Provider Payment Methods in Health Financing

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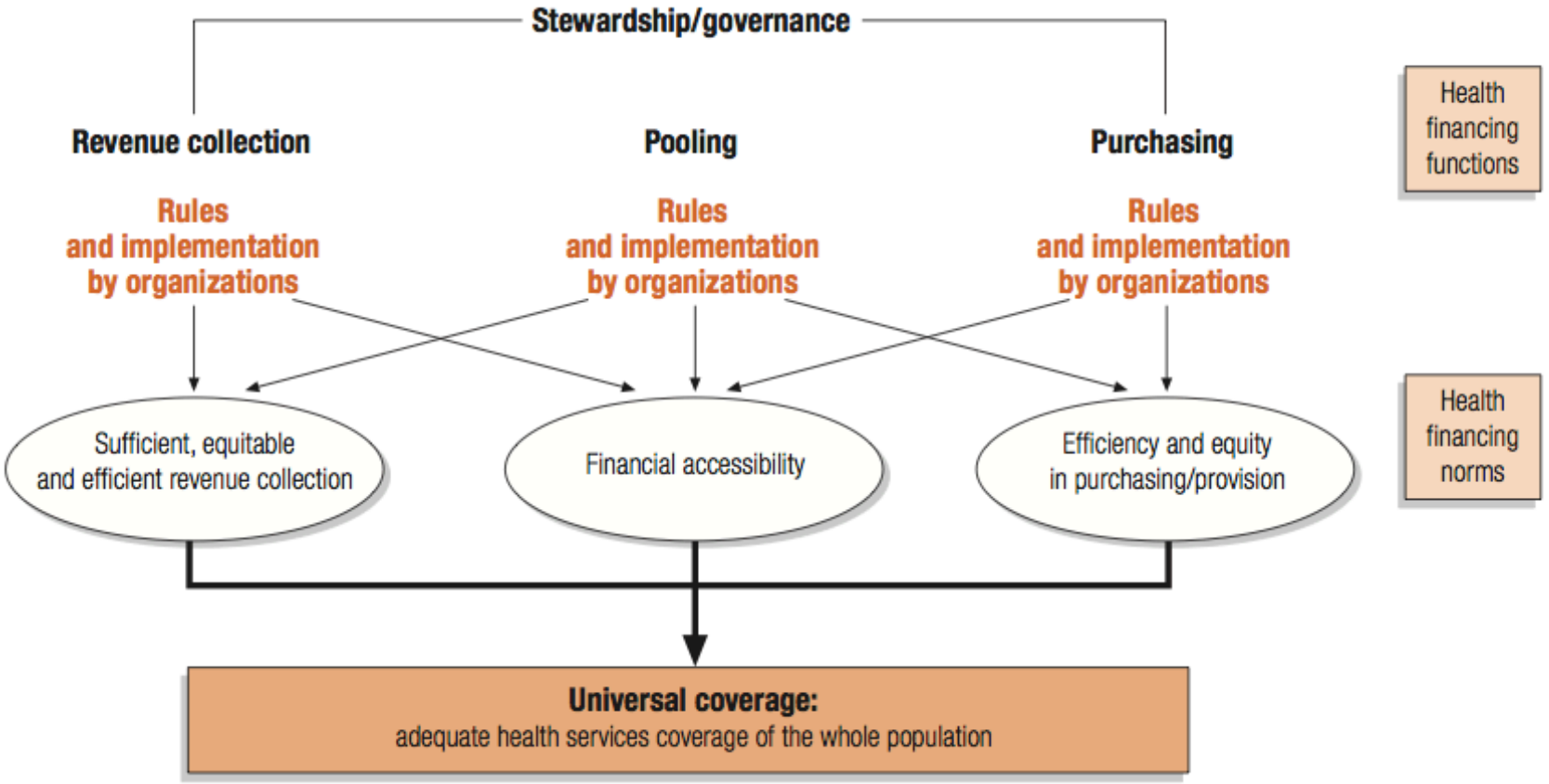
Outline

- Ensuring Sustainability of Health Financing
- Roles of Strategic Purchasing
- Types of Provider Payment Method
- Retrospective Payment
  - Fee-For Service
  - Per-Diem Payment
- Prospective Payment
  - Global Budget
  - Line-Item Budget
  - Casemix /DRG
- Conclusion

Health Financing Framework



Ensuring Sustainability of Health Financing Programme

- Administrative Cost
  - Low administative cost
    - Should not be more than 10% of operating cost
- Control of moral hazards
  - Effective and efficient ways of controlling moral hazards
    - Consumers: Co-payment
    - Providers: Utilisation Review, Medical Audit
- Efficient provider payment mechanism
- Regular Review the Benefit Package
    - Include new services
    - Exclude non-essential services
- Accepted by Stakeholders

Cost of Breast Cancer in PPUKM (RM)

Types of Cases	Medical Cost	Surgical Cost	Total	% of Percapita GDP
Uncomplicated	2,052	4,069	6,121	21.0
Minor Complications	2,625	10,132	12,757	43.8
Major Complications	7,098	12,614	19,712	67.8

Cost of Radiotherapy PPUKM (RM)

Types of Cases	ALOS (Days)	Mean Cost	% of Percapita GDP
Uncomplicated	3.0	1,109	3.8
Minor Complications	6.5	2,403	8.3
Major Complications	13.1	4,483	15.4

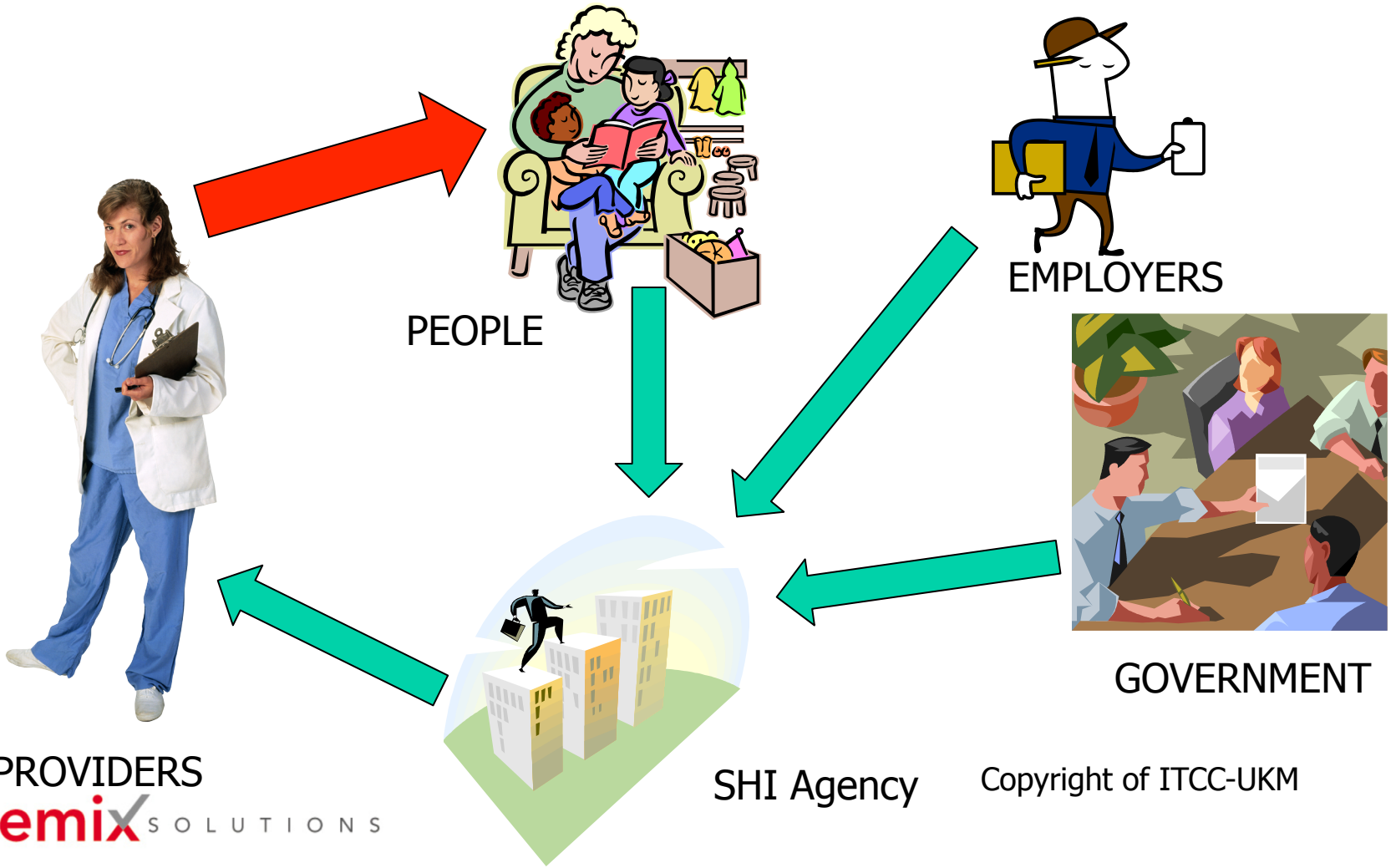
Cost of Chemotherapy PPUKM (RM)

Types of Cases	ALOS (Days)	Mean Cost	% of Percapita GDP
Uncomplicated	3.2	1,191	4.1
Minor Complications	5.0	1,848	6.4
Major Complications	12.2	8,136	27.9

Moral Hazards in SHI (Indonesia)

Dependent Variables		No	%
Moral Hazards			
Up Coding	*Up Coding*	43	**11.9**
	No *Up-Coding*	317	88.1
Readmission	*Readmission*	10	**2.8**
	No*Readmission*	250	97.2
Unnecessary Admission	*Unnecessary Admissions*	64	**17.8**
	Necessary Admissions	296	82.8
Total		360	100

Social Health Insurance



Importance of Provider Payment Mechanisms

- Cost Containment Measures
  - Enhance Efficiency
- Influence Provision of Services
  - Incentives or disincentives
    - Preventive vs Curative Services
    - Basic Health Services
- Influence Quality of Care
  - Technical Quality
  - Client Satisfaction
- Viability of Health Financing Scheme
  - Disbursement of funds

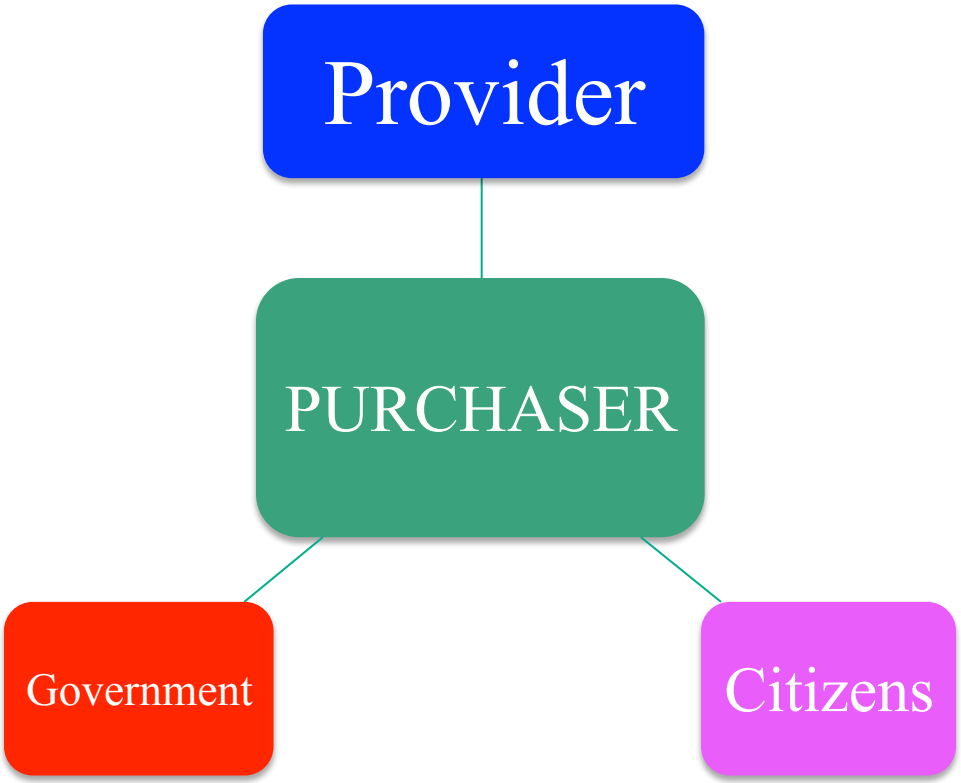
Strategic Purchasing

- Purchasing: allocation of pooled funds to providers that deliver goods and services in the covered population
- **Strategic Purchasing**: Active, evidence-based engagement in the defining service-mix and volume, and selecting the provider-mix in order to maximise societal objectives

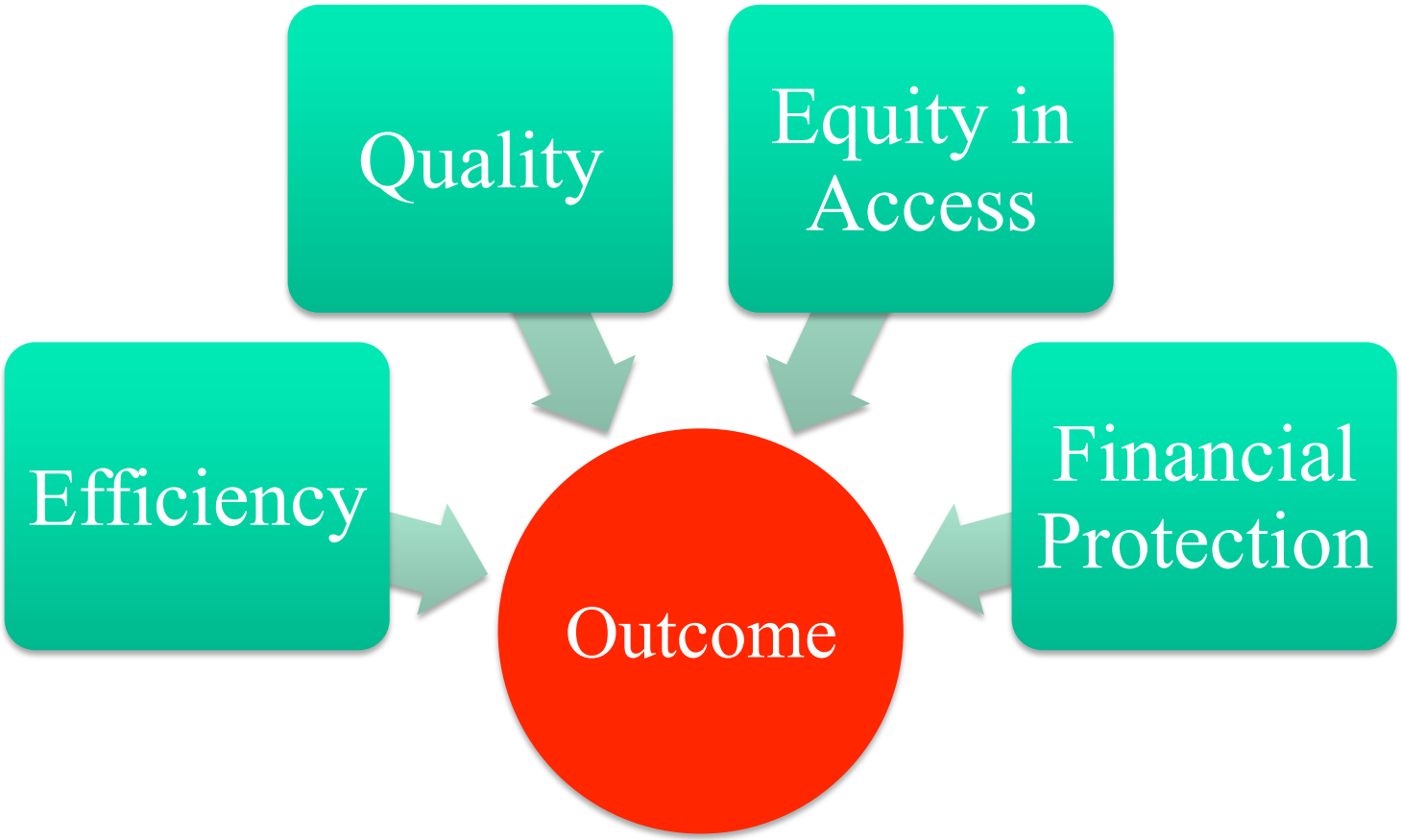
Strategic Purchasing

- Three Decisions in Purchasing
  - Identify the services to be purchased
    - Take into account population needs, national priorities and cost-effectiveness
  - Select the service providers
    - Consider service quality, efficiency and equity
  - Determine how services will be purchased
    - Contractual Agreement and Provider payment

Strategic Purchasing



Strategic Purchasing: Outcome



Provider Payment Mechanisms

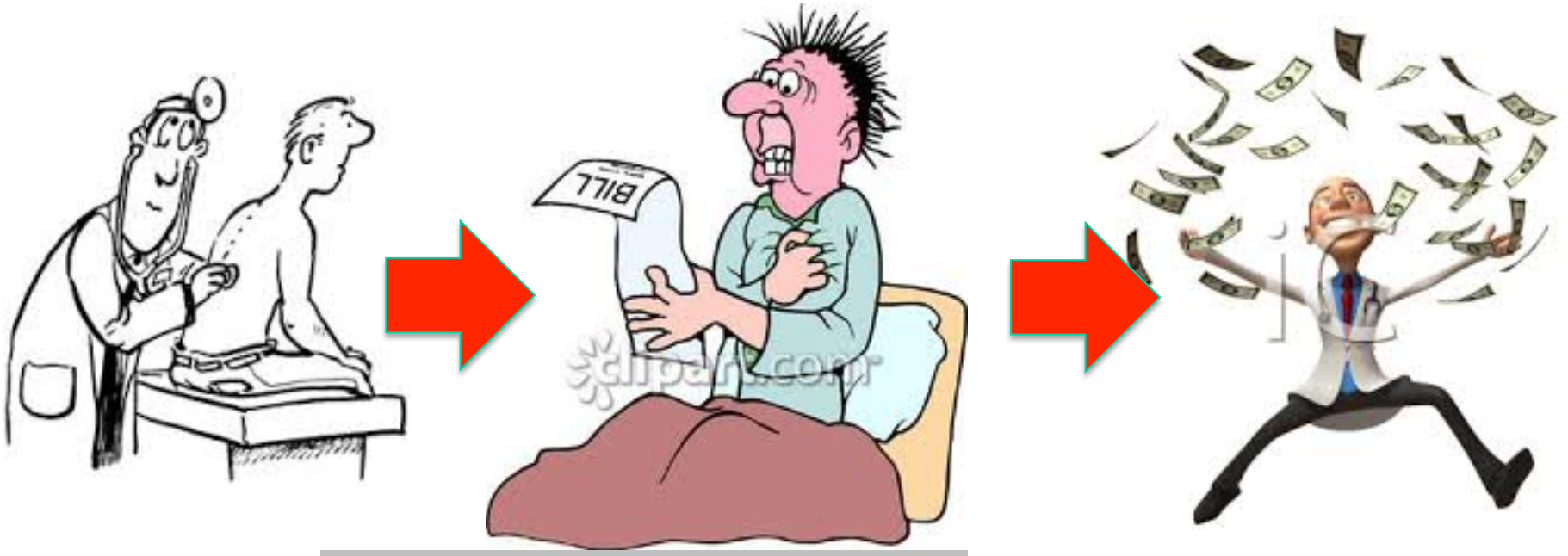
- Retrospective Payment
  - Payments are made or agreed upon after provision of services

- Prospective Payment
  - Payments are made or agreed upon in advance before provision of services

PROVIDERS' REIMBURSEMENT: Prospective Payment

- Capitation payment
- Global budget
- Casemix payment

Retrospective Payment



- Fee-for-service
- Payment per itemised bill
- Payment per diem

Payment Methods: Retrospective vs Prospective

Retrospective

- Fee-for-service
- Payment per itemised bill
- Payment per diem

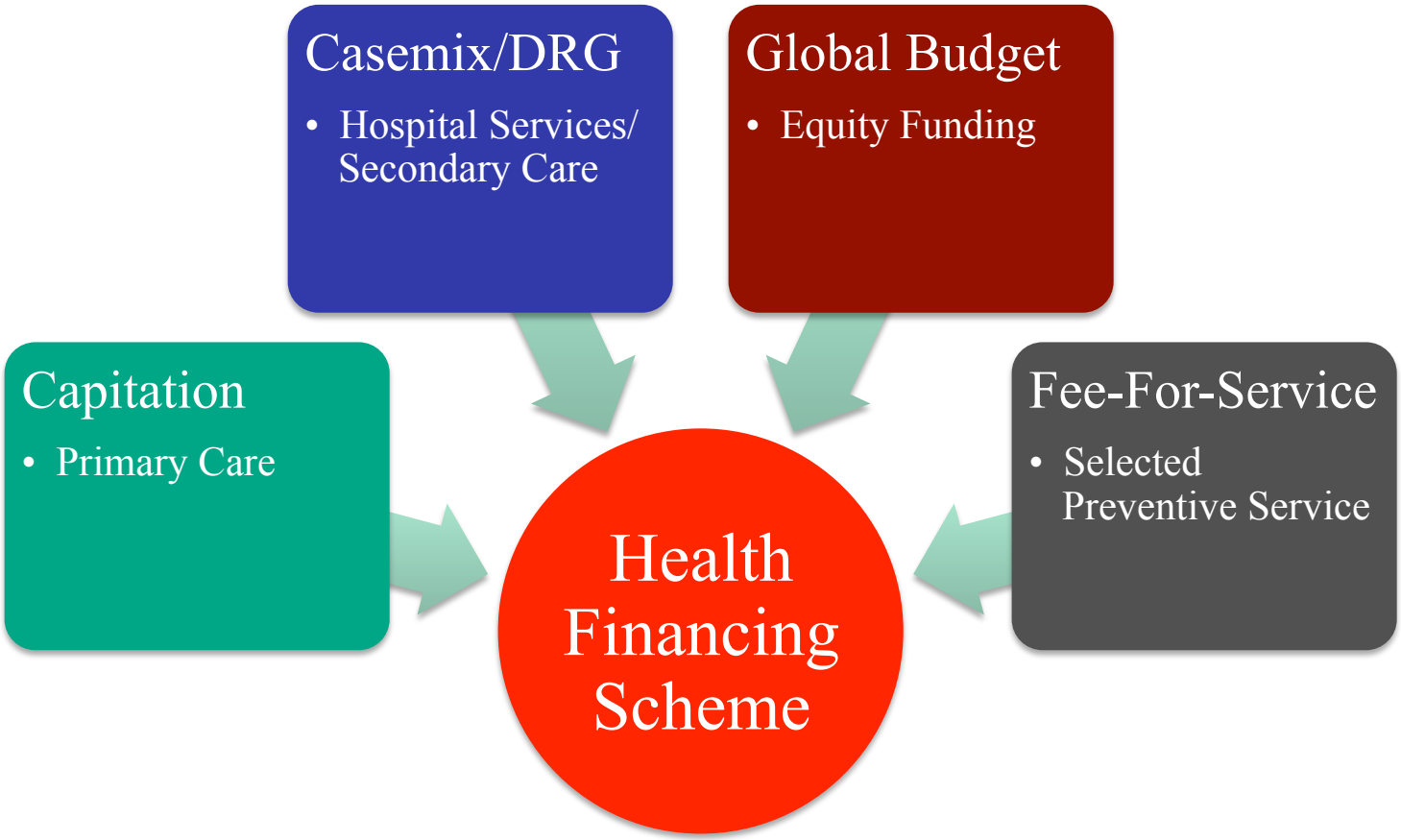
- Strengths
  - Favoured by providers
- Weaknesses
  - Prone to supplier induced demand
  - High Administrative cost

Prospective

- Capitation payment
- Global budget
- Casemix payment

- Strengths
  - Good cost containment
  - Low admin cost
- Weaknesses
  - Need high technical capacity to develop
  - Reduce Providers clinical freedom (need to legislate)

Use of Combination PPM



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Issues of Health Reform in Malaysia

Health in Southeast Asia 6

Health-financing reforms in southeast Asia: challenges in achieving universal coverage

Viroj Tangcharoensathien, Walaiporn Patcharanarumol, Por Ir, Syed Mohamed Aljunid, Ali Ghufron Mukti, Kongsap Akkhavong, Eduardo Banzon, Dang Boi Huong, Hasbullah Thabrany, Anne Mills

In this sixth paper of the Series, we review health-financing reforms in seven countries in southeast Asia that have sought to reduce dependence on out-of-pocket payments, increase pooled health finance, and expand service use as steps towards universal coverage. Laos and Cambodia, both resource-poor countries, have mostly relied on donor-supported health equity funds to reach the poor, and reliable funding and appropriate identification of the eligible poor are two major challenges for nationwide expansion. For Thailand, the Philippines, Indonesia, and Vietnam, social health insurance financed by payroll tax is commonly used for formal sector employees (excluding Malaysia), with varying outcomes in terms of financial protection. Alternative payment methods have different implications for provider behaviour and financial protection. Two alternative approaches for financial protection of the non-poor outside the formal sector have emerged—contributory arrangements and tax-financed schemes—with different abilities to achieve high population coverage rapidly. Fiscal space and mobilisation of payroll contributions are both important in accelerating financial protection. Expanding coverage of good-quality services and ensuring adequate human resources are also important to achieve universal coverage. As health-financing reform is complex, institutional capacity to generate evidence and inform policy is essential and should be strengthened.

Lancet 2011; 377: 863–73
Published Online January 25, 2011
DOI:10.1016/S0140-6736(10)61890-9
See Comment page 792
See Comment *Lancet* 2011; 377: 355, 534, 619, and 700
See Online/Comment DOI:10.1016/S0140-6736(10)62140-X
This is the sixth in a Series of six papers about health in southeast Asia

International Health Policy Program, Ministry of Public Health, Nonthaburi, Thailand

Introduction

particularly for countries whose government fiscal

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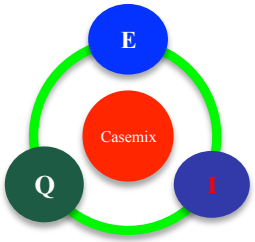
Lancet (2011): 377: 863-873

Conclusion

- Provider payment is an element component of health financing schemes
- Strategic purchasing concept should be applied in designing efficient and effective PPM
- Retrospective payment is more likely to be favoured by providers but is prone to supplier induced demand
- Prospective Payment method has good cost containment measures but need to be implemented with good legal framework
- Combination of different payment methods may be the best solutions for national health financing scheme



Thank You

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