



WHAT FACILITATES STRATEGIC PURCHASING FOR HEALTH SYSTEM IMPROVEMENT?

Background

A core function of health care financing is purchasing – the process by which funds are allocated to providers to obtain health services on behalf of a population. If designed and undertaken strategically, purchasing can improve health systems performance by promoting quality, efficiency, equity and responsiveness of health service provision and, in doing so, facilitate progress towards Universal Health Coverage.

Despite the important role of purchasing in health systems performance, global debates tend to focus on how to generate more money for health, and there remains considerable confusion about what purchasing entails. There is an even greater lack of understanding, and empirical work, about what is required for strategic or active purchasing.



About the research

This research project critically assessed how selected purchasing mechanisms performed in a range of low and middle-income countries from the strategic purchasing perspective and identified factors influencing that performance.

The countries included in the study are: Kenya, India, Nigeria, South Africa, Tanzania, Thailand and Vietnam. The research examined the relationships between purchasers and other groups of actors involved in purchasing mechanisms including the government, healthcare providers and citizens.

1 Purchasing is an undervalued function of healthcare financing in the public integrated system.

Public purchaser(s) are often unaware of effective use of available levers, e.g. payment, monitoring and accountability mechanisms, to improve efficiency and quality in health service provision.

2 The capacity of purchasers is important in the effective implementation of strategic purchasing actions.

Effective implementation of strategic purchasing requires purchasers to have:

1. **Resource capacity**, with adequate financial and human resources.
2. **Technical capacity**, including skills to undertake clinical quality audits and design benefit entitlements, provider payment mechanisms and determine payment rates.
3. **System capacity**, through a supporting regulatory framework and information system.
4. **Network capacity**, with broad networks that engage various actors throughout the health system.

3 The implementation of strategic purchasing in the public contract system is constrained by the absence of a shared understanding of the purchasing function.

This has resulted in a lack of clarity in the roles and responsibilities of the government, central purchasers and purchasing administrators and incongruity between purchasing and other public policies and regulations.

4 Parallel purchasing mechanisms, unless designed as part of an integrated system, can undermine the ability of purchasers to undertake strategic purchasing.

Where multiple purchasing mechanisms operate in a health system, the signals sent by the various mechanisms and funding flows are shaped by the relative size of the funding, the payment mechanism, the services and population covered, accountability requirements, etc.

5 All case studies revealed poor accountability to citizens.

Policy should pay more attention to purchasing arrangements so that purchasers are required to perform their roles to fulfil their responsibilities to the people that they represent.



RESOURCES

- Purchasing project webpage for full list of resources at <http://resyst.lshtm.ac.uk>
- Topic overview: What is strategic purchasing for health?