TOPIC BRIEF

Is Performance-Based Financing a Pathway to Strategic Health Purchasing in Sub-Saharan Africa?

A Synthesis of the Evidence

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STRATEGIC HEALTH PURCHASING FOR UNIVERSAL HEALTH COVERAGE IN SUB-SAHARAN AFRICA

SPARC STRATEGIC PURCHASING AFRICA RESOURCE CENTER

The Strategic Purchasing Africa Resource Center (SPARC), a resource hub hosted by Amref Health Africa with technical support from Results for Development (R4D), aims to generate evidence and strengthen strategic health purchasing in sub- Saharan Africa to enable better use of health resources. SPARC and its technical partners created a framework for tracking progress in strategic health purchasing and are applying it in countries across sub-Saharan Africa to facilitate dialogue on what drives progress and to promote regional learning.

Performance-based financing (PBF) has been one of the most studied and debated health financing approaches over the past decade. The World Health Organization (WHO) defines PBF as "a form of service provider payment where financial incentives are directed only to healthcare providers (not beneficiaries) when they achieve pre-determined verified performance targets, often defined in terms of process or output indicators, adjusted by some measure of quality." The premise is that providers exert more effort when payments are tied to specific targets or results.

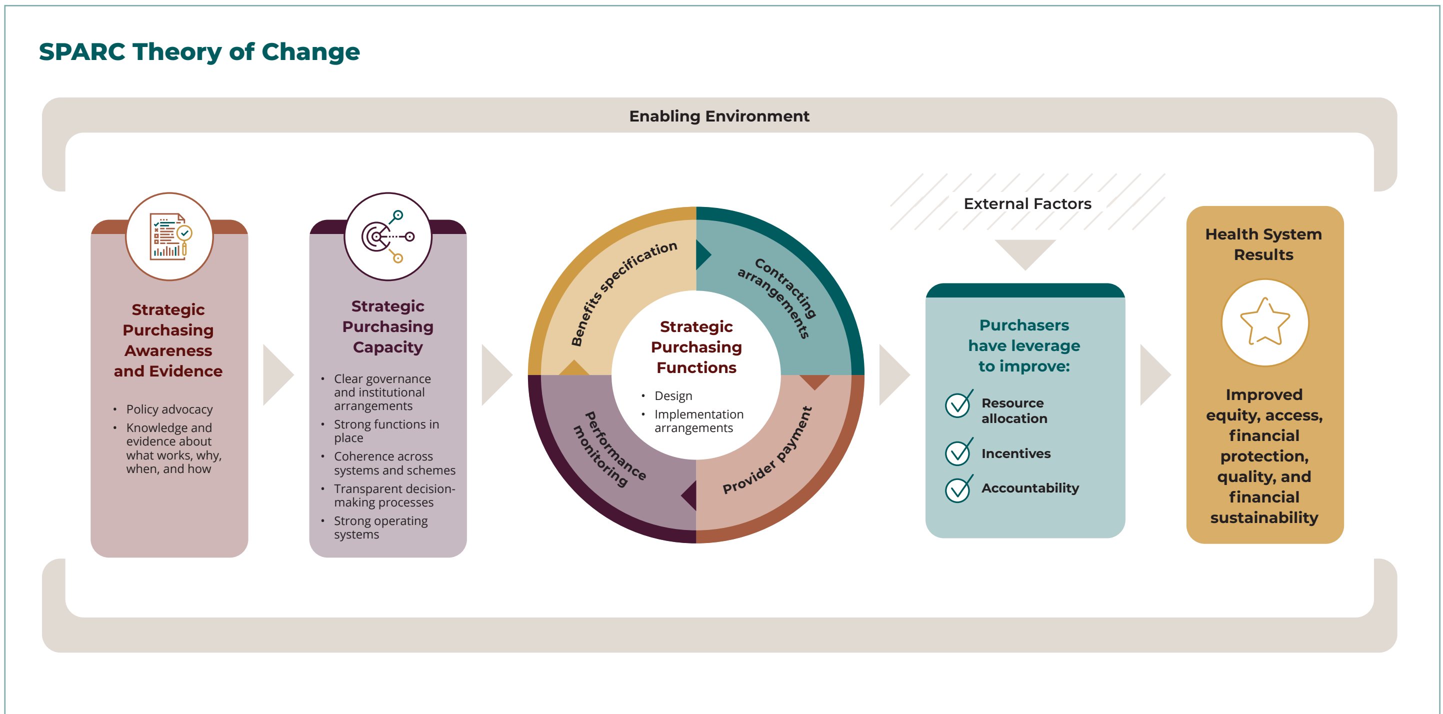
PBF has been widely adopted in low- and middle-income countries (LMICs), especially in Africa. This spread has been attributed in large part to advocacy by international agencies and nongovernmental organizations (NGOs). In sub-Saharan Africa between 2006 and 2017, the number of countries implementing PBF increased from three to 32 (out of 46), accounting for more than US$2 billion in expenditure.

Much of the debate and analysis relating to PBF has focused on questions of whether PBF "works"—that is, whether it leads to improvements in indicators tied to incentive-based payments. Global dialogue has increasingly called for PBF to be embedded in a country's broader health financing system, and some reviews have examined the interaction of PBF with the health system more broadly. As PBF schemes embody key elements of strategic health purchasing, there is also the question of whether PBF schemes can serve to strengthen strategic purchasing functions and systems more broadly in a country.

Objectives

The Strategic Purchasing Africa Resource Center (SPARC) and KEMRI Wellcome Trust conducted this evidence review to examine whether and how PBF influences strategic purchasing within a country's health financing arrangements, and what lessons can be drawn for countries that want to use PBF to improve strategic health purchasing more broadly. The findings and lessons learned are summarized below according to the SPARC theory of change, which depicts how awareness raising and evidence on strategic purchasing, institutional arrangements, governance, purchasing functions (benefits specification, contracting arrangements, provider payment, and performance monitoring), and the enabling environment work together to achieve health system results.*

* Data collection included examination of 39 peer-reviewed articles as well as grey literature—to synthesize evidence on whether and how PBF led to enhanced strategic purchasing arrangements in LMICs. The Strategic Purchasing Africa Resource Center (SPARC) theory of change guided the organization of research and analysis, and presentation of results. For more information on the SPARC theory of change, see *The SPARC Framework for Tracking Progress in Strategic Health Purchasing* (2021) at https://sparc.africa/wp-content/uploads/2021/05/SPARC_Topic_Brief_SHP_L8.pdf.



Findings and Lessons Learned

PBF has the potential to raise awareness about strategic purchasing, improve institutional and governance arrangements, and strengthen strategic purchasing functions, but in practice the effects are often limited in scope. With the exception of Burundi and Rwanda, PBF has been introduced in LMICs primarily as a separate health financing mechanism via pilot projects that run parallel to the rest of the health financing system, which has limited the effects of PBF on strategic purchasing to the PBF schemes themselves. PBF has not systemically transformed purchasing; rather, it has remained an add-on payment method with its own purchasing arrangements. Nonetheless, some lessons can be drawn from experience with PBF schemes to inform more systemic strategic purchasing efforts.

Raising Awareness and Advancing Policy Advocacy for Strategic Purchasing

The enormous amount of global attention on PBF over the past decade or more has coincided with increased awareness of strategic purchasing among policymakers in sub-Saharan African countries—sometimes using the language and concepts of strategic purchasing, and sometimes not so explicitly.

Strong advocacy for PBF by external actors—including international development agencies, NGOs, and international health financing experts—has led to the introduction of PBF pilots in LMICs, with some subsequent scale-up to national programs and policies. It has also pushed PBF to the forefront as a proposed solution to a range of health system challenges. While implementers across several African countries argue that the role of international donors in domestic decisions to implement PBF has been exaggerated, critics have noted that the interests of national actors may have been distorted, devaluing the role of national policymakers. In Cameroon, for example, studies show that international donors generated interest among national health officials and elevated PBF as a policy priority by paying a network of local experts to work on projects and push that agenda.

When PBF advocacy, design, and introduction are driven by external actors in a top-down manner, it reinforces perceptions that PBF is just another vertical program with low in-country support and ownership that lacks financial sustainability. Further, without inclusive consultation with range of actors, it can be difficult for PBF to gain traction. PBF can also focus policy dialogue away from broader processes of change when it is presented as a comprehensive approach that can address all aspects of the health system even while being implemented at the margin. At least one study showed that the policy dialogue surrounding the introduction of PBF in sub-Saharan Africa raised awareness of strategic purchasing more generally, but perhaps in a misleading way that equated PBF with strategic purchasing and kept the policy dialogue narrowly defined. This has likely contributed to confusion about the concepts of strategic purchasing, which also interferes with effective policy dialogue.

LESSON
1

Increasing awareness of strategic purchasing requires adequate and ongoing engagement with technical and political actors, particularly within a country's ministry of health. But advocacy should reach a range of local stakeholders—including frontline health managers, health workers, and community representatives—with messages that are tailored to the political and health system context.

Strengthening Governance and Institutional Arrangements for Strategic Purchasing

In some settings, PBF can have a positive impact on governance and institutional arrangements in the health sector by defining clearer accountability frameworks, separating key health financing functions, and clarifying roles and relationships among different actors. This is particularly true where health financing governance arrangements are weak, such as in post-conflict settings. However, external donors and international agencies often remain responsible for the purchasing role, at least temporarily, before that function is transferred to national agencies. This has been the case in a number of countries because the complexity of the programs has exceeded the institutional capacity of national agencies.

New parallel PBF agencies and operations can increase fragmentation in governance and institutional arrangements and can be challenging to integrate into national government structures. Even when the PBF functions are embedded in the ministry of health, fragmentation of institutional responsibilities can occur. In Sierra Leone, for example, the department within the Ministry of Health and Sanitation that is responsible for PBF was seen as isolated from the rest of the ministry and maintaining a bilateral relationship with donors. More recently, international partners have made explicit efforts to work with ministries of health and district health teams and leaders to avoid creating or exacerbating duplication and fragmentation. It is unclear whether eventual integration into national structures will help strengthen the capacity of domestic institutions to more effectively carry out health purchasing more broadly.

LESSON
2

Clear and streamlined institutional arrangements are needed that identify each of the purchasing functions that need to be carried out, which institutional player will carry out each function, and how.

LESSON
3

The institutional demands of strategic purchasing approaches, policies, and instruments should align with the capacity of national institutions to effectively carry them out. The level of sophistication of purchasing arrangements can evolve as institutional capacity grows.

Strengthening Purchasing Functions

BENEFITS SPECIFICATION. Benefits specification is an area where PBF can help strengthen purchasing by translating priorities into payment for and access to specific services. PBF specifies which service areas are tied to incentive payments, which can clarify which services are high-priority and improve citizen awareness of their entitlements. By defining a list of indicators for which a payment (or bonus) will be provided, PBF indirectly shapes the benefit package. In Burundi, for example, PBF was used in 2006 to implement a new government policy on free health care for pregnant women and children under age 5. Since PBF was implemented in Burundi, more than half of the services linked to PBF bonus payments have typically been included in the free services package. Furthermore, the PBF indicators added additional benefits specification to the free maternal and child health services—such as vaccinations for children under age 1 and pregnant women, four standard antenatal care visits, and institutional delivery by qualified staff. In many cases, however, the services linked to bonus payments in PBF programs are not aligned with government benefit packages in national health insurance systems or free care programs.

Where PBF is at least partially aligned with government-specified benefit packages, it is important to include a broad range of services to avoid perceptions that it is not another vertical program. Most PBF schemes focus on maternal and child health services based on national-level and donor priorities, and the service list is not always flexible enough to address local variations in health needs. In Zimbabwe, for instance, the failure of the PBF scheme's benefit package to account for local disease burdens, patterns, and outbreaks resulted in certain health facilities receiving relatively lower PBF bonuses, either all the time or during certain periods.

Finally, when PBF indicators are linked to a subset of priority services, health workers may focus on those targeted services over others in the package that are not tied to additional payment, particularly services that are easiest to increase in volume and therefore reap more bonus payments.

LESSON 4

Streamlined benefit packages, rather than multiple packages through different schemes, are more easily understood by beneficiaries and providers; they also create opportunity for coherent payment incentives. Benefits should clearly align with the health priorities of the country, but flexibility should be built in to accommodate sudden changes in priorities.

LESSON 5

By adding detail within benefits specification, the purchaser can provide clearer information to providers about what is expected in terms of service delivery standards and service quality.

CONTRACTING ARRANGEMENTS. PBF can improve contracting arrangements between purchasers and health care providers by introducing specificity. PBF contracts are typically a mutually agreed-upon document, at least between the fund holder and health care providers, which at a minimum outlines performance indicators (mostly quantity and quality of services), related payment amounts, and conditions for bonuses and sanctions. Contracting in PBF schemes has a greater impact on service delivery outcomes when the terms of contracts are clearly communicated and monitoring is cooperative, with the goal of supporting performance improvement (except in cases of blatant fraud). Performance feedback is important in strengthening the effects of contracting on provider performance and service delivery improvement. Conversely, failure to inform providers about expectations and terms of payment affects the quality of service delivery. In Burkina Faso, providers were not well informed about how contracts, indicators, and monitoring processes were to work, leading to minimal impact on service provision.

The evidence on whether PBF improves contracting as a purchasing function more broadly is varied, however. For instance, one study found that PBF improved contracting in the Democratic Republic of the Congo (DRC), which had a weak regulatory framework, but it added only a parallel layer in countries such as Zimbabwe and Uganda with stronger regulatory frameworks. Furthermore, when PBF contracting was done outside the public sector or within the public sector but not involving the national Ministry of Health, the schemes lacked national ownership and failed to progress beyond the pilot stage and therefore had minimal effect on improving contracting for health services overall.

LESSON 6

Contracts should be streamlined, as well as clear and precise about the responsibilities of each side, the terms of payment, and the process of implementation and enforcement.

LESSON 7

Contracts should be used as a tool to communicate priorities. Their implementation and enforcement should facilitate providing feedback on performance rather than punitive action (unless fraud is detected).

PROVIDER PAYMENT. PBF introduces payments for specific outputs as opposed to traditional input-based budgets. This can create incentives for providers to increase productivity and improve other aspects of performance. Many factors affect PBF incentives, including the size of payment for different services, the marginal cost to providers of delivering services, and workload. Payment delays can also affect incentives, with lengthy verification being the most common reason for delay in PBF schemes. Lack of transparency in bonus distribution has also led to perceptions of unfairness and dissatisfaction among health workers, which may affect performance and motivation. Further, when user fees are in place they can mute the power of payment incentives, contribute to incoherence, and pose a direct hindrance to the achievement of PBF performance targets because they create a financial barrier to accessing incentivized health care services. In Cameroon, the failure of PBF incentives to improve the use of maternity services was linked to patients' inability to afford the fees.

PBF has not significantly influenced overall provider payment policies in most countries, due to its limited scope. In Uganda, Zimbabwe, and the DRC, where PBF pilots focused on a limited set of indicators or service areas, there have been no systemic impacts on provider payment. In all of the PBF schemes included in this review, PBF performance payments were a top-up to other mechanisms, such as facility budgets and salaries, forming a small part of overall incentives.

PBF also often fails to influence systemic provider payment because it is not designed to reinforce existing financial flows to facilities and therefore dilutes incentives or creates competing incentives. For example, in 2008 in Burundi, incentives failed to improve performance because bonuses were meant to be used for expenditures such as drugs or equipment, even though the same items were already provided in kind.

LESSON 8

Payment incentives should align with service delivery objectives and be streamlined and harmonized across different payment systems, especially if multiple funding sources are paying providers differently. Payment incentives should cascade from the provider institution to individual providers in a transparent way that is perceived as fair within that context.

LESSON 9

Payment processes should be administratively streamlined, to avoid payment delays and burdensome claims processes.

PERFORMANCE MONITORING. PBF programs have the potential to improve monitoring by specifying desired service delivery targets, reporting outcomes, and verifying reported outcomes. By linking payment incentives to accurately reported information, PBF has in some cases helped to strengthen health information systems. In Benin, for example, the PBF verification process exposed data quality issues in the national health management information system, which were addressed over a three-year period of PBF implementation.

The potential of PBF to strengthen monitoring is often limited, however, by poor integration of PBF schemes with the rest of the health system. PBF programs often have parallel monitoring processes and sometimes parallel information systems. For example, in the DRC, the PBF scheme used a parallel information system that did not enhance the overall monitoring of service delivery in the public health system. The parallel verification processes in PBF schemes have often been identified as a costly and burdensome approach to provider monitoring that may not bring sufficient added benefit.

The verification processes in PBF schemes are sometimes conducted by actors within the public health system, such as district managers or fellow health workers, but more often external agencies (such as international and local NGOs) are contracted for this function. However, PBF verification visits can provide an important opportunity to strengthen supportive performance feedback to providers, which enhances monitoring. On the other hand, verification visits can also serve a punitive function, have a negative effect on communication, and reduce motivation. Finally, verification processes can result in unintended consequences, such as in Benin where it led to frustrations, poor quality verification, and less time for feedback and coaching.

LESSON 10

Reporting requirements and data quality should be made explicit in contracts with providers and the monitoring systems of purchasing agencies. Monitoring information should be shared with providers along with supportive feedback, to enable dialogue between purchasers and providers and support performance improvement.

LESSON 11

The intensity of monitoring and verification should be balanced with what it can help accomplish in terms of improved accountability and provider performance. Monitoring and verification data should be used for further system-level analysis to monitor trends, whether objectives are being met, and whether purchasing policies are leading to any unintended consequences.

ENABLING ENVIRONMENT. Examination of how PBF programs have been implemented provides insights into what factors are important for creating an enabling environment for strategic purchasing.

- **General socioeconomic and political conditions.** A strong socioeconomic environment enhances the ability of PBF to achieve its objectives, which is true for strategic purchasing more generally. PBF has been more effective in countries with economic growth (such as Rwanda) and stable governance. In countries with a poorly performing economy (such as Malawi) or a political crisis (such as Burundi and the DRC), disruptions reduced effectiveness of PBF programs. However, it has been noted that local adaptations during the design and implementation of PBF can help incentivize responses to health system shocks and therefore possibly promote health system resilience.
- **Health system infrastructure, staff availability, and capacity.** An adequate and skilled health workforce is an important enabling factor for PBF schemes to achieve their objectives, and for strategic purchasing in general. Health worker shortages, supply shortages, and high workload have been key barriers to the achievement of PBF performance targets and can limit the potential of strategic purchasing overall to achieve health system objectives. PBF may also be less effective at improving performance in facilities that are in remote and poor regions because they lack basic infrastructure (such as roads) and the populations are less able to afford user fees or indirect costs (such as for transportation), reducing utilization and making it harder to reach targets.
- **Health provider autonomy.** Strategic purchasing intentionally aligns incentives to providers with health system objectives, encouraging efficiency and delivery of high-quality services. For incentives to be effective, providers should have some say in management decisions, which can help them internalize and respond to the incentives. For example, when PBF was scaled up nationally in Cameroon, policies granting greater autonomy let facilities respond to shortages in drugs and supplies. However, public financial management rules often limit the autonomy and flexibility of public providers to make decisions about how to deliver services and which inputs to use.
- **Health provider management capacity.** Health facility leadership style and management capacity strongly influence the performance of facilities in response to PBF incentives, which is also true for strategic purchasing more broadly. For example, in Burkina Faso, a top-down hierarchical leadership style allowed only minimal staff involvement in decision-making, made facility staff feel powerless to contribute to activities and performance, and reduced their feelings of ownership. In contrast, flatter hierarchies with shared and transparent decision-making created unity, which improved facility performance and staff ownership. Notably, in a few facilities it was observed that PBF “broke” the top-down hierarchical style of leadership by shifting to collaborative efforts to improve facility performance.

- **Cultural norms and practices.** PBF programs, and strategic purchasing more generally, are more effective when they align with cultural norms and practices in the country. In Rwanda, for example, the adoption and nationwide scale-up of PBF was partly attributed to the program's alignment with the traditional concept of *imihigo*, which implies a performance contract between authorities and citizens; however, this was already institutionalized pre-PBF, along with a culture of performance. In Zimbabwe, on the other hand, the achievement of facility delivery and antenatal care targets in the PBF scheme was partly inhibited by customs that required the first child to be delivered in the home of the wife's family.

LESSON 12

Strategic purchasing policies and approaches should align with the current capacity of the health system, including its infrastructure, staff availability and skills, and geographic conditions. Strategic purchasing systems should be flexible and adaptable to changes in the context so purchasing can serve as a tool for improving health system resilience. Strategic purchasing policies and approaches should align with cultural norms and practices.

LESSON 13

Providers need sufficient autonomy and management capacity to internalize and respond to the incentives created by strategic purchasing policies and approaches and to meet the needs of the populations they serve.

Strategic purchasing is most effective when health providers have strong management capacity and an inclusive management style that encourages innovative solutions to address challenges in service provision.

Conclusion

PBF has the potential to raise awareness about strategic purchasing among country stakeholders, improve institutional and governance arrangements, and strengthen strategic purchasing functions. However, the benefits have been limited in scope because PBF programs have been run in parallel with country health financing systems. Nonetheless, there are some lessons from PBF implementation that countries can draw on as they take steps to make positive change to implement more holistic strategic purchasing approaches in their health systems.

This brief is based on the following report: Waithaka, D., Olalere, N., Cashin, C. & Barasa, E. Performance-based financing: a pathway to strategic purchasing in sub-Saharan Africa? A synthesis of the evidence. *2021. Nairobi, Kenya: Strategic Purchasing Africa Resource Center.*

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