

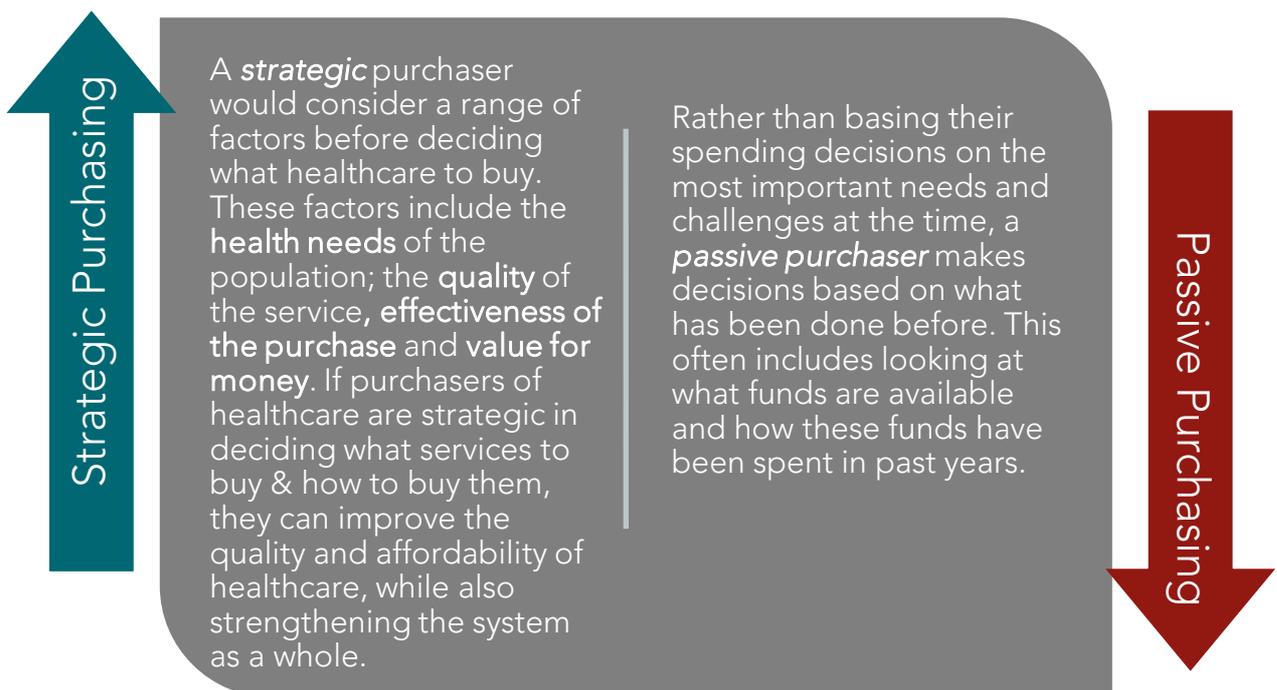
Percept NHI Policy Brief Series:

Introducing strategic purchasing

Neither the public nor private health systems are benefiting from competition as much as they should. The private sector sits further along the spectrum of strategic purchasing but is a long way from fully demonstrating this capability. Additionally, neither system is sufficiently accountable to patients. In the private sector, there is an affordability challenge, exacerbated by a high-level of minimum benefits, preventing the extension of cover to more people. In the public sector, government has struggled to ensure quality, to hold healthcare providers accountable, and to put resources where they are most needed.

Private providers are paid mostly on a fee-for-service basis – a system that incentivises greater volumes of services with insufficient attention on balancing quality and cost efficiency. In the **public sector**, government purchases *and* provides healthcare through a budget-based financing model for ~80% of South Africans. Health workers are paid set salaries regardless of the number of patients they see, or whether the care they provide is helpful.

Strategic vs. Passive Purchasing



What will the Fund do?

What to buy

1. Decide on the benefit package

It is intended that the Fund, in collaboration with the Benefits Advisory Committee, will decide what healthcare to cover by considering affordability, value for money, and the health needs of the population.

Who to buy from

2. Contract providers

Primary healthcare will be set up differently to other levels of care. New organisations, called Contracting Units for Primary Healthcare Services (CUPS), will be responsible for choosing and co-ordinating primary healthcare services (both public and private) for their local area. This is to make sure that the people who oversee primary health services are connected to and knowledgeable about the health needs of their community. The CUPS will require significant local-level capacitation in order to be effective. Differences in capacity between geographical areas will impact on equity across the system.

In principle, the Fund aims to contract directly with health providers (both public and private) to deliver higher levels of care. It will choose providers based on the quality of their service, the regions they cover, and whether they have enough resources to do the job. All providers will need to meet minimum quality and additional standards to be set by the Fund if they want to contract with the Fund. Quality of care is already a serious and widespread challenge in the public sector. It is not clear how this challenge will be dealt with, or how we will deliver health services in places where no providers meet the minimum standards.

How to pay

3. Pay providers

Primary healthcare facilities, like clinics and private PHC practices, will be paid a fixed amount per person enrolled (regardless of whether they use the service or not). This will also encourage primary healthcare providers to work in teams, focusing on the health of their community as a whole. **For higher levels of care**, payment will be per episode of care based on the clinical characteristics of the patient and the episode (e.g. the diagnosis and planned treatment) and not on the actual services provided. This will encourage providers to use resources carefully, while also giving patients the appropriate care for their needs. Under the NHI, the intention is that all providers will be paid and evaluated in part based on how well they do their job and achieve



healthcare goals. These are complex ways of paying providers and will require significant changes to systems, data collection and existing budgeting processes.

Possibilities of strategic purchasing under NHI

The NHI Fund will be empowered to represent millions of people. It could make healthcare more accessible and affordable by using its buying power in the following ways:

Large-scale purchasing

- Big orders should lower healthcare costs if there isn't waste and abuse.
- Potential for private providers to serve more people and therefore be willing to accept lower prices.

Quality standards

- The Fund intends to set guidelines for providers, treatments, and referrals.
- Providers will not be paid, and treatments will not be covered, unless they meet quality standards.

Better ways of paying for care

- Payment should be based on the health needs of the population served and the quality of care provided.

Collecting and using good evidence

- The Fund will need to regularly collect and analyse information about health needs, providers, treatments, costs and quality of care
- Collecting and using evidence can inform better healthcare spending

Challenges for strategic purchasing under the NHI

The NHI faces a number of challenges:

1. **Responsiveness:** Without competition the Fund might not be motivated to work quickly and effectively. If there is only one purchaser, there are fewer ways for those providing or using health services to hold it accountable. A single national-level purchaser may not appreciate local needs.



2. **Provider trust:** Health providers may feel at the mercy of the Fund. This has implications for skills retention, investment & sustainability.

Introduce new
purchasing systems
slowly

3. **Healthcare pricing and provider payment:** The envisaged ways of paying providers are intended to support quality improvement and equity; they are complex and will require careful transitioning in both sectors to ensure fairness and to reduce shocks to the system.

4. **Governance:** The NHI Fund, on behalf of South Africans, will be responsible for a huge pot of money. Without proper checks on this power, the risks are considerable. Civil society and providers should be given an active governance role.

Introduce a truly
independent regulator to
oversee the Fund

5. **Data and information systems:** The Fund will need to be able to use good evidence to decide if, when and how much to pay providers. Information needs to be accurate, detailed and timely to properly understand health needs over time and to ensure accountability.

Make significant
investments in collecting
and analysing data

6. **Dynamic health systems:** Healthcare needs will change over time, as will healthcare technology and provider responses to new payment systems. The NHI Fund will need to track and adapt to these changes to stay effective. The Fund must be able to act when systems are being misused.

7. **Political challenges:** The NHI Fund will need to make tough, and sometimes unpopular, decisions about how to allocate health resources. This might include cutting jobs or excluding certain illnesses from coverage to keep healthcare affordable. Decisions like this could be interpreted by the electorate as reflecting poorly on the ruling party. To build trust, government will need to show that its healthcare decisions are in South Africa's best interest, evidence-based and affordable. The NHI Fund will give the Minister significant power in deciding how money is spent on healthcare. If the ruling party or national leadership changes, there could be big changes to the planning and roll-out of the NHI. Shifting political agendas could get in the way of delivering a quality, effective healthcare system.

