

**MALAWI MICROFINANCE
NETWORK** - *Improving Access to
Financial Services*



Pro MHI Africa – EU-African
University Network to strengthen
community-based Micro Health
Insurance

Contracting: health service purchasing & provider payment mechanisms

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Objective

- Define the concept of contracting, health service purchasing, and provider payment
- Identify major provider payment options available



Contracting

- The term contracting refers to the set of agreements regulating the relationship between the insurer and the health provider
- The term embed two concepts: health service purchasing & provider payment mechanisms



Health service purchasing & provider payment

Health service purchasing: transfer of pooled resources to providers to buy services on behalf of the covered population.

Provider payment: mechanisms used to allocate resources to providers.



Health service purchasing

- What services does the insurer purchase? =
BENEFIT PACKAGE (tomorrow)
- What services can the insurer purchase? =
AVAILABILITY OF SERVICES
- MHI should not aim at covering all, but filling void in terms of services not covered by govt.



Provider payment mechanisms

- Provider payment mechanisms create incentives/disincentives that influence the behavior of providers.
- May be prospective or retrospective.
- Relationship to quality and patient choice (“the money follows the patient” or “the patient follow the money”?)



Provider payment mechanisms

- Budget
- Capitation
- Case-based payment
- Fee-for-service
- Mixed



Provider payment mechanisms (2)

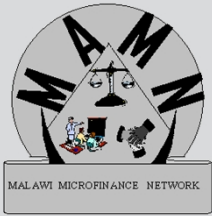
Payment mechanism	Prospective/ Retrospective	Incentives
Budget	Prospective/ retrospective	Cost containment Provide fewer services
Capitation	Prospective	Cost containment Provide fewer services
Fee-for-service	Retrospective	Cost escalation Provide more services
Case-based payment	Prospective	Cost containment Provide fewer services



Provider Payment Mechanisms (3)

- Strive for balance between cost containment & adequate service provision
- Provider payment systems with cost containment incentives should include quality assurance measures
- Patient choice of provider is an important incentive for quality.





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