Purchasing in health care: why is it important?

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Making sustained progress on UHC will require greater public spending

• Informal sector may need to be fully subsidized, in addition to the poor and other vulnerable groups
• UHC is not just about enrollment in insurance programs
• Unfinished agenda:
  • Equity and financial protection
  • Ensuring coverage of effective, good quality services

→ → Need to ensure that health sector resources are allocated efficiently and equitably
What does purchasing involve?

What services to buy?
From whom to buy?
How to buy?

The way in which health services are purchased has direct implications for equity and efficiency

Some examples.....
Decisions about what services to buy

Poor purchasing decisions:
- Many countries start off by providing a generous benefits package to the (usually small) formal sector
- As coverage expands, the benefits package becomes unaffordable
- New technologies / procedures added without taking into account cost / clinical effectiveness and budget impact

Smart purchasing:
1) Start with an explicit benefits package
2) Phase and sequence the expansion of the package as coverage expands

Decisions about from whom to buy services

Poor purchasing decisions:
- Not putting in place gate-keeping or referral mechanisms

Smart purchasing:
1) Primary care providers as “gate keepers” for higher level referral services
2) Paying higher rates for primary care
3) Ring-fencing or setting targets for share of expenditures devoted to primary care
Decisions about how to buy services

Poor purchasing decisions:
• Fragmented systems for procuring pharmaceuticals that result in high prices being paid
• Paying doctors on a fee-for-service basis with no volume control or other cost-control measures

Smart purchasing:
1) Making use of “market power” and competitive tendering to get the best prices
2) Incentives to providers to limit high cost services
3) Introduce closed-ended payment systems that impose a cap at some level