



Private Capacity, Public Payment:
Private business participation in
government initiatives to improve access to critical health
services
Executive Summary

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This report presents findings from a research project called Private Business Participation in Government Initiatives to Improve Access to Critical Health Services implemented by Insight Health Advisors to study policy initiatives through which governments pay private providers to deliver health services to men and women living in poverty in Kenya, Uganda and India. The project is funded by the BEAM Exchange, which serves as a platform for sharing knowledge and learning about market systems approaches for reducing poverty and is supported by the UK Department for International Development and the Swiss Agency for Development and Cooperation.

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Executive Summary

Private health companies often do not understand government policies designed to engage the private sector. Moreover, they often lack the skills and capacity to qualify to participate in these initiatives. This research project focuses on policy initiatives used by governments in low and middle income countries (LMICs) to pay private health providers to deliver health services to the poor. It seeks to provide new thinking on financial opportunities available to private health care providers through such government policies, and the challenges they confront in trying to participate in these policy mechanisms. The knowledge resulting from this research programme will help private health providers in LMICs become more viable, reach scale, inform governments on strategies to make their policies targeting private health providers more effective, and guide market practitioners on the type of market interventions that make health services more accessible to the poor.

To capture the dynamics between public and private sectors in health, the research team used a health markets approach to guide the selection and analysis of mechanisms or policy tools that governments use to engage private sector players in health. Through a detailed desk review of existing studies and databases compiling examples of market-oriented health programmes as well as interviews with experts, we developed four policy case studies:

- (1) health vouchers
- (2) government health insurance schemes
- (3) co-location of healthcare services, and
- (4) service contracting.

For each policy type, we explored country examples from Kenya, Uganda, and India using both published documents and key informant interviews.

The literature review and qualitative interviews revealed several areas where government and private providers experience

challenges when trying to work together. Firstly, there is an information gap resulting from **government and private providers not sharing information** as well as the absence of established mechanisms or frameworks to facilitate these information flows.

Secondly, **weaknesses in management capacity on both sides** pose a critical challenge for formal contractual engagement between governments and private providers. Government agencies and private providers lack technical knowledge and skills in all aspects of contracting, financial management, and performance monitoring. Moreover, ministries of health in many LMICs are often playing a dual role of regulator and provider of health services, which impedes their ability to create and manage competition in health markets.

Thirdly, **insecurity in the funding environment** impacts the implementation of government policy mechanisms for engaging private providers. The government budget process introduces annual uncertainty and, to make matters worse, governments often under-estimate the costs of service delivery by private providers and delay reimbursements or contractual payments. Many health programmes in LMICs rely heavily on donor financing, which ebbs and flows thereby introducing additional uncertainty.

A fourth type of challenge stems from a **mismatch in organisational styles and differences in priorities and motivations** between government institutions and private providers. For example, the private sector finds government processes to be slow and bureaucratic.

These four areas are discussed extensively in the literature. A fifth challenge – **corruption** – emerged as a critical issue in the key informant interviews even though it is relatively under-emphasised in the literature. The case studies highlighted four types of corruption: fraud on the part of private providers, corrupt practices

by government purchasers of services, fraud committed by beneficiaries, and finally collusion between any of these actors.

Based on the interviews, we offer the following recommendations to government, private providers, development partners, and market practitioners:

Governments

- **Consult more with the private health sector.** A lack of communication between the public and private sectors fuels mistrust and competitiveness. There is increasing evidence from other economic sectors, as well as developed country ministries of health (MOHs) that strategies for fostering greater dialogue and alignment between both sectors, can be more widely shared and adopted.
- **Move towards formal policy arrangements that include standard operating systems and procedures.** Governments should consider including private sector providers in policy design, creating standardised procedures and templates that will increase transparency and predictability, and making information on how policies operate more widely available.
- **Integrate best practices into policies and procedures.** In addition to learning the mechanics of how to implement a policy tool, it is equally important to take note of the best practices learned with time and experience such as designing service contracts to include clear steps to resolve conflict between partners, using monitoring data to benchmark important features of a service contract, and automating key functions to decrease transaction costs. Including best practices will increase the likelihood of the policy tool's effectiveness.
- **Invest in government capacity to administer the new operating systems.** To effectively use the different tools of government, MOHs will need to invest in building skills in these new tools. MOHs may also need to hire staff with a different skills base and technical profile.
- **Address funding insecurity.** It is critical for a government to assure private providers that they will get paid and

on time or else they will not attract any partners in their policy mechanisms. Steps to create a more predictable funding environment include conducting costing studies to better understand the funding level needed and automating claims processing to ensure providers are reimbursed regularly and on time.

Private Health Providers

- **Actively pursue the MOH.** The private sector can seek out different opportunities to engage and interact with governments to: better understand their perspective on the private provision of health; learn about new policies that will directly affect the private health sector; and future opportunities for partnership with the government.
- **Organise into representative bodies.** Following the example of countries like Uganda, Tanzania and Kenya, private providers in developing countries should establish representative bodies that can perform important functions for their members, such as conducting market research in key health markets, monitoring health markets, and negotiating terms of government contracts on behalf of their members.
- **Build organisational capacity to become effective partners.** In addition to having clinical expertise, a private provider also needs administrative and management capacity to respond to tenders and to manage government contracts. Private providers can take the initiative to strengthen financial and administrative systems, better understand and manage their costs, and train their staff in key areas related to contracting.

Development Partners

- **Strengthen MOH capacity to strategically purchase health services from private providers.** Development partners can provide technical assistance to developing country MOHs to establish the policies and organisational arrangements needed for contract management and build their capacity to effectively implement and manage government tools.
- **Assist private health providers to**

organise as a sector. Areas of support include helping private firms form associations and organisations, building these groups into mature entities that effectively represent the private sector in policy and planning, as well as strengthening private provider capacity in contract management.

- **Use facilitation approaches to support better communication between public and private actors.** Information gaps and poor communication were common challenges across the case studies. This can be addressed through both formal mechanisms for public-private dialogue, and support for more effective communication at different levels of the system.
- **Avoid distorting markets and creating funding uncertainty.** Market distortion is a particular risk in the health sector where the provision of goods, subsidies, and grants are common. While there are times when it is appropriate for donors to make direct interventions in order to achieve critical public health objectives, donors should understand how their programmes may impact health markets (e.g. crowding out), weigh the health benefits with the long-term sustainability consequences and include an exit strategy from the outset of the project.
- **Patience and flexibility are the keys to programme success.** Market systems programmes in other economic sectors have shown that facilitating change takes time, often more than six to ten years. Achieving short-term impacts need to be balanced with indirect interventions that take time but produce lasting benefits for the health system and men and women living in poverty.

International Health Practitioners

- **Support MOH to better understand private health actors.** When conducting research or providing technical assistance, take the time to gather information on private health sector activities, integrate private sector data into research and programme design, and invite and involve private sector stakeholders to technical workshops, conferences and briefings.
- **Work with promising private sector**

interventions to share successful business practices. The literature identified sound practices that increase the likelihood that a private health business will succeed financially. Health practitioners can play a critical role in documenting and disseminating learnings from successful business and policy models.

- **Rethink the approach to policy tools and implementation.** The international health community needs to think in terms of using government policy tools to strengthen the whole health system – not just public health services.

