

# SP4PHC

## Strategic Purchasing for Primary Health Care

## INTRODUCTION TO STRATEGIC HEALTH PURCHASING

THINKWELL

As countries world-wide are undertaking health financing reforms to achieve universal health coverage (UHC), they are increasingly discussing, designing, and testing approaches for making health purchasing more strategic. However, the term “strategic purchasing” may be used and understood differently across stakeholders. This document provides a brief overview of the definition of strategic purchasing and its importance to health financing reforms for UHC.

The Strategic Purchasing for Primary Health Care (SP4PHC) project aims to improve how governments purchase primary health care (PHC) services, with a focus on family planning (FP) and maternal, newborn, and child health (MNCH). The project is implemented by ThinkWell in collaboration with government institutions and local research partners in five countries: Burkina Faso, Indonesia, Kenya, the Philippines and Uganda. SP4PHC is supported by a grant from the Bill & Melinda Gates Foundation.

### WHAT IS STRATEGIC PURCHASING?

**Purchasing refers to how institutions controlling pooled funds – like ministries of health and health insurance agencies – allocate them to healthcare providers** (World Health Organization 2000). As countries implement strategies to deliver UHC, they are undertaking health financing reforms to mobilize more financing for health and ensure that available funds for health are used optimally and equitably. Strategic purchasing aims to support the second objective.

**Making purchasing more strategic involves basing purchasing decisions on information about provider behavior and population health needs in order to maximize health system goals** (World Health

Organization 2010). Therefore, strategic purchasing reforms typically involve improving the way ministries of health, health insurance agencies, and other purchasers make key decisions about the interventions they cover, the providers they contract, and payment methods in order to improve access, equity, efficiency, quality of care, and financial protection (see Figure 1).

### WHY FOCUS ON STRATEGIC PURCHASING?

**The history of health system development in the post-colonial period follows a similar track in many low- and middle-income countries.** Most of these countries created large networks of public facilities and paid for service delivery through government line-item budgets to cover salaries, commodities, operating costs, etc. (Vilcu, Mbutia, and Ravishankar 2019).

Out-of-pocket payments remained the norm for private sector services, and user fees for public sector services were introduced during structural adjustment reforms in the 1980s (Gottret and Schieber 2006). Vertical programs – often primarily

Figure 1. Defining purchasing

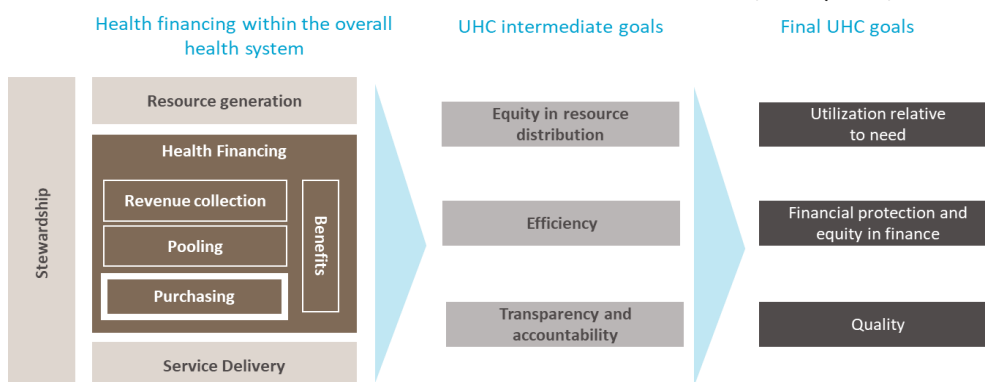
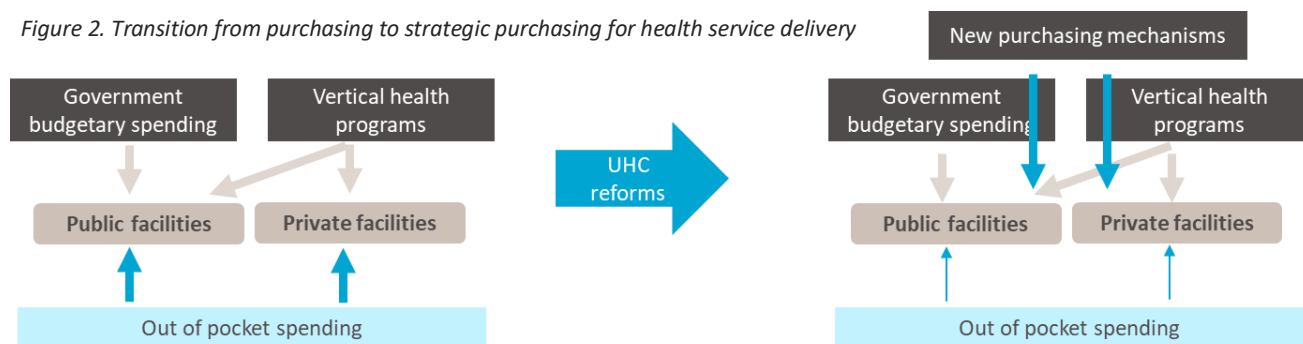


Figure 2. Transition from purchasing to strategic purchasing for health service delivery



financed by donors – also channel subsidies into the health system. Health systems managing this complex set of purchasing mechanisms are too often characterized by weak public sector delivery, financial barriers to access health services by the poor, and the instability of external support posing a risk to the sustainability of high priority health areas (Gautier and Ridde 2017).

**As countries develop and implement strategies to address these challenges and to achieve UHC, they are focusing on three inter-related objectives** (World Health Organization 2010):

1. Mobilizing more resources for health
2. Reducing financial barriers to access and increasing financial protection
3. Using available funds optimally to achieve health system goals

**Making purchasing more strategic is integral to the third objective of getting “more health for the money.”** It can serve as a lever for:

- Aligning incentives to improve service delivery in the public sector
- Using public funds to purchase services from the private sector, and so improving access
- Alleviating reliance on vertical health programs to improve efficiency
- Reducing out-of-pocket payments to improve financial protection and equity

**UHC reforms are often characterized by adding new purchasing mechanisms to existing structures.** These new mechanisms may include expansion of national health insurance, community-based health insurance (mutuelles), performance-based financing, and user fee replacement programs (gratuité), all of which link payment to data on service delivery and may be associated with UHC reforms (Figure 2) (Lagomarsino

et al. 2012; Meessen et al. 2011; Chu, Kwon, and Cowley 2019; Gautier and Ridde 2017).

### MAKING PURCHASING MORE STRATEGIC

**Making purchasing more strategic is a process.** The design and implementation of purchasing reforms should be evidence-based, take context into consideration (political, social, cultural, institutional), and engage a wide range of health system actors. Purchasing can align incentives between the government and health care providers to encourage desired behaviors, but incentives should be understood beyond financial rewards. Instead incentives should consider the whole system of rewards and sanctions that control and influence behavior. Careful consideration of the interaction of new purchasing mechanisms with existing mechanisms is essential, and the design of purchasing mechanisms should be the result of on-going and deliberate decision-making processes around how to best achieve a set of prioritized health outcomes.

**Strategic purchasing serves to link mobilized resources for UHC and the delivery of quality health services.** As countries design and implement purchasing mechanisms to promote quality, efficiency, equity, and address the health needs of the population, this accelerates progress towards meeting the goals of UHC.

SP4PHC is a project that ThinkWell is implementing in partnership with government agencies and local research institutions in five countries, with support from a grant from the Bill & Melinda Gates Foundation. For more information, please visit our website at <https://thinkwell.global/projects/sp4phc/>. For questions, please write to us at [sp4phc@thinkwell.global](mailto:sp4phc@thinkwell.global).

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