Kenya

Making Provider Payment Mechanisms More Strategic: Removing the Roadblocks to Implementation

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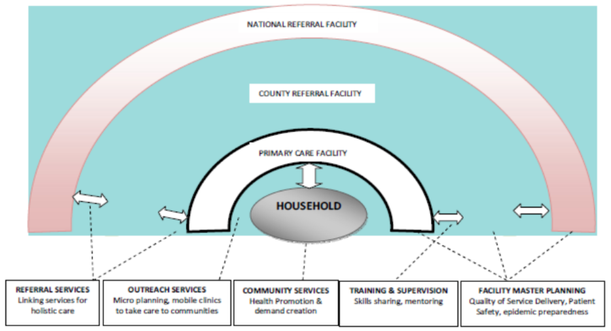
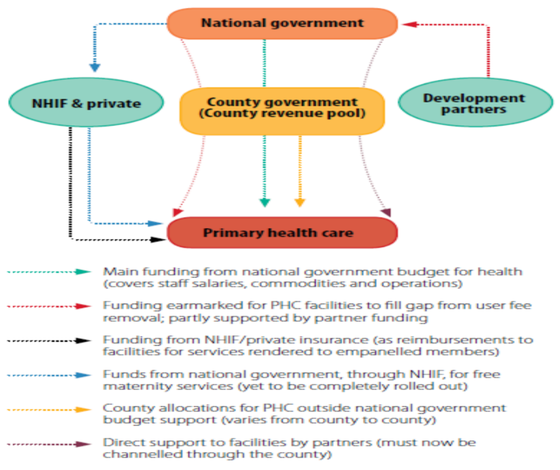
Context:

Population	51.42 M (2017 Estimate)
GDP/ Capita	$1,507.81 (USD, 2016)
THE/ Capita	$169 (USD, 2014) *Gov't spending comprises 28% of THE*

Organization of the Health System:



PHC Financing:



Monitoring (NHIF)

1. **Financial database (QVT/ TeraTERM system)** allows for comparative analysis of big data. Also supports claim processing and real time management of captured data.
2. **Integrated web based application** that enables purchaser-provider interactions.

Provider Payment Mechanisms

Line item budgets: public primary and secondary level facilities
Global Budget: Public tertiary level facilities
Capitation: to public and private hospitals for outpatient services
Fee for Service: outpatient and inpatient services for some benefit packages and population groups
Per-diem: to public and private facilities for inpatient care
Case based payment: to public and private hospitals for select packages e.g. Free Maternity Services

PPM	Successes	Challenges
Capitation	Easy to administer for the payer.	Poor quality of care as the provider minimizes inputs to contain costs.
FFS	Payments within allocated amounts.	Prone to fraud as some hospital services are billed but not delivered.
Per diem rebate	Standardized reimbursement and easy to administer.	Increased average length of stay. Hospitals compromise quality of care as they minimize inputs to contain costs.
Case based payment	Easy to administer and consistent reimbursement.	Some components of the service not factored in the amount.

Innovations: NHIF introduced new PPMs (2012)

New PPMs introduced:

- Capitation for outpatient visits.
- FFS was applied for out and in-patient for specific cadres in high cost facilities.
- Case based payment for maternity and dialysis.

- The objective was to provide for a sustainable way to purchase health services from providers for the beneficiaries in an effective manner.

The various PPMs were introduced to providers and upon acceptance, contracts were signed stipulating the various PPMs.
NHIF updated the beneficiary database and providers used the web based application to identify beneficiaries and eligible benefits.

Successes
- Sharing financial risk with the provider.
- Low administrative burden.
- Increased member enrollment.
- Upgrading the database to include benefits, limits and thereby enhancing access.
- Enabled purchasing only what the provider can offer.

Challenges
- Compromised quality of care and under servicing.
- Astronomical rise in claims costs.
- Providers unbundling services to claim more.
- Billing of unnecessary services offered.
- Rise in claims submitted for payment.
- Prone to fraud, waste and abuse.

Lessons Learned

- ✓ **A good data analytics intelligent system is mandatory to enable monitoring of payment methods**. PPMs are costly and require planning and investment in a robust ICT system before implementation.
- ✓ **An established system for purchasers and providers to negotiate payment rates** in a structured manner to avoid haphazard increase in costs.
- ✓ **Cost information to inform sustainable financing of healthcare services.** Countries should conduct scientific studies of healthcare costs and implement findings.

Opportunities to achieve UHC

Next Steps

1) Costing of services to inform refinement of PPM rates.
2) Explore further PPM innovations – consideration for introducing DRG system.
3) Explore further PPM innovations – consideration for scaling up results based financing for PHC.
4) Improve provider reporting of outpatient service utilization under capitation payment.

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