Strategic Purchasing for Family Planning: The Basics

ATTAINING SUSTAINABLE FINANCING FOR FAMILY PLANNING IN SUB-SAHARAN AFRICA

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Nathan Blanchet, MA ScD
Results for Development (R4D)
What are the **three** health financing functions?

**Revenue Mobilization:** Sources of health funds and contribution methods

**Pooling:** Accumulating and managing health funds for defined populations so that risk is shared

**Purchasing:** Transfer of funds and provider payment mechanisms
Common types of **payment mechanisms** for FP

- **Fee for service**
  Unbundled; pay for each service

- **Capitation**
  Payment to providers for enrolled persons per period of time to cover a defined set of services

- **Case-based**
  Bundled; payment for clinically defined episode-of-care

- **Budget transfers/grants or in-kind**
  Public sector may transfers block grants or other support (e.g., equipment, drugs) to cover delivery of specific programs/services
# PURCHASING MECHANISMS

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<thead>
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<tbody>
<tr>
<td><strong>Input based</strong></td>
<td>• Budgets</td>
<td>• Vouchers</td>
</tr>
<tr>
<td></td>
<td>• Contracting (e.g., Service Level Agreements)</td>
<td>• Conditional Cash Transfers</td>
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<tr>
<td></td>
<td>• Capitation-based payments</td>
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</tr>
<tr>
<td><strong>Output based</strong></td>
<td>• Fee-For Service</td>
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<td></td>
<td>• Case-based Payment</td>
<td></td>
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<td>• Diagnosis-Related Group payments</td>
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<td>• Pay-for-Performance/RBF</td>
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But what makes purchasing **STRATEGIC**?
Moving from **passive** to **strategic purchasing**

### Passive

- Allocation of pooled funds to providers that deliver healthcare goods and services to the covered population, with or without a defined benefit package
- Historical input-based budgets
- Little/no selectivity of providers
- Little/no quality monitoring
- Open-ended payment
- Price and quality *taker*

### Strategic

- **Active, evidence-based engagement** in defining the service-mix and volume, & selecting the provider-mix in order to maximize societal objectives
- Deliberate, ongoing decisions to:
  - Manage overall costs in the system
  - Payment systems that create deliberate incentives
  - Selective contracting
  - Quality monitoring, improvement and rewards
  - Price and quality *maker*
Why does strategic purchasing for family planning matter?

Strategic purchasing can drive changes in service delivery and patient behavior—improving access, quality, and efficiency

- More efficient and effective **mix of services** delivered and volume
- Higher **quality of care**—including referrals, use of new/effective technologies and procedures, and medicines
- More efficient **mix of inputs** used, such as staff and commodities
- Change in **patient behavior** for more appropriate care-seeking and adherence

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**Family Planning**

- Increase in utilization and adherence
- Improve service delivery and client satisfaction
- Deliver most services at the PHC level
Strategic purchasing requires purchasers engage with *providers, clients, and governments* so that they can appropriately *align health and policy objectives to purchasing arrangements* and strategically decide…
Examples of Family Planning Financing from Latin America

**WHAT to buy**
In Guatemala, FP services are **free for all women** in the public sector and includes: condoms, injectables, oral at the primary care level; intrauterine device, implants, and sterilization at some secondary/tertiary facilities.

**From WHOM to buy**
In Honduras, only public facilities operated by the Ministry of Health (Secretaria de Salud) cover the defined package of services.

**HOW to buy**
In Chile, most of the services offered at primary care facilities are paid via capitation. Other services provided at the secondary/tertiary level are paid via case-based or fee-for-service payments.
Linking incentives to payment: Providers want to minimize their internal cost per unit of service

An incentive is a signal with positive or negative consequences that directs individuals or organizations toward self-interested behavior.

**Financial reward or penalty**
- Payment
- Financial authority or power
- Opportunity for future financial gain

**Non-financial reward or penalty**
- Satisfaction
- Recognition
- Reputation
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Key messages


• Which payment mechanism?
  – That one yesterday, but this one today.
  – Probably that other one tomorrow.
  – And a bit of all of them, most of the time (see handout).

• Strategic purchasers actively listen, monitor, and adjust to the needs of people, providers, and governments. Does your purchaser do that?
Thank you!

Nathan Blanchet
nblanchet@r4d.org