



Sustainable Financing For Health Accelerator

REWARDING PERFORMANCE: FROM FINANCING INPUTS TO FINANCING RESULTS

THE NEW PARADIGM IN DEVELOPMENT ASSISTANCE

29th September 2020

Sustainable Financing for Health Accelerator

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Output Based Aid (OBA)
*Performance/ Results Based
Financing (PBF/ RBF)*
Cash on Delivery (COD)

OVERVIEW OF CONTENT

1. Defining Payment for Results

- a. What are the results?
- b. Who is paying who?

2. Input/output

- a. Moving from input to output
- b. Drill down into ODA instruments
- c. Focus on COD/OBA

3. What you learn?

- a. Conclusions
- b. Hopefully, at the end you will understand plethora of terms like OBA, COD, PBF, PPM, etc.



RESULTS & FINANCING/Payment



WHAT ARE RESULTS?

Measurable; Pre-determined; Verifiable/verification external to the provider



WHO IS FINANCING? WHO IS GETTING THE PAYMENT?

A contract between two parties to achieve certain results/outcomes/outputs in return for a payment



DETERMINING THE TYPE OF PBF/RBF

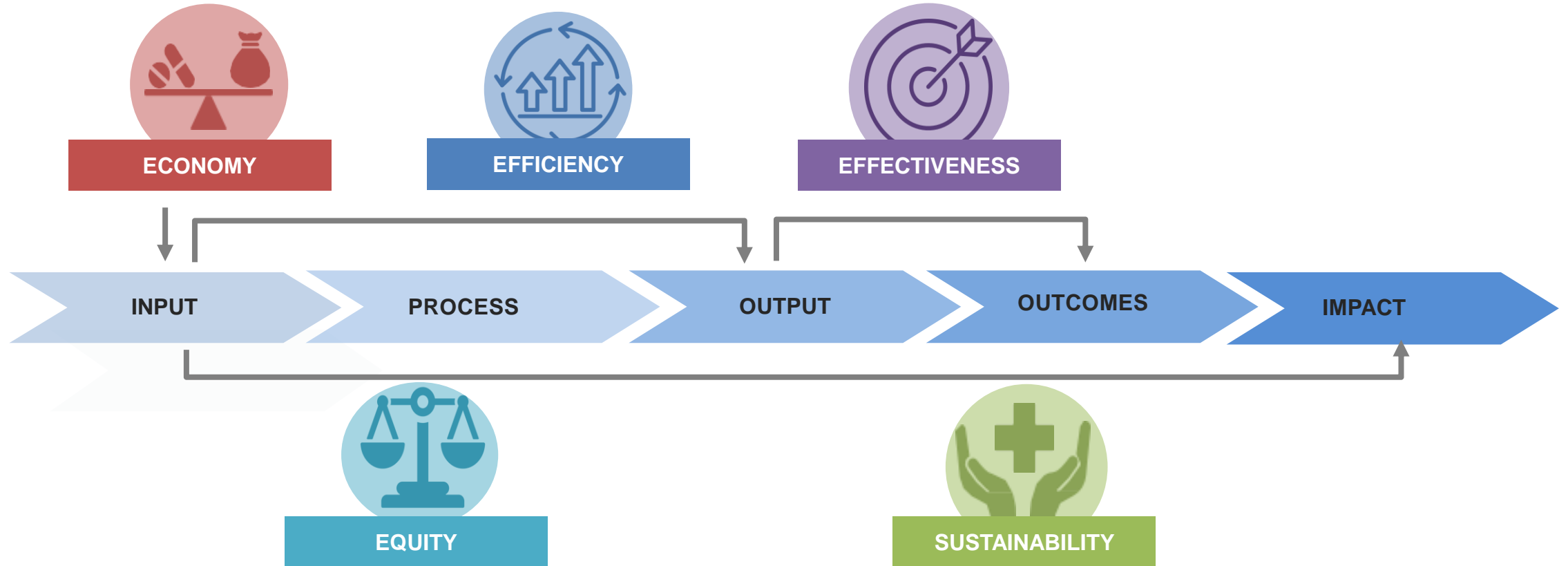
Depending on **who the two parties** are (whether they are donors, government, provider, beneficiaries etc.) determines the **type of PBF/RBF**

What are the Results we want to finance?

THE VALUE CHAIN IN HEALTH:
INPUTS>OUTPUTS>OUTCOMES>IMPACT



RESULTS CHAIN: VALUE FOR MONEY



Examples

Staff, health products, capital
e.g. ARVs and LLINs

The methods by which inputs are used
eg. ART service, provision, LLINs distribution

Results delivered directly by national programmes and partners
eg. numbers on treatment, population at risk

Health outcomes generated from investments through targeting and prioritization
eg. cases treated successfully

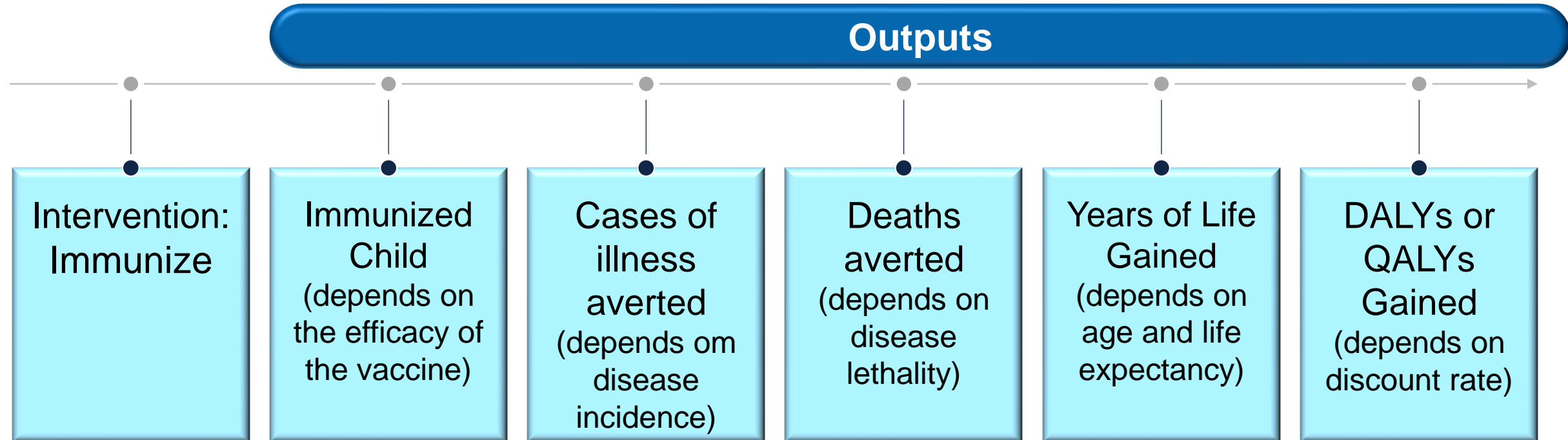
Long-term transformational change
e.g. mortality and incidence reduction; elimination of the three diseases



MEASURING RESULTS: EXAMPLE

Measuring Results: Immunisation **as an example**, from Input to Impact

Inputs: Vaccines, Syringes, Human Resources



Who is financing the payment for results?

PAY FOR OUTPUTS SUCH AS HEALTH SERVICES,
REACHING TARGETS, AND POSSIBLY OUTCOMES



INPUT vs OUTPUT BASED PAYMENTS

INPUT BASED PAYMENT (PASSIVE)

- ❑ Pay for the inputs of health care production including payment for health workers; commodities like drugs
- ❑ All the necessary ingredients, or inputs, for producing health services
- ❑ Typical GF or GAVI grant or WB sector investment loan or MOH budget
- ❑ **Passive:**
 - resource allocation using norms
 - little/no selectivity of providers
 - little/no quality monitoring
 - price and quality taker

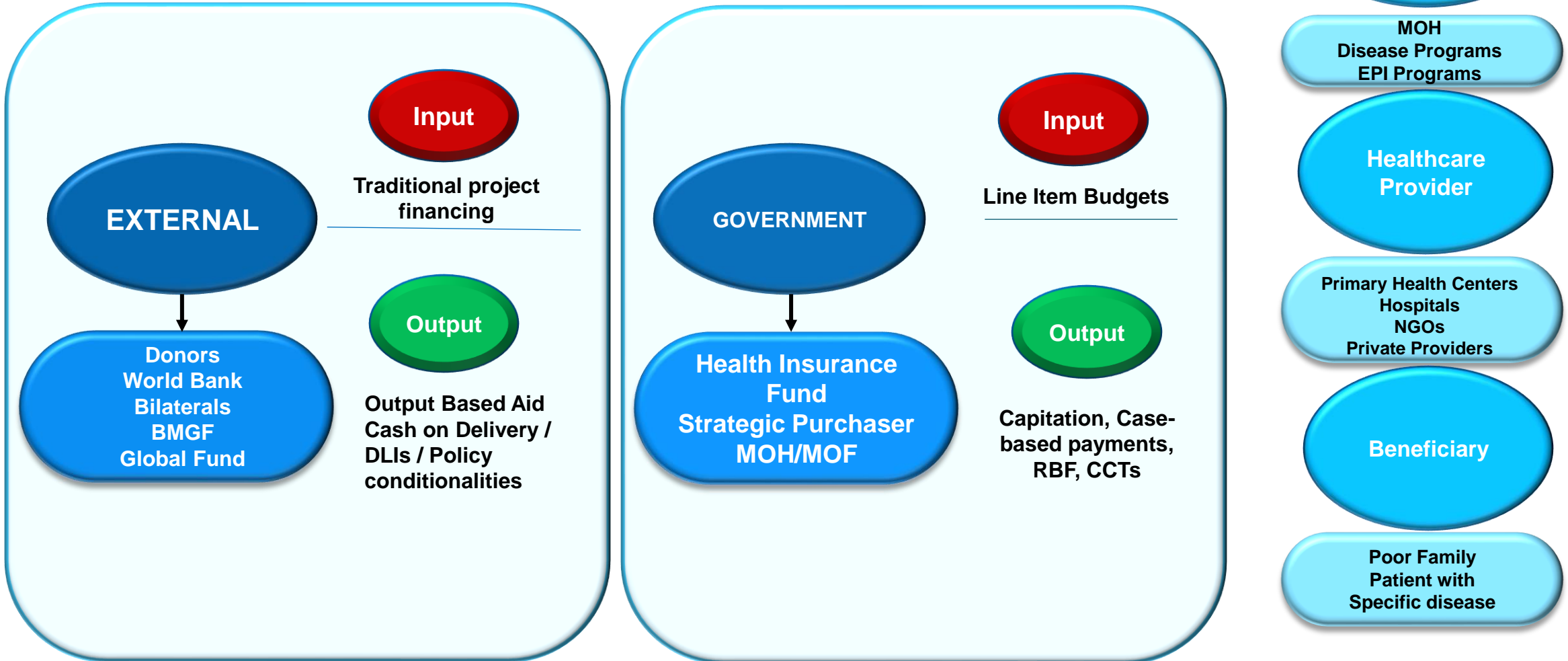
OUTPUT BASED PAYMENT (STRATEGIC)

- ❖ Pay for the actual services like price per immunized child
- ❖ Payment can be extended over time like payment for treatment for a year like aids patient on art for a year
- ❖ Payment based on reaching key coverage targets like 90 percent of children in catchment area immunized
- ❖ **Strategic:**
 - payment systems that create deliberate incentives
 - selective contracting
 - **quality** improvement and rewards
 - price and quality make



WHO IS PAYING WHOM?

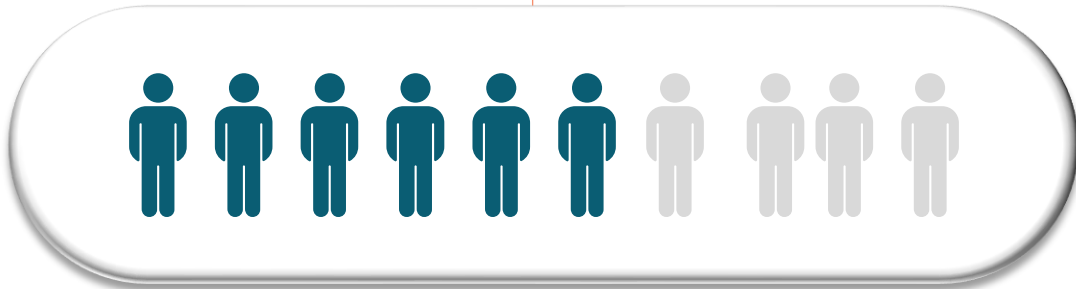
- **External funders** funds government both input-based or output-based
- **Government** Govt can use external funds to finance providers as per input or output
- **Example:** Lao PDR, HANSA (a hybrid model)





INCENTIVES: WHO THEY AFFECT

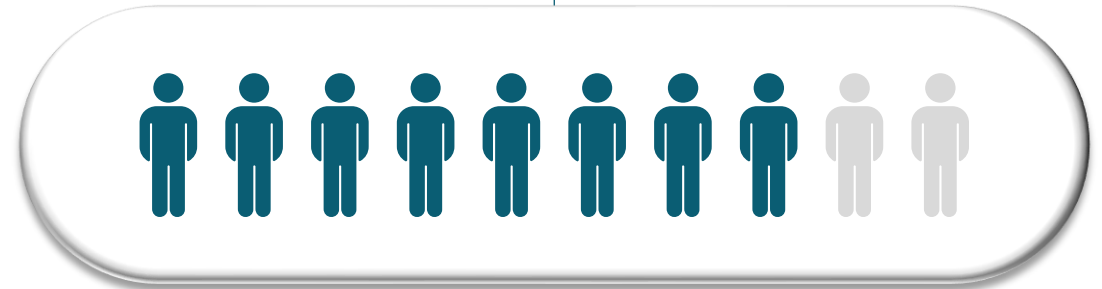
SUPPLY SIDE



**National Govt
Sub-national Govt**

**Health care providers
Hospitals or Clinics
Non-governmental Organisations**

**DEMAND
SIDE**

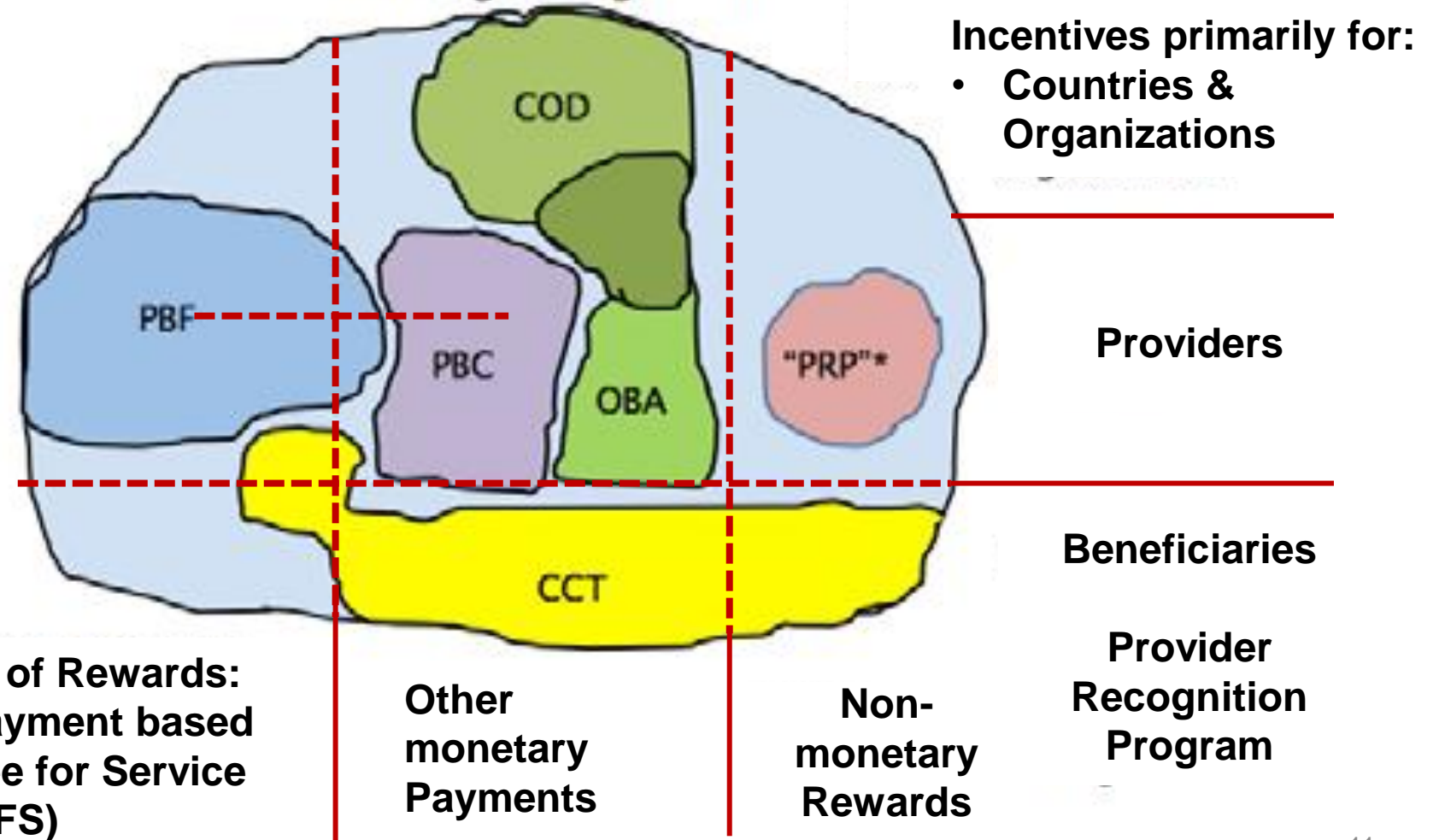


**Consumer of
Services (e.g.
Conditional Cash
Transfer CCT)**

WHAT IS RBF? CONFUSION?

RBF is both a technical grouping term and a name of a series of pilots from HRITF.

RBF Programs: Hierarchical Relations and Distinguishing Features



Glossary:

- PBF:** performance-based financing
- COD:** cash on delivery
- FFS:** fee for service
- OBA:** output-based aid
- CCT:** conditional cash transfers
- PRP:** performance-related pay
- PBC:** performance-based contracting

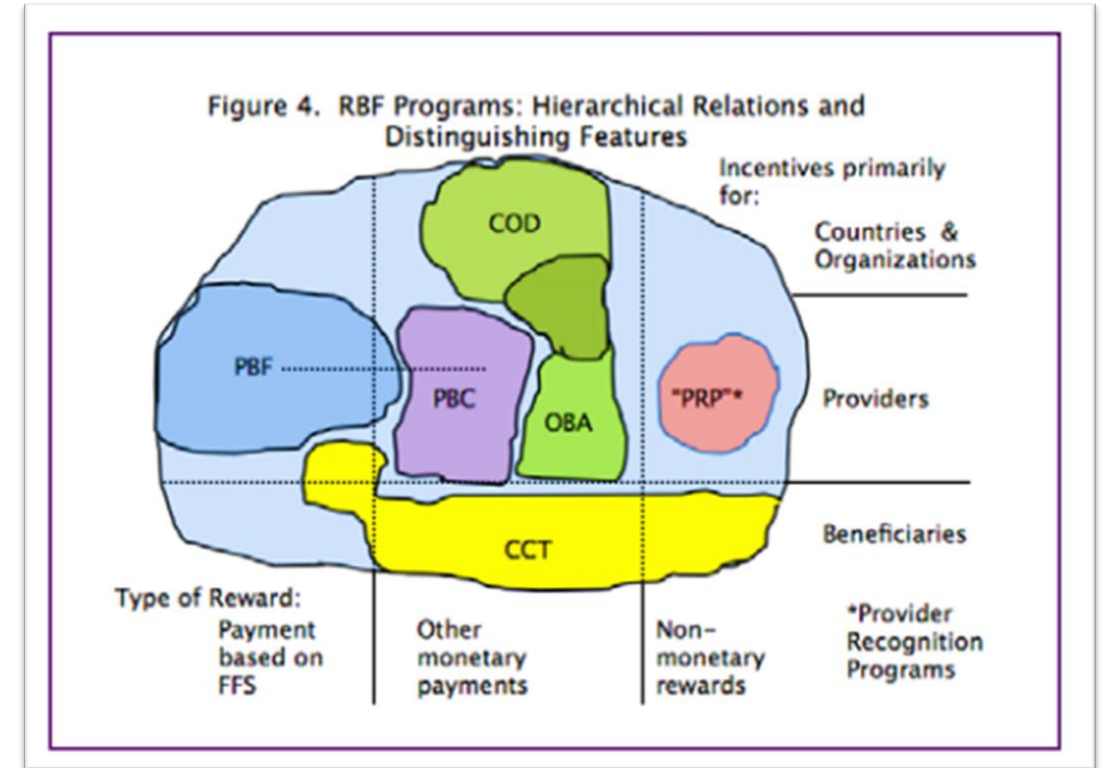


FOCUS ON COD/OBA

This course is on
development financing (COD/OBA)
Not provider payment

Another seminar of Accelerator will focus on using these tools within the health system and lessons learned

For now our focus on is on a contract **between donors and governments: Cash on Delivery (COD) or Output based Aid (OBA)** & not on **Performance based financing (PBF) from national to subnational level or any Provider Payment Mechanism (PPM)** which is done by a strategic purchaser





FOCUS ON COD/OBA

OBA/COD is a development financing/ donor instrument based on paying governments for results

- ❑ **Long history** of attempt to move from input to output based funding in development assistance
- ❑ Initiative on **output-based aid** at WB and other partners including USAID and DFID across all sectors
- ❑ WB has a new approach to results-linked lending called **Program for Results (PforR)** which can be used in any sector

- ❑ In health care, **OECD countries** starting moving **away from input to outputs** especially in hospital sector (e.g. DRGs) and more complex instruments like risk-adjusted capitation
- ❑ DFID and NORAD gave over \$ 1 billion to create **Health Results Innovation Trust fund (HRITF)** which funded many projects on RBF through WB with impact evaluation
- ❑ Most of the **RBF/HRTIF projects** were **PBF**, but also CCTs and some COD.
- ❑ HRITF was the **predecessor of the GFF**



IDA vs IBRD

Primer on World Bank: IDA versus IBRD

Annual
disbursements



International Bank of Reconstruction and Development (IBRD) LIBOR+

- Middle Income Countries
- Credit worthy lower middle-income countries

Market-linked
interest rates but
at lower cost

60
billion



International Development Association

- Low income countries

Almost interest
free loan

19.5
billion



International Finance Corporation

- Lending to private sector/banks

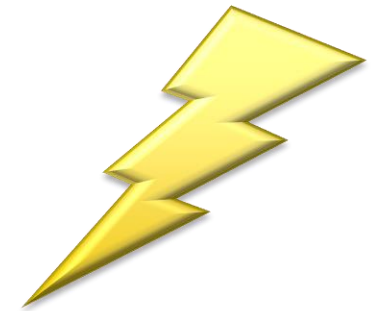
37
billion



DISBURSEMENT LINKED INDICATORS (DLIs)



- OBA instrument – from **external funder** to government
- DLIs measure **results**
- What are the **indicators** that measures the results?
- What is the **payment** for that indicator?



More from Somil in the next session



TYPES OF INSTRUMENTS

Moving from inputs to outputs

World Bank Lending Instruments



Investment Project Financing (IPF)

Historically, input-based loan over 5 years, but recent variations include Performance-based Conditions (PBCs), including DLIs



Program for Results (PforR)

Paying for outputs using DLIs; can be hybrid with an IPF component



Development Policy Operation

Paying against policy actions



BLENDING FINANCE- Combining grants & Loans

Buy down from IBRD to IDA

Donors



GF & Gavi can use grant financing to make loans more concessional & provide free technical assistance

BANK



Govt willing to borrow from Bank with more concessional lending

GOV



Govt cannot increase health budget to expand to UHC through PHC

TECHNICAL ASSISTANCE (WHO, bilateral, GF, Gavi)

GRANTS

LOANS

Donors



Blended Finance

BANK

Evaluation, Monitoring, Lessons Learnt

Donor Harmonization Through joint indicators for disease programs and health systems



CONCLUSIONS: input to output based Aid



● INPUT vs OUTPUT

- The terms should be demystified: we are talking about moving from inputs to outputs and outcomes and paying for them.

● DONORS TOOL

- Donor paying the government/health ministry which is:
- Cash on Delivery (COD); Output based aid
- Specifically, on use of DLIs in WB lending instruments

● EFFECTIVE DEVELOPMENT COOPERATION

- We are now in the domain of more effective development cooperation
- There is very little literature on the effectiveness of COD and other donor instruments
- DFID review of their experience on Cash on Delivery.

● PAYING FOR THE CAKE OR ITS INGREDIENTS?

- However, we can say that paying for inputs is generally the wrong approach to paying for health care services. It is like baking cake, you can have all the right ingredients and fail to produce a cake or produce it of poor quality or inefficiently.



QUIZ



Pop Quiz: True or False

1. Performance based financing (PBF) is between donors and governments?
2. Fee for service is a type of provider payment mechanism?
3. COD stands for Cash on Delivery?
4. CCT is aimed at beneficiaries?

ANNEX

Annex: More detailed background on the history of Results Based Financing

-Creation of RBF trust fund at WB

Definition of RBF under HRTIF

Musgrove classification of RBF instruments

Where did RBF come from?

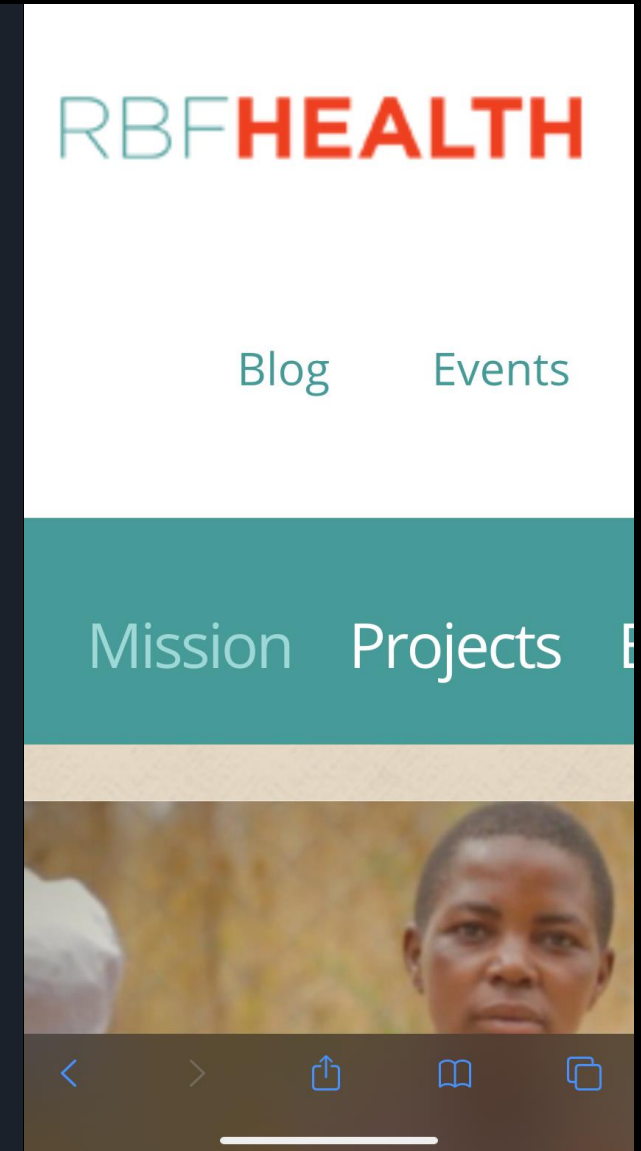
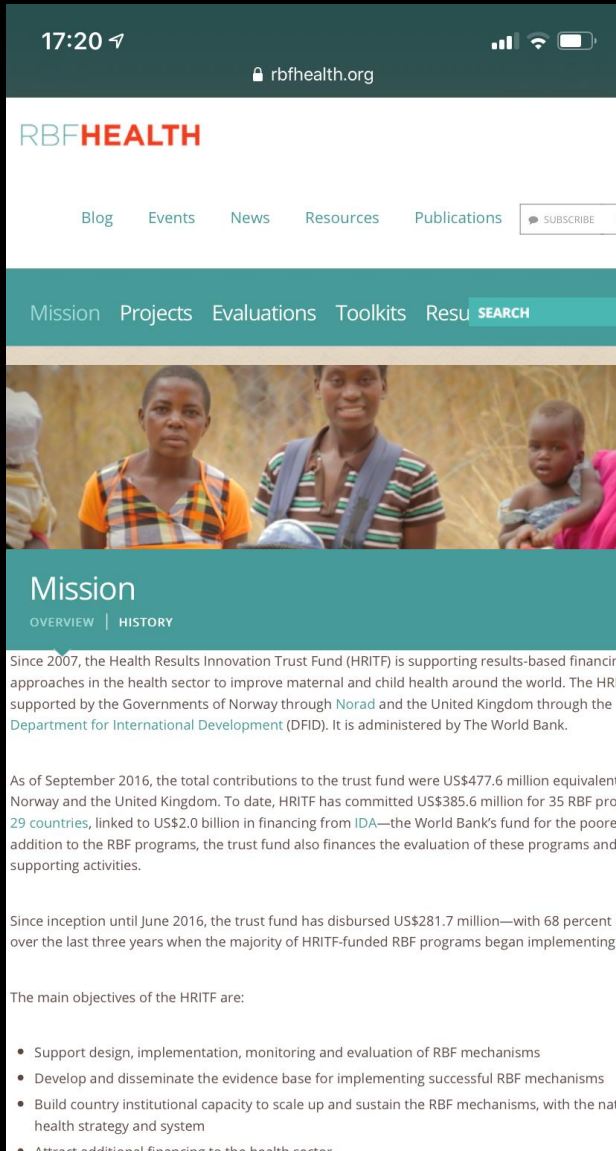
DfID and NORAD put in over a billion dollars to start the HRITF

Health Results Innovation Trust Fund
has become the GFF

www.rbfhealth.org

Best source of information

Funded over 28 pilots with impact evaluations



Results based financing defined by HRITF

- A **cash payment** or non-monetary transfer
- Made to a national or subnational government, manager, provider, payer or consumer of health services
- After **pre-defined results** have been attained and **verified**
- **Payment** is conditional on **measurable** actions being undertaken

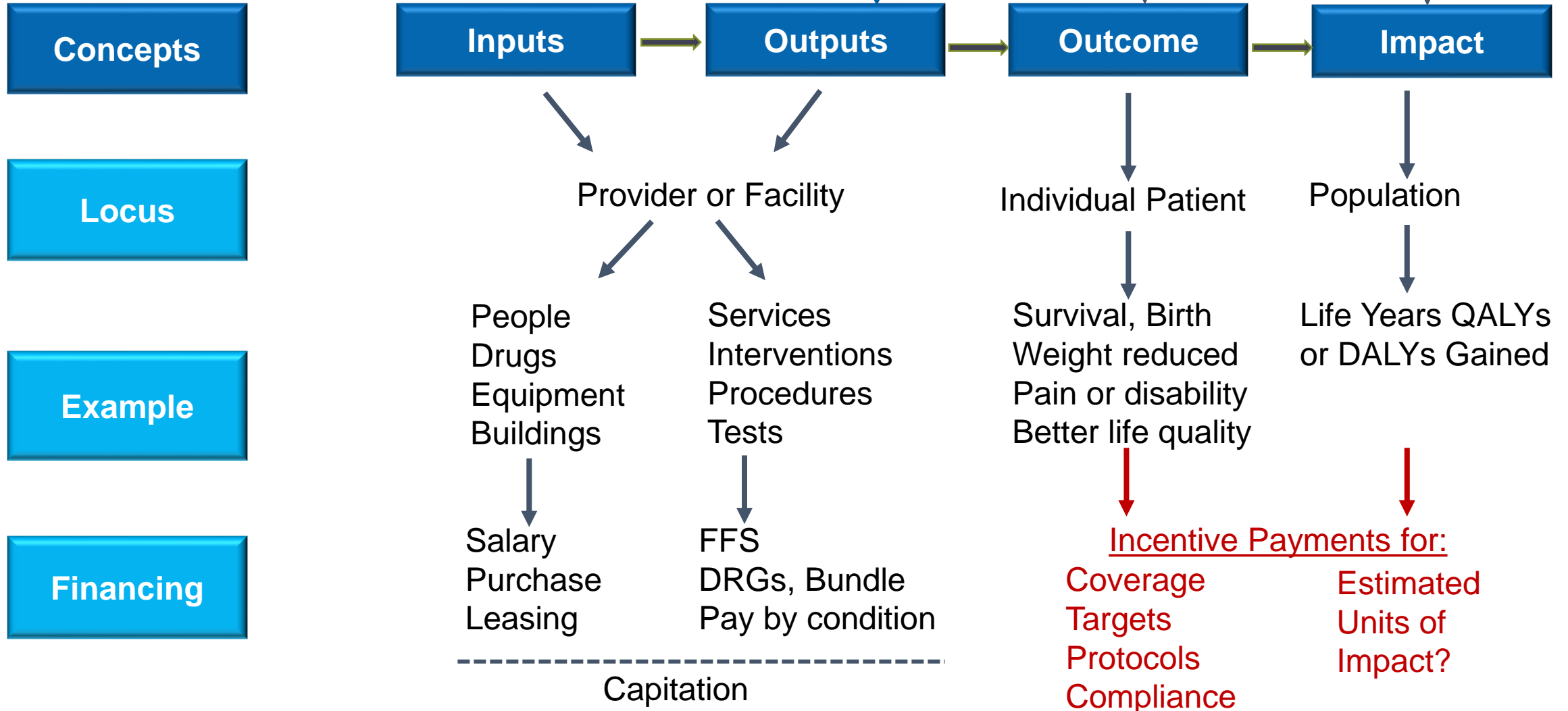
RBF is an **umbrella term** and characterizes various programs in many countries. Different label exists for essential the same concepts like payment for results; performance based financing; cash of delivery; etc.



WHAT ARE RESULTS

Results can be defined and measured or estimated anywhere along that continuum

Any of these can be called "Results"





TYPES OF RBF

Performance Based Financing (PBF): Incentives are **directed only to providers**, not beneficiaries; awards purely financial; Cash payment is by FFS for specified services; payment can be made to facilities or individuals

Performance Based Contracting (PBC): Setting a fixed price for a desired output and then adding a variable component that can reduce payment for poor performance or increase it for good performance. PBC is "**contracting out**" PBF is a form of "contracting in".

Cash on Delivery (COD): Maximal degree of **autonomy for the agent** in deciding how to produce and deliver the results. The principal does not dictate or supervise the agent's decisions or methods, only focus on outcomes rather than outputs.

Conditional Cash Transfers (CCT): Describes **demand-side programs** where the incentives apply exclusively or primarily directly to the program beneficiaries rather than to the agent(s) delivering services. For the name CCT to apply there must be a financial payment to the beneficiaries for compliance. CCTs typically offer non-financial rewards, such as food packages, as well.



WHO IS RECEIVING PAYMENT

Govt

**MOH
Disease Programs
Immunisation Program
Ministry of Finance**

**DLI
COD
(Cash on
Delivery)**

**Healthcare
Provider**

**Primary Health Centers
Hospitals
NGOs
Private Providers**

**Provider
Payment
(RBF)**

Beneficiary

**Poor Family
Patient with Specific
disease**

**Conditional
Cash
Transfer
(CCT)**