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# Strategic Purchasing - Croatian Experience

## Siniša Varga, Zagreb, Croatia

Consultant of the World Bank, Member of Croatian Parliament, Vice-President of Health and Welfare Standing Committee, ex-Minister of Health

Projekta Nr.9.2.3.0/15I/001, „Veselības tīklu attīstības vadlīniju un kvalitātes nodrošināšanas sistēmas izstrāde un ieviešanas prioritāro jomu ietvaros”

**Scientific conference**

**HEALTH CARE SYSTEM: CHALLENGES AND OPPORTUNITIES**

28th November, 2016

Bellevue Park Hotel Riga, room “Berlin”, 1 Slokas Street



# Please allow me to introduce myself...

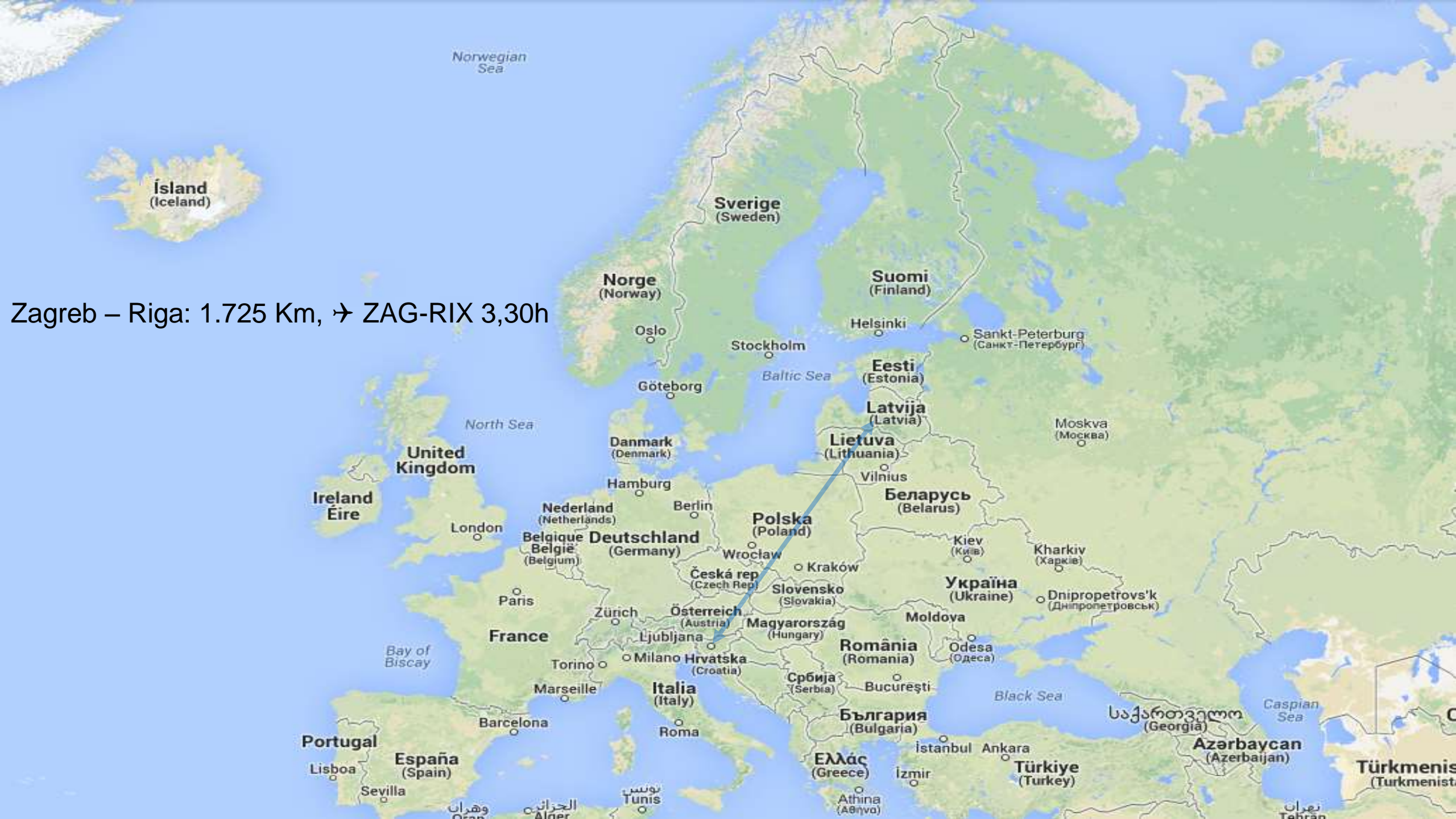
- Member of Croatian Parliament 2016-present
- Minister of Health 2014-2016
- Director Croatian Health Insurance Fund 2012-2014
- President Managerial Board Vrapće Psychiatric Teaching Hospital 2010-2012
- World Bank Project Bosnia & Herzegovina 2006-2008
- Deputy Minister of Health 2002-2004
- Deputy Director Dubrava University Hospital 2000-2002
- World Bank Project Croatia 1999-2002
- Head of Maxillofacial Rehabilitation Unit DUH 1992-present

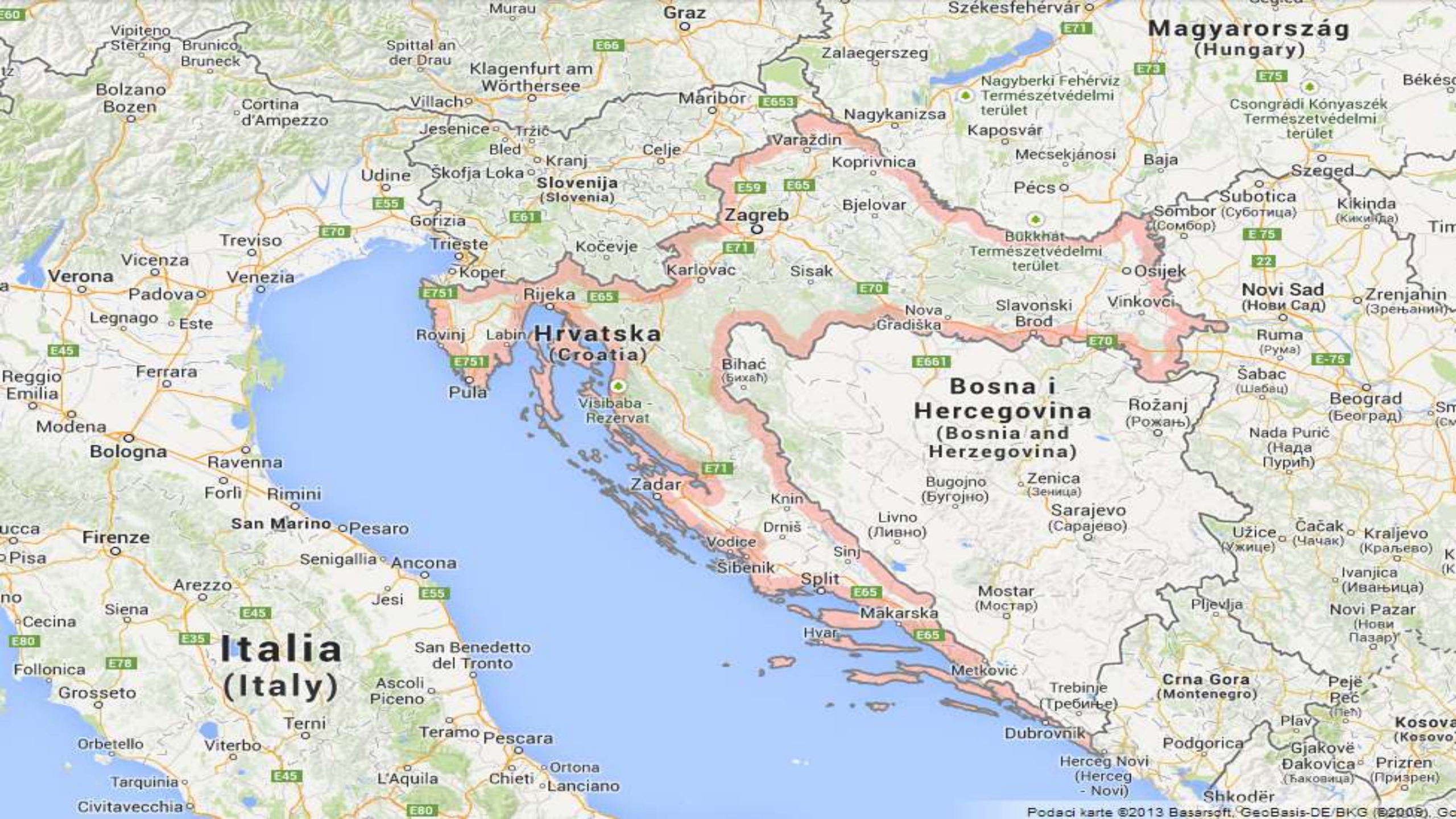
*"...it takes roughly ten thousand hours of practice to achieve mastery in a field..."*  
Malcolm Gladwell

*DMD, Prosthodontist, QSM/QSA, Health Resources Manager, Diplomacy*



Zagreb – Riga: 1.725 Km, ✈ ZAG-RIX 3,30h





**Italia**  
(Italy)

**Hrvatska**  
(Croatia)

**Bosna i Hercegovina**  
(Bosnia and Herzegovina)

**Magyarország**  
(Hungary)

**Slovenija**  
(Slovenia)

**Crna Gora**  
(Montenegro)

**Kosovo**  
(Kosovo)



01.07.2013.



Latvia 64.589 sq km  
Croatia 56.594 sq km

Satelit  
Promet

# Medveščak – Dinamo Riga 1:0

19. 11. 2016.





## Nogometne utakmice Hrvatska - Latvija

Sa Wikipedije, slobodne enciklopedije

**Utakmice** [ [uredi](#) | [uredi izvor](#) ]

### Utakmice nogometnih reprezentacija Hrvatske i Latvije

Datum	Mjesto održavanja	Utakmica	Rezultat	Takmičenje
24. mart 2001.	Osijek, <span><span><span></span></span><span> </span></span> Hrvatska	<b>Hrvatska</b> - Latvija	4-1	Kvalifikacije za Svjetsko prvenstvo 2002.
6. juni 2001.	Riga, <span><span><span></span></span><span> </span></span> Latvija	Latvija - <b>Hrvatska</b>	0-1	Kvalifikacije za Svjetsko prvenstvo 2002.
3. septembar 2010.	Riga, <span><span><span></span></span><span> </span></span> Latvija	Latvija - <b>Hrvatska</b>	0-3	Kvalifikacije za Evropsko prvenstvo 2012.
11. oktobar 2011.	Rijeka, <span><span><span></span></span><span> </span></span> Hrvatska	<b>Hrvatska</b> - Latvija	2-0	Kvalifikacije za Evropsko prvenstvo 2012.

**Statistika** [ [uredi](#) | [uredi izvor](#) ]

	Uta.	Pob.	Ner.	Por.	Golovi
<span><span><span></span></span><span> </span></span> Hrvatska - <span><span><span></span></span><span> </span></span> Latvija	4	4	0	0	10:1

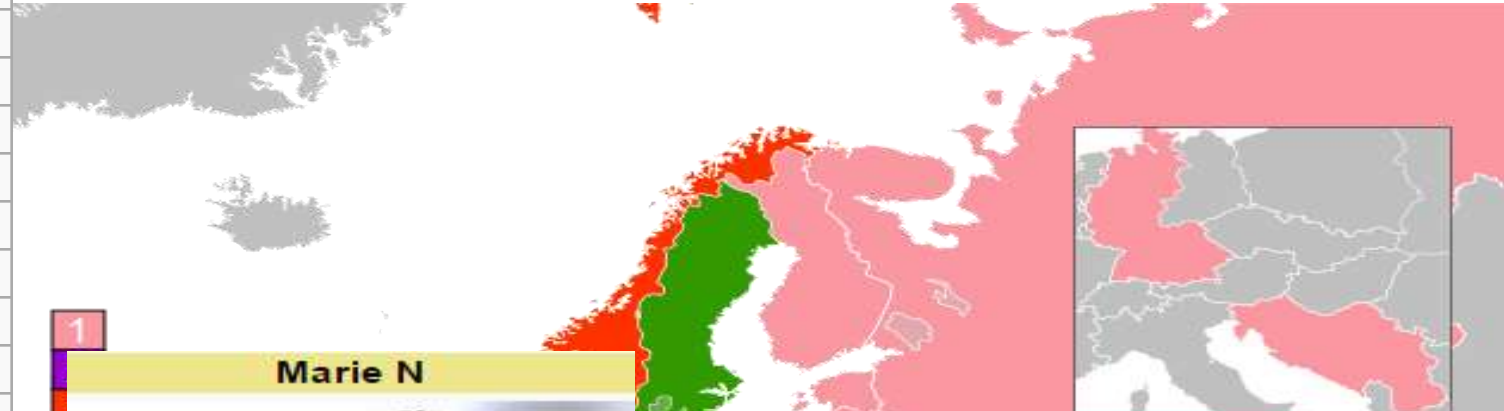
**Vanjski linkovi** [ [uredi](#) | [uredi izvor](#) ]

Utakmice hrvatske nogometne reprezentacije na službenoj stranici FIFA [\(de\)](#)[\(en\)](#)[\(fr\)](#)[\(sp\)](#)[\(pt\)](#)

Wins	Country	Years
7	<a href="#">Ireland</a>	<a href="#">1970</a> , <a href="#">1980</a> , <a href="#">1987</a> , <a href="#">1992</a> , <a href="#">1993</a> , <a href="#">1994</a> , <a href="#">1996</a>
5	<a href="#">United Kingdom</a>	<a href="#">1967</a> , <a href="#">1969</a> , <a href="#">1976</a> , <a href="#">1981</a> , <a href="#">1997</a>
	<a href="#">Sweden</a>	<a href="#">1974</a> , <a href="#">1984</a> , <a href="#">1991</a> , <a href="#">1999</a> , <a href="#">2012</a>
	<a href="#">Luxembourg</a>	<a href="#">1961</a> , <a href="#">1965</a> , <a href="#">1972</a> , <a href="#">1973</a> , <a href="#">1983</a>
	<a href="#">France</a>	<a href="#">1958</a> , <a href="#">1960</a> , <a href="#">1962</a> , <a href="#">1969</a> , <a href="#">1977</a>
4	<a href="#">Netherlands</a>	<a href="#">1957</a> , <a href="#">1959</a> , <a href="#">1969</a> , <a href="#">1975</a>
3	<a href="#">Denmark</a>	<a href="#">1963</a> , <a href="#">2000</a> , <a href="#">2013</a>
	<a href="#">Norway</a>	<a href="#">1985</a> , <a href="#">1995</a> , <a href="#">2009</a>
	<a href="#">Israel</a>	<a href="#">1978</a> , <a href="#">1979</a> , <a href="#">1998</a>
2	<a href="#">Spain</a>	<a href="#">1968</a> , <a href="#">1969</a>
	<a href="#">Switzerland</a>	<a href="#">1956</a> , <a href="#">1988</a>
	<a href="#">Italy</a>	<a href="#">1964</a> , <a href="#">1990</a>
	<a href="#">Germany</a>	<a href="#">1982</a> , <a href="#">2010</a>
1	<a href="#">Austria</a>	<a href="#">1966</a>
	<a href="#">Monaco</a>	<a href="#">1971</a>
	<a href="#">Belgium</a>	<a href="#">1986</a>
	 <a href="#">Yugoslavia</a>	<a href="#">1989</a>
	<a href="#">Estonia</a>	<a href="#">2001</a>
	 <a href="#">Latvia</a>	<a href="#">2002</a>
1	<a href="#">Turkey</a>	<a href="#">2003</a>
	<a href="#">Ukraine</a>	<a href="#">2004</a>
	<a href="#">Greece</a>	<a href="#">2005</a>
	<a href="#">Finland</a>	<a href="#">2006</a>
	<a href="#">Serbia</a>	<a href="#">2007</a>
	<a href="#">Russia</a>	<a href="#">2008</a>
	<a href="#">Azerbaijan</a>	<a href="#">2011</a>

# EUROVISION

## SONG CONTEST



Scientific conference

HEALTH CARE SYSTEM: CHALLENGES AND OPPORTUNITIES  
 Source: [http://www.wikipedia.org/wiki/List\\_of\\_Eurovision\\_Song\\_Contest\\_winners](http://www.wikipedia.org/wiki/List_of_Eurovision_Song_Contest_winners)

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Rīga, Latvia, November 20, 2010

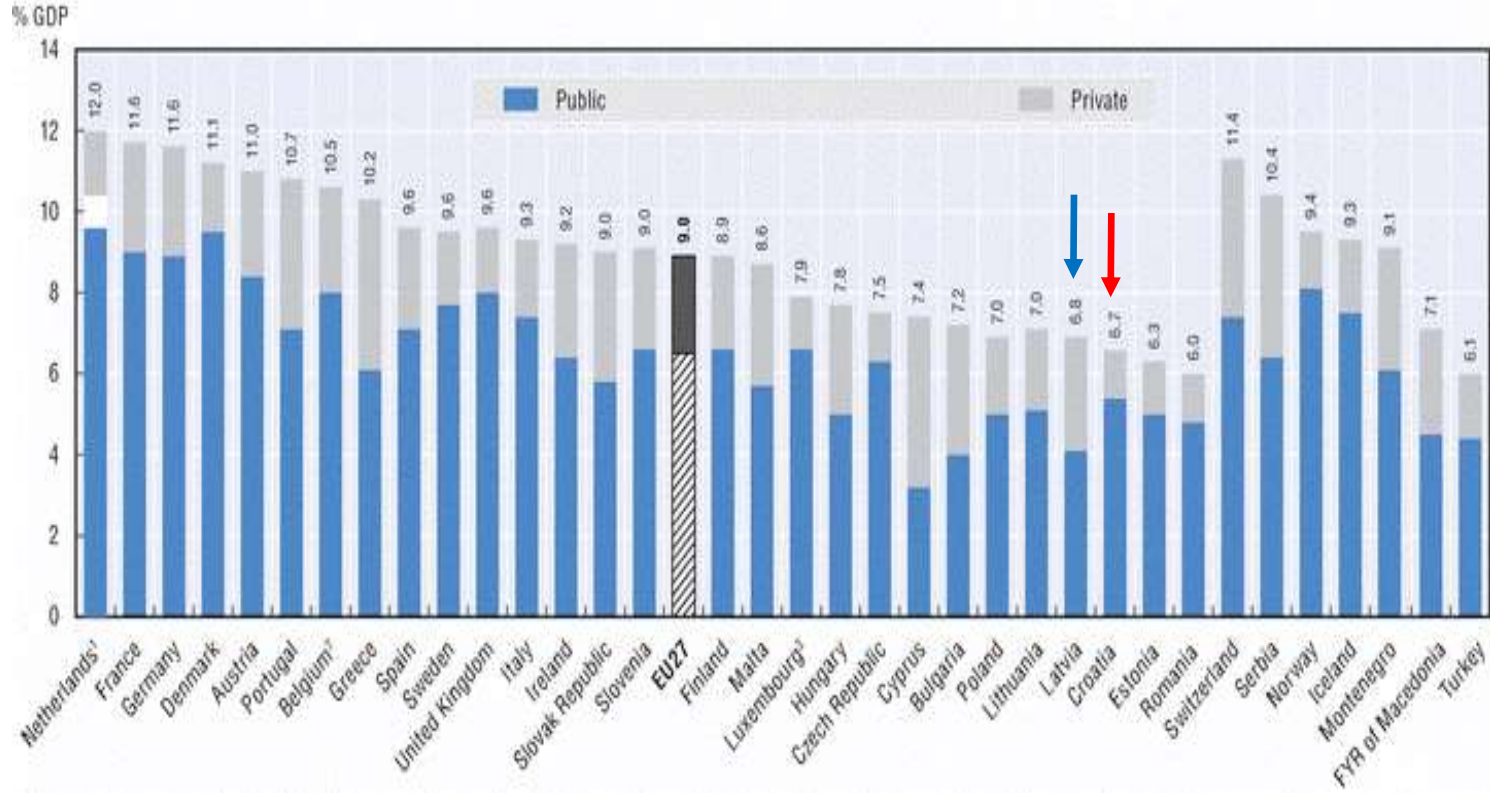


# Latvia vs Croatia



Index	Latvia Rank	Croatia Rank
Human Development Index 2015	46th	47th
Reporters Without Borders Press Freedom Index 2016	24th	63rd
Global Gender Gap Report Global Gender Gap Index 2016	18th	68th
Social Progress Index 2016	33rd	37th
Transparency International: Corruption Perceptions Index 2016	43rd	51st
<b>Ease of doing business index 2016</b>	<b>14th</b>	<b>43rd</b>
Global Innovation Index (INSEAD) 2016	34rd	47th
Networked Readiness Index 2016	32nd	54th
Environmental Performance Index 2016	22nd	15th

# % GDP per capita expenditure on healthcare (OECD 2013)

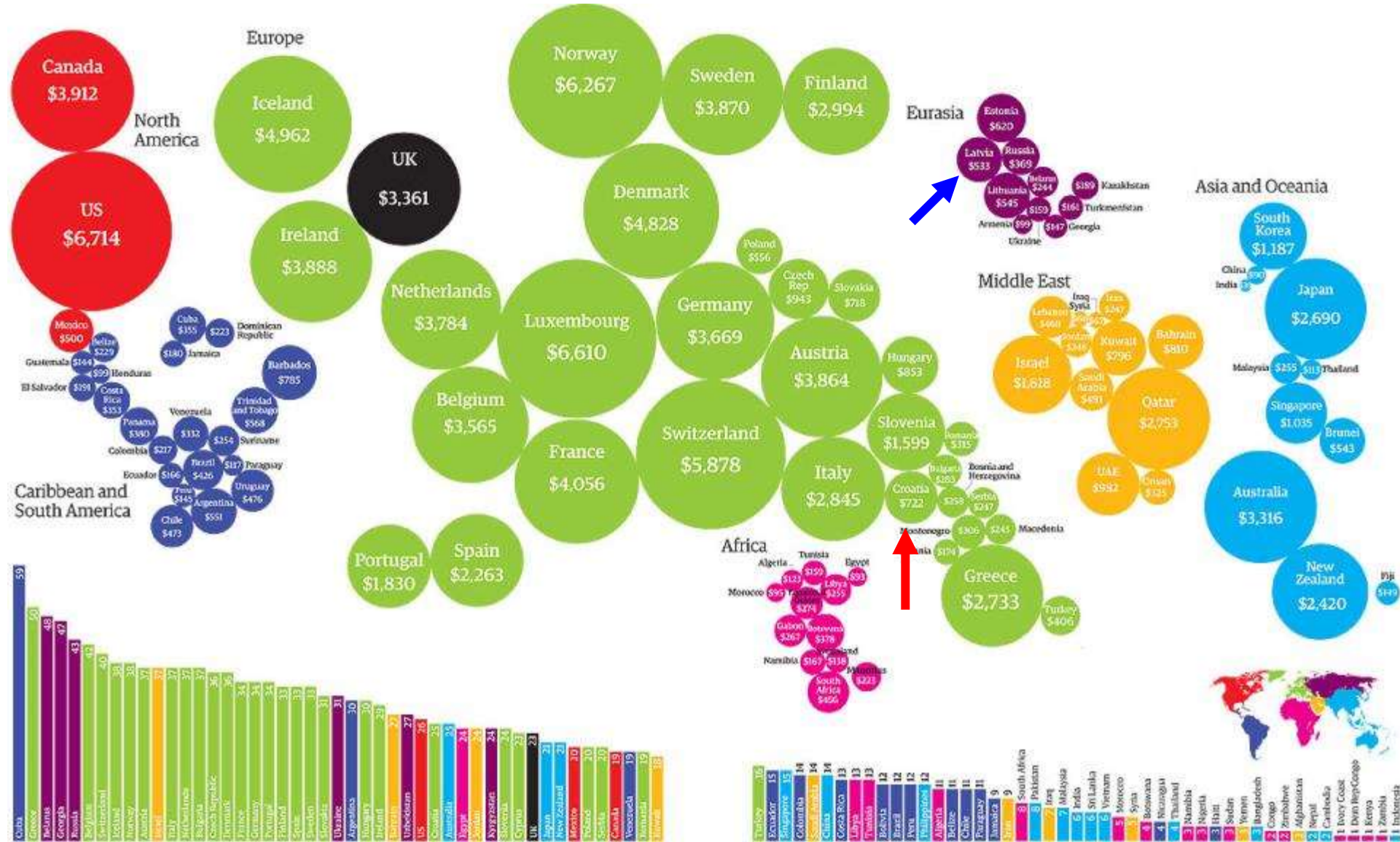


**Ratio of public-private expenditure : EU27 74:26 vs RH 87:13 (2014)**

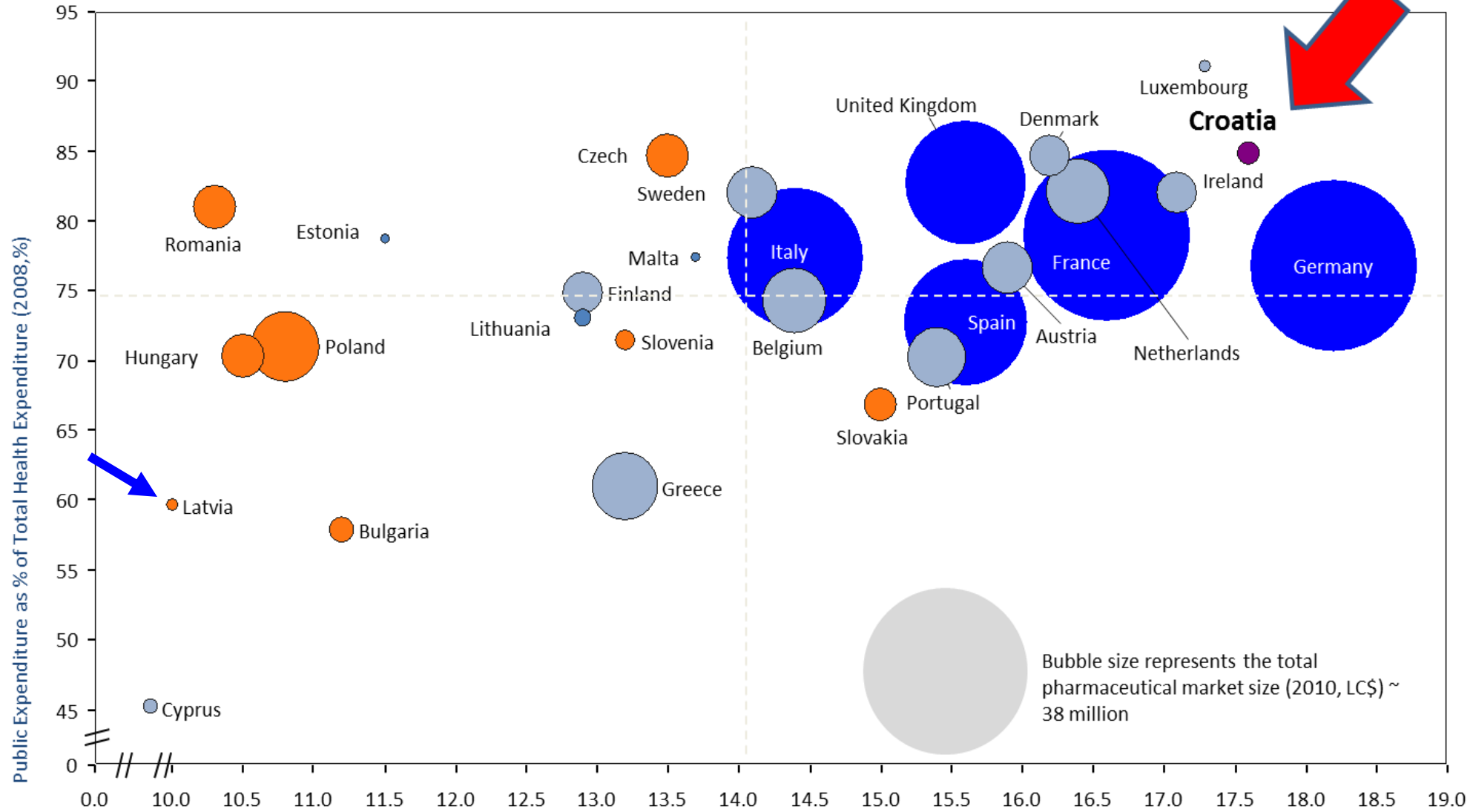
6,7% GDP = 2,92 billion € (87% = 2,54 billion €, 13% = 380 million €)

9,0% GDP = 3,88 billion € (87% = 3,38 billion € or 840 million € more!)

# Per capita health expenditure

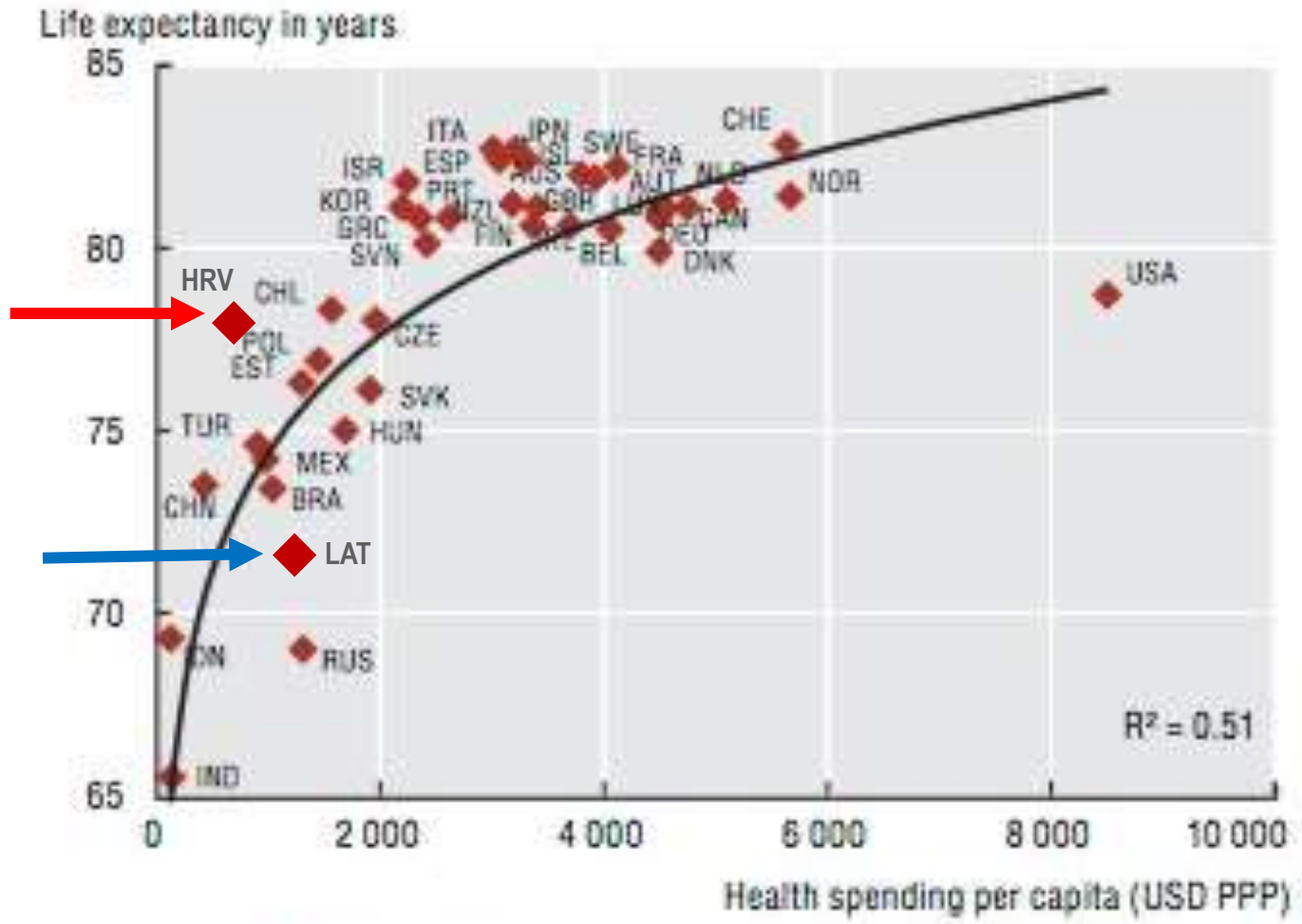


**Croatia regards health as an important segment of public interest:  
Healthcare as a proportion of public expenditure (18%); Healthcare is highly publicly funded (85%)**




Source: WHO; IMS Market Prognosis





Source: OECD Health Statistics 2013, <http://dx.doi.org/10.1787/health-data-en>; World Bank for non-OECD countries.

StatLink  <http://dx.doi.org/10.1787/888932916040>

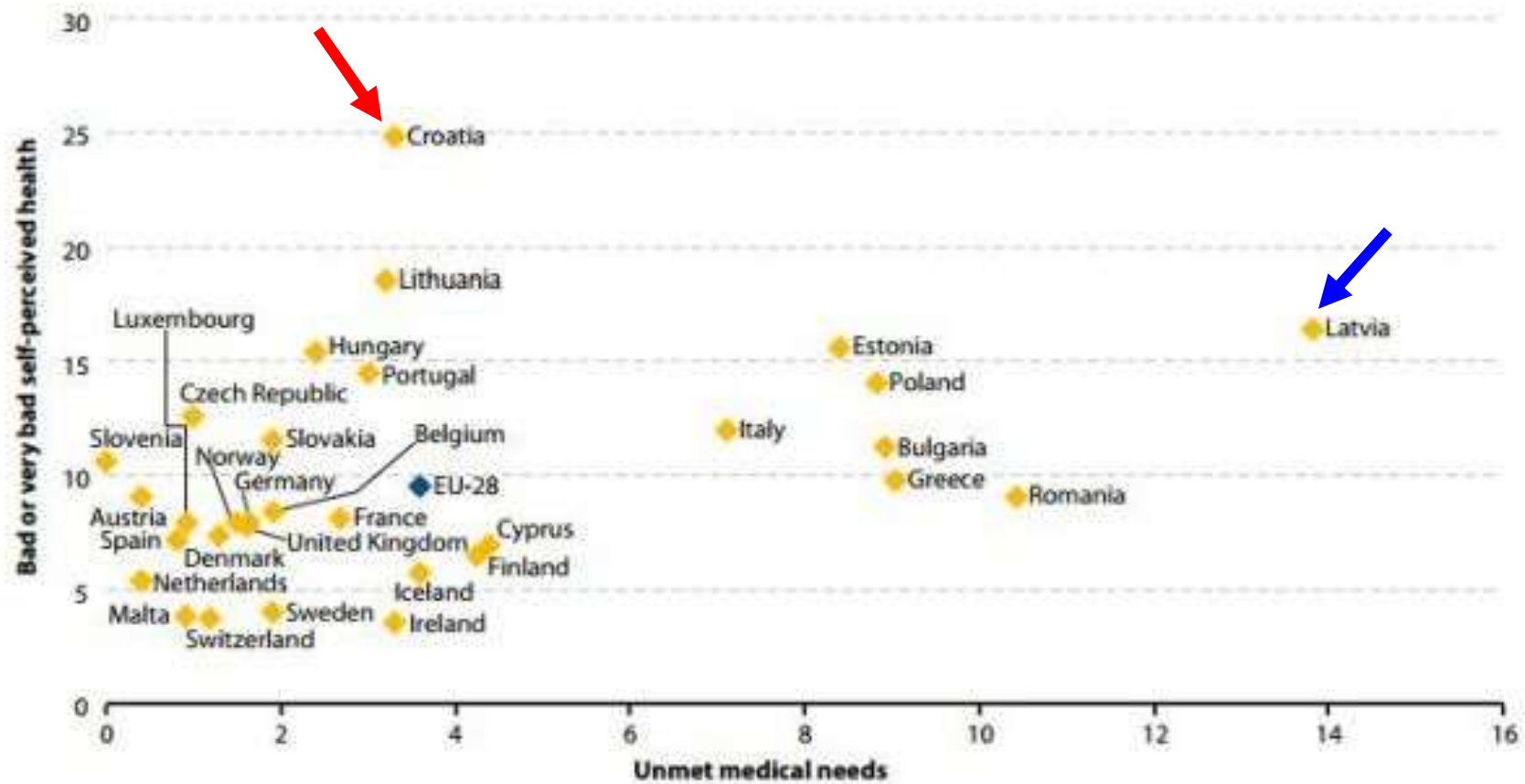
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**Figure 13:** Bad or very bad self-perceived health versus self-reported unmet needs for medical examination (too expensive or too far to travel or waiting list), by country, 2013  
 (% of population)



Source: Eurostat (online data codes: hlth\_silc\_02 and hlth\_silc\_08)



Health Consumer Powerhouse



Euro Health  
Consumer Index 2015

The **EHCI** analyses national healthcare on **48 indicators**, looking into areas such as Patient Rights and Information, Access to Care, Treatment Outcomes, Range and Reach of Services, Prevention and use of Pharmaceuticals.

[www.healthpowerhouse.com](http://www.healthpowerhouse.com)

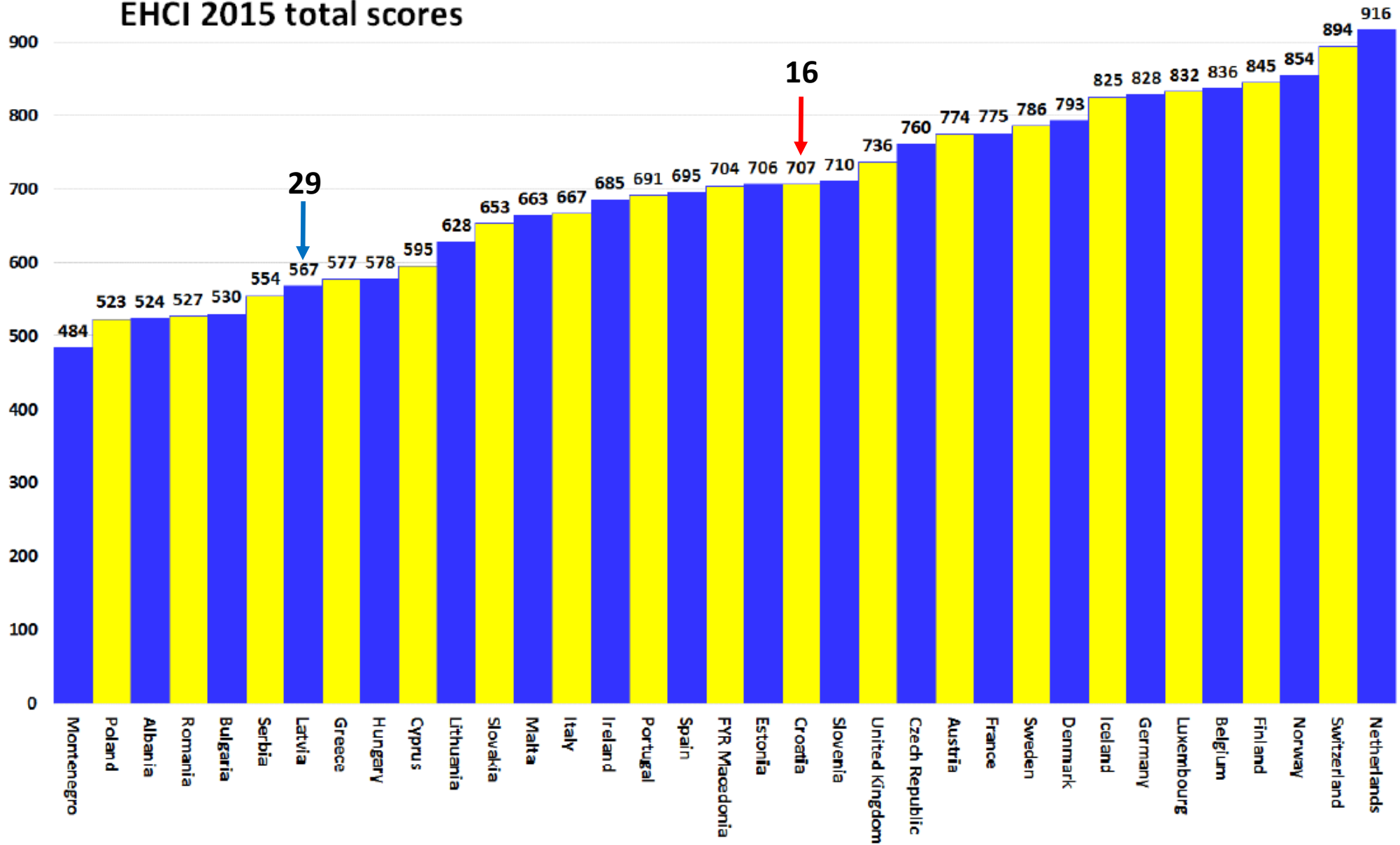
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# EHCI 2015 total scores



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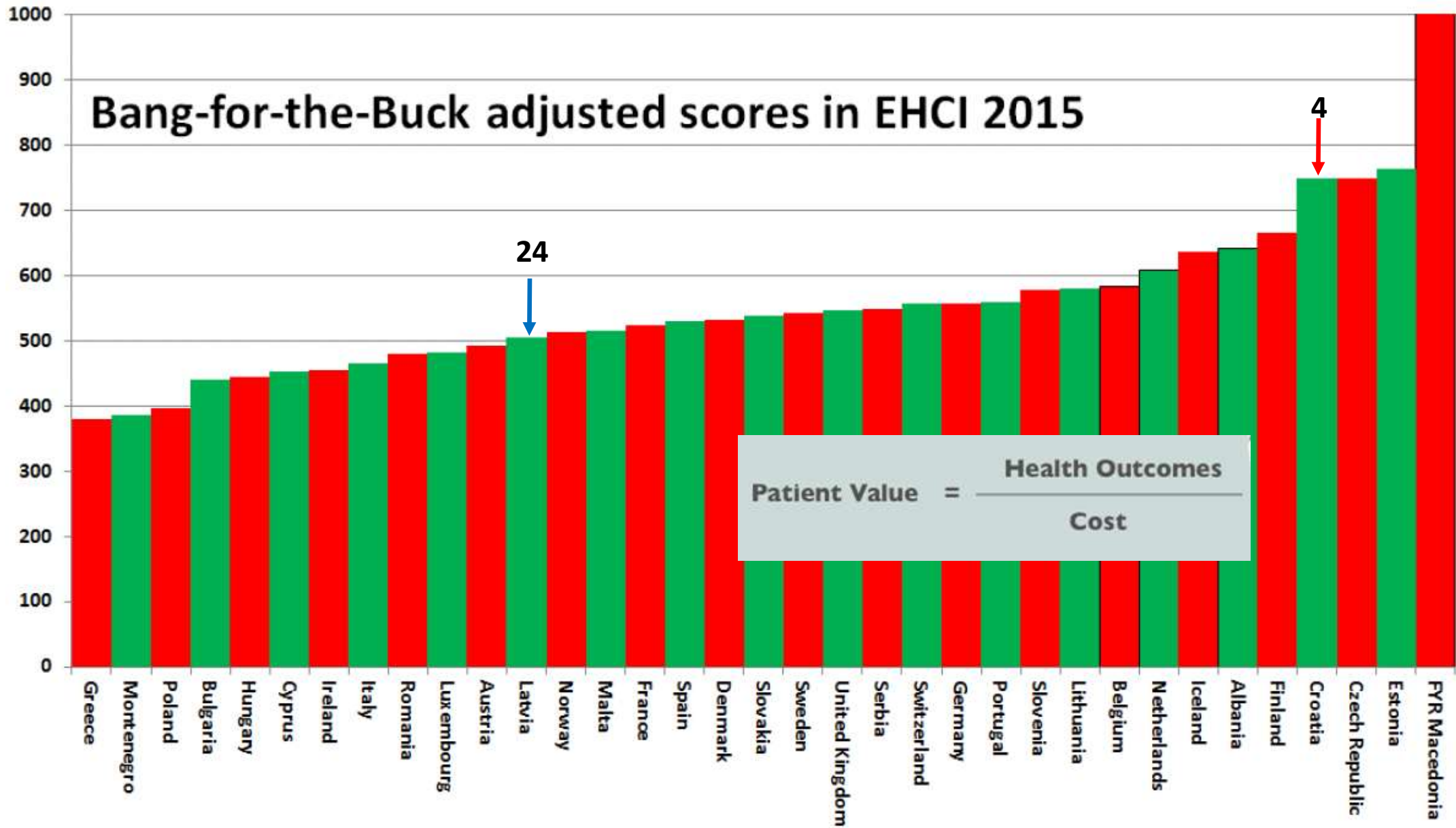


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# Bang-for-the-Buck adjusted scores in EHCI 2015



$$\text{Patient Value} = \frac{\text{Health Outcomes}}{\text{Cost}}$$



# Mandatory Insurance coverage

## Health Care Law, Mandatory Health Insurance Act

- **All citizens/Universal Coverage**
- **Health care rights include: services on all levels of care**
  - Primary health care
  - Specialist care
  - Hospital care
  - Medicines, medical devices, dental supplies (that are on the CHIF List – 3000 basic drugs, 500 additional drugs, 127 extra expensive drugs)
  - Health care in EU and other countries
  - Sick leave, maternity leave

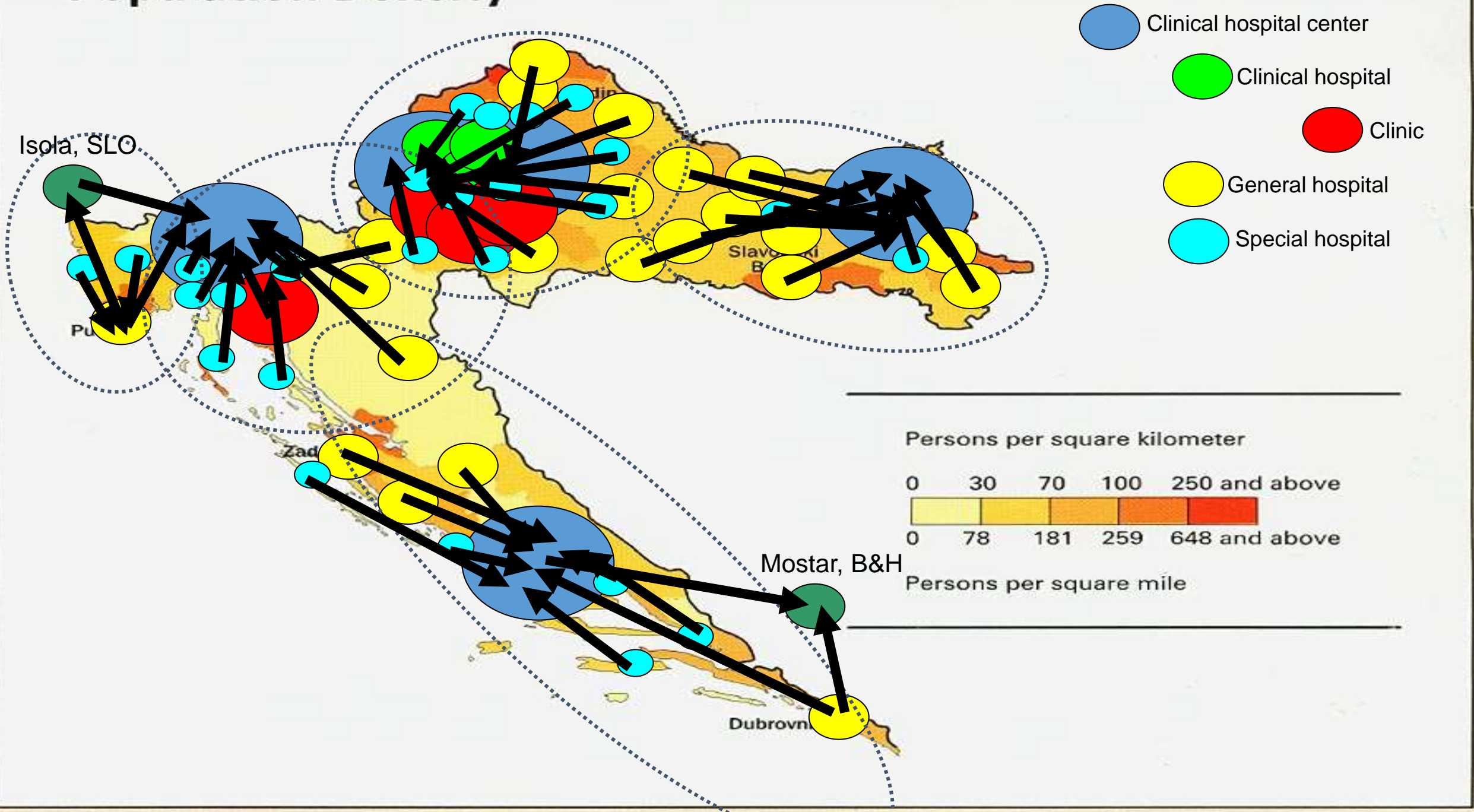


<http://www.hzzo.hr/en/>

**Participation/co-payment in the health care costs for all insured persons (1,5usd in PHC, 20% in sec. and terc. care - all covered by supplementary insurance)**

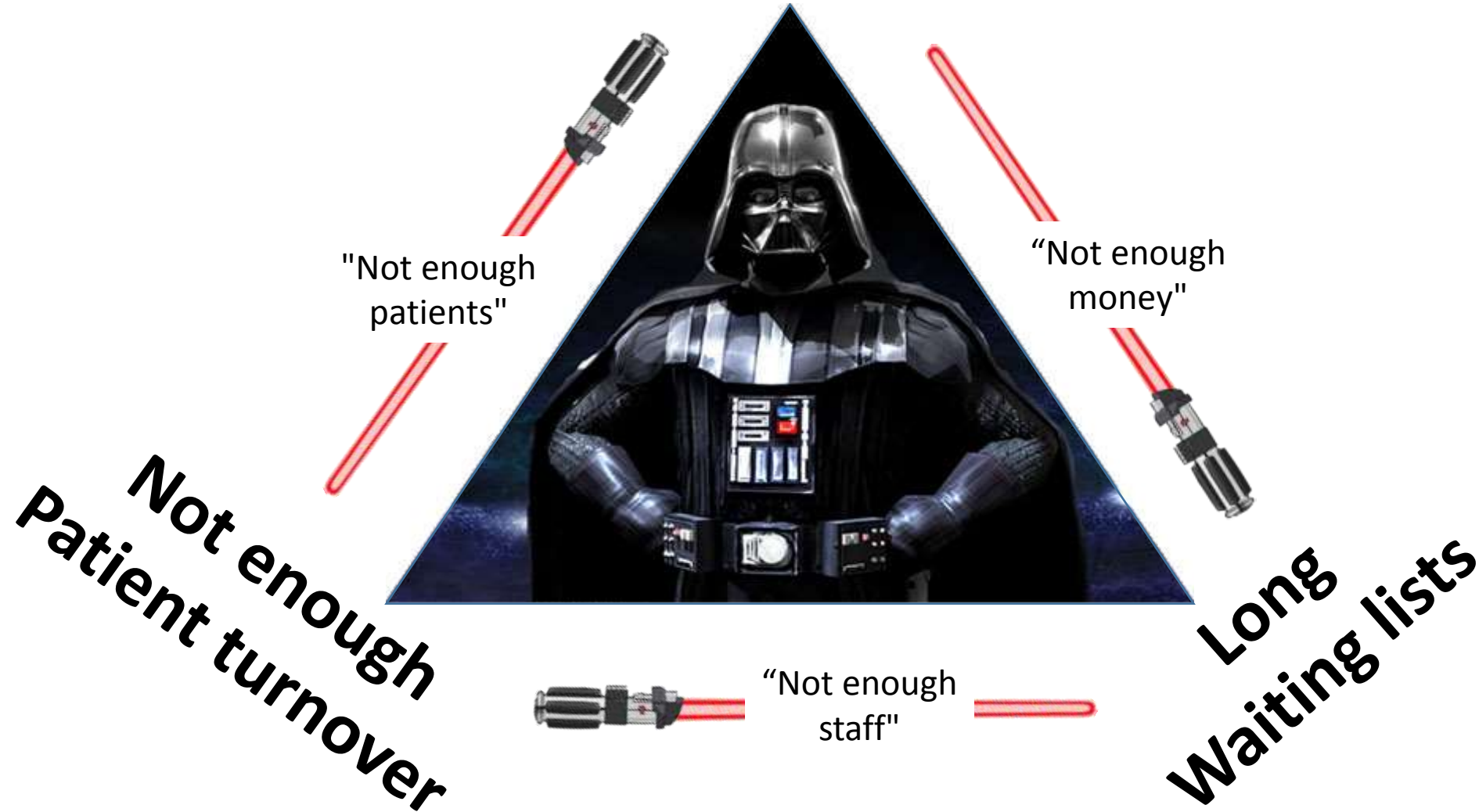
**- except children, preventive women care, pregnancy, elderly preventive care, preventive care of school children and students, preventive care of persons with disability, treatment of malignant diseases, chronic psychiatric diseases, nursing at home, HIV care, dialysis....**

# Population Density



the  
dark  
side

# Negative hospital financial accounts



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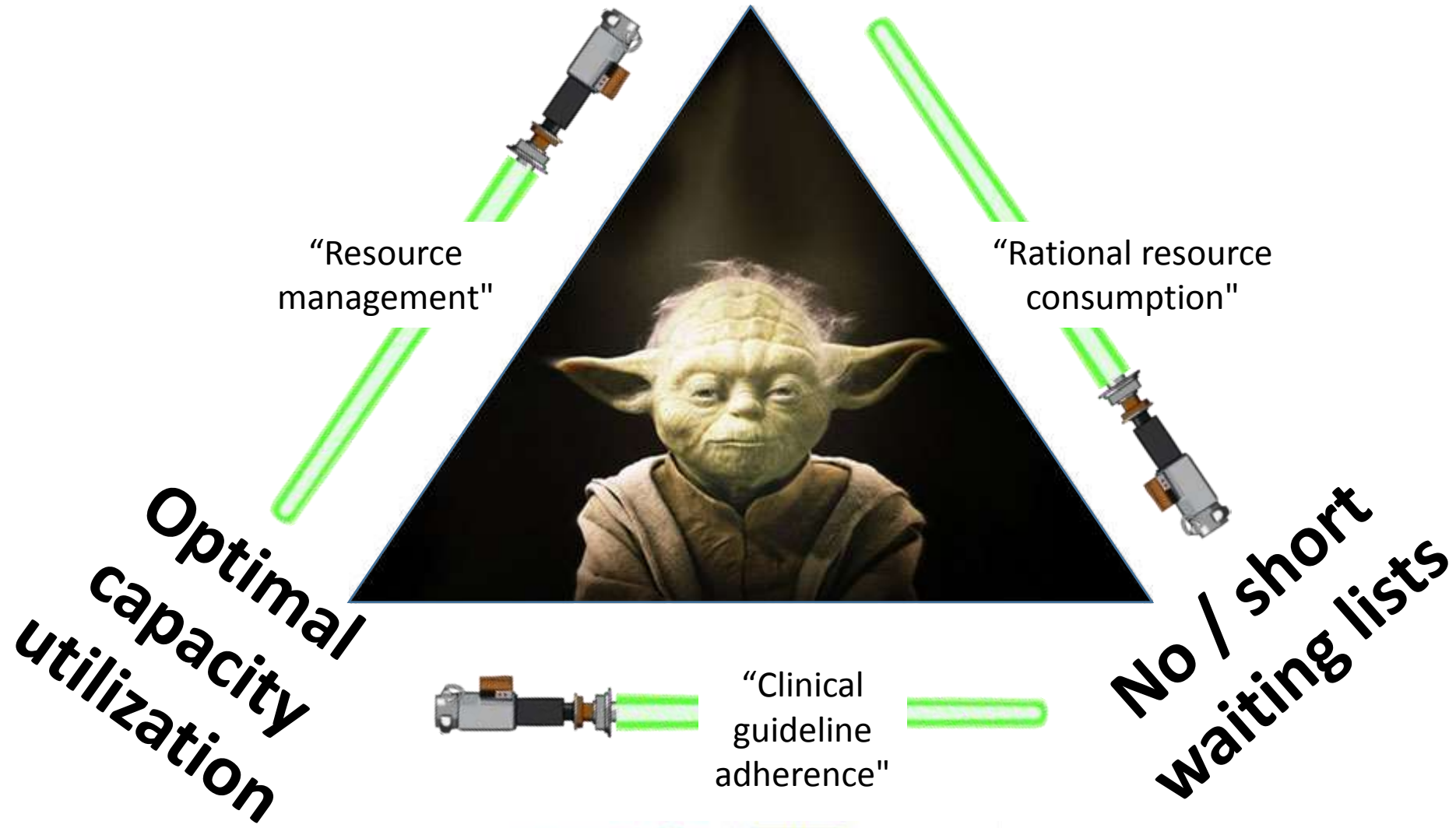


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the  
way  
of  
the  
force

# Positive hospital financial accounts



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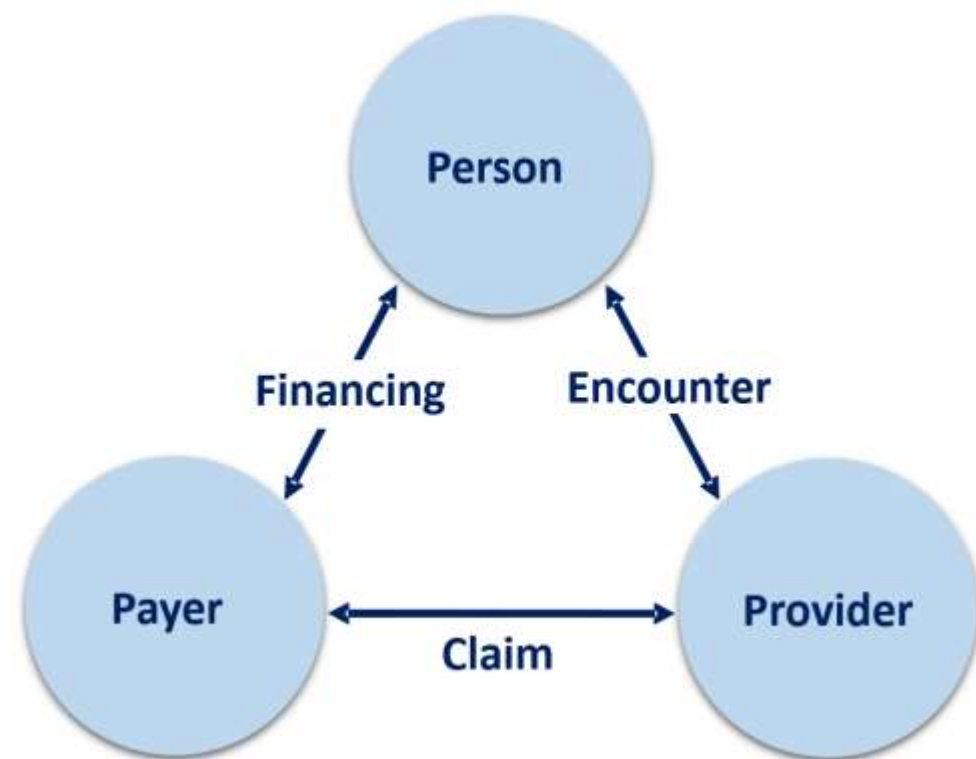
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# Resource efficiency

The **2010 World Health Report on financing for universal coverage** noted that: “Raising sufficient money for health is imperative, but just having the money will not ensure universal coverage. Nor will removing financial barriers to access through prepayment and pooling. The final requirement is to ensure resources are used efficiently.”

WHO World Health Report, 2010





# Strategic purchasing

- "**Purchasing**" refers to the allocation of pooled funds to providers that deliver healthcare goods and services to the covered population, as per the defined benefit package.
- "**Strategic purchasing**" means active, evidence-based engagement in defining the service-mix and volume, and selecting the provider-mix in order to maximize societal objectives.
- Improving the strategic purchasing of health services is central to improving health system performance and making progress towards **universal health coverage**.

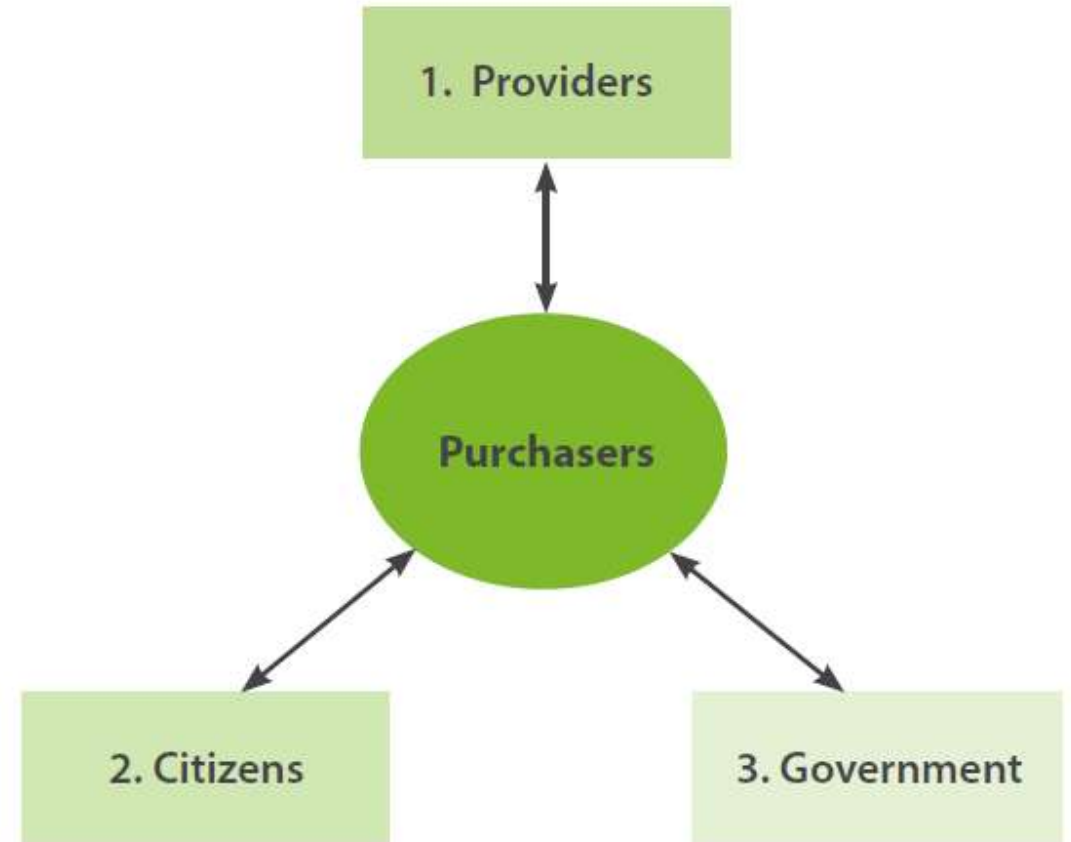
[http://www.who.int/health\\_financing/topics/purchasing/passive-to-strategic-purchasing/en/](http://www.who.int/health_financing/topics/purchasing/passive-to-strategic-purchasing/en/)



# Strategic purchasing requires the purchaser to engage actively in 3 main relationships:

“**Passive purchasing** implies following a predetermined budget or simply paying bills when presented. **Strategic purchasing** involves a continuous search for the best ways to maximize health system performance by deciding which interventions should be purchased, how, and from whom.”

The 2000 World Health Report





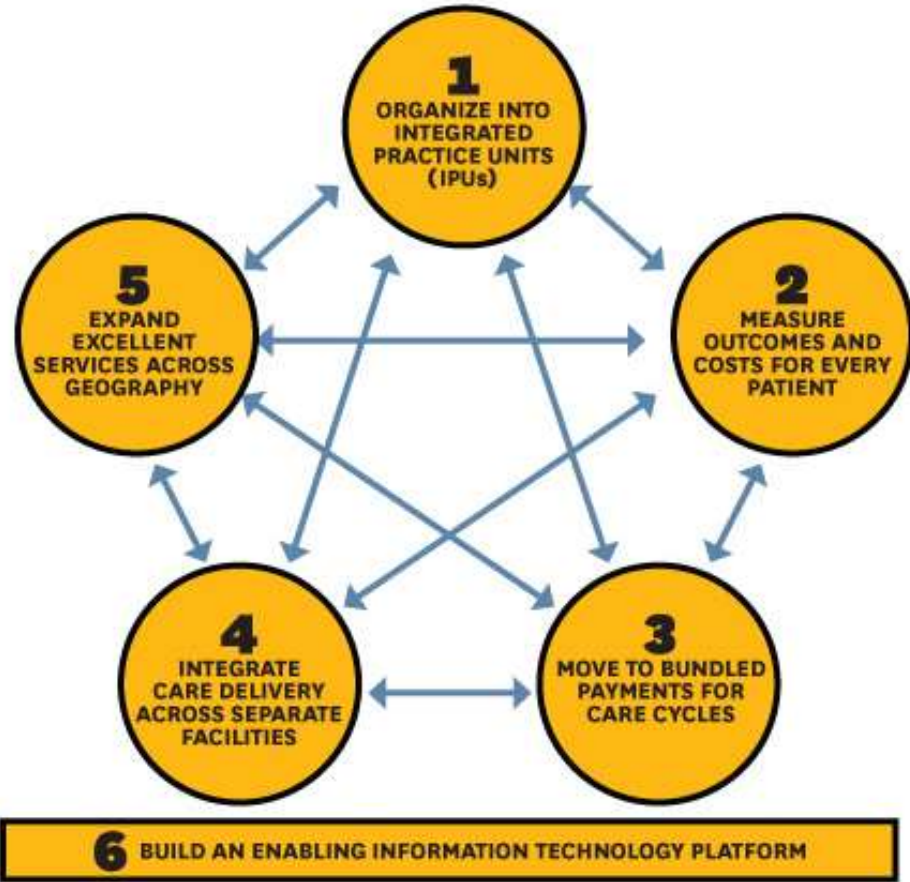
# Strategic purchasing involves three sets of decisions:

1. Identifying the interventions or services to be purchased, taking into account population needs, national health priorities and cost-effectiveness.
2. Choosing service providers, giving consideration to service quality, efficiency and equity.
3. Determining how services will be purchased, including contractual arrangements and provider payment mechanisms

World Health Organisation 2000; Figueras, Robinson et al. 2005



$$\text{Patient Value} = \frac{\text{Health Outcomes}}{\text{Cost}}$$



Michael E. Porter  
Elizabeth Olmsted Teisberg

# Redefining Health Care

*Creating Value-Based Competition on Results*



HARVARD BUSINESS SCHOOL PRESS



# National Health Care Strategy 2012-2020

- Basis for World Bank project: “Health System Quality and Efficiency Improvement”
- Project ID: P144871



MoH website <http://zdravlje.gov.hr> (search: National Health Care Strategy 2012-2020)

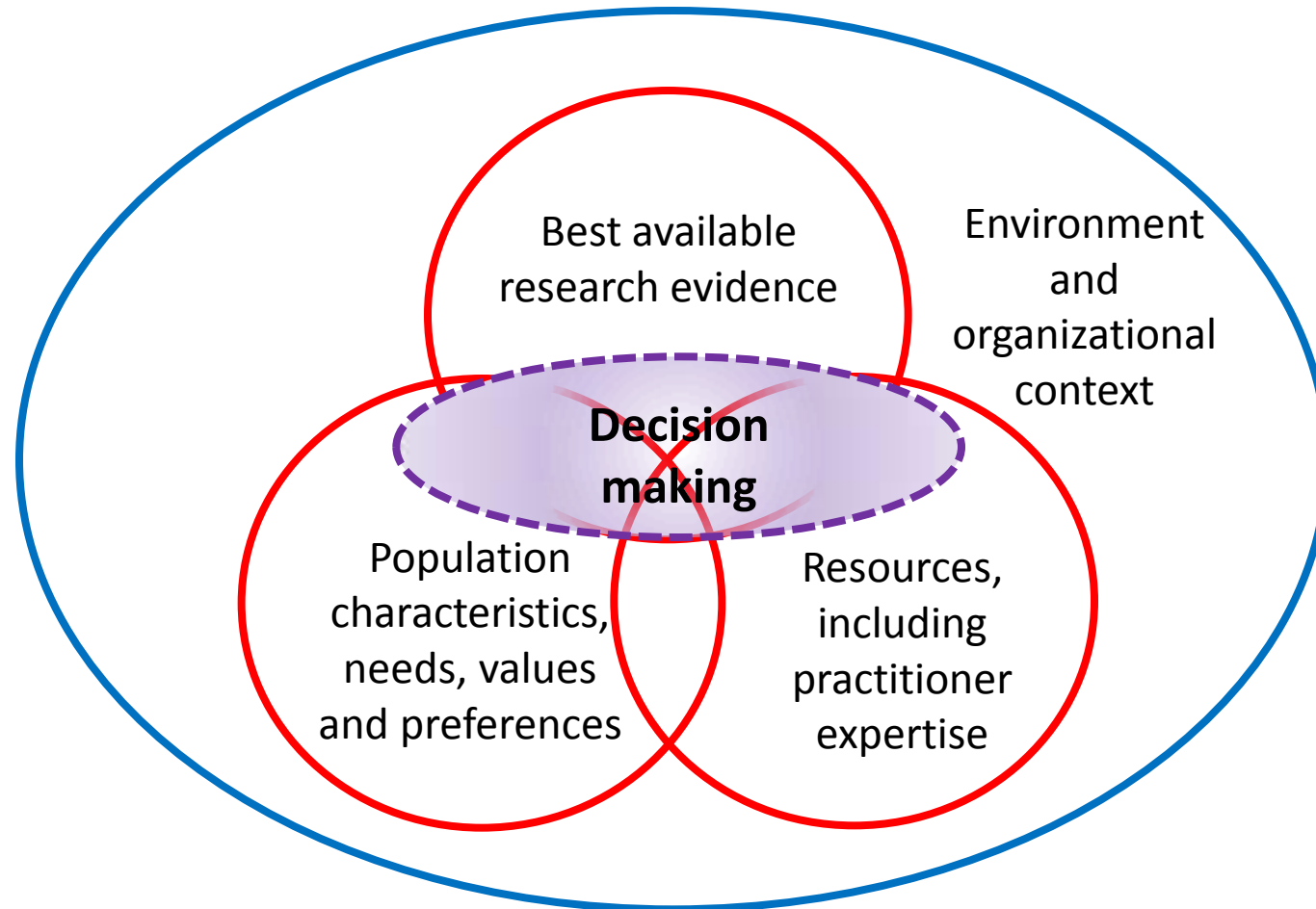
# Croatia's key strategy points:

1. Universal and egalitarian access to quality health services
2. No increase in financial burden on patient out-of-pocket payments
3. Increase average life expectancy by 2 years in the next 5 years

# Reform priorities are the rationalization of:

1. Healthcare infrastructure and facilities
2. Equipement
3. Human resources
4. Health services basket, copayments and out-of-pocket payments

# Evidence-based Decision Making



# Health data is a key enabler of health system efficiency



## Reducing complications

- Tracking patients over time reveals how follow-on complications can be avoided
- Patients at risk can be identified and intervention organised, reducing costly complications



## Eliminating waste

- Root-cause analysis of outcomes variation can identify ineffective practices
- Stopping ineffective practices eliminates spending that is not delivering outcomes



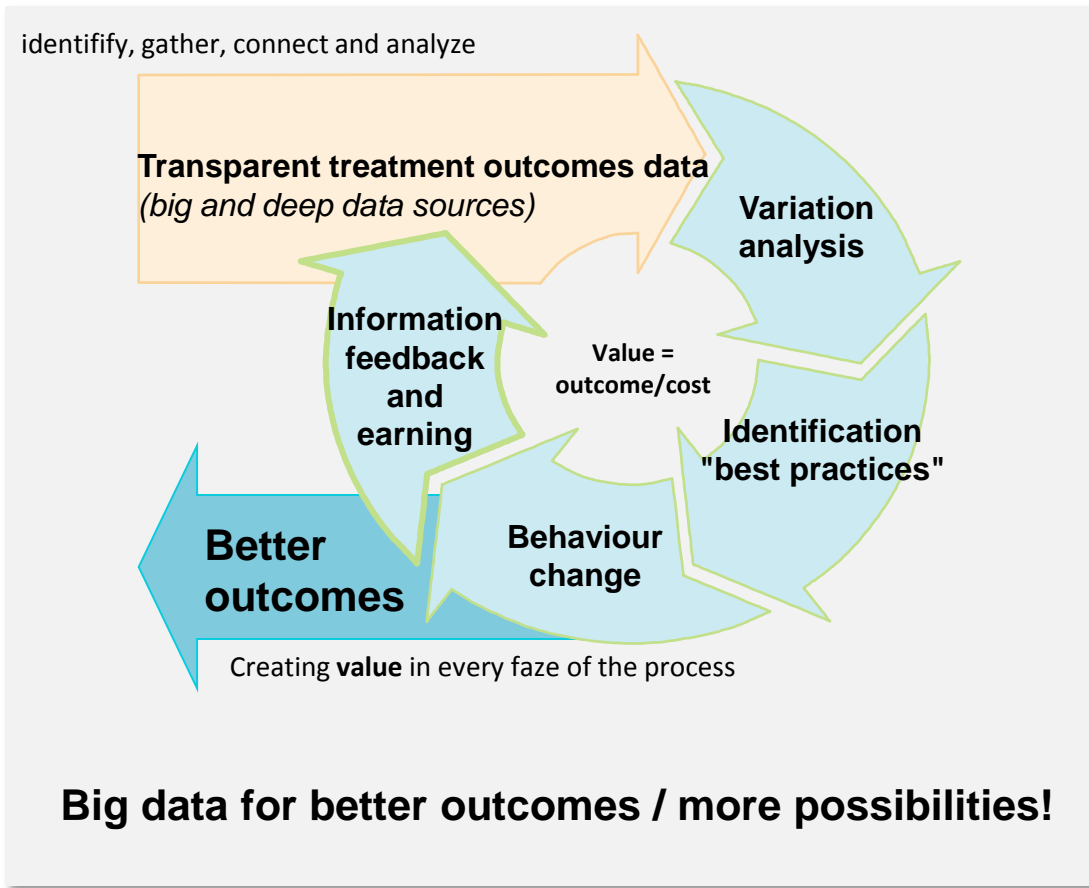
## Drive continuous improvement

- Transparent outcomes data increases provider competition on meaningful metrics, generating incentives for high quality care
- This is likely to lead to increasing specialisation, given the positive impact of caseload on provider performance

# BD4BO - Data is gold of the 21st century: Systematic approach to healthcare outcomes us necessary in order to increase health services efficiency, efficacy and sustainability.

**Big Data – possibilities of healthcare improvement...**

**... result in system sustainability**



**Clinical records / registries**  
**Cl. studies /HTA/RWE/**  
**comorbidity**  
**IT/software/telephon ...**

- ✓ Better outcome
- ✓ Less variation
- ✓ Lower overhead costs



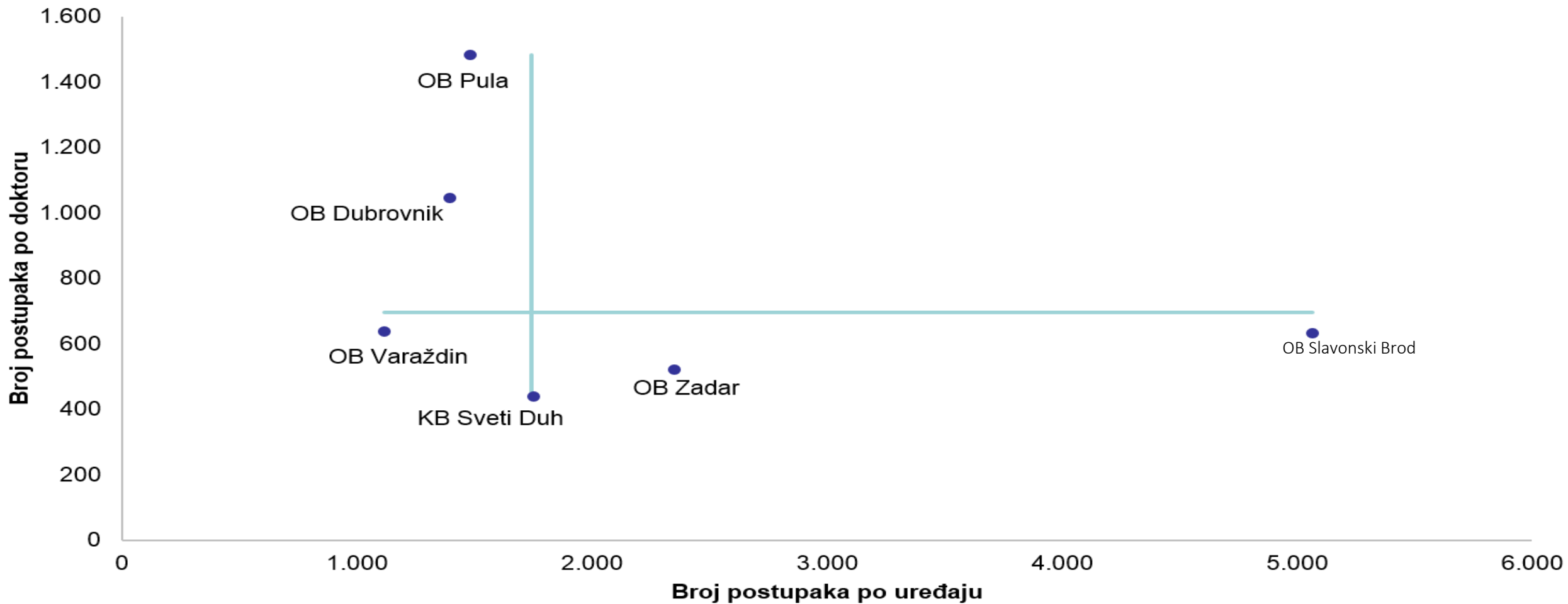
**Healthcare system improvement**  
 (outcomes/choices/rewards)

**From services towards outcomes**





# Cardiac ultrasound (2.-nd category, 2013)



Linije označavaju prosječan broj pregleda po jednom uređaju te po jednom doktoru. Tako, primjerice, ustanove u donjem desnom kvadrantu imaju veći broj pretraga po uređaju, ali manji po doktoru od prosjeka.

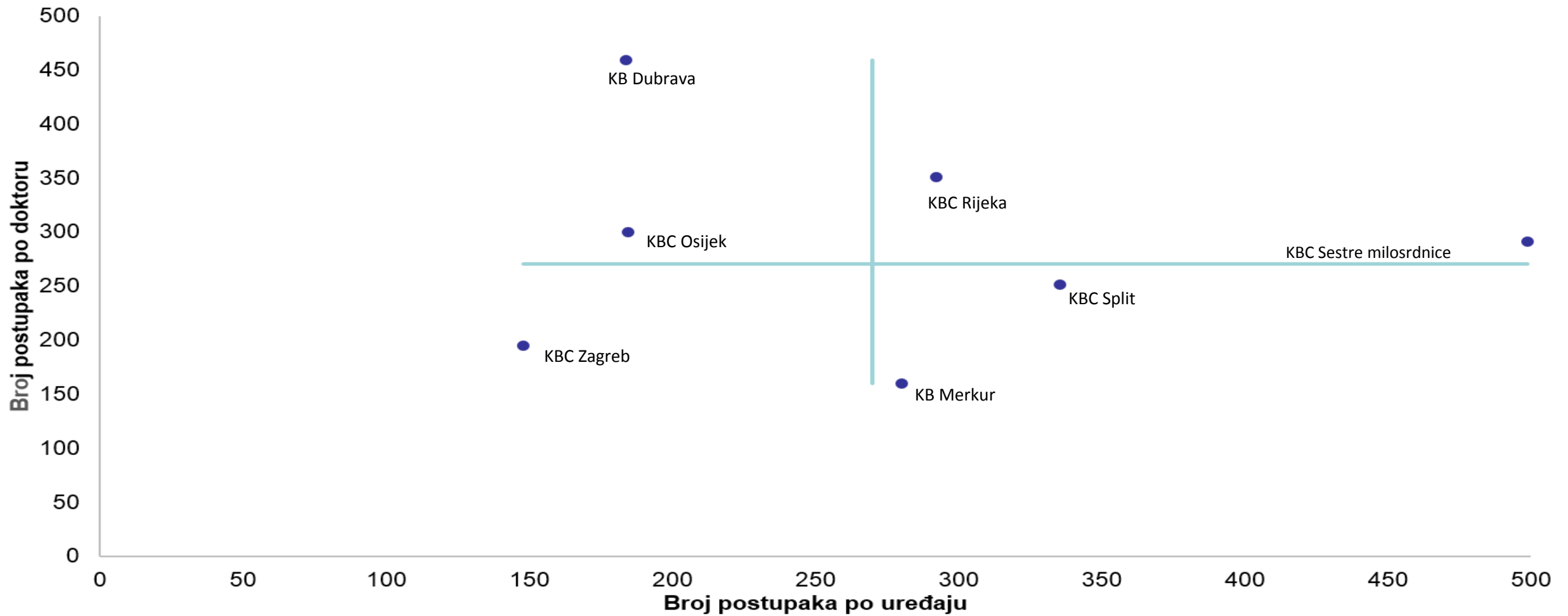
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HEALTH CARE SYSTEM: CHALLENGES AND OPPORTUNITIES



Riga, Latvia, November 28, 2016

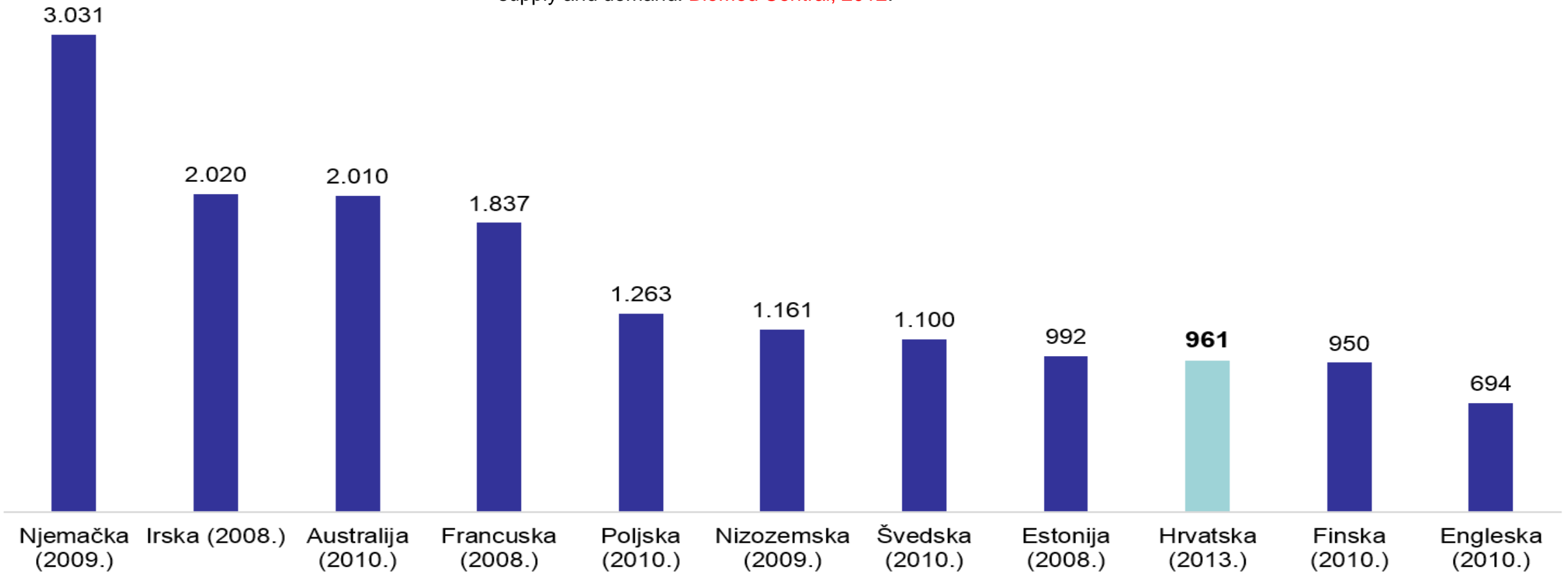
# Colonoscopy (0 & 1 Category, 2013.)



Linije označavaju prosječan broj pregleda po jednom uređaju te po jednom doktoru. Tako, primjerice, ustanove u gornjem desnom kvadrantu imaju veći broj pregleda po uređaju i po doktoru od prosjeka.

# Colonoscopy – comparison with other countries (per 100.000 inhab.)

Anticipating implementation of colorectal cancer screening in The Netherlands: a nation wide survey on endoscopic supply and demand. [BioMed Central, 2012.](#)



# Review of the revenue parts of a standard team(GP)

## FIRST MODEL in 1997:

- 100% capitation territorialy

## SECOND MODEL 1998:

- 100% capitation list

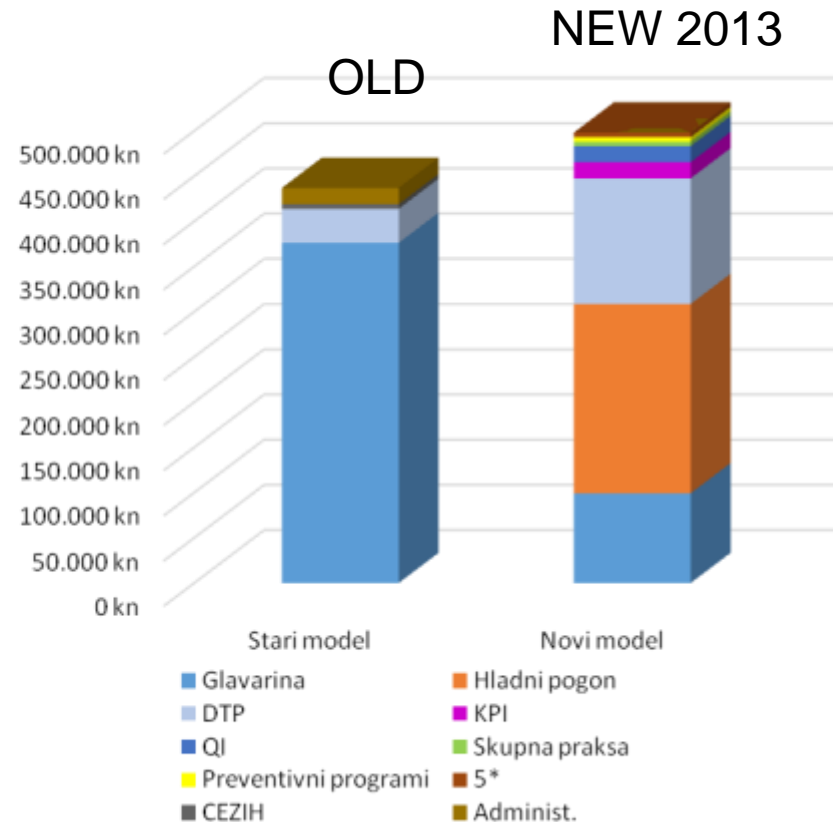
## THIRD MODEL 2008:

- 90% capitation list per ages
- 9% diagnostic therapeutic procedures (15)
- 1% administration

## NEW MODEL 2013

### + NEW MODEL OF REFFERING!

- keeps patient with NCD on primary level



# Croatian Experience with Strategic purchasing (1)

- Prioritized primary health care (increased funding for primary health care services, differentiated preventive from curative services, physicians in primary care on average earn more money than hospital doctors due to payment for performance, KPI and QI).
- Information technology continually introduced into the system.
- Hospital capped budgets limit the provision of high-cost services.
- Hospitals are payed relatively low prices for high-cost services through the DRG system.



# Croatian Experience with Strategic purchasing (2)

- Patients cannot self-refer to hospitals or specialists, therefore bypassing primary care except in emergency departments (problem! Solution? Introduction of co-payment?)
- CHIF negotiated the price of patent medicines; both generic and patent medicines are referenced priced domestically and internationally; some drugs on outcome-based payment scheme (hepatitis treatment)



# Latvian priority

- to reduce the burden of four dominant diseases and conditions:
  - Cardiovascular diseases
  - Cancers
  - Mental diseases
  - Perinatal and maternal conditions



# *Questions to be answered*

- Which services need to be delivered as a priority? Extensive epidemiology required
- How cost-effective are the available interventions for these priority services?
- Which staff and facilities are needed to deliver these services?
- How well are interventions currently delivered by existing providers? (in terms of price and quality)
- What are the projections of available resources?  
How much money does the purchaser expect to have in the next two to three years?





# ***Additional questions to be answered***

- What are your goals? Can they be measured? Which goals are your priority?
- What is the time-frame that you have set yourself?
- Who are the stakeholders? Have you brought them to your side?
- What resources do you have at your disposal?
- Which countries will you benchmark against? EHCI?
- How do you personally measure success?
- Finally:  
    What will you be remembered by?



# Conclusions

- Strategic purchasing is a paradigm shift that will improve the health system's performance and progress towards universal health coverage and better equity in health.
- Croatian experience in strategic purchasing is at your disposal (learn from our mistakes so that you don't have to repeat them!).



# Who do you work for?



Youth



Workforce



Seniors



Industry



Healthcare workers

Government

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Osijek