



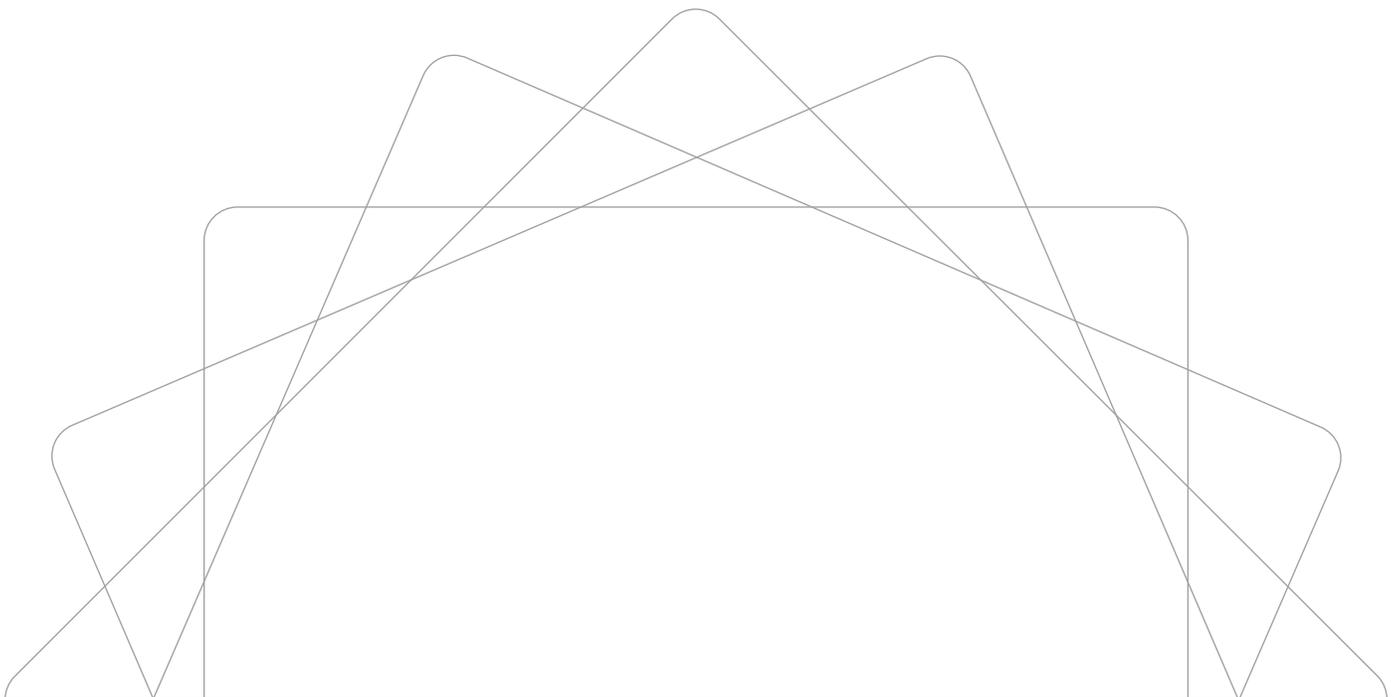
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Public-Private Contracting to Support the COVID-19 Response

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The effects of the coronavirus (COVID-19) pandemic on health systems, economies, and people are profound and far-reaching. The virus is likely to slow or reverse global gains in health outcomes. This is particularly evident in low- and middle-income countries, where health systems are more fragile, if not inadequate. ⁽¹⁾

As scientists race to unpack the virus' nature, governments, private enterprises, and households grapple with how to reduce its spread through measures such as testing and tracing, social distancing and quarantining, and improved hygiene. Simultaneously they must care for those infected with COVID-19 and minimize disruptions of other essential healthcare services.

So, responding to the COVID-19 pandemic is a priority for the global community, but the health sector is ill prepared and under-funded. ⁽²⁾ A healthy population is good for economies, and resilient economies enable strong health systems, which are needed to deliver testing, treatment, and vaccines. ⁽³⁾ Yet health systems are slow to address new infectious disease challenges, such as Ebola and now COVID-19. Similarly, they struggle to adopt approaches to delivering health services that will tackle needs in areas such as non-communicable diseases and mental health. There are many reasons for this. For example, some health systems are fragmented, and incentivized to deliver more costly curative care over prevention and primary care.

Private sector engagement (PSE) is a lever to strengthen health systems and their response to the COVID-19 pandemic. There is broad and increasing (though not universal) agreement that PSE, often through the use of public-private contracting, enables countries to achieve targets under the United Nations' Sustainable Development Goals. ⁽⁴⁾ PSE can enable reforms to increase efficiency, quality, and equity of health care. It can accelerate progress toward universal health coverage and support countries on their journey toward self-reliance. The UHC2030 coalition names six "Key Asks" that advocate for universal health coverage and better handling of health emergencies. One is to "move together" and involve diverse stakeholders – including the private sector – to shape and strengthen the global COVID-19 response. ⁽⁵⁾ Consistent with

this thinking, USAID has designated PSE as a priority approach for the COVID-19 response, and for development assistance more generally. ^{(6),(7)}

Immediate priorities to which PSE could contribute include expanding the capacity for prevention, detection, and treatment of COVID-19 cases, and protecting the health and welfare of health workers. There are instances of middle- and high-income countries with early spikes in COVID-19 infections deploying PSE as part of their response, often by using some form of contracting. The results from England, France, Germany, Italy, and South Africa suggest that PSE enables countries to respond to COVID-19 when the government possesses a solid understanding of the strengths and weaknesses of the private sector, and has sufficient regulatory frameworks and adequate financing. ⁽⁸⁾

Contracting underpins the use of PSE, and thus can better support the COVID-19 response. A contract is an implementation instrument. It sets forth the terms of an agreement between two or more parties who may be public and/or private. We find contracting embedded in broader efforts to strengthen health systems that employ PSE, such as strategic purchasing, quality improvement and supply chain initiatives. Common aims of contracts are to improve access to services, financial protection, equity, and quality for patients. Often, they seek to drive efficiency (better value for money) and incentivize desired behaviors and outcomes. These same aims apply within the narrower sphere of the COVID-19 pandemic.

One important use of contracting is to enable public purchasers to outsource the provision of health goods and services to private actors (e.g., buy versus build). The underlying rationale for this is to complement what the public sector can provide, perhaps more quickly, flexibly, or with better outcomes. For example, a ministry of health or a public health insurance program may execute contracts with private health actors to increase access to services for key populations. Doing so may be faster and cheaper than building additional facilities or hiring additional health workers as civil servants, or can facilitate more targeted goals, such as ramping up manufacturing of personal protective equipment to support the COVID-19 response.

Another common reason for contracting is to implement payment reforms that drive efficiency by reducing financial incentives for health providers to use more—and more expensive—services. Such reforms often entail an incremental

We have "no choice but to work with the private sector" ...

-WHO, 2020

transition from paying for inputs (e.g., salaries not linked to utilization or quality) or itemized fee-for-service payments, to other approaches that pay based on outputs and involve contracts. Examples of output-based payments are per-case payments or capitation (i.e., per-person, per-period payments linked to enrolment, not utilization). Public-private contracting could be used to serve more COVID-19 “hot-spots” or hard-to-reach or displaced populations; provide access to specialized services (e.g., intensive care, laboratory testing); reduce overcrowding of public facilities; or expand community-based health services.

“Governments should contract the private sector to provide both COVID-19 and other essential services, helping alleviate capacity constraints in the public sector.”

-World Bank, blog, Middle East Region

The “buy versus build” rationale for contracting applies in the current context of the COVID-19 pandemic. Contracts are a mechanism to enact a “buy” decision quickly. The goal might be to expand access to private-sector technology solutions (e.g., mobile money or telemedicine), tap research and development expertise (e.g., for vaccine development), or increase capacity for surveillance, logistics, or other services. Other possible scenarios for a government to contract with private actors to support the response to COVID-19 would be to expand “on call” or surge capacity for laboratory testing, or the production and distribution of ventilators and other equipment and supplies. In some countries (the U.K. and Spain are examples), reports of “nationalizing” health resources actually represent contracts between governments and the private sector.

Contracting is not just for hospitals or special services. Private pharmacies, drug shops, independent laboratories, and midwives are part of a myriad of small- to medium-sized private health providers, along with civil society organizations that deliver primary care in diverse communities. These are first points of contact for many people seeking health care, especially in low- and middle-income countries. Engaging these private actors through contracts can ensure they are part of the COVID-19 response.

Donors should strengthen the capacity of health systems

to use contracting to address the COVID-19 pandemic. Numerous barriers constrain the attempts of public sector purchasers of health services and private providers to enter into contracts that support a country’s response to the COVID-19 pandemic and broader health objectives. These barriers occur upstream—as challenges to creating and maintaining a sufficient enabling environment—and downstream, where people and systems struggle to secure the resources and know how they need to manage contracts sustainably.

Donors can help address these barriers. Five broad areas where they can provide technical assistance to enable contracting and further the COVID-19 response in countries they collaborate with are:

- **Generate knowledge about the private sector.** A donor may support a [private sector assessment](#). The assessment should document experience in PSE, including contracting, and be useful to public and private stakeholders. It should supply current and comprehensive data about the private health sector, such as the number, location, and cadre of providers; services offered; infrastructure, and regulatory environment. Such data support decision-making on programs, investments, and approaches that often rely on contracting. Topics covered by a private sector assessment will vary by need and interest. For example, they may highlight the role of the private sector in the country’s response to COVID-19, private provider participation in health financing or commodity supply programs, or digital health innovations.

The context in which a private health assessment takes place (e.g., data sources, nature of the COVID-19 outbreak, local health system capacity) influences its breadth and depth. Often an assessment includes:

- A census (mapping) of private providers.
- An analysis of supply and demand for services and commodities (supply chain), sources and adequacy of financing, regulatory frameworks, and the quality of and access to care in the private health sector.
- An assessment of strengths, weaknesses, and opportunities to strengthen the private health sector.

- Recommendations for PSE, such as to expand contracting for COVID-19 supplies and services, or strengthen the enabling environment for private health markets.
- **Promote dialogue.** Collaboration fostered through inclusive, impartial public-private dialogue can help overcome the negative perceptions public and private health stakeholders have of each other. Donors can support public-private dialogue via fora such as working groups, advocacy meetings, or workshops that relate to contracting topics such as regulation and supervision, partnerships, health financing programs, quality improvement pathways, or access to affordable, quality medicines. Donors and their partners can tailor dialogue to a country’s context and the particular needs of its COVID-19 response.
- **Organize the private sector.** Donors can help organizing bodies such as associations or networks form and strengthen. These bodies can consolidate and amplify the voice of the private stakeholders as they engage with public counterparts to improve the enabling environment for PSE. They can use their convening power to execute joint initiatives, including ones involving contracting, in response to COVID-19 and other health priorities.
- **Increase access to credit.** Donors can support blended financing approaches, such as loan guarantee programs that increase access to private capital (i.e., borrowing from banks or microfinance institutions). Such programs can target private providers, especially smaller practices such as drug shops or independent midwives with limited capital and irregular cash flow. Increasing access to credit can improve the quality and quantity of care for essential health services—including COVID-19 testing and treatment—by reducing stockouts and enabling the payment of salaries, equipment, and other essential inputs. This in turn equips private providers to meet accreditation requirements to contract with health financing programs and sustain their operations.
- **Build skills.**
 - Clinical and general business skills (private health sector): A better-functioning private sector is more prepared to help a country meet its health objectives, and be part of its COVID-19 response. Donors may help private health providers and related stakeholders (such as training organizations)

improve the quality of—and access to—their services, as well as their readiness for contracting with purchasers of health services, by building their clinical and business skills (e.g., in accounting or human resources management). Donors can also help private sector actors engage with policy and regulatory bodies.

- Contracting acumen (public and private health sector): Public and private actors have limited capacity in their respective roles to assess, negotiate, implement, and oversee contracts at all stages of the contracting lifecycle. Donors can offer a wide range of technical assistance to public and private actors who enter into or play a supporting role in contracts that enable the delivery of essential health services and respond to the needs of the COVID-19 pandemic. Technical assistance can help public and private counterparts to draft legal frameworks and agreements; learn negotiation techniques; perform costing and other financial analyses; prepare actuarial studies for health financing programs; design and administer payment systems linked to contracts; or establish systems to monitor a contract’s performance.

The COVID-19 pandemic presents immense challenges that weigh on health systems, economies, and societies. The crisis also creates new opportunities—including accelerating PSE through public-private contracting—to [reimagine how we respond, rebound, rebuild](#), and move forward.

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