

Improve Efficiency in the Health System for Better Health Outcomes

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Policy Brief

Introduction

Scarcity of resources and high levels of inequity in access to healthcare underscores the need for optimal resource allocation and use. The World Health Organization (WHO) emphasises three ethical principles for policymakers to consider when allocating resources (Guindo et al., 2012), namely:

- Efficiency through ensuring better health outcomes for the population;
- Equity by ensuring that the level of differences in access and quality of service are kept to a minimum; and
- Utility in that better health outcomes accrue to the greatest number of people possible in the population.

If policymakers are to ensure optimal resource allocation, there is need for a systematic, rational and transparent process by which health care resources are allocated and utilised among competing programmes and populations so that the greatest health gain is achieved.

Gaining efficiency requires more optimal use of evidence in informing decisions made during resource allocation in the health sector. More use of evidence decision-making would entail less reliance on expert judgment and estimations, which does not always result in cost effective and/or equitable resource allocation decisions (Musgrove & Fox-Rushby 2006).

The vision of the Malawi Ministry of Health (MoH) is to achieve a state of health for all the people of Malawi that would enable them to live a quality and productive life (Ministry of Health, 2012). One of the strategies to achieve this was the identification of a prioritised list of health interventions provided free of charge to the population, i.e. the essential health package. However, available resources are not adequate to cover the cost of delivering the essential health package. In 2014-15 financial year, the cost of funding health care provision was approximately two times higher than the available resources (CHAI Malawi, 2015), with little prospects for improvement. Improving the efficiency of public health service delivery is crucial if the maximum achievable health status of the population is to be

Key Messages

- High disease burden in Malawi amid limited resources for health care provision make it critical to address the rampant inefficiencies in the health care system.
- To address these inefficiencies, the government must prioritise the generation of information needed to inform the allocation and use of resources in the health sector. Specifically, the government should facilitate regular cost-effective analyses of proposed interventions in order to generate critical evidence required to inform decisions made on interventions and resource allocation.
- Other actions that need to be undertaken to improve efficiency in the health care system in Malawi include the need to: strengthen the financial management system in order to ensure accountability; reform the management of the health care system; and strengthen planning and budgeting mechanisms.

be achieved with the limited resources available.

Methodology

This policy brief is based on a comprehensive review of existing literature. The literature reviewed included scientific papers, research reports and government policy documents.

Discussion of Policy Options

The first dimension of efficiency taken into account is cost-effectiveness. The MoH has addressed this through the introduction of an essential health package, which is a prioritised list of interventions with proven value for money. However, the cost of providing the essential health package has increased from US\$ 44.4 in 2011 to an estimated US\$ 62 in 2016 (Ministry of Health, 2015). Even though the essential health package was developed to provide free services for the health interventions contained therein, almost all services provided in the public health service are offered free of charge. Since its development, the essential health package has not been assessed for overall cost-effectiveness. It would be more

cost-effective to re-prioritise the essential health package to include conditions that provide the greatest value for money while ensuring equity considerations.

The success of any reforms requires good information systems to support implementation, but more importantly to enable rational decision-making before and during the reform process. While the health information system has improved tremendously over the years, and although some interventions could be assessed for efficiency, the current level of information availability does not allow for a comprehensive view and evaluation of the system in terms of system inputs and outcomes to determine overall efficiency of the system (Bowie & Mwase 2011). This puts a limitation on efficiency studies that can be conducted.

The other dimension of efficiency considered is technical inefficiency, which results in wastage of resources. Previous studies focused on technical inefficiency in public health care in Malawi indicate that service delivery could be more efficient. A study supported by the Government of Norway (Malawi, 2013), points out inefficiencies in the pharmaceutical and drug supply and distribution within the MoH that led to drug leakages worth approximately 18% of the total value of commodities during the study period. Another study revealed inefficiencies that lead to significant waste resulting from poor financial management and accounting systems, poor management systems, poor resource management mainly resulting from poor monitoring and accountability (Calson et al., 2014).

To address this issue, the MoH is implementing a number of structural reforms including: decentralisation of health services; contracting of health service delivery to non-governmental organisations; granting of autonomy to the Central Medical Stores; and development of the essential health package, among others (Public Service Reform Commission, 2015). The reforms have so far had varying levels of success with little improvements on the quality of health service delivery. According to Carlson et al (2014), earlier public sector reforms implemented in most cases did not produce the desired outcomes and were often thwarted in numerous ways by the different levels of the civil service.

Under the new reform agenda, plans to fast track decentralisation are currently underway. However, partial decentralisation as is the case now does not allow for the most efficient management. Whereas, the lower levels have more decision-making flexibility, dual reporting leads to sub-optimal performance and lack of accountability. In addition, the fact that local levels do not have enough decision-making powers does not provide the incentive for efficient decision making. According to the WHO (2000), a primary health care approach is the most efficient, fair, and cost-effective way to organise a health system and produces better outcomes at lower costs, and with higher user satisfaction. However, in Malawi, there is currently no clear separation of roles for the different levels of care so that higher levels of care still treat primary conditions. This is not only cost-ineffective, but also highly inequitable. A separation of roles would lead to more efficiency and a higher impact.

Taking into cognizance the issues discussed, more optimal resource management is imperative for ensuring better health outcomes from the available resources. However, given the current situation and the country's economic prospects, the additional resources currently being lobbied for would only lead to more wastage if nothing is done to improve the health system management and prevent wastage. Importantly, a more efficient health care system would not only provide additional resources to the system, but would also arguably result in a public health care system that is more equitable.

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Recommendations

i. Base resource allocation decisions on evidence

Given the inadequacy of resources, it is essential that a rational, evidence-based mechanism of resource allocation is put in place to ensure that the resources invested have the greatest impact. This would require better knowledge generation and subsequent conversion of the knowledge generated into policy and more optimal resource allocation decisions. It will be important for the MoH, where applicable and cost effective, to conduct cost-benefit analyses and cost-effectiveness studies to ensure that available resources are effectively allocated. Cost-effectiveness analysis is widely accepted as a way of ensuring value for money in public health for both developing and developed countries (Mulligan et al., 2006).

ii. Reform the management of the health care system

To reverse the effects of the currently inefficient systems, changes are required in the management systems across the health care system including in human resource management, drug and supply chain management, and management of the fixed resources such as buildings, equipment and vehicles. Such changes should include reforms in the legal and administrative frameworks to ensure greater accountability, better fiscal control and monitoring.

iii. Strengthen the planning and budgeting systems

Operations in a severely resource-constrained environment such as is the case with the MoH will require more stringent planning and budgeting systems. Projects are often implemented without undertaking cost-effectiveness analyses to determine if the project is technically and resource efficient. In addition, the long-run cost implications of major health projects are not often taken into account during planning phases and neither are financial plans put in place to cushion the foreseen additional expenditure, which often leads to future over expenditure.

iv. Strengthen financial management to enforce accountability

Carlson et al., (2014) indicated that weak supervision, performance management and accountability systems and staff structures that do not provide checks and balances have created openings for the misuse and abuse of resources with effective sanctions too rare to create any disincentive for abuse. Therefore, there is need to strengthen levels of accountability to ensure more fiscal prudence in the management of available resources for the health sector.



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