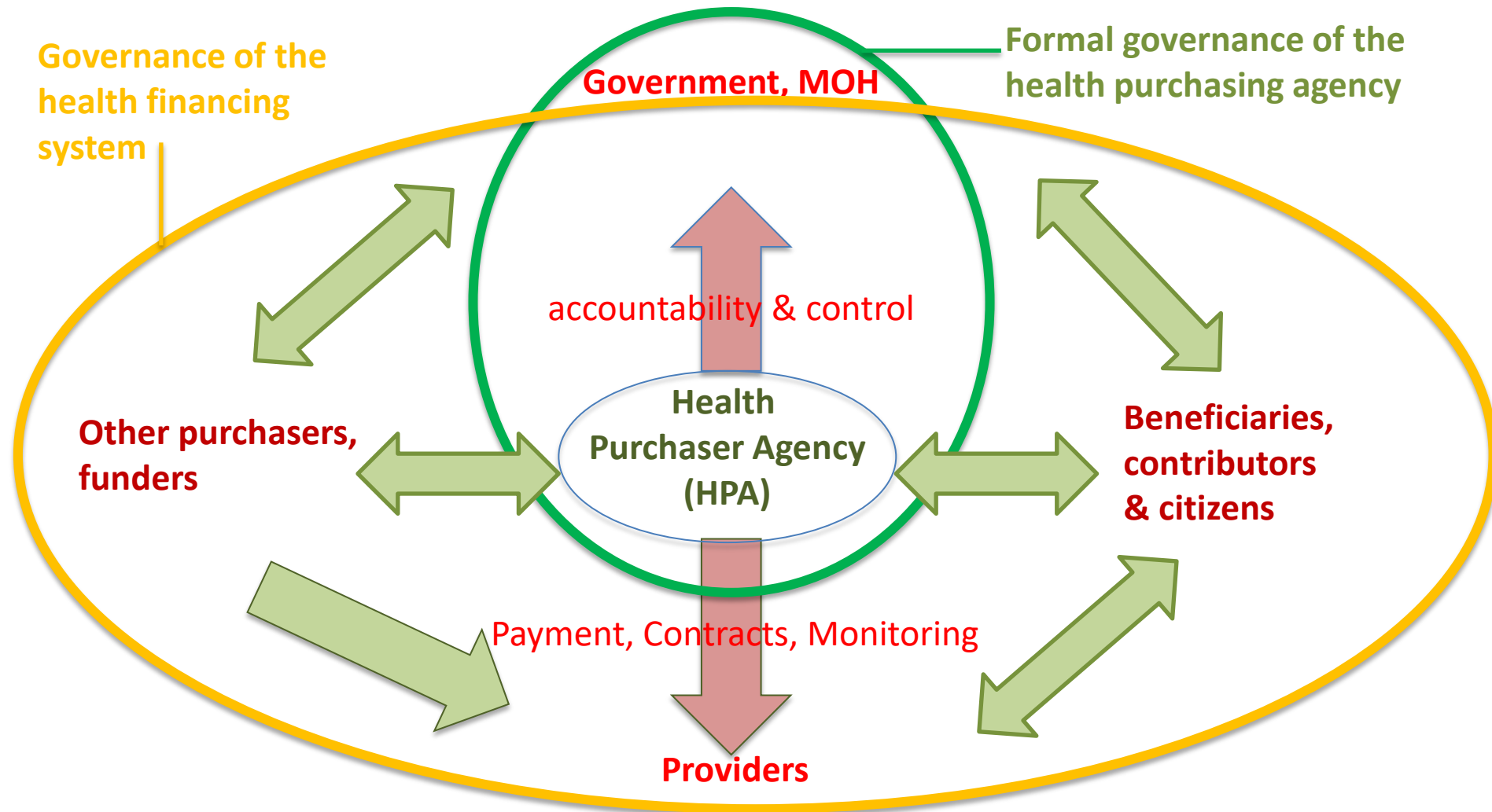
Overview of the session

Governance of the Health Financing System

Governance of the Health Purchasing Agency

Conducive Factors for Good Governance
when moving to *Strategic* Purchasing*

What is governance?



Governance of the Health Financing System

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 & Type of Financing System

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

Governance of the Purchasing Agency

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

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

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

“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**