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Strategic
purchasing

Slovakia

3 June 2004

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and

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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).



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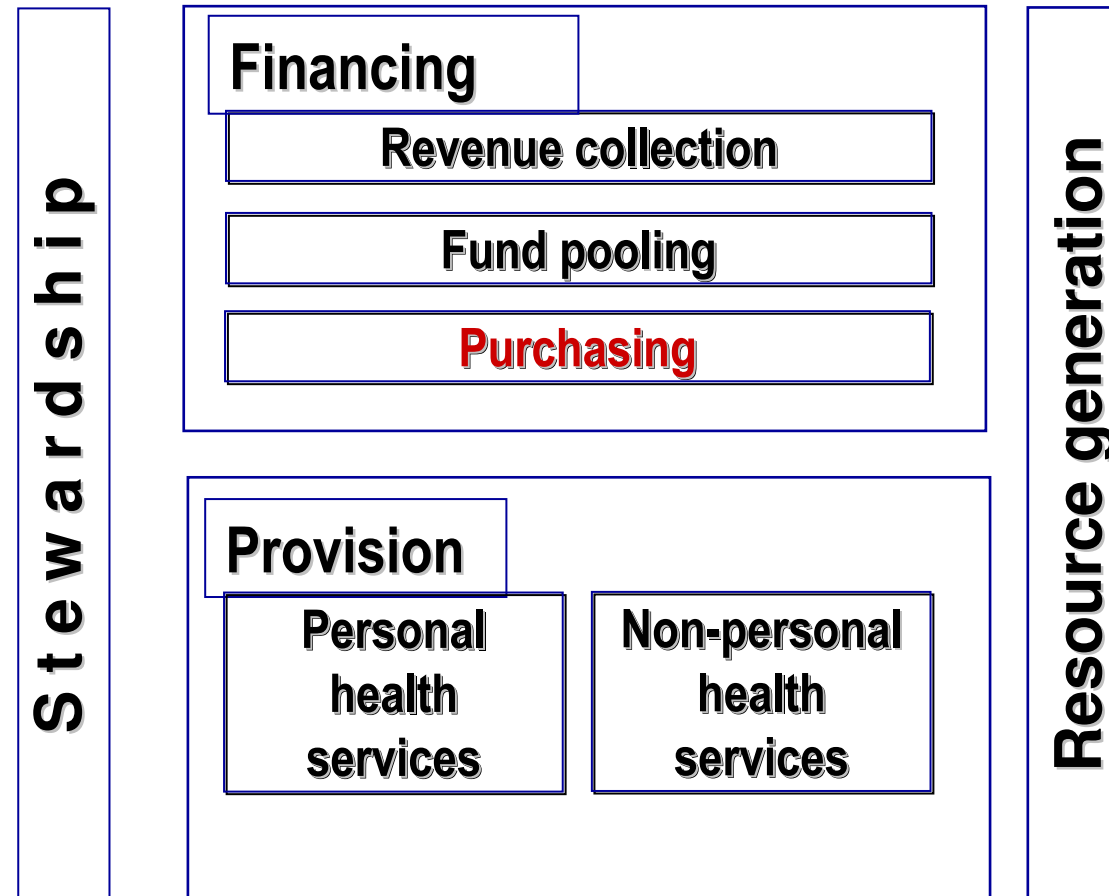
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Purchasing: a financing function





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WHO's "purchasatives"

- 1) Purchasing is a central function for improving health systems performance.
- 2) Where a purchaser model exists, countries should move from passive to strategic forms of purchasing.
- (3) Implicit: From hierarchically integrated to separation of purchaser and provider functions.



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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
 -



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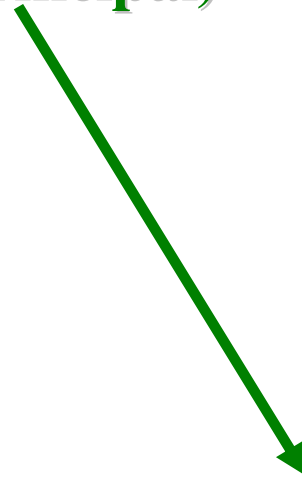
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Our conceptual framework

Citizen
(Principal)

Government

Provider



Purchaser
(Agent)



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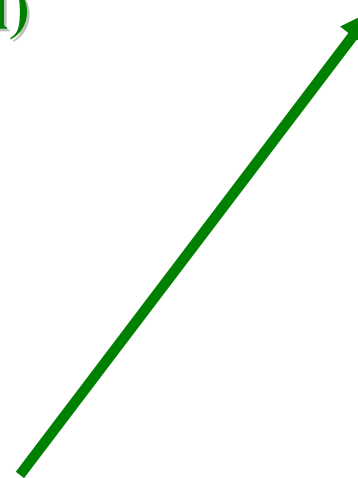
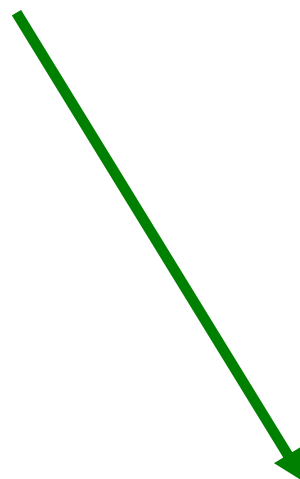
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Principal and agent (2)

Citizen

**Government
(Principal)**

Provider



**Purchaser
(Agent)**



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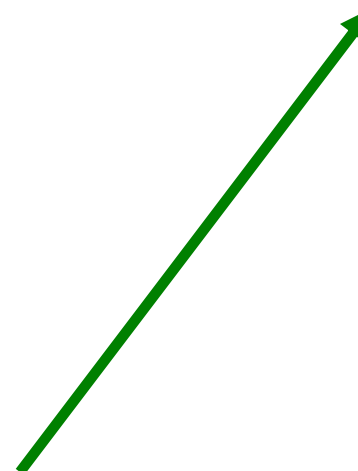
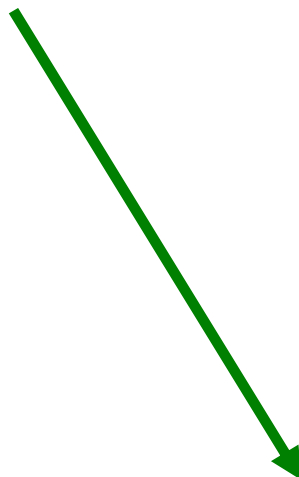
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Principal and agent (3)

Citizen

Government

**Provider
(Agent)**



**Purchaser
(Principal)**



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Improving purchasing? Selected themes

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



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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





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Features of purchasers organisation

	Czech Republic	Estonia	Germany	Hungary	Italy
Main purchasers					
•Number	9 health insurance funds	1 health insurance fund	290 sickness funds	1 health insurance fund	197 local health units or regional governments
•Average pop size or range population size?	Largest fund: 7.2 million. Others: 100,000 to 800,000	1,230,390 (93% of population)	Ca. 250,000 (variable from 1000 to >6 million)	10 million	300,000
Organizational groupings	Occupational	Geographic	Occupational, geographical, "substitute"	Geographic	Geographic
Competition					
•Choice of purchaser	Yes	No	Yes	No	No
•Premiums/ contribution rates	Fixed contribution rate	Fixed contribution rate	Variable contribution rate	Fixed contribution rate	Fixed capitation rate
•Statutory benefits	Uniform	Uniform	Uniform	Uniform	Uniform
•Complementary benefits	No	Yes	Yes	No	No



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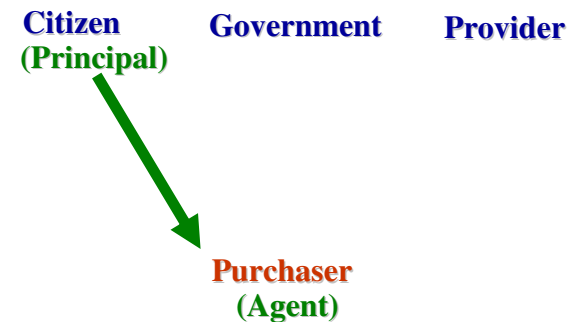
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Purchaser - citizens

Empowering the citizens

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

- Choice/Exit





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Purchaser - citizens

	Estonia	France	Kyrgyz- stan	Lithuania	Russian Federation	The Nether- lands	United Kingdom
•Choice of purchaser	No	No	No	No	Yes	Yes	No
•Formal representa- tion	Elected representat ives	No	No	Elected representa- tives	No	Elected representa- tives	Appoin- ted repre- sentatives
Claims in courts	No	Yes	No	Yes	Yes	Yes	No



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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

Citizen Government (Principal)



Purchaser
(Agent)



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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

Government

Provider (Agent)

Purchaser
(Principal)





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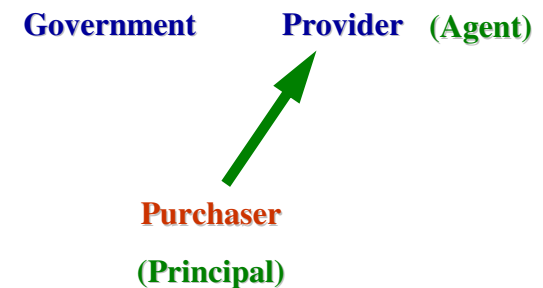
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Purchaser – provider relationship

Cost effective contracting (2)

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





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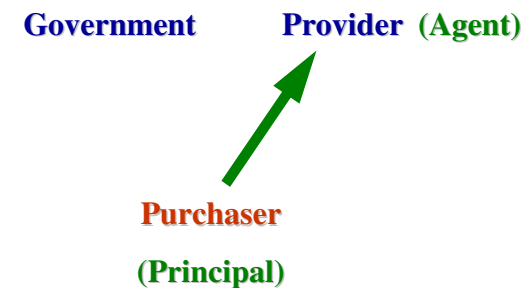
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Purchaser – provider relationship

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





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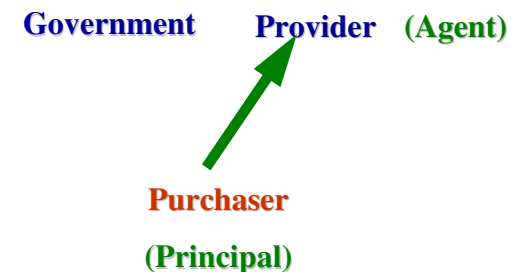
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Purchaser – provider relationship

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





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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