STRATEGIC PURCHASING FOR UNIVERSAL HEALTH COVERAGE: A CRITICAL ASSESSMENT

UNIVERSAL COVERAGE SCHEME AND CIVIL SERVANT MEDICAL BENEFIT SCHEME IN THAILAND

RESYST RESILIENT & RESPONSIVE HEALTH SYSTEMS

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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 summary compares strategic purchasing of two tax-financed non-contributory schemes in Thailand: the Universal Coverage Scheme (UCS), managed by National Health Security Office (NHSO), and the Civil Servant Medical Benefit Scheme (CSMBS), managed by these Comptroller General Department (CGD) of the Ministry of Finance. It examines the NHSO and the CGD as purchasers, and how they interact with three key groups: health service providers, the national government and their members.

The brief compares actual purchasing practices with ideal strategic purchasing actions to identify design and implementation gaps and the factors that influence effective purchasing. Finally, it sets out features of the UCS that may be considered a pre-requisite for any country that seeks to use strategic purchasing as a tool to achieve universal health coverage.

Figure 1. Description of Universal Coverage Scheme and Civil Servant Medical Benefit Scheme in Thailand

	UCS	CSMBS
Purchaser	NHSO, an autonomous public agency established by law has the sole mandate of managing UCS. It currently has more than 800 employees, many of whom have experience working in the health sector.	CGD of the Ministry of Finance (MoF) is the purchaser for CSMBS, which is one of 16 CGD's mandates. CSMBS employs 32 members of staff at the CGD, many of whom are not health professionals.
What services are purchased?	Comprehensive outpatient and inpatient services including medicines with reference to the National List of Essential Medicines (NLEM), health promotion and disease prevention activities.	Similar to UCS, but use of medicines outside NLEM are permitted if physicians confirm that they are clinically indicated.
Who uses the services?	75% of population (47 million people) who are not members of CSMBS or other health insurance schemes. Members live mostly in rural areas and work in the informal sector. 50% of members belong to the bottom two wealth quintiles.	8% of population (5 million people) including civil servants, retired civil servants, and their parents, spouses and up to three children not more than 20 years old. Most members live in urban areas and belong to the top two wealth quintiles.
Who provides services?	A network of primary care providers (district health system), consisting of health centres and a district hospital which serves as a gatekeeper to higher levels of services.	Usually members have direct access to public hospitals, as public primary care facilities in urban settings are not well organised and private clinics are not covered in the scheme. Private hospitals cover inpatient services life threatening accidents and emergencies.
How are providers paid?	Mixed payment methods including: capitation for outpatient services, health promotion and prevention; diagnosis-related groups for inpatient services; and a fee schedule for high-cost interventions.	Mixed payment methods including: fee-for-service for outpatient services; diagnosis-related groups for inpatient services; and a fee schedule for high-cost interventions.

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.

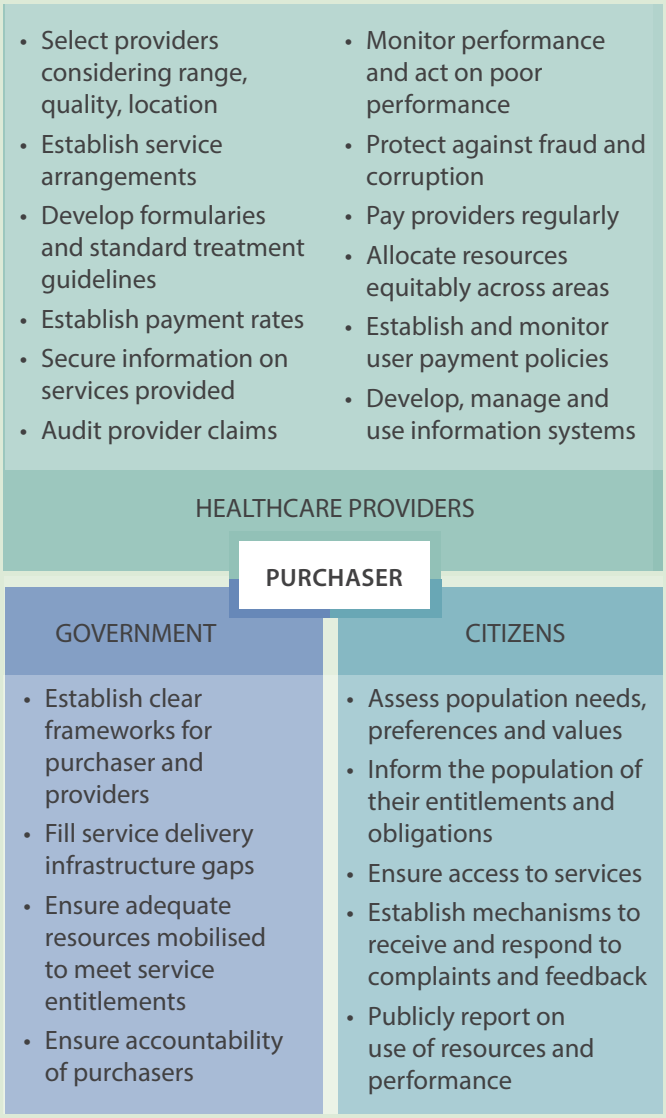
A critical factor in health system performance is the extent to which purchasing decisions are linked to provider behaviour and encourage providers to pursue equity, efficiency and quality in service delivery. This is strategic purchasing.

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.

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



KEY FINDINGS

1. STRATEGIC ACTION BY PURCHASERS IN RELATION TO PROVIDERS

The UCS and CSMBS pay both public and private health facilities to provide services to their members although the private sector has a more limited role: as part of UCS, some private health facilities provide health promotion and disease prevention services, which is one of the obligations of UCS. For both UCS and CSMBS, members can use private hospital accident and emergency services.

Payment of healthcare providers

- Under the UCS, outpatient services are paid for by age-adjusted capitation, based on the number of registered citizens in each district health system catchment area. Outpatient services are paid by the capitation which includes the costs of referral to higher levels of care. Inpatient service providers are paid using a diagnosis-related group with a global budget to contain total cost. The closed end provider payment of both outpatient and inpatient services creates an incentive for the district health system to invest in health promotion activities and expenditure control measures. To discourage under provision of services by providers, NHSO has removed some expensive interventions including antiretroviral treatment, dialysis and chemotherapy from the capitation payment, which it covers on a fee schedule that is paid from a central fund. In contrast, CSMBS outpatient services are paid on a fee-for-service basis, with funds directly disbursed from CGD to healthcare providers on a regular basis. The fee-for-service payment mechanism encourages excessive use of medicines, especially those branded products that are not on the National List of Essential Medicines (NLEM).
- To reduce overuse of hospitalisation and unnecessary admissions, CSMBS introduced diagnosis-related groups to pay for inpatient services in 2007, which has been

used by UCS since its implementation in 2001. However, unlike the UCS, the CSMBS payments are not limited by a global budget, and different base rates are used for different levels of hospital care.

Use of efficiency measures to contain costs: gatekeeping and selection of interventions

- As part of UCS, the DHS plays a gatekeeping role, controlling access to higher levels of care and preventing patients from using unnecessary secondary and tertiary services. Patients who self-refer to tertiary hospitals must pay the full user charge.
- This gatekeeping function is not available under CSMBS due to poor development of the urban primary healthcare network. Instead, patients use hospital outpatient departments for primary care and can access specialist services directly.
- The inclusion of new interventions into the UCS benefit package requires a rigorous cost effectiveness assessment and drugs are selected from the NLEM. Further, NHSO exercises monopsonistic purchasing power and negotiates the best possible price for selected high-cost medicines and services.
- For CSMBS, a technical advisory committee consisting of medical experts decides what services should be included in the benefit package. Containing costs, including of new interventions, is a less important consideration for the CGD.

2. STRATEGIC ACTION BY PURCHASERS IN RELATION TO GOVERNMENT

In its 2002 Act on the UCS, the government sets out a clear mandate for the NHSO to be an effective and efficient purchaser. There is no similar law for other healthcare purchasers such as CGD, whose role is more closely associated with financial transactions than with strategic purchasing.

Governance and accountability

- By Law, the National Health Security Board represents the government as a supervisor of the NHSO. The Board, which is chaired by the Minister of Public Health but also comprises actors from civil society and healthcare providers, shapes policy and makes strategic decisions. Although UCS receives continued political and financial support, it faces political instability and interference; the UCS has survived more than seven governments and ten different health ministers have chaired the National Health Security Board.
- CGD is a Department of the Ministry of Finance (MoF); hence there is no governing board to guide direction and oversight in managing CSMBS, although there is a technical advisory committee.
- In terms of accountability, NHSO annual reports are publicly available on the website and are reported to Parliament. CGD reports to the MoF; however, their reports are not publicly available, which limits accountability. One example of this is the lack of sanctions for overspending their annual budget allocation.

Budget negotiations

- NHSO negotiates with the Bureau of Budget under the MoF for increases in the UCS budget. Since its inception in 2002, the annual capitation budget has increased from 1,202 Baht (US$40) per person to 3,209 Baht (US$101) in 2016 (all figures in nominal terms). These increases reflect a mix of increased use of services, the inclusion of new interventions in the benefit package, and inflation in labour and medical costs.
- The use of fee-for-service as a payment mechanism prevents CGD from applying a closed-end budget. Rather, the CSMBS annual budget is estimated based on three-year trends, which it almost always exceeds. The cost of CSMBS per person was 12,000 Baht (US$400) in 2013, more than four times the UCS capitation rate of 2755 Baht in the same year. Deficits are compensated from other MoF budget lines.

Promoting equity in access to health services

- A key responsibility of the UCS is to provide access to health services for all citizens. This requires addressing problems of mal-distribution of services and shortages in rural areas. To achieve this, the scheme has a higher capitation rate for under-served areas. It also funds initiatives that aim to facilitate access including mobile cataract surgery teams that travel to rural areas, and contracting private hospitals to provide open-heart surgery where public services are unavailable.

> *"The [universal coverage] programme has substantially increased healthcare utilisation, especially among the previously uninsured. As of 2009, the programme had already reduced by more than 300,000 the number of Thai people suffering catastrophic healthcare costs... Thailand's health leaders were determined to act boldly to provide access for their whole population."*
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> World Bank Group President, Jim Yong Kim

3. STRATEGIC ACTION BY PURCHASERS IN RELATION TO MEMBERS

The majority of members of UCS reside in rural areas and work in the informal sector. For the CSMBS, members are (or were previously) employed in the government; they are generally better educated and wealthier than UCS members and they mostly reside in urban areas , close to services.

Engagement with citizens

- An annual public hearing of UCS members (and also healthcare providers) is legally mandated and fully implemented by the NHSO. UCS members are represented on the National Health Security Board through a minimum of five civil society organisations (out of a total of 32 Board members) to protect the scheme from political interference.
- CSMBS does not have a governing board through which members can voice their opinions and influence CGD

decisions. Members are represented by the Civil Servants Association, which lobbies against provider payment reform.

Accountability to members

- For UCS, a 24-hour call-centre provides advice to members about their entitlements and other related enquiries. It also manages disputes and conflict resolution between patients and providers. Staff are well trained and their performance is monitored regularly.
- The CSMBS call centre handles complaints from this scheme as well as 15 other mandates that the CGD is responsible for. The centre is open according to the government working days and hours, and hence, cannot always respond to immediate problems faced by members.

CONCLUSION AND POLICY IMPLICATIONS

Although UCS and CSMBS are both centrally managed purchasing mechanisms, only the NHSO demonstrates purchasing actions that are strategic and promote health system efficiency and equity. Specifically, it has managed to contain costs through the use of closed-ended provider payment methods, selection of treatments from the NLEM, and use of the DHS as a gatekeeper to higher levels of care. As a result, annual revenue increases have been used to expand the number and scope of services that it can provide in line with evolving healthcare needs. Quality has been addressed through the broader task network, including systems for health facility accreditation, the use of clinical guidelines, and the involvement of professional associations.

CSMBS purchasing arrangements, in particular the use of fee-for-service to pay healthcare providers, have resulted in excessive use of health technologies and costly medicines. CGD has made some attempts to contain costs by restricting the use of non-NLEM in hospitals and introducing diagnosis-related group payment methods. However, until it reforms the fee-for-service payment mechanism and adheres to a fixed annual budget, this is unlikely to happen.

The NHSO has several features that may be considered a pre-requisite for any country that seeks to use strategic purchasing as a tool to achieve universal health coverage.

These are:

- Strong governance with a mandate to provide access to health services and financial risk protection for the members, who are the majority of all citizens.
- A multi-stakeholder governing board that effectively brings together the NHSO with government, citizens and healthcare providers, and ensures accountability between these different groups.
- Institutional capacity to secure an adequate budget and to make strategic purchasing decisions.
- A focus on the efficient use of resources and inclusion of services in the benefit package that are evidence-based, cost-effective and responsive to the needs of its members.
- Development and maintenance of a comprehensive and far-reaching district health system to provide services, including care for chronic conditions, and to act as a gatekeeper for higher levels of care.
- Strategic use of the power of a single, large purchaser to negotiate lower prices for medicines and devices, and to collaborate with private facilities to provide services that have only limited availability in public facilities.

ABOUT THE BRIEF

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Further information

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

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Related resources

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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