# Improving Health Sector Performance

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# Improving Health Sector Performance

## Institutions, Motivations and Incentives

The Cambodia Dialogue

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# FOREWORD

The Cambodian Government considers health as the heart of the Millennium Development Goals (MDGs) because healthy people constitute the basis for human resource development and sustainable socio-economic progress.

The chapters in this volume come from papers presented at an international conference organized by the Cambodia Development Resource Institute in April 2010. With participation from local and international experts, the conference aimed at collecting major experiences and innovative solutions from inside and outside the country to improve health sector performance, with particular focus on institutions, motivations and incentives.

The growing gap between the supply of health care professionals and the demand for their services is recognized as a key issue for health and development worldwide. The Cambodian National Strategic Plan for Health notes that in 2008, for every 10,000 members of the population there were only 0.10 physicians, 0.55 secondary midwives, and 1.21 secondary nurses.

This shortage of health human resources is becoming a high priority issue on the political agenda. The introduction of the Priority Operating Costs (POC) system in July 2010 will allow for the motivation of health care workers to deliver better public services. Within the framework of Cambodian ownership and leadership, this public administration reform aims at facilitating the harmonization and alignment of practices by development partners in this area. The general principles of POC aim at "management which is result-based with payments that are made against achievements". It is further characterized as "a scheme which provides means to appointees to do their work efficiently in a spirit of ownership and leadership".

The chapters in this volume deal with both an overview of the issues and with the four broad themes of the conference: the purchasing of health services; health worker contracts; managing doctors and nurses; and health service consumer behaviour.

Through the chapters and discussions, the conference offered a unique forum for policy makers, health officials, civil society organizations, United Nations agencies, and development partners to discuss with local and international researchers major issues concerning the performance of the health sector. The lessons drawn will enable Cambodia to plan and manage human resources in the health sector better and to address major issues of organization, motivations and incentives. From the conference, four critical issues of human resources management in health — numbers, quality, attitudes, location — were identified as key factors for the implementation of national health strategies and for attaining the MDGs that are health related.

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# INTRODUCTION

There is growing international evidence that the effectiveness of health services stems primarily from the extent to which the incentives facing providers and consumers are aligned with "better health" objectives. Efficiency in health service provision requires that providers and consumers have incentives to use health care resources in ways that generate the maximum health gains. Equity, in at least one sense, requires that consumers requiring the same care are treated equally, irrespective of their ability to pay. Efficiency in the use of health services requires that consumers are knowledgeable about the services on offer and which are most appropriate for their needs. Although these principles are enshrined in the design of every health system in the world, they have proven extremely difficult to apply in practice. Health care providers have financial obligations to their families as well as professional obligations to their patients. Health service consumers generally lack information about both their health and health services so that they underconsume or overconsume health care. Matters are unlikely to improve until there is more empirical evidence of the way health service providers and consumers in different parts of the world are actually motivated and how these incentives are best modified to improve health service efficiency and equity.

Health provider incentives are generated by the institutions (rules) that govern their professional behaviour. These can be classified broadly into institutions that generate extrinsic incentives (organizational formats, managerial arrangements, social norms, and remuneration), and intrinsic incentives arising from values such as altruism, beliefs, reputation, and work satisfaction. The incentives that consumers have to use health services efficiently stem from intrinsic incentives arising from concern for their health, knowledge about the available health services, and social institutions, such as the trust and respect that mediate their transactions with providers.

This volume is based on a collection of papers from both Cambodian and international scholars, researchers, and practitioners in the health sector presented at a two-day international conference co-organized in Phnom Penh on 26–27 April 2010 by the Cambodia Development Resource Institute (CDRI) and the Oxford Policy Institute (OPI) with support from the Department for International Development (DFID), the United Kingdom. Under the theme, "Improving Health Sector Performance: Institutions, Motivations and Incentives", the conference brought about sixty Cambodian researchers and health sector managers together with researchers from the region and elsewhere. Structured according to the programme of the conference, this collection focuses on four themes related to the incentives that motivate health service providers and consumers:

***Theme 1: Alternative organizational arrangements for delivering health services, including commissioning and purchasing***

There is an international trend towards active commissioning and contracting with both government and non-government providers for the supply of health services. Recent reforms in Cambodia are introducing such arrangements across the health sector. At the same time, provider units in Cambodia are being transformed into semi-autonomous organizations (Special Operating Agencies). This is intended to increase activity, improve service quality, focus service provision on priorities, and so improve allocative efficiency by providing better specified and stronger incentives for health service managers and providers. However, contract management also carries additional transaction costs. What is the evidence for better technical efficiency, taking into account increased activity and service quality?

***Theme 2: Incentives associated with alternative health worker employment contracts***

The way clinicians are employed and paid creates powerful incentives for resource management, productivity (or shirking), and service quality. Commonly, government health services are staffed by government employed clinicians, often with civil service status. The principal-agent theory suggests that perverse incentives arise and are common when provider and patient objectives do not coincide. How, and to what extent, can health worker contracts, including obligations to allow observation of their work, mitigate such agency problems? What is the relationship between salaried employment, capitation, fee-for-service, and "payment

by results" remuneration and health service volumes and quality? In a region where government salaries are typically low, what is the relationship between levels of remuneration, labour productivity, and service quality?

***Theme 3: Health worker management regimes***

Clinicians have long prized and defended their independence. However, this independence is being increasingly eroded by clinical protocols, service delivery targets, and managed working practices. Some would argue that this has undermined professional ethics and the intrinsic incentives of altruism and reputation. Do "managed" clinicians perform better? Are doctors and nurses best at managing doctors and nurses? How does clinician management in government and non-government sectors differ and with what results? What is the role of organizational leadership in clinician motivation, in innovation, and in the improvement of organizational performance?

***Theme 4: Incentives associated with the effective use of health care by service consumers***

Most empirical demand-side health service research has focused on price elasticities and the demand for the different types of health care. But the demand for health services is also influenced by consumer knowledge, access to information (health care markets are characterized by great informational asymmetries between patients and providers), peer pressure, and trust in health care providers.

In particular, this collection of papers will consider and examine three sets of issues:

1. What is the effect of information on the incentives people have to improve their lifestyles and to use health services more efficiently?
2. What are the effects of subsidies and taxes on health care-seeking behaviour? Should people be paid to adopt healthier behaviours or seek preventative care, such as Conditional Income Transfers (CIT)?
3. What are the incentives for people, well and sick, to enrol in voluntary health insurance schemes?

We hope that the chapters in this volume will contribute to our understanding of what is known about the institutions and incentives moderating the behaviour of health service providers and consumers in

Asia and beyond, and how these can be incorporated into national policies for the improvement of health services in Cambodia and other countries. It is also hoped that the book will provide lessons learnt from Cambodia and other countries to increase our knowledge of incentives and of their relationships with the behaviour of health service providers and consumers that could prove useful for formulating policy recommendations for Cambodia and other nations. Moreover, we hope this volume provides different research methodologies that are reliable and could be recommended for future research in the health sector in Cambodia and elsewhere. Finally, we expect that the findings and conclusions from different studies in this collection will promote further study of issues in the health sector, especially the institutions and incentives that relate to health service strategy.