

Governance and Informal Payments in Public Health Care Delivery

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Outline of Presentation

- Why is governance an issue in health care?
- What makes good institutions and why is it relevant to performance in health systems?
- Relevance to informal payments

Why is governance an issue in health care?

- Health systems are the institutions that deliver health care
- Good governance underlies performance in health care delivery
- The focus on health care has been on raising financing and ensuring inputs: critical but not enough
- Health care delivery effectiveness is critical, and institutions underlie ability to deliver

What are the problems in public health care delivery in developing countries?

- Lack of performance measures to examine how resources are used and programs are implemented
- Poor quality services: provider absenteeism; lack of professional administrators; lack of drugs and supply; no oversight or accountability
- Inefficiency: financial and operational mismanagement; distorted incentives
- Corruption: theft, inappropriate procurement; informal payments
- Few direct incentives for sound performance
- No accountability: to government officials, parliaments, regulators or citizens

Building sound institutions in public health care delivery entails:

- Having **standards, basic information on performance, incentives** for good performance, and
- **Real accountability**, where “**officials are called to account and to answer for responsibilities and conduct**” (OED 1989)
--- consequences for performance
- Avoiding corruption: “**use of public office for private gain**”

Governance and Corruption in Health

- Critical to effective programs and to ensuring impact of public spending
- Not typically addressed in health
- Line between mismanagement and corruption blurred
- Spending often occurs even when there are indications of poor governance

Accepted Governance Definitions

- Governance:
 - Capacity of government to formulate policies, manage resources and provide services
 - *Process that allows citizens to select, hold accountable, monitor and replace government*
 - *The respect of government and citizens for the institutions of government (KKM)*
- Corruption: “use of public office for private gain” of “sale by government officials of government property for personal gain” (Bardhan 1997)

Key performance incentives

- Payment systems critical as they provide incentives for performance of
 - individuals (physicians, nurses), and
 - facilities (hospitals and clinics)
- Management accountability
- Reward individual and system performance
- Corruption control



Informal payments affected by all of these

Health facility performance: payment systems matter

Payment mechanism	Definition	Payment system objectives				Comment
		Equity across patients	Delivery efficiency	Patient satisfaction	Cost containment	
Global budget	Fixed annual amount with flexibility in allocations	+	+	+	++++	No incentives for efficiency but ceiling on spending
Line item budget	Fixed annual amount with predetermined allocations	+	-	-	++++	Similar to global budget but more restrictive; prevents management discretion
Per-diem	Facility paid a daily rate	++	+	++	-	Encourages long lengths of stay
Capitation	Fixed fee paid per patient	+	-	-	+++	All patients and illnesses reimbursed equally
Prospective payments (eg. DRG)	Payment based on charges for “bundled” services determined by diagnosis	++++	+++	+	+++	Promotes efficiency through lump sum payments for all services and cost containment
Fee-for-service	Facility sets prices and charges (patients) for each service	-	++	++++	-	Providers have incentive to provide unnecessary services to please patients

Note: Scale is – to +++++.

Source: Authors based on Lagenbrunner and Wiley (2002).

Informal payments

compromise health policy

levers

- Revenues accrue to individuals rather than the health system
- Rewards or discipline of public system bypassed so incentives have little or no impact
- Performance distorted: individuals benefit but system is exploited and overall performance cannot be raised
- Allows corrupt practices to take hold
- Undermines equity objectives

Reasons for informal payments

- Jump the queue
- Obtain enhanced or preferred care
- Providers demand direct payment to provide any service
- Insurance for future medical needs
- Creates incentives for provider to meet patient's needs and makes them accountable to the patient

Proportion Making Informal Payments Among Users

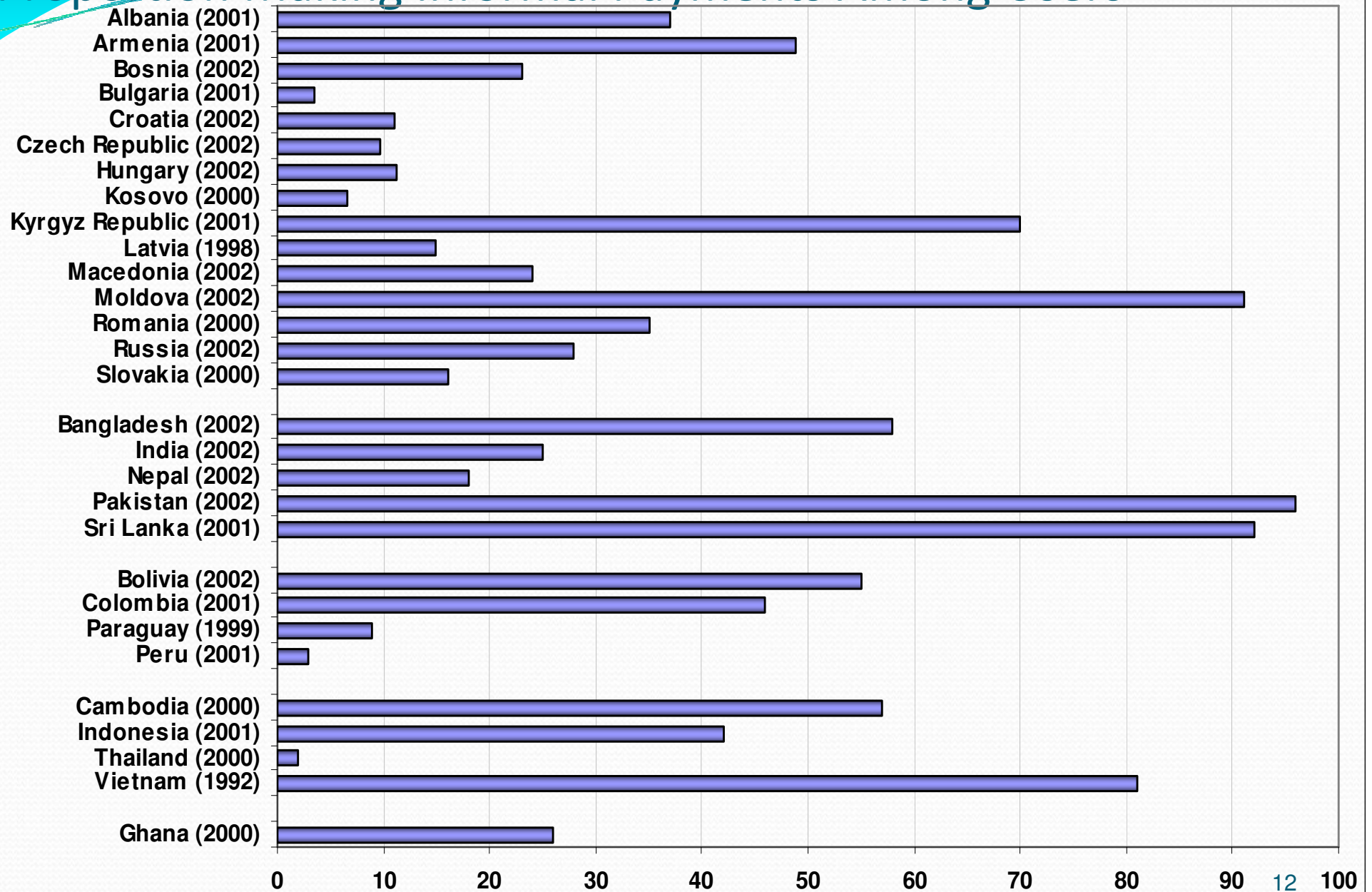
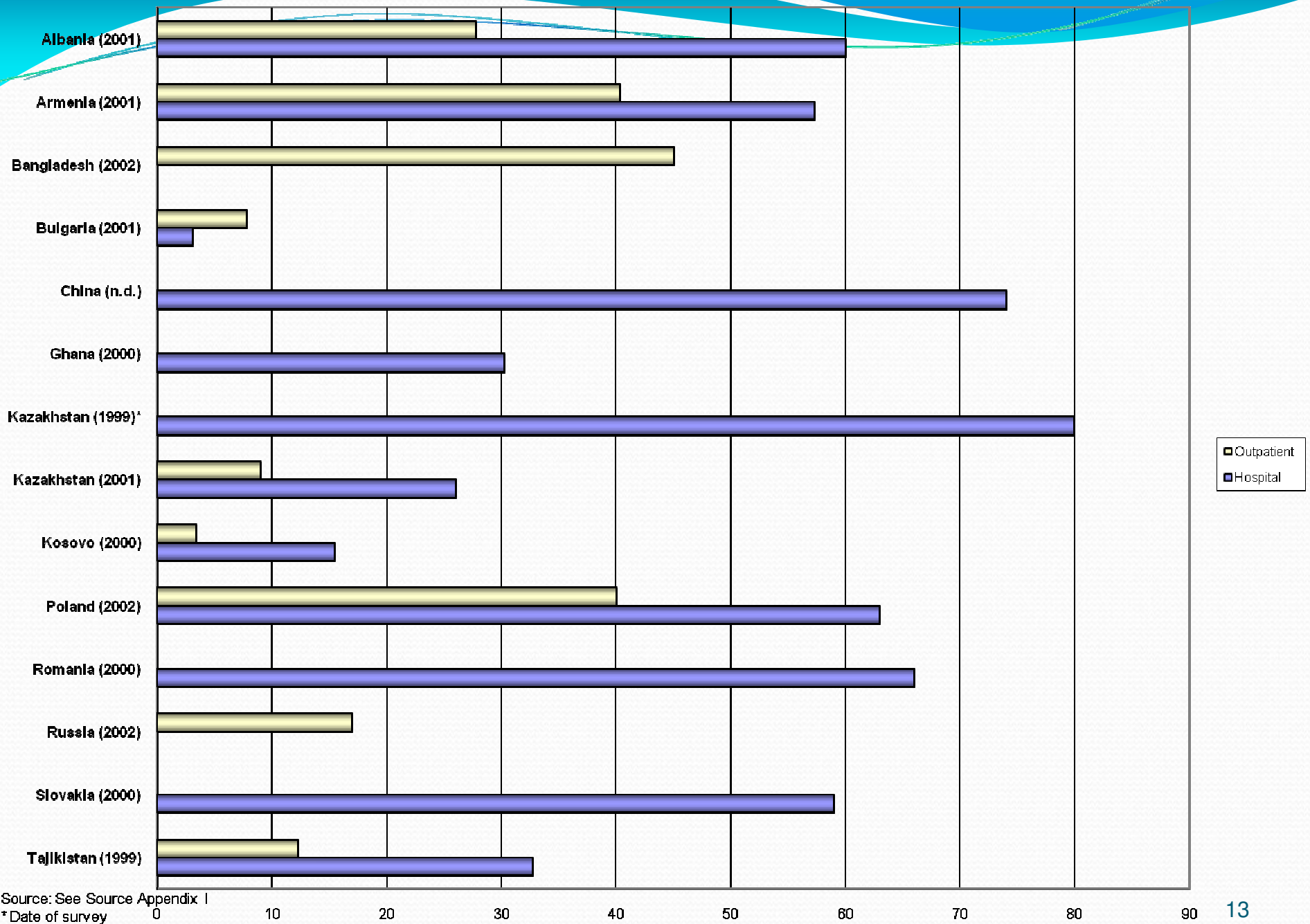
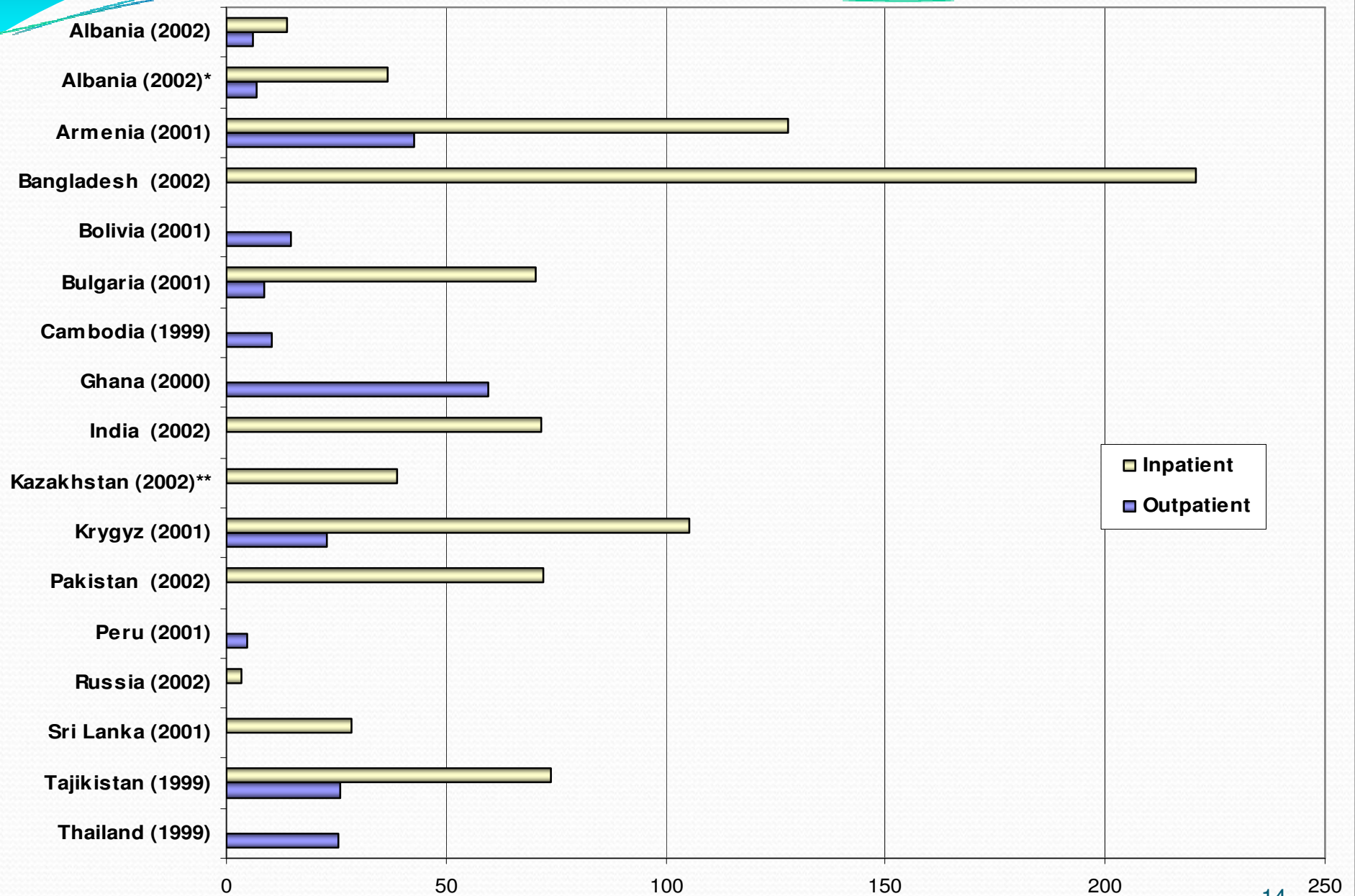


Exhibit 2. Proportion of Patients Making Informal Payments by Type of Service, Selected Countries



Source: See Source Appendix I
 * Date of survey

Informal Payments as % of Half-monthly Income



What to do? Individual providers

- Higher salaries not necessarily effective
- Reward and discipline staff to offer incentives for health workers:
 - recruitment and promotion criteria; and
 - capable management more important
- Raise accountability (hire, redeploy, fire staff locally)
- Discard seniority as basis for pay and promotion and shift to merit (but need evidence on performance)
- Realign provider payment system to link performance/productivity and pay

Facility performance

- Performance measures hamstrung by an absence of performance incentives, lack of managerial authority and accountability, poor data, and no benchmarks
- Payment system critical – DRGs, bundling payments
- DiTella and Savedoff (2000) summarize corruption in LAC hospitals
- Need to reward and discipline managers (Brazil, Argentina)
- Central America innovation

Improve government effectiveness

- Increase audit by central government and autonomy of local government to ensure following of financial procedures
- Address who pays: raise formal fees and ban informal payments – make providers accountable
- Contract out services with pay-for-performance
- Citizen “report cards”
- Local oversight may be helpful
- Make government accountable to communities/national government/oversight board

Conclusions

- Returns to health investment may be very low with corruption and low effectiveness
- Informal payments are impediments to effective public health care system
- Institutions matter: health systems cannot be divorced from efforts to improve governance
- Institutional factors need to be strengthened along with spending to improve performance
- Need more evidence to guide public system, to ensure appropriate incentives and accountability

Based on:

Governance in health Care Delivery: Raising Performance

World Bank Policy Research Working Paper No. 5074 (2009)

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THANK YOU