International trends and issues in strategic purchasing (evidence from the Observatory study)

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What is meant by purchasing?

• Diversity in understanding the relation to “resource allocation”, “payment”, “contracting”, “commissioning”.

• Purchasing means “the transfer of pooled resources to service providers on behalf of the population for which resources were pooled” (Kutzin 2001).

• Purchasing is “the process by which pooled funds are paid to providers in order to deliver a specified or unspecified set of health interventions” (WHO 2000).

• Strategic purchasing is “when proactive decisions are made about which services should be purchased, how and from whom” (WHO 2000).
Purchasing: a financing function

Stewardship

Financing
- Revenue collection
- Fund pooling
- Purchasing

Provision
- Personal health services
- Non-personal health services

Resource generation

Purchasing: a financing function
WHO’s “purchasatives”

1) Purchasing is a central function for improving health systems performance.

2) Where a purchaser model exits, countries should move from passive to strategic forms of purchasing.

(3) Implicit: From hierarchically integrated to separation of purchaser and provider functions.
Purchasing involves

- A purchasing entity that allocates money to health care providers, on behalf of patients for the exchange of health services.

- A set of relationships (e.g. purchaser – provider; government – purchaser; purchaser – patient)

- A set of mechanism (or “tools”) to achieve certain objectives in the purchasing process, e.g.
  - Contracting
  - Incentives
  - Health Needs Assessments
  - ….
Our conceptual framework

Citizen (Principal)  Government  Provider

Purchaser (Agent)
Principal and agent (2)

Citizen ➔ Government

(Pincipal) ➔ Purchaser

(Agent) ➔ Provider

Strategic purchasing
Slovakia
3 June 2004

Prof. Dr Reinhard Busse
and
Dr Elke Jakubowski
Principal and agent (3)
Improving purchasing? Selected themes

1. Effective purchasing organisation
2. Empowering the citizen
3. Strengthening government stewardship
4. Cost effective contracting
5. Improving provider performance
Effective purchaser organisation

1) Is there the right purchaser?
   • MoHs, Regions, districts, municipalities
   • Insurance funds (single, multiple)
   • Primary care/provider units
   • Households

2) Macro, meso or micro purchasing

3) Purchaser competition
## Features of purchasers organisation

<table>
<thead>
<tr>
<th></th>
<th>Czech Republic</th>
<th>Estonia</th>
<th>Germany</th>
<th>Hungary</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main purchasers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• <strong>Number</strong></td>
<td>9 health insurance funds</td>
<td>1 health insurance fund</td>
<td>290 sickness funds</td>
<td>1 health insurance fund</td>
<td>197 local health units or regional governments</td>
</tr>
<tr>
<td>• <strong>Average pop size or range population size?</strong></td>
<td>Largest fund: 7.2 million. Others: 100,000 to 800,000</td>
<td>1,230,390 (93% of population)</td>
<td>Ca. 250,000 (variable from 1000 to &gt;6 million)</td>
<td>10 million</td>
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<tr>
<td><strong>Organizational groupings</strong></td>
<td>Occupational</td>
<td>Geographic</td>
<td>Occupational, geographical, “substitute”</td>
<td>Geographic</td>
<td>Geographic</td>
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<tr>
<td></td>
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<tr>
<td><strong>Competition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• <strong>Choice of purchaser</strong></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>• <strong>Premiums/contribution rates</strong></td>
<td>Fixed contribution rate</td>
<td>Fixed contribution rate</td>
<td>Variable contribution rate</td>
<td>Fixed contribution rate</td>
<td>Fixed capitation rate</td>
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<tr>
<td>• <strong>Statutory benefits</strong></td>
<td>Uniform</td>
<td>Uniform</td>
<td>Uniform</td>
<td>Uniform</td>
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<tr>
<td>• <strong>Complementary benefits</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
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</table>
Empowering the citizens

- Voice
  - Formal consumer representation
  - Consumer participation
  - Advocacy groups
  - Information, surveys
  - Citizen juries
  - Patients rights

- Choice/Exit
# Purchaser - citizens

<table>
<thead>
<tr>
<th></th>
<th>Estonia</th>
<th>France</th>
<th>Kyrgyzstan</th>
<th>Lithuania</th>
<th>Russian Federation</th>
<th>The Netherlands</th>
<th>United Kingdom</th>
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<tbody>
<tr>
<td>Choice of purchaser</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td>Formal representation</td>
<td>Elected representatives</td>
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<td>No</td>
<td>Elected representatives</td>
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<td>Elected representatives</td>
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<td>Claims in courts</td>
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</table>
Government – purchaser relationship

Strengthening stewardship

- Formulating health policy
- Linking into purchasing decisions
  - National health policy and plan
  - Use of health targets
- Establishing an integrated regulatory framework
- Governments capacity and credibility
Purchaser – provider relationship

Cost effective contracting (1)

• Linking contracting with planning
  • Needs assessment
  • Establishment of priorities
  • Decision on model of care
  • Evaluation/ monitoring loop

• Ensuring evidence-based contracts
  • Health Technology Assessment
  • Practice guidelines
  • Benchmarking
Purchaser – provider relationship

Cost effective contracting (2)

- Towards volume and outcome contracts
- Paying for performance
  - From input-oriented budgets to
  - Activity-related payments to
  - Outcome-oriented reimbursement
Purchaser – provider relationship

Cost effective contracting (3)

• Promoting quality through contracts, e.g. minimum volume numbers, necessary documentation, reaching targets

• Scope: chronic diseases and public health

• With or without provider competition
Purchaser – provider relationship

Improving hospital performance

• Hospital autonomy
  • Trusts, public firms, foundations, self governing
• Decision rights and accountability mechanisms
• Market exposure
• Ownership
• Organizational response / internal incentives
  • Clinical governance
Some conclusions on purchasing

- Purchaser organisation: Not much space to manoeuvre
- Purchasers and citizens: Empower them with voice and choice
- Purchasers and government: clear roles and strengthen stewardship
- Purchasers and providers: towards more cost effective contracting (including outcomes and quality), and increase decision-making autonomy providers
- Measurement: insufficient evidence of effectiveness of purchasing, thus: development of purchasing indicators