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*Directions for improving the process of purchasing health care  
services by the National Health Fund*

Field: Social Sciences

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## **Introduction**

The purchase of, known also as the contracting of, services by the payer is one of the key processes in the healthcare system. It assesses allocation of resources in accordance with both any contractual agreement with the insured, and the terms set out in the state budget. The allocation of funds is determined by the distribution of resources to service providers, who provide healthcare services financed from public funds, in accordance with relevant criteria. To maximize efficiency, the criteria for resource allocation should be established on the basis of reliable information regarding health needs (demand analysis), and the ways in which these needs (supply analysis) can be dealt with in line with current healthcare policy goals. Publicly, the purchase of healthcare services is frequently discussed, but there is a lack of both reliable and critical assessment of healthcare purchase, and of how subsequent problems should be dealt with. In particular, it is difficult to find studies that outline the dealing with of healthcare issues, and how to resolve them in an orderly and methodical manner, bearing in mind the importance of the stakeholders - the patient and the service provider. This fact, coupled with my many years of professional experience in the National Health Fund, prompted me to delve deeper into this topic.

An important element in the improvement of benefits purchase is the linking of acquisition with accurate definition of the 'cause and effect' leading to it. Any assessment of need must be matched with a guarantee that a potential service provider promising to fulfill that need is competent in all aspects of contractual fulfilment.

To fulfil potential gaps in current research, I've chosen to adopt 'the process approach', because it emphasizes evaluation of the process from the perspective of its recipient. The process approach analyzes the flow of 'added value' and how effectively this value is delivered. A continuing improvement of the implemented processes is assumed. 'Value' in the process of 'acquiring benefits' can be defined as 'appropriate criteria' for the allocation of resources. This value should be defined jointly by service providers and the regulator/payer, and they should be jointly responsible for organizing the process of providing this value to ensure the efficient allocation of resources. Improvement of the process consists in identifying activities that are redundant, or do not provide the required 'value' (so-called 'waste') and eliminating them, while at the same time searching for organizational solutions that, through appropriate cause-and-effect

relationships, create an added value chain, resulting in a more efficient and valuable delivery to the recipient. The direct recipient of the process of purchasing benefits is the service provider, and for this reason it should be contractually required to promptly report instances of waste as they arise.

Waste in the health care system is sometimes simply the inefficient use of resources. For example, as a result of improperly defined terms of contracts between the payer and the service provider, the service providers do not reach their full potential. Another example of waste is poorly-described health needs, which results in 'blank spots' where access to health care services is lacking. The aim of the work is to propose - on the basis of public policies - improvements to the process of purchasing National Health Fund services, so that it becomes a strategic process. To achieve this, the 'process approach' will be used to make it possible to describe the health care system as a network of interrelated 'cause-and-effect' relationships (processes), and to present the logical links between strategic procurement of services and other administrative systems. Service providers who participate will be actively involved in the identification and implementation of improvement. The central thesis of the work is:

*Effective allocation of resources in the healthcare services market is possible after the implementation of strategic procurement of services. In order for the procurement of services by the National Health Fund to become a process of strategic procurement of services, service providers should be involved in its improvement and in defining the criteria for resource allocation.*

The central thesis is complemented by the following research questions:

1. What tools of public policy, in particular with regard to health policy, are used to regulate the allocation of resources?
2. Why is the 'process' approach an appropriate tool to describe the healthcare system?
3. How does the process of strategic purchasing healthcare services work? What conditions are necessary for an implementation that ensures efficient allocation of resources?
4. What processes are taking place in the Polish healthcare system? What is the process of healthcare service purchasing by the National Health Fund?
5. How do service providers identify waste when purchasing services, and what are they doing to improve this process?
6. How will involving service providers in the process of resource-allocation criteria improve

the procurement process?

The substantive scope of this dissertation covers the market of healthcare services financed from public funds, presented as a network of interrelated 'cause-and-effect' processes.

To highlight the importance of how these processes work in practice, the concept of 'strategic healthcare service purchasing' as a means to ensure the effective allocation of resources has been presented. The second substantive axis of my approach is the innovative (as yet unheard of in the area of healthcare) use of the 'process approach' to describe the healthcare system. The time horizon for presenting the Polish healthcare system is 2012-2021, or, in some cases, 2013-2021. This period has been chosen because it provides comprehensive knowledge of trends and changes in the healthcare system. The research method used in this dissertation involves 'qualitative' and 'descriptive comparative' analyses of documents and source materials, along with in-depth interviews and statistical and graphical analysis. The sources of data for the analyses are from the National Health Fund, the Central Statistical Office, the Internet System of Legal Acts (ISAP), and the results of the in-depth interviews.

The structure of the work was determined by the defined central research thesis and research questions. This dissertation consists of: Introduction, five chapters, and Conclusion. Each chapter ends with a summary. The introduction presents the reasons for undertaking the topic of the work, the purpose of the work, and questions regarding this thesis and my research.

The first chapter presents the objectives of public policy and the links between public policy and health policy. In addition, the market for healthcare services has been described. Its features are sometimes criticized as being ineffective in the allocation of resources, thus requiring state intervention. Public policy tools, and in particular health policy tools, the goal of which is to correct discrepancies in the allocation of resources, are described, along with examples. This chapter also presents the principles of 'Good Governance', which are paramount to the implementation of public policies.

The second chapter presents the rationale for using the 'process' approach to describe the healthcare system. Its usefulness was indicated due to the possibility of describing this system in the form of an 'added value' chain. This value is defined by the recipient (customer) and is therefore in the center of interest of the process providers. The process provider (in the case of service purchase, the 'process provider' is the regulator or the payer) should verify without fail on

an ongoing basis that the products or services provided meet the needs of the recipient (e.g. a service provider), along with proposals that would rectify any shortfall in the quality of delivery. Ultimately, decisions on the choice of solutions are the result of cooperation between the supplier and the recipient, and in the process outlined below, they are the result of cooperation between the regulator, the payer and the service provider.

The process of strategic purchase of services is characterized in the latter part of the second chapter, and its connections with other processes taking place in the healthcare system are presented. It describes also the features of strategic procurement of benefits that effectively control resource allocation, and defines the advantages and limitations associated with the implementation of strategic purchase of healthcare service.

The second chapter is a theoretical introduction to the third chapter, which presents a description of the Polish healthcare system broken down into the processes of management, core, and support. These processes are defined and described in accordance with my personal classification, based on the criterion of significance from the perspective of the process of acquiring benefits. The chapter also describes the respective roles, in particular of the regulator and the National Health Fund as the institution responsible for the contracting of services. In the case of the National Health Fund, changes regarding the Fund's competence in the purchasing of benefits are presented also, in particular regarding their gradual reduction in favor of the Ministry of Health. The chapter describes also the process of purchasing services by the National Health Fund, and presents its links with other processes implemented in the health care system. The process is described divisionally into analogous sub-processes, which are used to describe the strategic purchase of healthcare service presented in the second chapter.

The fourth chapter presents the opinions of service providers on the current process of service procurement, as surveyed by the National Health Fund regarding the role and involvement of service providers. Respondents, as the main stakeholders in the process of benefit purchase, expressed concern regarding what they see as a reduction in the effectiveness of resource allocation, and pointing out much waste. They have proposed improvements, details of which are outlined in this chapter. Additionally, an interview with an employee of the National Health Fund is presented - the manager of the POZ PLUS project, who talks about the benefits of including service providers in the process of defining and implementing any changes in primary healthcare.

The fifth chapter identifies desirable features of strategic service procurement that are lacking in current procedures implemented by the National Health Fund, and which the author strongly feels should be introduced without delay. Further, the systemic improvements proposed by the author involve two approaches; those that simply require internal organizational change, and those whose implementation require attention at legislative level. It also identifies specific processes in the healthcare system that should be modified to enable the implementation of strategic procurement of services. The chapter presents also a graphic overview of the 'added value chain', to illustrate how it will be delivered after the implementation of the proposed improvements. The last part of the dissertation is the conclusion, with suggestions for further research. It indicates also the need for implementation of a 'process approach', as a tool to streamline all processes in the Polish healthcare system.

## **Conclusions**

The results of the author's in-depth study of service providers confirm the legitimacy of the thesis verified in the dissertation. According to this thesis, the effective allocation of resources in the healthcare services market is implemented in the process of strategic procurement of services. In order for the procurement of services by the National Health Fund to become a process of strategic procurement, service providers should be involved in its improvement and in the defining of the criteria for resource allocation.

Including service providers in the making of key decisions would undoubtedly contribute to an improvement in the process of service purchase, leading to an increased efficiency in the allocation of healthcare resources. Service providers, as participants in the strategic process of service purchase and their involvement in contracts with the National Health Fund, should have an increasingly important role to play in identifying how key decisions are taken, and be active in all processes. Service providers must be at all times acutely sensitive to both to the scope of purchased services, as well as to the terms of contract conclusion and criteria for selecting service providers. In addition, service providers must express their willingness to participate in making these decisions, and see the need for broader cooperation with the payer and the regulator. They must also bow to the need to make decisions based on reliable data and conclusions resulting from good practices.

In the last chapter of this thesis, I have included the solution to the research thesis. In it, I indicate several improvements that can be introduced in the process of purchasing services implemented by the National Health Fund, so that it becomes a process of strategic procurement of services. Some of these improvements will bring benefits in the form of efficient resource allocation, with only the need for organizational change. However, many of them require change at governmental level. Above all, however, the ideal for effective allocation of resources requires the active involvement of service providers in bringing about the changes I feel are necessary.

My conducting a survey of service providers, and using their experience to propose improvements to one of the key processes in the healthcare system - the purchase of services - is, I feel, the added value of this dissertation.

As I see it, it is well worth continuing to cooperate with service providers in the area of popularizing good practice, and evaluating the terms of contract conclusion.

Participation of healthcare providers is also crucial in managing any change in the services market. The experiences of service providers presented during the interviews show that a weakness of implementing change is a lack of communication between stakeholders. Without the involvement of service providers in the making of key decisions regarding the allocation of resources, efficient and effective management of these resources is impossible. Let this be confirmed by the statement of one of the respondents, who was asked:

“What else can improve the process of concluding contracts?”

He replied: "Talk, talk, talk ... I miss such a place to discuss how it should be organized, so systematically”.

Service providers are eager to report improvements, which in the vast majority of cases lead to a reduction in the waste of resources. Limiting for some of the proposed improvements is the need to implement them legislatively. Nevertheless, there are many proposals that require mere organizational change, that can be implemented by changing the model of cooperation between the regulator, the payer, and the service provider.

An important author's contribution to the healthcare debate is the use of a process approach. This is an innovative solution because, in the literature on the subject, it is rarely used to describe the healthcare system. My use of this approach demanded I describe the healthcare system as

a network of interrelated relationships - 'cause and effect' processes. It was necessary also to define healthcare managerial process, both basic and supportive, and to present a description of the main features (including roles, and organizational and legal solutions) along with original tables and drawings.

In my opinion, the process approach should find wider application in the area of healthcare, and not only in the area of strategic purchase of services. It must be emphasized that the goal of process management is to maximize the share of value-adding activities and remove ineffective procedures, as well as to improve processes. By stating that, I mean to highlight the importance of their continuous verification in terms of effective delivery of value to the recipient (customer). Thanks to the adoption of process optics, it is possible to manage the value-added chain, which in the case of the healthcare system, and in particular the process of strategic procurement of services, means effective allocation of resources. The implementation of process management facilitates the analysis of cause-and-effect relationships between processes, which allows for an increased level of adaptation to dynamically changing conditions in the healthcare services market. Its implementation, however, requires very good communication between the main players in the market, as well as the collection of huge amounts of data and commitment to continuous monitoring of the results obtained, which may be a major limitation in the application of this approach.

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