

# Strengthening government hospitals through PMJAY

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# Layout of the presentation

- ◆ Diversion of public funds from an underfunded public health system
- ◆ Requirements to enable use of PMJAY funds to improve public hospitals
- ◆ Benefits for government hospitals from PMJAY funding
  - ◇ Output based financing and pooling as a pilot for financial reforms in public sector.
  - ◇ Improvement of quality
- ◆ Issues that need clarification
- ◆ Do we need government hospitals?



# Challenges and Opportunity

- ◆ Government health sector, including hospitals are under funded
- ◆ Private sector stepped into meet the demand supply gap. Today most states have more private than government health facilities.
- ◆ To provide services to the covered population, government funded health insurance schemes have to purchase from private.
- ◆ But since the resources come from government budget for health, paying private hospitals further reduce funds to public hospitals, if pay out to hospitals is not an additionality
- ◆ Government hospitals have to compete for funds and turn this into an opportunity for improvement.
- ◆ They have an advantage over private hospitals



# They also have many disadvantages

- ◆ Governments do not foster autonomy and entrepreneurial spirit
- ◆ They do not have the needed support for managing finances, procurement, recruitment and administration
- ◆ Managers lack the capacity to take the investment and management decisions
- ◆ Prepping up hospitals to compete with private sector has never been part of their job description
- ◆ They are bombarded with messages on their inefficiency



# What needs to be done?

## Policy

recognising the role of additional funding from PMJAY in managing hospitals

## Physician leaders

a cadre of hospital managers, with capacity building and career progression plan

## Regulatory Changes

Convert RKS into legally registered entities with powers to borrow for investment. Either government can amortise this fully or partially or use PMJAY receipts for running costs or debt servicing.



# What needs to be done?

## **Administrative and Financial Structures and Process**

To support hospital managers in quick decision making with adequate safeguards

## **Support with Workforce and HR**

to manage constructions, recruitment, procurement, supply chain management

## **Planning and Reporting System**

For oversight functions



# Benefits for government hospitals from PMJAY funding

- ◆ **Piloting financial reforms in public sector.**

- An opportunity to test moving away from budget line based financing to demand side financing.
- Testing feasibility of long term debt as an investment option
- Virtual pooling of resources from many financing sources - Budget funds from treasury, NHM, other CSS, funds from local government, CSR, PMJAY.
- Planning for entire needs and matching them with funds, depending on flexibility in utilisation

- ◆ **Improvement of quality**

- To get more custom, government hospitals will need to compete on quality both technical and service . This will improve overall performance of hospitals



# Additional Considerations

- ◆ Equity between hospitals: Less endowed hospitals, mostly in underserved areas will attract less resources. State governments will have to apply an equalisation mechanism, either with additional investments from budget or appropriating surpluses from well off hospitals into a hospital equalisation fund.
- ◆ Special preference for PMJAY beneficiaries: incentivises beneficiaries to claim their entitlement and enhances resources.
- ◆ Incentives for hospital teams: increases ownership and stimulates better recovery of claims. But has been known to skew treatment decisions in favour of IP vs OP and more expensive treatment practices.
- ◆ Restrictive expenditure guidelines: reduces hospital autonomy unless there are bypass mechanisms. But acts as a protective measure to reassure risk averse managers.
- ◆ Recovery of unspent balances to a common pool: Will prevent idling of funds. But will add to inter hospital inequities. Less enterprising ones would not spend in view of the effort and risks involved and better hospital managers will corner more funds and their hospitals will get even better





# Why strengthen government hospitals?

- Purchasing option: With a purchaser provider shift many countries choose to purchase their services from private hospitals with government or social health insurance money. With the information and capacity challenges in government for contracting, compliance monitoring this may not succeed. PPP experience
- Competition to control prices: Well functioning government hospitals function as the fall back option for patients if private hospitals do not provide value for money. Market based competition from government hospitals are more effective than poorly enforced regulation to control prices and quality in private hospitals.
- Emergencies: The pandemic showed again that during health emergencies only government hospitals step up to shoulder the burden

# THANK YOU!

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