Improving efficiency through better purchasing and provider payment

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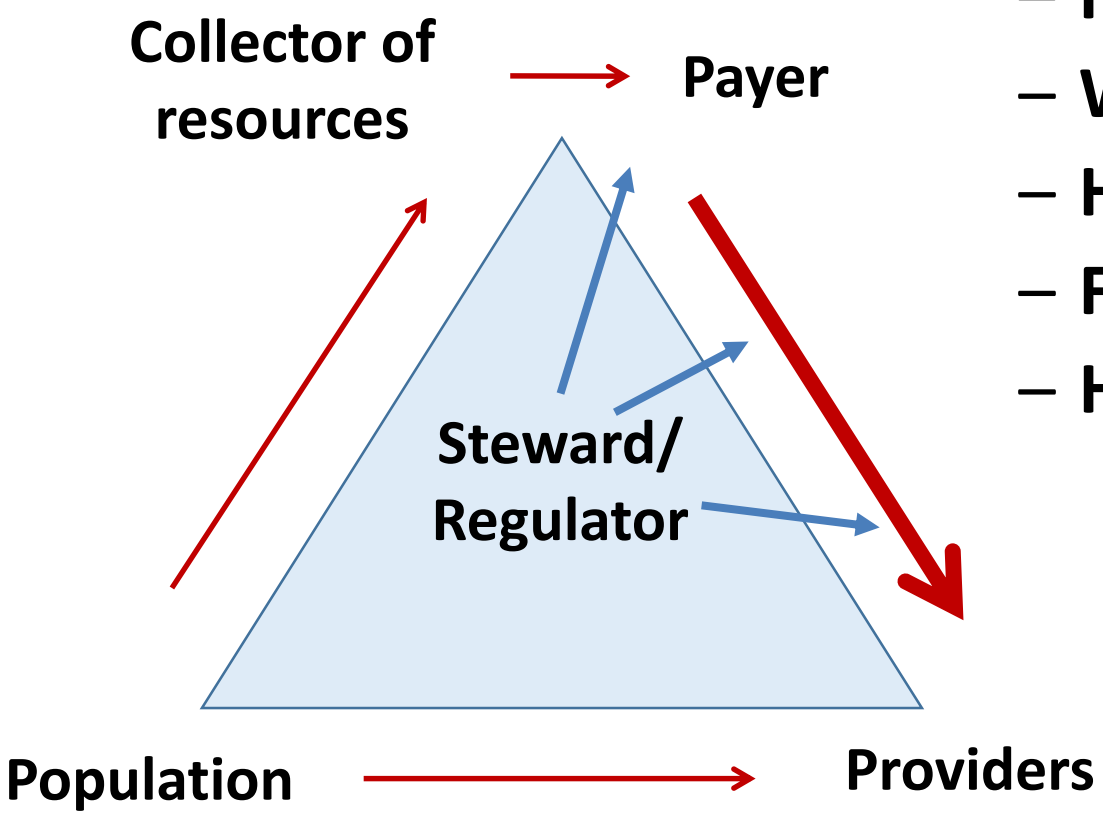
What is purchasing?



- **Who should buy?**
- **For whom?**
- **What services?**
- **How much?**
- **From whom?**
- **How to buy?**

Strategic purchasing = "proactive decisions … about which services should be purchased, how and from whom" (WHO 2000)

Why is purchasing important?

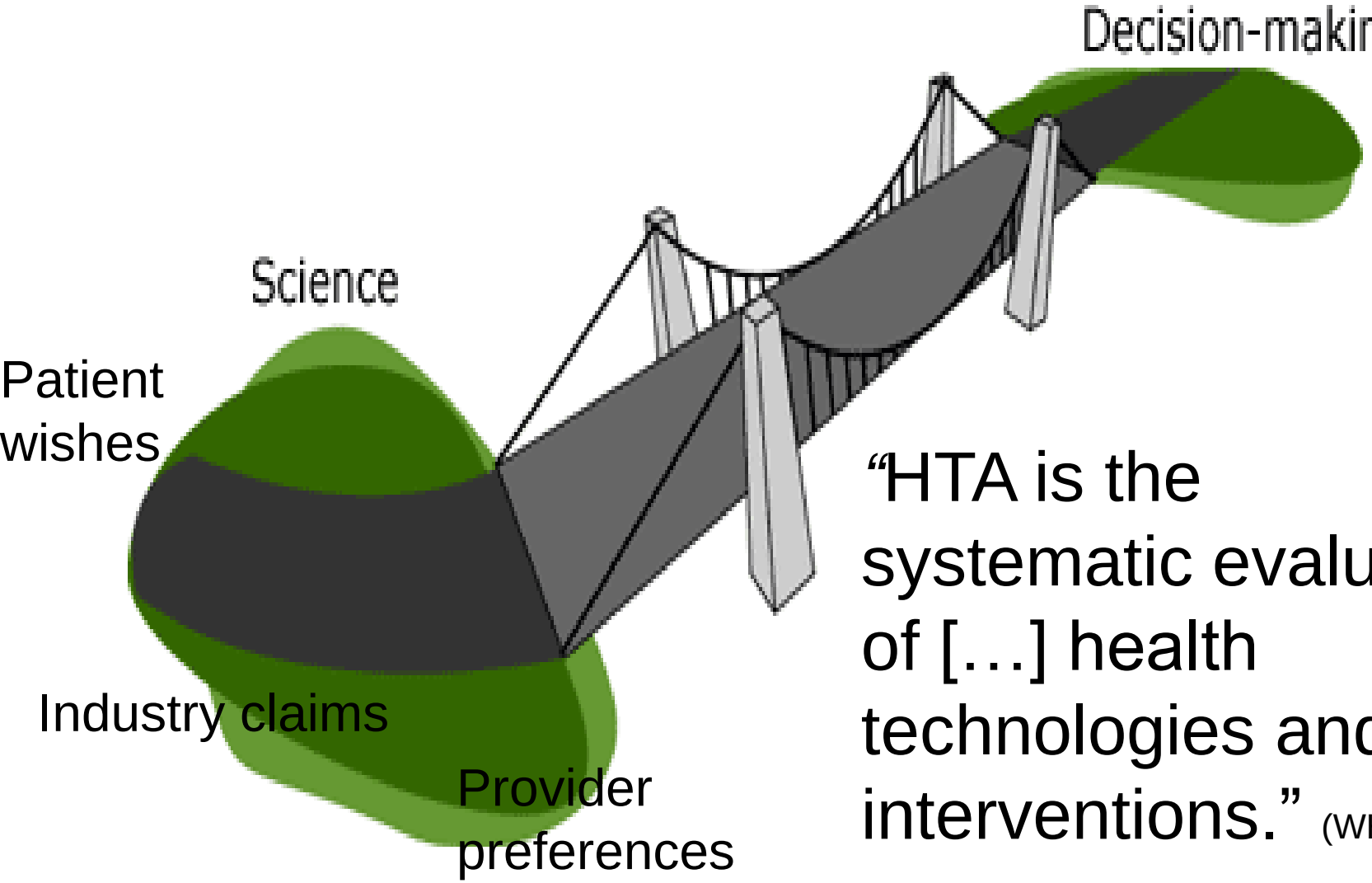
(Strategic) purchasing bridges the gap between planning and budgetary allocations to promote quality and efficiency in the use of health funds

- Which interventions should be purchased?
- How should these be purchased?
- What payment systems should be used?

Benefit basket: challenges

- Explicit listing of covered services exists only for few areas, e.g. pharmaceuticals
- No systematic mechanism (based on HTA) that determines whether new services will be covered/existing removed/user charges changed
- No consensus about HTA body (institutional set-up, responsibilities)

HTA can support decision-making



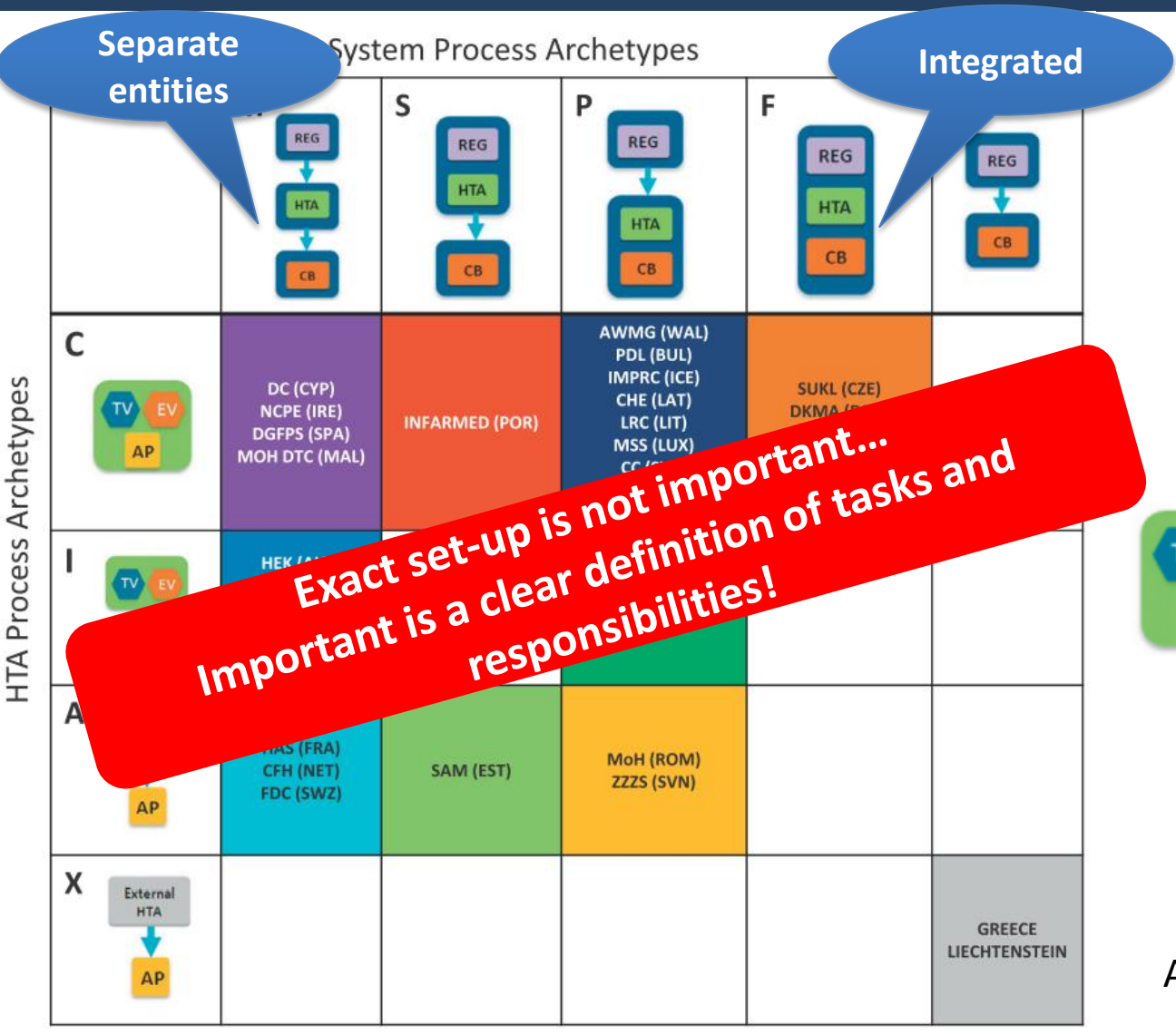
"HTA is the systematic evaluation of […] health technologies and interventions." (WHO)

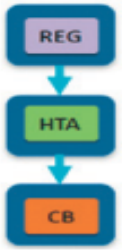
HTA used for decision making

	SK	LV	GR	PL	CZ	HR	LT	RU	EE	SI	BU	HU
Pharmaceuticals (include vaccines and other biological products)	X	X	X	X	X	X		X	X	X	X	X
Medical devices (include diagnostic products)	X	X		X		X	X		X			X
Medical procedures		X		X		X			X			X
E-health technologies									X			
Public health interventions				X		X			X	X		
Other				X								

Based on survey data, ADVANCE_HTA project, yet unpublished

HTA: institutional setup and tasks





Regulatory body

HTA institution

Coverage body

TV = Therapeutic value

EV = economic value

AP = appraisal

Allen 2013

Key Findings: HTA and benefit basket

- **HTA can be a useful tool to determine which (new) benefits are to be covered**
- **Roles and responsibilities for determining the benefits basket need to be explicitly defined**
- **HTA should be further institutionalized**
  - Institutional responsibilities for carrying out the assessment, appraising the information, and making the decision should be clearly assigned
  - Transparent and inclusive processes with broad stakeholder involvement for selection of topics, assessment, and decision-making is essential

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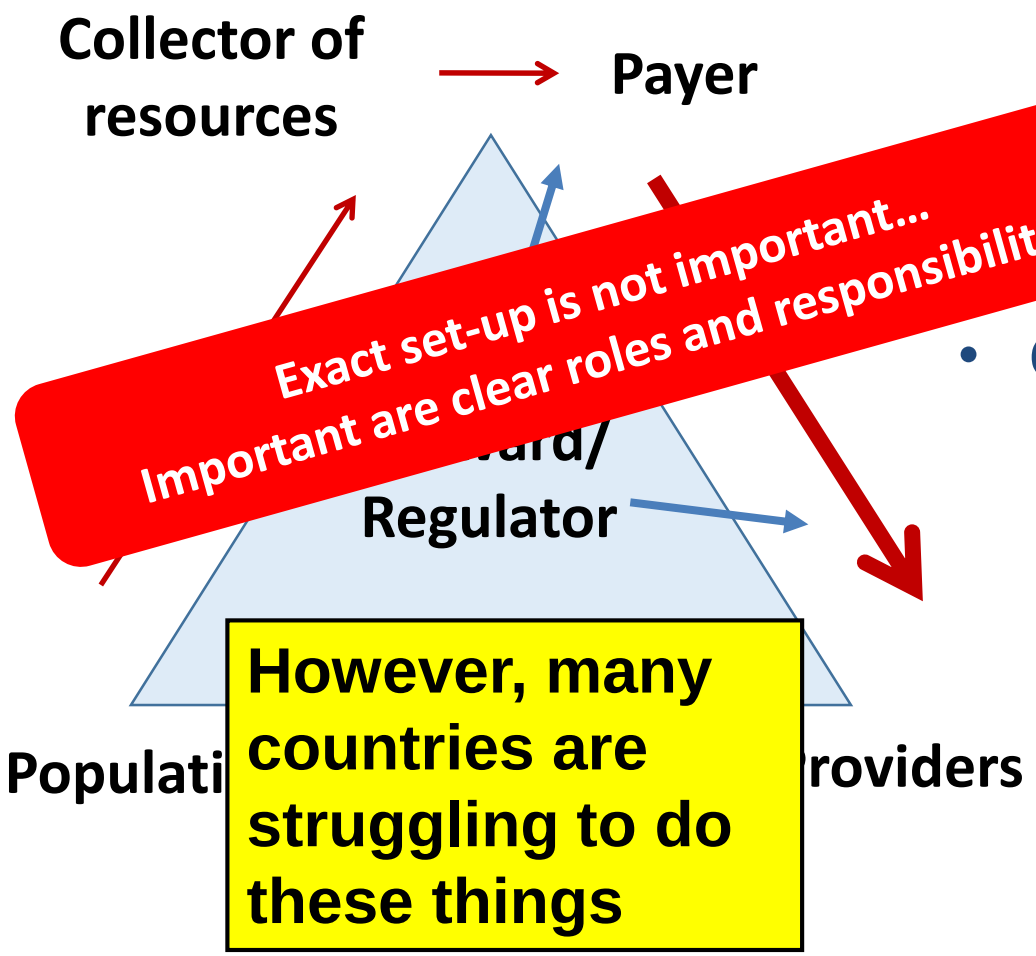
Purchasing process: essentials



- **Effective governance**
  - Priorities and plans
  - Accountability of HIIS + providers
  - Regulatory framework
- **Cost effective contracting**
  - Population health need
  - A provider network
  - Contracting in line with plans
  - Evidence based contracts
  - Promote quality through contracts

Key findings: purchasing process

1. Assess institutional set-up/capacities → Clearly define roles, responsibilities, lines of accountability
2. Define a public network of providers based on population needs and develop clear pri… targets in strategic (3-5 year)
3. Improve efficien… process (GA and contracts) …n + include patients
4. Strengthen … purchasing role of the HIIS → reassessing government role in arbitration + better budget control
5. Improve contracts → more specific about indicators, quality, targets

Best to do all of this – But: each point is important and a step in the right direction

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Payment systems: Challenges

1. **Institutional/regulatory challenges:** DRG development, FFS system updates, rigidity of civil servant pay scale.
2. **Inadequate payment levels:** lack of cost data for calculation/adjustment of DRGs/FFS/capitation payments.
3. **Weak incentives for efficiency and productivity:** budgets are easily reached (inpatient, outpatient, and primary care), pay scale does not reward performance (in terms of productivity).

Institutional arragements

Challenge 1: Insufficient institutional support for maintaining the DRG system up to date

Jurisdictions	Institution responsible for DRG	responsible for cost accounting standards
Canada (Quebec)	Mi	Mi
Denmark		T
Engla	ish Authority	Healt ation
	Nordic Casemix Centre	Estonian Health Insurance Fund (EHIF)
	ATIH (Agence technique sur l'information hospitalière)	Direction générale de l'offre des soins
Germany	Institute for the Hospital Reimbursement System (InEK)	
Ireland	Health Pricing Office	
Italy	Central office in the Ministry of Health and regional offices	Ministry of Health
Netherlands	Dutch Health care Authority - Nederlandse Zorgautoriteit	
Sweden	Nordic Casemix Centre in cooperation with the Swedish National Board of Health and Welfare	National Board of Health and Welfare in cooperation with the Swedish Association of Local Auhorities and Regions

Exact set-up is not important...
Important are clear roles and responsibilities

International collaboration

Adequacy of payment levels

Challenge 2: Insufficient information on costs and services hinders fair payment

Improving availability of information on costs and service delivery is key for adjusting payment systems

German DRG catalogue			Labour groups							Infrastructure		
			1	2	3	4a	4b	5	6a	6b	7	8	Total
Cost- Centre Groups			345.04	863.19	46.95	75.72	4.87	-	72.41	7.16	171.25	806.71	2 393.30
		care unit	35.53	94.54	6.07	12.60	0.61	0.00	15.93	0.71	11.22	44.36	221.56
		3: Dialysis unit	0.00	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00
	Diagnostics and treatments	4: Operating room	351.15	-	224.70	15.86	6.36	1 363.53	174.88	62.48	136.39	205.65	2 541.01
		5: Anaesthesia	204.47	-	130.68	18.55	0.63	-	47.91	1.80	24.18	67.11	495.32
		6: Maternity room	0.00	-	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00
		7: Cardiac diagnostics/ therapy	0.17	-	0.16	0.00	0.00	0.03	0.04	0.06	0.03	0.09	0.58
		8: Endoscopic diagnostics/ therapy	0.43	-	0.53	0.02	0.00	0.00	0.19	0.01	0.19	0.36	1.74
		9: Radiology	17.41	-	35.12	0.45	0.02	0.01	8.49	13.89	10.07	24.99	110.45
		10: Laboratories	5.81	-	44.89	3.18	40.38	0.00	33.63	20.79	4.65	21.14	174.47
		11: Other diagnostics and therapies	16.42	2.06	150.58	1.85	0.01	0.01	10.82	7.40	7.15	68.31	264.60
		Total	976.43	959.79	639.68	128.23	52.88	1 363.58	364.30	114.30	365.13	1 238.72	**6 203.03**

Potential for Pay for Performance?

- What do we mean with performance?
- P4P requires:
  1. Clearly assigned institutio… quality management
  2. Valid indicators (structures, … – accepted by stakeholders
  3. Reliable measurement and reporting of indicators
  4. Strong mechanisms for monitoring data quality and provider behaviour (to prevent unintended effects – in non-measured areas)
  5. Mechanism for risk-adjustment
  6. Appropriately designed incentives

1. A well functioning purchasing process
2. Improved functioning of existing payment systems

Introduction of P4P requires many years, usually starts in pilot-projects

Key findings: payment systems

- Clearly assigned institutional responsibilities are essential
  - for developing payment systems and
  - for maintaining systems up-to-date
- Payment adequacy can be improved by
  - increasing availability of cost data
  - improving mechanisms for updating DRG, FFS, and capitation weights
  - reforming the salary scale
- Providing stronger incentives for efficiency (and quality) can be achieved by
  - Changing the relative importance of different payment mechanisms
  - Adjusting the salary system for physicians
  - Potentially (in the long run) introducing P4P

Conclusions

1. Assess whether the institutional set-up, as well as expertise and staffing levels, are sufficient
2. Clearly define roles and responsibilities and hold actors accountable
3. Improve information systems: mandate, collect and make available meaningful information for use by all stakeholders to enable effective purchasing

Thank you!

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