



REPUBLIC OF KENYA
EXECUTIVE OFFICE OF THE PRESIDENT

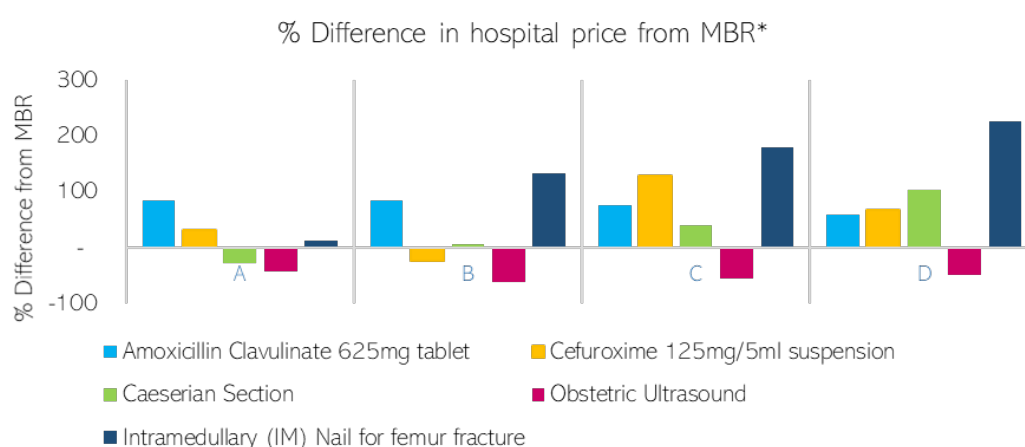
PROVIDER PAYMENT MECHANISMS IN PRIVATE HEALTH SECTOR

Introduction

Payment mechanisms adopted by purchasers to strategically allocate resources have the potential of creating incentives for efficiency and quality in healthcare delivery.

Case Analysis

Figure 1: Percentage variance in hospital price of tracer interventions from the Median Base Rate (MBR)



*Median Base Rate- median recommended price for the intervention

Note: Hospital A, B & C are owned by one holding company.

1. Most services reimbursed through fee for individual service were more expensive relative to the recommended prices.
2. Facilities with predominant fee for individual service reimbursement were more expensive than those with bundled services.
3. Operative services (Caesarian Section & Intra-Medullary Nail) had the highest variance from the recommended prices followed by medical prescriptions hence may be major drivers of medical inflation.
4. Operative services offered in bundled packages were relatively cheaper than when offered for as separate services.
5. All facilities only had retrospective reimbursements for services.
6. Ultrasonography was priced lower than the recommended rate across all the sampled hospitals. This signals the significant potential for providers to drive financial protection through pricing.

Stakeholder Appraisal

a. Providers

1. Payment delays and losses from defaults in payment strain liquidity and operations.
2. Retrospective Fee for service (individual service & bundled services) predominate reimbursements to providers.
3. Fee for individual service reimbursement models are a key driver of medical inflation.
4. Providers have implemented varying degrees of measures aimed at improving quality of care including accreditation by relevant regulatory authorities.
5. Enforcing quality standards has expensive components such as structural and human resource adjustments.
6. There is limited local capacity by auxiliary sectors such as architecture, engineering inter alia in supporting structural requirements for quality standards.
7. Poor training standards for healthcare workers pose a significant threat to quality of care.
8. There is limited awareness amongst providers and purchasers on the roles each can play towards enforcing quality and financial protection in service delivery.

b. Insurance

1. Invest in health insurance experts to help guide evidence-based costing, benefit package design, strategic purchasing and reimbursement models.
2. Adopt evidence-based benefits package design, costing and reimbursement.
3. Consider prospective reimbursements for select services to guarantee predictability and stability in medical costs.
4. Incentivize adoption of bundled packages as they engender in cheaper and more efficient services.
5. Embrace strategic purchasing of services from providers leveraging on their negotiating power.
6. Enforce the use of evidence-based standards of care by providers through service contracts, and utilization management reviews.
7. Incentivize transparency in dissemination of quality outcomes by providers.
8. Adopt technologies that will maximize system integration, end-end claims management, data analytics, disease coding inter alia in order to achieve efficiency in service delivery hence reduce administrative costs.

Recommendations

1. Develop laws and policies that are specific to the regulation of insurance practice in the health sector.
2. Leverage on existing legal provisions including part viii of the Insurance Act to incentivize financial protection and quality of care in the scale up of Universal Health Coverage in Kenya.
3. Incentivize and build capacity in health insurance experts to help guide development of policies that will incentivize efficiency, quality and financial protection by health insurers through evidence based costing, benefit package design, strategic purchasing and reimbursement models.
4. Enforce compliance to recommendations of the actuarial functions of respective insurers.
5. In liaison with respective healthcare training regulators, review pre-service training curricula in healthcare and health insurance training institutions with a view to emphasizing quality as a core component in service delivery.
6. Invest in in-service and pre-service training in quality assurance.
7. Institute and incentivize multisectoral engagements to support implementation of quality strategies including professional representatives of health, architectural, engineering, finance sectors inter alia.