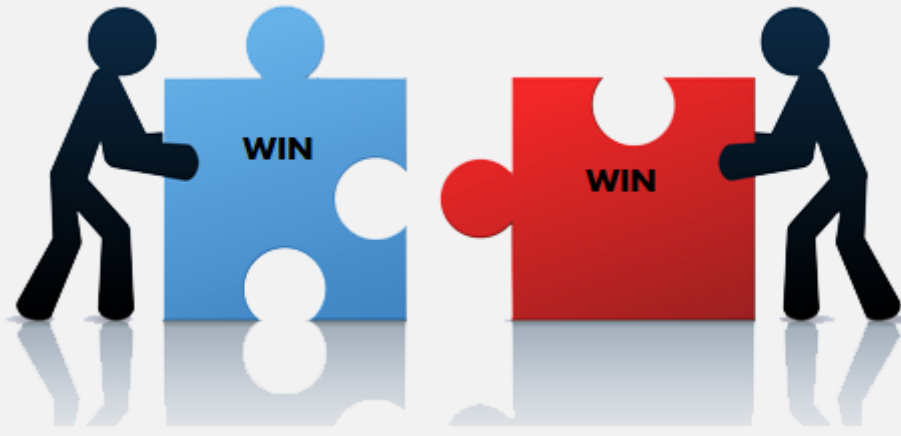


## NEGOTIATION



# Health Care Procurement

*A CHALLENGING ENDEAVOR*

# Intermezzo: Procurement vs. purchasing

- Procurement and purchasing are related but distinct functions, primarily in the context of acquiring goods and services.
- Procurement is a broader, **strategic function** that encompasses the entire process of acquiring goods and services.
  - ✓ Involves long-term planning
  - ✓ Responsible for making decisions that align with organization goals
  - ✓ Strong emphasis on building and managing supplier relationships
- Purchasing may be considered a **subset of procurement**
  - ✓ e.g., placing orders; verifying and paying invoices

# Intermezzo: theoretical models

- Useful theoretical models related to procurement:
  - ✓ **Kraljic Matrix:**
    - indicates the procurement strategy for each service and the appropriate relationship with the provider(s) of those services.
    - Each service is categorized based on its financial impact and supply risk or supply complexity
  - ✓ **Michigan State University (MSU)-Model**
    - maturity assessment of purchasing management
    - a model to analyse, evaluate and improve parts of your procurement organization and process
    - distinguishes 8 strategic processes and 6 enabling processes

**Procurement from the perspective of  
the National Health Insurance Executive Body**



# Procurement: some important aspects

1. Vulnerability of Small Island developing States (SIDS)
2. Regulatory framework (Compliance)
3. Selection of health care providers
4. Contract Negotiations
5. IT: data management and analysis
6. Contract Management: monitoring contract commitments

# 1. Vulnerability of Small Island Developing States (SIDS)

- economic characteristics
- limited (institutional) capacities in the public and private sectors
  - ✓ limited (specialized) human resources
  - ✓ for some positions dependent on skilled personnel from abroad
  - ✓ lack of full-fledged professional bodies and associations
- inability to find economies of scale
- 'natural monopolies' and lack of market competition
- governance challenges due to small size
  - ✓ personalization of decision making (patronage, nepotism, clientelism)
  - ✓ politicians trying to interfere with operations of independent (public) bodies
- .....
- .....

## 2. Regulatory framework (Compliance)

- Aruba: National Health Insurance (2001)
  - ✓ mandatory coverage of all legal residents
  - ✓ comprehensive package of services with limited co-payments
  - ✓ financing by (payroll) premiums (employer and employee), (earmarked) sales tax and fiscal contribution
- Single Payer: Executive Body established under public law
  - ✓ Supervisory Board consisting of representatives of
    - associations of employers (1)
    - trade unions (1)
    - designated by the minister of Health (2)
    - chairperson, nominated by the 4 members mentioned before

## 2. Regulatory framework (Compliance)

- **Statutory Mission:**

- ✓ verification of eligibility and registration of insured persons
- ✓ mandatory consultation, at least twice yearly, with designated representative associations of providers of services covered
- ✓ contracting with (sufficient) individual providers to guarantee access
- ✓ maximum contract duration: 2 yrs
- ✓ cost control and quality assurance
- ✓ yearly independent external audit, with additional statement about legality of expenditures



### 3. Selection of health care providers

- From '*all available providers*' to '*manpower planning*' (composition and quantity)
- Tendering procedure (e.g., medical devices & supplies, overseas providers)
- Basic requirements
  - ✓ compliance with requirements for claims submitting
  - ✓ qualifying professional registration
  - ✓ continuing professional training
  - ✓ compliance with (international) professional guidelines and standards
  - ✓ intelligent coding of different providers, procedures, treatments
  - ✓ specific coding related to quality measurement



## 4. Contract negotiations

- Preparation & Planning: determine strategy for each service to be contracted
- Communication & Transparency
- Long term relationship = win win
- Negotiations with representative organizations
  - ✓ Tariffs or budgets
  - ✓ Quality indicators (how to measure)
  - ✓ Independent Medical Audits & Visitations
- Patient Advocacy
- Contracting with individual providers
- Documentation / note taking / minutes (court cases)



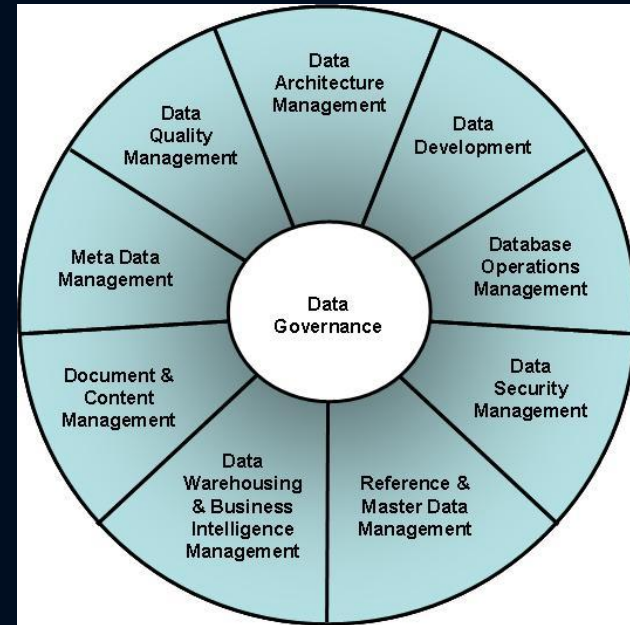
## 4. Contract negotiations

- Overseas providers
  - ✓ Tendering
  - ✓ Direct contracting
    - Hospitals, Airlines, Hotels
- Minimal requirements overseas providers
  - ✓ Claims processing
  - ✓ (Medical) audits
  - ✓ Custom software to support communication about patients (casemanagement)
  - ✓ Accreditation (national/JCI)
  - ✓ Visits by referring physicians
  - ✓ Willingness to perform specific treatments on the island
- Long term relationship with overseas providers



# 5. IT: data management & analysis

- Claims processing: most important source
- Off The Shelf versus Custom Software
- Portal for providers facilitating submitting of claims
- Promoting (and co-financing) specific IT for providers
- Intelligent coding of different providers, procedures, treatments
- Specific coding related to quality measurement





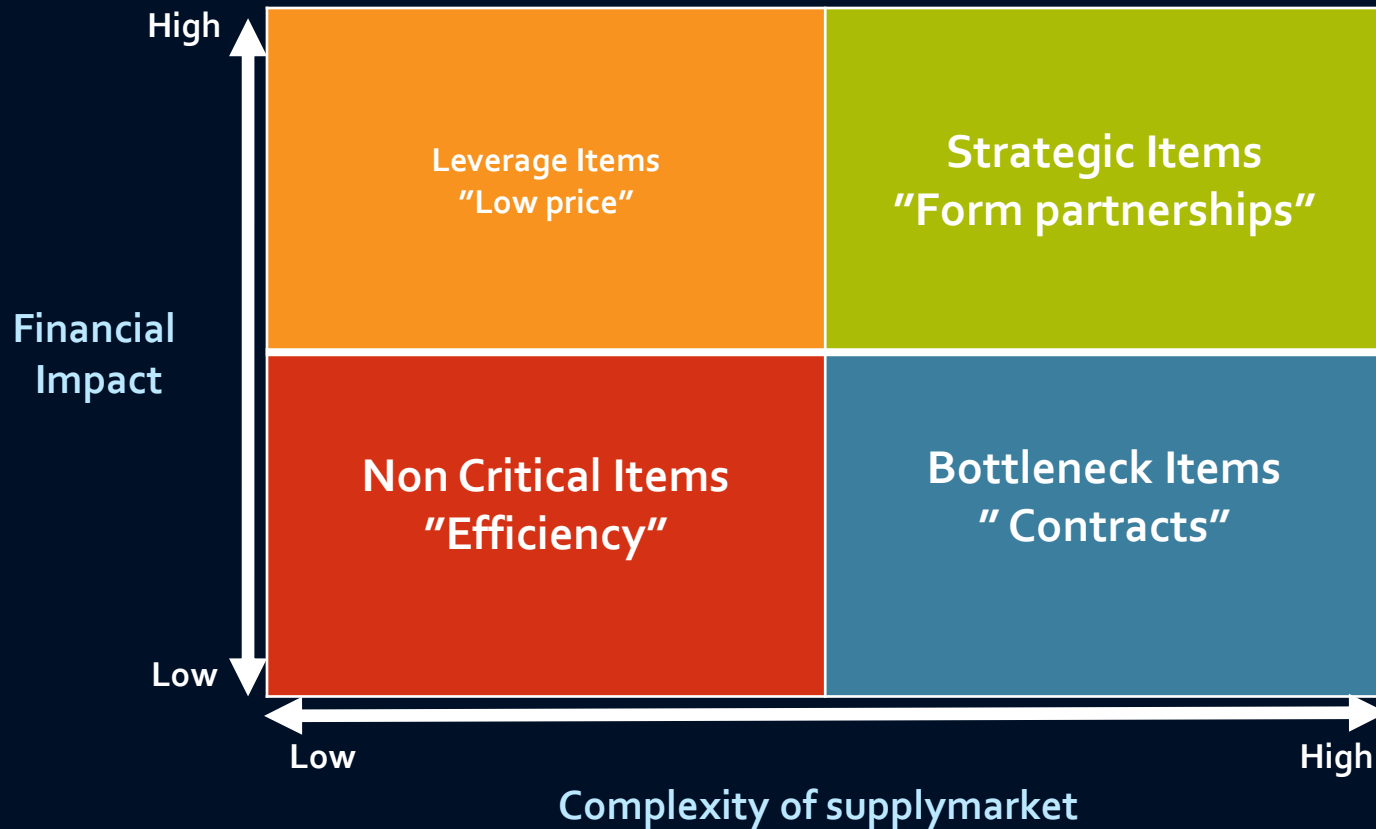
## 6. Contract Management: monitoring

- Claims processing: most important source
- Quality Assurance: from volume-based to value-based
  - ✓ Queries to measure quality indicators
  - ✓ Follow-up on medical audits & visitations
- Cost management: legality and efficacy
  - ✓ Standard queries based on risk management
  - ✓ Review of medical files of providers pertaining to a representative sample of claims as indicated by the external auditor



**Thanks for listening.....**

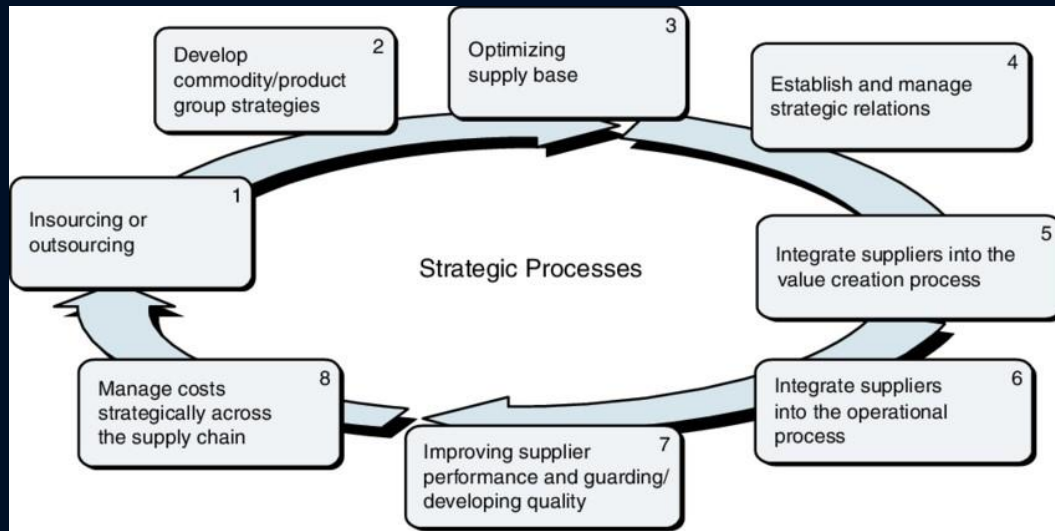
# Kraljic matrix



<https://www.youtube.com/watch?v=zoXJhWfbXI&t=25s>



## Assessing maturity development of purchasing management



<https://www.youtube.com/watch?v=kDITzIH-EM8>

