**STRENGTHENING STRATEGIC HEALTH PURCHASING IN ETHIOPIA**

# BACKGROUND

Ethiopia is a landlocked country with an estimated population of 112 million people. It is the second-most populous country in Africa and one of the world's fastest-growing populations. Ethiopia is an agrarian economy with majority of the working population employed in the informal sector. Ethiopia has achieved steady economic growth and aims to reap the demographic dividend from its youthful population to sustain this economic growth. There is increasing recognition that a healthy workforce is an investment required for spurring productive economies.

**Box 1: Ethiopia at a Glance**

Population (2019): 112 million\*

GDP per capita (2019): US$ 855.76\*

Poverty headcount at $1.90/day (2015): 32.6%\*

Current health expenditure (CHE) per capita (2016/2017): US$33.20\*\*

Public expenditure as % CHE (2016/2017): 32%\*\*

Out-of-pocket expenditure as % CHE (2016/2017): 31%\*\*

External expenditure as % CHE (2016/2017): 35%\*\*

Other: 2%\*\*

*Source: \*World Bank Databank,*

*\*\*NHA 2016/2017*

Ethiopia is organized in ten federal regions and two city administrations. Health is a federal function managed by the 10 autonomous regions and two city administrations. Ethiopia's health system is organized in three tiers (1) primary healthcare (PHC) units (health posts and health centres) and primary hospitals; (2) secondary level services are provided by general hospitals; and (3) tertiary services by specialized hospitals in urban areas. Ethiopia's health sector is financed by multiple sources - federal and regional governments, public enterprises, grants and loans from bilateral and multilateral donors, local and international non-governmental organizations (NGOs) and household out-of-pocket (OOP) payments (refer to Box 1). Similarly, there are multiple financing agents/schemes each carrying out purchasing functions independently - benefit specification, contracting, provider payment and performance management (refer to annex).

Ethiopia is committed to achieving universal health coverage (UHC). This has led to investments in improving access to quality health services and reducing financial barriers to accessing health services through a series of health financing reforms. One of these key reforms was the establishment of community-based health insurance schemes (CBHI) and the development of plans for social health insurance (SHI) to provide access to primary health care and higher levels of care. CBHI is targeted to the informal sector, while SHI is intended to target the formal sector. CBHI was initiated as a pilot in 2010/11 in 13 Woredas/districts and has been scaled up to 1,063 Woredas covering nearly 38.8 million beneficiaries currently. CBHI has seen remarkable improvements in increasing access and financial protection of households but faces financial sustainability challenges[[1]](#footnote-1). SHI is yet to be established and its rollout has been delayed due to varied political interests and opposition from civil organisations on the mandatory deductions[[2]](#footnote-2).

The Ethiopia Health Insurance Agency (EHIA) was established through Regulation 191/2010 as an autonomous federal agency with the core purpose of implementing the health insurance system. Under this Regulation EHIA has the mandate to collect monthly contributions, undertake studies to revise the benefit package, contract, pay and monitor health providers, engage relevant stakeholders in the administration of insurance. With this broad mandate, EHIA has the role to coordinate and regulate health insurance in the country and lead implementation of SHI. EHIA provides technical support to CBHI. EHIA is headquartered in Addis Ababa and has regional offices to support the implementation of its mandate. EHIA is led by the Director General, supported by two Deputy Director Generals and has 11 directorates headed by a Director and supported by a Deputy Director, with a full complement of staff. Figure 1 summarizes the EHIA organogram.

Figure . EHIA Organogram

Within its mandate of providing coordination and regulation of SHI and technical support to CBHI, EHIA is asking important questions on how Ethiopia can get more value for money from health resources raised in the CBHI and potential improvements that can be made in purchasing functions. One of the strategies being applied by EHIA is the planned pilot of capitation payment for PHC to strengthen provision of PHC and contain costs. In addition, as EHIA prepares to set up the SHI in EFY 2014, there are important lessons to be borrowed from CBHI, to set up the SHI more efficiently and sustainably. To prepare for the launch of SHI, EHIA has sought strategic partnerships to conduct key pieces of analysis required to ensure EHIA is prepared to administer the SHI.

# OBJECTIVES OF THIS CONCEPT NOTE

In order to improve the preparedness of EHIA as a strategic purchaser for the new SHI, EHIA expressed a need to the USAID funded Health Financing Improvement Program (HFIP) to:

1. Initiate a strategic purchasing study as detailed in their annual plan “**Activity 2.2.7 Conduct a study on Strategic Health Purchasing thereby taking national and international experiences**”.
2. Conduct an assessment of provider payment mechanisms and provide recommendations to aid them implement the forthcoming SHI. This assessment should answer the questions (1) which services to buy from private providers, and (2) provider payment mechanisms for public and private sector providers.

HFIP have connected this opportunity for support by the Strategic Purchasing Africa Resource Centre (SPARC), a resource hub aimed at strengthening strategic purchasing capacity in sub-Saharan Africa (SSA). SPARC is hosted by Amref Health Africa, and Results for Development (R4D) is the core technical partner. The key objective is to support the EHIA team, their technical resource teams (R4D/HFIP), and local stakeholders create a common understanding of purchasing arrangements in Ethiopia, develop a shared vision for strategic purchasing in Ethiopia, and identify a set of actionable steps that can be taken over the coming year to put the foundation in place to move toward more strategic purchasing.

# APPROACH

EHIA will leverage on SPARC’s, tried and tested approach, to support, and supplement where needed, existing technical support available in Ethiopia, such as the healthcare financing programs led by HFIP while strengthening the capacity of the technical teams on the ground to support strategic purchasing going forward. SPARC will work through existing country processes led by EHIA to:

* Co-create the approach for this concept--define the critical areas to be addressed, and propose the types of expertise, tools and other resources that would be most helpful.
* Scope the current strategic purchasing processes and proposed scale up plans (e.g., set up of SHI, the capitation pilot, digitalization pilot), and explore where SPARC or other partner support could add value to the process.
* Understand key stakeholders and how they relate to each other to take strategic purchasing improvements forward.
* Develop options for future packages of SPARC support to assist the EHIA and a business case to support them.

This work will be conducted by a technical team under the leadership of EHIA. The technical team will have a consultant hired by SPARC to carry out the day-to-day tasks of this work. EHIA’s approach for this engagement will be finalized after consultation with in-country stakeholders but the steps below provides a list of illustrative actions that may be taken.

1. **Initial stakeholder consultation**. EHIA will consult FMOH and other key stakeholders such as SPARC, HFIP and R4D to clarify the need, terms of engagement with SPARC, scope of work, how SPARC can leverage existing expertise within EHIA and HFIP, and the expected outputs. This step will also clarify the tools to be used including potentially SPARC’s Strategic Health Purchasing Progress Tracking Framework and the Joint Learning Network for Universal Health Coverage (JLN) Assessing Health Provider Payment Systems: A Practical Guide for Countries Moving toward UHC.
2. **Mapping of purchasing functions** to create a baseline understanding of purchasing arrangements across the health financing system in Ethiopia.

* **Apply the SPARC functional mapping tool.** This will use a mixed-methods approach that begins with a scoping of current purchasing processes and proposed scale up plans through stakeholder interviews and an extensive review of published and grey literature, policy documents, and project reports. SPARC may facilitate 1-2 virtual SHP foundation-building sessions for EHIA and the technical team leading up to the mapping. The functional mapping will map the purchasing functions – financial management, benefit package specification, contractual arrangements with public and private providers, and provider payment, performance monitoring; the information management systems that support these functions and the governance and institutional arrangement and policies defining the mandates of purchasers and providers.
* **Provider Payment Assessment:** Alongside the functional mapping, SPARC will deep dive on provider payment using the JLN Assessing Health Provider Payment Systems: A Practical Guide for Countries Moving toward UHC. SPARC will adapt the guide, borrowing key questions to understand the different PPMs in use, and the perspectives of the purchasers and providers. The assessment will serve as a high-level diagnostic of the current state of PPM in Ethiopia and give insight into how they are working, how they are aligned (or not) and if anything needs to be done to better improve alignment to health system goals.
* Validate findings. EHIA and the technical team will validate the results from the functional mapping and provider payment assessment with FMOH, HFIP and other key stakeholders.
* Initiate stakeholder dialogue. EHIA will lead a stakeholder dialogue with support from SPARC and the technical team to present the findings to a wider group of health financing stakeholders including Ministry of Finance, providers, private sector, development partners; and support a priority setting exercise to identify improvements and interventions to be included in an action plan.

1. **EHIA will co-create an action plan** with the technical team and SPARC, based on the mapping of current purchasing functions and arrangements to address priority areas in consultation with FMOH and HFIP.

* Support the country team for stakeholder validation of the action plan and to present the action plan to health financing stakeholders.
* Finalize the action plan and present to EHIA Director General.

# EXPECTED OUTPUTS

1. Mapping of Ethiopia’s purchasing arrangements
2. Provider Payment Assessment report
3. Consensus on priorities for improving strategic purchasing. These will feed into the strategic purchasing action plan.
4. Strategic purchasing action plan clarifying the vision of the strategic purchasing institutional arrangements, functions, policies and operating systems that will all work together to achieve agreed objectives and priorities.

# ILLUSTRATIVE TEAM STRUCTURE

Due to the constraints created by COVID-19, a blended approach of virtual and in-person engagements will be used. A technical team will be constituted led by EHIA with representation from FMOH, SPARC consultant, HFIP with support from SPARC regional experts as needed. The proposed technical team may include the following individuals. Refer to the Annex for a list of illustrative roles:

|  |  |
| --- | --- |
| **Key Actor/Team** | **Role/Responsibility** |
| EHIA | One or two individuals working in the Providers’ Affairs and Quality Assurance Directorate or relevant directorate to represent the EHIA in the process. |
| FMOH | FMOH to assign a representative from the Provider affairs and Quality Directorate to support the technical team activities. |
| R4D/HFIP | XXXXX: Overall liaison between SPARC, HFIP and Ethiopian stakeholders and key interface with EHIA. |
| SPARC | SPARC Consultant: SPARC will recruit a local (in-country) health financing/ SHP expert to conduct the functional mapping and provide overall support to the activity. |
| SPARC | XXXXX and XXXXX: Regional technical experts. |
| Abt/HFIP | XXXXX: To provide strategic purchasing technical support and liaison with EHIA and country stakeholders. |
| EFDA, EPSA and other stakeholders | These are additional stakeholders who may be brought in to the technical team, when needed, to facilitate access to key informants and documents needed for the mapping and provider payment assessment. |

# ILLUSTRATIVE WORK PLAN

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1. Initial stakeholder consultation** | | | | | | | | |
| **Activities** | **May** | **June** | **July** | **Aug** | **Sept** | **Oct** | **Deliverables** | **Team responsible** |
| Formalize the technical team | X |  |  |  |  |  |  | EHIA, FMOH, HFIP, SPARC |
| Conclude terms of engagement, tools and expected deliverables (in-person) | X |  |  |  |  |  |  | Technical team, EHIA HFIP, SPARC |
| **2. Conduct the functional mapping and provider payment assessment** | | | | | | | | |
| **Activities** | **May** | **June** | **July** | **Aug** | **Sept** | **Oct** | **Deliverables** | **Team responsible** |
| 1-2 SHP foundation-building sessions (virtual) | X | X |  |  |  |  |  | SPARC |
| Adapt and contextualize tools for data collection | X |  |  |  |  |  |  | Technical team |
| Collate all documents and existing information | X |  |  |  |  |  |  | Technical team |
| Document review | X | X |  |  |  |  |  | Technical team |
| Key informant interviews |  | X | X |  |  |  |  | Technical team |
| Finalize the mapping and populate the framework |  |  | X |  |  |  |  | Technical team and SPARC |
| Present findings to EHIA (virtual) |  |  |  | X |  |  |  | Technical team and SPARC |
| Conclude the mapping and provider payment assessment and prepare for stakeholder dialogue |  |  |  | X |  |  | Functional mapping and provider payment assessment report | Technical team and SPARC |
| Organize logistics for the stakeholder dialogue |  |  |  | X | X |  |  | Technical team |
| Begin brainstorm for initial action plan with EHIA |  |  |  | X |  |  |  | Technical team, EHIA and SPARC |
| Summarize findings in a PowerPoint deck |  |  |  | X | X |  |  | Technical team and SPARC |
| Host stakeholder dialogue (in-person) |  |  |  |  | X |  | Priorities for strategic purchasing | Technical team and SPARC |
| **3. Co-create the strategic purchasing action plan** | | | | | | | | |
| **Activities** | **May** | **June** | **July** | **Aug** | **Sept** | **Oct** | **Deliverables** | Team responsible |
| Incorporate stakeholder dialogue inputs into action plan |  |  |  |  | X |  |  | Technical team |
| Validate the action plan with EHIA and FMOH (virtual) |  |  |  |  | X |  |  | Technical team and SPARC, EHIA, FMOH |
| Organize logistics for the action plan validation meeting |  |  |  |  | X |  |  | Technical team, EHIA |
| Technical preparation for the meeting |  |  |  |  | X |  |  | Technical team, SPARC, EHIA |
| Host stakeholder dialogue (in-person) |  |  |  |  |  | X |  | Technical team, SPARC, EHIA |
| Finalize the action plan |  |  |  |  |  | X |  | Technical team, EHIA, SPARC |
| Validate internally |  |  |  |  |  | X |  | Technical team, EHIA, SPARC |
| Submit to EHIA and FMOH |  |  |  |  |  | X | Strategic Purchasing action plan | Technical team |

# PROPOSED FUNDING

**Costs will be shared between HFIP and SPARC as proposed below:**

|  |  |
| --- | --- |
| **SPARC** | **HFIP** |
| * **Level of Effort (LOE) of SPARC staff** * **LOE and costs of any consultants recruited by SPARC to support this scope.** * **SPARC will also meet the costs of any required travel by SPARC staff and any coach, or facilitator recruited by SPARC to support this scope** | * **LOE of local R4D/HFIP staff** * **Costs related to the technical team in-country, including any expenses required to facilitate the technical team’s (EHIA, HFIP and MoH) participation in meetings, key informant interviews, brainstorming sessions, in-person stakeholder meetings** * **Associated meeting costs for the in-person meetings including any required venues, meals, travel expenses etc.** |

**This is subject to agreement by SPARC and HFIP/R4D Ethiopia team.**

# ANNEX: FINANCING FLOW OF FUNDS (ETHIOPIA NHA 2013/14)



# ANNEX Detailed roles and responsibilities of the proposed technical team

|  |  |
| --- | --- |
| **Key Actor/Team** | **Role/Responsibility** |
| EHIA | One or two individuals working in the Providers’ Affairs and Quality Assurance Directorate or relevant directorate to represent the EHIA in the process. Illustrative roles include:   * Liaison between technical team, EHIA head office and regional teams, and government stakeholders to support scheduling of key informant interviews, attendance at the stakeholder dialogues etc * Provide letters of support to facilitate technical team activities * Participate in the technical team meetings * Support the adaptation and contextualization of tools * Contribute to technical team outputs * Participate in report validation |
| R4D/HFIP | XXXXX: Overall liaison between SPARC and Ethiopian stakeholders and key interface with EHIA. . Illustrative roles include:   * Liaison between SPARC and government stakeholders * Liaison between SPARC and HFIP to organize the logistics for the stakeholder dialogues and other HFIP supported activities * Participate in the technical team meetings * Support the adaptation and contextualization of tools * Participate in key informant interviews and collation of technical documents * Contribute to technical team outputs |
| SPARC | SPARC Consultant: Local (in-country) health financing/ SHP expert recruited by SPARC to conduct the functional mapping and provide overall support to the activity. Illustrative roles include:   * Liaison between technical team and government stakeholders to support scheduling of key informant interviews, attendance at the stakeholder dialogues * Lead the technical team meetings * Lead the adaptation and contextualization of tools * Lead the data collection including collating materials and key informant interviews * Lead the analysis of the data and lead presentations to validate the data * Lead report writing and development of dialogue presentations and meeting materials |
| SPARC | XXXXX and XXXXX: Overall activity managers and technical leads. SPARC team will provide oversight, capacity development, and quality assurance as required, and bring in contextualized regional and international experience when needed. Illustrative roles include:   * Lead planning and facilitation of SHP foundational building sessions * Support adaptation and application of the functional mapping tools and the PPM assessment * Participate in the technical team meetings when needed * Support data analysis and preparation for stakeholder dialogue sessions * Manage the contracting and logistics for the SPARC consultant and SPARC supported activities |
| FMOH | FMOH to assign a representative from the Provider affairs and Quality Directorate to support activity. Illustrative roles include:   * Liaison between technical team and FMOH and federal level government stakeholders to support scheduling of key informant interviews, attendance at the stakeholder dialogues etc * Provide letters of support to facilitate technical team activities * Participate in the technical team meetings * Support the adaptation and contextualization of tools * Contribute to technical team outputs * Participate in report validation |
| Abt/HFIP | XXXXX: To provide strategic purchasing technical support and liaison with EHIA and country stakeholders. Illustrative roles include:   * Participate in the technical team meetings and provide technical support to the technical team e.g. in the adaptation and contextualization of tools, providing access to documents and existing information, contribute to technical team outputs and participate in report validation and stakeholder dialogue sessions |
| EFDA, EPSA and other stakeholders | These are additional stakeholders who may be brought in to the technical team, when needed, to facilitate access to key informants and documents needed for the mapping and provider payment assessment. Illustrative roles include:   * Participate in the technical team meetings when needed, facilitate key informant interviews in their agencies, provide access to documents and existing information, contribute to technical team outputs and participate in report validation and stakeholder dialogue sessions |

1. Ethiopian Health Insurance Agency. May 2015. Evaluation of Community-Based Health Insurance Pilot Schemes in Ethiopia: Final Report. Addis Ababa, Ethiopia [↑](#footnote-ref-1)
2. Towards Universal Health Coverage in Ethiopia's ‘developmental state’? The political drivers of health insurance, Social Science & Medicine, Tom Lavers. [↑](#footnote-ref-2)