STRATEGIC PURCHASING FOR UNIVERSAL HEALTH COVERAGE: A CRITICAL ASSESSMENT

COMMUNITY-BASED HEALTH INSURANCE SCHEMES IN KENYA

RESYST RESILIENT & RESPONSIVE HEALTH SYSTEMS

RESEARCH BRIEF | Financing research theme April 2016

With universal health coverage included among the health-related Sustainable Development Goals, the issue of how to finance health for all remains at the centre of global policy debate. A core function of healthcare financing is purchasing – the process by which funds are paid to healthcare providers to deliver services. If designed and undertaken strategically, purchasing can promote quality, efficiency, equity and responsiveness in health service provision and, in doing so, facilitate progress towards universal health coverage.

The RESYST Consortium, in collaboration with the Asia Pacific Observatory on Health Systems and Policies, has critically examined how healthcare purchasing functions in ten low and middle-income countries to identify factors that influence the ability of purchasers and other key actors to take strategic actions.

This brief provides an overview of how community-based health insurance schemes (CBHI) function as purchasers of health services in Kenya. It examines the relationship between CBHI and three key actors - health service providers, government, and their members by comparing actual purchasing practices to ideal strategic purchasing practices. It identifies policy design and implementation gaps, factors influencing purchasing performance and provides policy implications of the findings and changes needed to attain the desired set of purchasing activities. It is a companion brief to another that examines private health insurance firms in Kenya.

Figure 1: Description of the CBHI purchasing mechanism in Kenya

Purchaser	CBHI are community owned, financed and managed self-help groups. Some CBHI are linked to other schemes, usually within a geographical region, to form a network. CBHI are typically initiated and supported by a local and/or international non-governmental organisation (NGO).
What services are purchased?	CBHIs purchase outpatient and/or inpatient care services. The specific service mix depends on the package paid for by each member. Chronic care, specialist and other high-cost services are usually excluded. However, some packages include access to services offered by the National Hospital Insurance Fund (NHIF), which has a more comprehensive range of services.
Who uses the services?	Services are accessible to fully paid-up members of the CBHI and their declared dependents, usually members of a household. About 96 CBHI schemes cover 93,765 people – less than 1% of Kenya's insured population. Membership has declined significantly over the past five years due to the cessation of the largest CBHI scheme.
Who provides services?	Services are purchased from low-cost, local, public and faith-based health facilities. Drugs may be purchased separately from local pharmaceutical retailers.
How are providers paid?	Fee-for-service, on a monthly basis.

WHAT IS STRATEGIC PURCHASING?

The purchasing function of healthcare financing involves three sets of decisions:

1. Identifying the interventions or services to be purchased, taking into account population needs, national health priorities and cost-effectiveness.
2. Choosing service providers, giving consideration to service quality, efficiency and equity.
3. Determining how services will be purchased, including contractual arrangements and provider payment mechanisms.

A critical factor in health system performance is the extent to which purchasing decisions are linked to provider behaviour and encourage providers to pursue equity, efficiency and quality in service delivery. This is strategic purchasing.

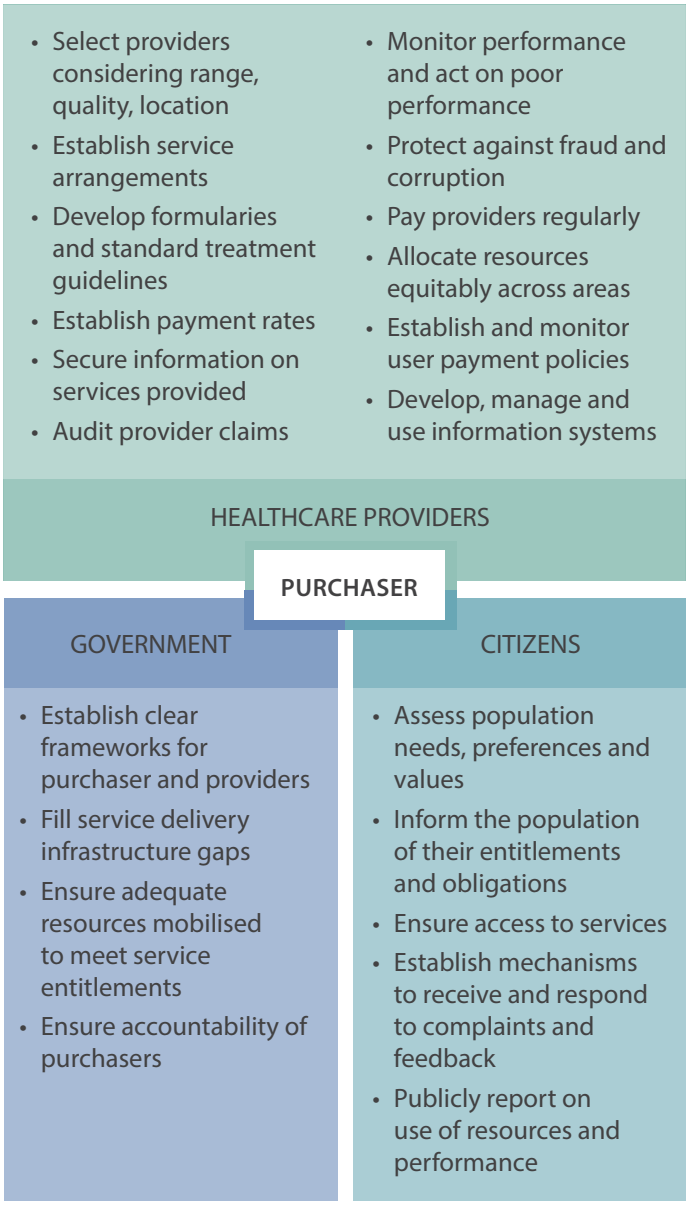
In strategic purchasing, a purchaser is an organisation that buys health services for certain groups or an entire population. The purchaser can use levers to influence the behaviour of providers to improve quality and efficiency in health service provision and facilitate equity in the distribution of healthcare providers.

However, purchasing mechanisms operate within each country's regulatory framework and, in strategic purchasing, government is required to play a stewardship role by providing a clear

regulatory framework and appropriate guidance to ensure that public health priorities are linked to resource allocation and purchasing decisions.

As the purchaser buys health services for people, it is important for the purchaser to ensure there are effective mechanisms in place to determine and reflect people's needs, preferences and values in purchasing, and hold health providers accountable to the people. The key strategic purchasing actions are shown in Figure 2.

Figure 2: Strategic purchasing actions relating to healthcare providers, government and citizens



KEY FINDINGS

1. STRATEGIC ACTION BY PURCHASERS IN RELATION TO PROVIDERS

Provider contracting, payment rates and mechanisms

- CBHI prefer to contract low-cost, local, public and faith-based providers; however in recent times they have been forced to contract more costly private health providers because of frequent industrial action by health workers, which has led to closures of public facilities. The limited number of facilities available to CBHI also means that contract cancellation, due to breach of service agreement, is not a viable option.
- The contract document is usually a memorandum of understanding (MoU), which is simplified so that CBHI officials can lead the negotiation themselves and so that community members can understand them. This means that it does not cover all the expectations of the provider-purchaser relationship and offers limited room for specification of penalties and sanctions.
- CBHI negotiate with providers regarding preferred prices of services, indicating ceilings of bills for services. Some schemes, however, do not ask for discounted prices to avoid compromising quality of service delivery to their members. Occasionally, CBHI do not seek preferential services for their members out of a sense of solidarity with the rest of the community.

> *"We don't want to be seen as [advocating] for special services for a special category, because even for those who are not part of our schemes, we still want them to ... achieve the same quality care."*
>
> *(CBHI volunteer)*

- Provider payments are made on a fee-for-service reimbursement basis, the preferred payment mechanism for most providers. Fee-for-service encourages over servicing of members. Provider power means that CBHI do not challenge inflated bills, or do so in a friendly manner, to avoid reprisals to members by provider staff.

Use of efficiency measures: gatekeeping, use of treatment guidelines and formularies

- Scheme members require authorisation letters to access entitlements and must also present CBHI membership cards. In practice, scheme officials may also call or go to a facility to identify and support members in accessing services, especially in cases of emergency.
- CBHI also employ a referral system where members can only access higher-level facilities through primary care providers.
- CBHI does not have any influence on the treatment process. This is due to limited technical capacity as well as preference for provider autonomy. Providers use

treatment guidelines and formularies provided by the government or developed internally.

- CBHI also link members to other local organisations that provide specific services e.g. HIV care or malaria control for pregnant mothers, to help reduce costs of healthcare provision.

> *"There are programmes within a health facility [for example for] those who are pre-natal, if they can go for clinics freely they don't pay for anything. So if we sensitise young mothers - 'Please go to this health facility for ante-natal care and make sure you deliver there so those services are covered' - they don't bill the scheme for [use] of services"*
>
> *(CBHI volunteer)*

Information management and monitoring provider performance

- Data and information collected by CBHI are paper-based, although there is some limited use of IT systems for monitoring and evaluation and budgeting by the sponsoring NGO.
- The MoU between CBHI and service providers contains provisions for information sharing between the facility and individual schemes, as well as monitoring provider performance and sanctions for non-performance. However, the capacity of CBHI officials to monitor providers is limited, as is their ability to apply sanctions owing to provider power.

2. GOVERNMENT RESPONSIBILITIES IN STRATEGIC PURCHASING

Governance, policy and regulatory framework

- Although CBHI are registered with the Ministry of Labour, Social Security and Services, there are no laws or regulations governing their health purchasing functions. Supporting NGOs, both local and international, are answerable to the government through the regulator - the NGO Board of Kenya.
- Formal mechanisms for accountability to the government are limited to the annual reports submitted to the Department of Social Services. Informally, local administrators are invited to CBHI meetings where they can obtain an understanding of how CBHI are run.
- CBHI schemes are currently engaging with the national government to develop a regulatory and policy framework, and with devolved government units for inclusion in county level health policy and in resource allocation decisions, especially for interventions targeted at the poor.
- Finally, there is a route for informal involvement with the government through regular contact with chiefs based at the location and sub-location level, although their opinions are more important during service entitlement design and in developing community sensitisation plans.

3. STRATEGIC ACTIONS IN RELATION TO CITIZENS

Public participation in benefit package design

- CBHI perform community health needs assessments and they develop, price and update service entitlements based on participatory decision-making, involving community members at all stages. Schemes collect their members' views during meetings and through customer satisfaction surveys. These activities are supported by the sponsoring NGOs. CBHI members also use informal channels to communicate their preferences to the scheme officials.
- Members' preferences on key decisions e.g. contribution rates, benefits package and new products are expressed through voting, particularly in annual general meetings (AGMs). There is a great deal of price sensitivity in service entitlement design. Paradoxically, community members sometimes perceive low priced products as not realistic and therefore shun them.

Accountablity to CBHI members

- AGMs present the main forum for feedback and complaints as well as reporting on performance. Scheme officials are also accessible to members by phone and at the CBHI scheme offices. Accountability is predominantly with regards to financial performance; reports are presented at AGMs, and wall charts are displayed in offices.

CONCLUSION AND POLICY IMPLICATIONS

CBHI fall short of ideal strategic purchasing with gaps identified in both design and implementation. A key factor limiting strategic purchasing is the power of healthcare providers. Power arises from limited supply in three dimensions (quality, quantity and geographical spread) and control of processes such as price setting and use of treatment guidelines. CBHI are unable to directly influence some of these processes partly because of the absence of strong stewardship by the MoH.

The devolution of health services, which was accompanied by a realignment of roles between national and county governments, represents a unique opportunity for the MoH to establish a framework that supports strategic purchasing practice and incorporates all actors including CBHI.

CBHI schemes excelled in providing mechanisms for beneficiary voice, though some arrangements such as AGMs and other meetings could be improved with higher levels of attendance by members. The focus on community participation and ownership of CBHI is ultimately both a strength and weakness. The strength lies in the focus on solidarity, trust and social accountability. However, relying on volunteers also creates tensions for scheme officials who must trade off their personal time with scheme activities.

Finally, the significant decline in membership of CBHI – from about 470,000 in 2011 to about 94,000 in 2015 - calls into question their viability as a strategic purchaser in the provision of universal health coverage in Kenya.

ABOUT THE BRIEF

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Further information

Purchasing project webpage: http://resyst.lshtm.ac.uk/research-projects/multi-country-purchasing-study

Email: Kenneth Munge kmunge@kemri-wellcome.org

Related resources

Munge K. et al (2016) **Strategic purchasing for Universal Health Coverage: Public Health Insurance Firms in Kenya** RESYST research brief: Available at: http://resyst.lshtm.ac.uk

Munge K. et al (2015) **RESYST working paper 7: A critical analysis of the purchasing arrangements in Kenya** http://resyst.lshtm.ac.uk/resources/WP7

RESYST topic overview and fact sheet (2014) **What is strategic purchasing for health?** http://resyst.lshtm.ac.uk/resources/what-strategic-purchasing-health

Hanson K. (2014) **Researching purchasing to achieve the promise of Universal Health Coverage.** Presentation at the BMC Health Services Research Conference, London. http://www.slideshare.net/resyst/researching-purchasing-to-achieve-the-promise-of-universal-health-coverage-37722050

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