

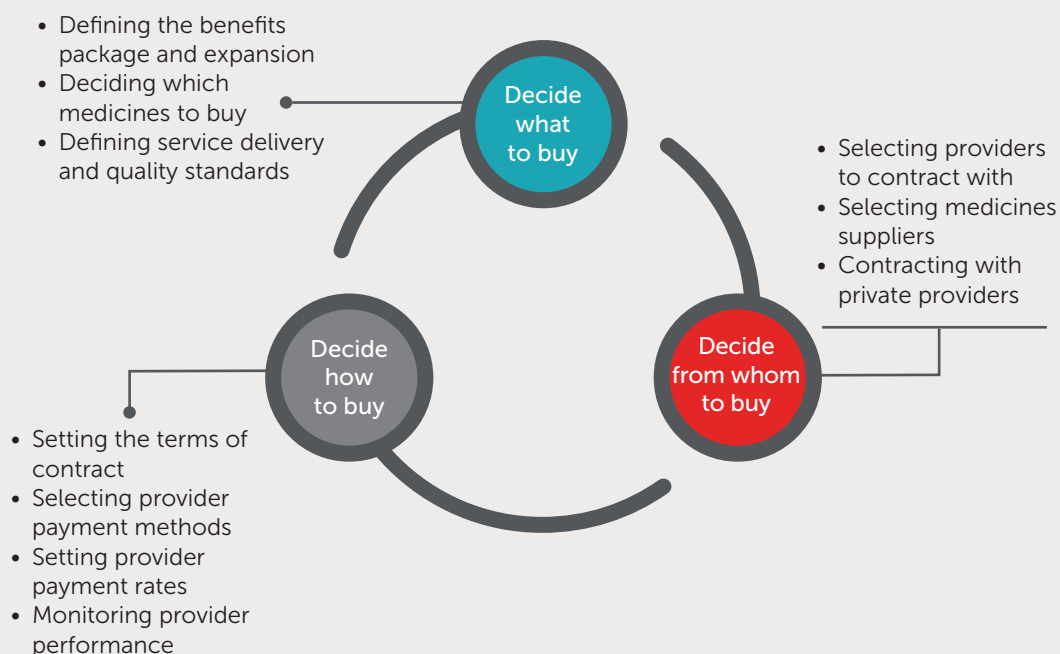
# STRATEGIC PURCHASING IN HEALTH CARE

**Strategic health purchasing** is the ability to purchase preventive, promotive, curative and rehabilitative services to improve health care while getting maximum value from money spent. The goal is to provide higher quality health services to more people within a limited budget. Strategic purchasing is central to good public financial management for health and sustainable progress toward UHC.

Strategic purchasing involves three main sets of decisions:

- 1 What** to buy, including which interventions, services and medicines (e.g., buying primary health care vs. expensive tertiary services, specifying quality standards for purchases among providers, and buying generic instead of branded drugs)
- 2 Whom** to buy from, including which providers and suppliers of medicines/other commodities. (e.g., contracting only with accredited providers or with both public and private providers.)
- 3 How** to buy, including which payment methods to use, payment rates and other contractual specifics. (e.g., introducing blended payment methods to get the right incentives or setting payment rates to be in line with available resources)

## STRATEGIC HEALTH PURCHASING DECISIONS



There are some foundational steps that are pre-conditions for strategic purchasing to take place and to make it possible for more sophisticated strategic purchasing approaches to be created in the future. First, strategic purchasing requires an **institutional home** for the purchasing function, with roles and responsibilities clearly defined — even if some functions are shared — and policies and regulations related to roles and responsibilities need to be aligned with functional responsibilities. Next, strategic purchasing requires being clear and deliberate about **what is being purchased**. To do this, many countries specify a **benefits or essential services package** that the covered population is entitled to receive at an affordable cost. Once the service package is defined, the purchaser then pays health providers to deliver these services — which is referred to as output-based payment. Output-based payment typically goes hand-in-hand with some form of **contracting** to clarify the obligations of the provider and also the purchaser. It also requires that providers have some autonomy to make decisions to respond to incentives. All of this requires new **accountability measures** and **better use of information and data** to track key metrics.

For more information about Results for Development's strategic purchasing work, go to: [www.r4d.org/strategicpurchasing](http://www.r4d.org/strategicpurchasing)



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