



# Strategic purchasing to improve performance of healthcare providers

## The role of agency in public integrated health system in Enugu state, Nigeria

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### Background

Purchasing is the process by which funds are paid to healthcare providers to deliver services and is a core function of healthcare financing. Strategic purchasing enhances the effective use of resources for achievement of quality service delivery and thus can improve health system performance. This study looks at the nature of the relationship between the State Ministry of Health (SMoH) and healthcare providers in Enugu state, Nigeria. It aims to provide insights into the purchasing actions and how well healthcare providers as agents act in the interests of the purchaser as principal.

### Methods

The study was qualitative and cross sectional conducted in Enugu state in 2014. In-depth interviews and focus group discussions were used to elicit information from selected public health care providers and key respondents from the Ministry of Health. Analysis involved characterisation of actions around the core relationships purchasers and health care providers using the principal-agency framework.

### 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. The strategic purchasing actions of a purchaser as they relate to healthcare providers are set out below.

#### Strategic purchasing actions in relation to healthcare providers

- Select providers considering range, quality, location
- Establish service arrangements
- Develop formularies and standard treatment guidelines
- Establish payment rates
- Secure information on services provided
- Monitor performance and act on poor performance
- Audit provider claims
- Protect against fraud and corruption
- Pay providers regularly
- Allocate resources equitably across areas
- Establish and monitor user payment policies
- Develop, manage and use information systems

### Key findings

#### Overview of purchasing mechanism within the public integrated health system in Nigeria

Purchaser	The SMoH (Policy Development and Planning Directorate and State Health Board), led by the Commissioner for Health, is responsible for transfer of budgeted funds to the providers through the State Health Board for primary and secondary providers. Tertiary services are funded directly by the federal government.
What services are purchased?	A defined minimum package of care covering promotive, preventive and curative care at primary, secondary and tertiary levels, including services for communicable and non-communicable diseases, child survival, safe motherhood, nutrition, health education, laboratory services and community mobilisation.
Who uses the services?	Health services are available to all the residents of the state who desire to use the services.
Who provides services?	Public providers deliver services. Private providers are used for few services e.g. mortuary services, immunisation.
How are providers paid?	Facilities receive material resources from the MoH while health workers receive a monthly salary.

In Enugu state, the SMoH determines who provides services and what package of care is provided at primary and secondary levels. It also sets out rules to monitor provider performance and ensure delivery of quality healthcare services. These purchasing decisions can influence the behaviour of providers and improve or hinder their responsiveness and efficiency.

#### Provider payment and funding mechanisms

- Health workers receive monthly salaries with no additional incentives to improve performance or the efficiency of service delivery. Resources to health facilities are mostly in the form of drugs and equipment. Health facilities do not receive budgets from SMoH.
- All facilities are required to contribute 30% of internally generated revenue (e.g. from user charges) to the State Health Board for replenishment. The remainder is spent on facility maintenance. Providers feel that health facilities are not adequately funded leading to poor maintenance of infrastructure and poor quality services.
- The SMoH determines packages of care as well as how health services and resources are distributed and managed. It also sets the level of mark-up on drugs and user fee charges to ensure they are affordable to citizens. Where the charges do not cover the cost of producing the service, the facility may reduce quality as they have no other source of income.

#### Monitoring provider performance and service quality

- In principle, mechanisms for monitoring provider performance and the quality of services are developed by the SMoH, and include integrated supportive supervision and provider appraisals. Collection of quantitative data on service output should occur monthly. In practice however, performance monitoring is not coherently implemented across facilities due to limited funding and logistics for such activities, and instead it often follows specific donor funded programmes.
- The quality of health services is generally perceived to be less than optimal in many public facilities and health services are not always available in times of need. High levels of attrition and ineffective human resource replacement/recruitment plans have led to shortages in critical health worker cadres and stock out of essential health commodities, affecting the availability of quality services.

*The quality is supposed to be optimal but we don't have enough medical staff and drugs...when we don't have enough you can't start talking of quality?*

Healthcare provider



### Conclusion

Purchasing health services within the tax-based health system in Nigeria is passive and the SMoH does not effectively utilize existing tools to motivate healthcare providers to improve performance. Strategic purchasing should be promoted using a range of tools, including improved monitoring and accountability mechanisms that positively influence the behavior and performance of healthcare providers to produce better health outcomes.

#### Links to further information

- *Strategic purchasing for universal health coverage* RESYST research brief, 2016
- RESYST project webpage on strategic purchasing
- *What is strategic purchasing for health?* RESYST topic overview, 2014

