

THE MANAGER

CASE STUDY FOR TRAINING AND GROUP DISCUSSION

Matangol Province Initiates a Performance-Based Payment Plan

Scenario

THE MATANGOL Provincial Health Officer called to order a meeting with the directors of eight municipal health departments. “Thank you for coming here for this meeting,” Dr. Siongco began. “As you know, Matangol Province made excellent progress in health between 1993 and 1998. The 1998 National Demographic Survey shows that 49 percent of pregnant women in Matangol Province receive at least two tetanus toxoid vaccinations, and 63.7 percent of youngest children receive all their childhood immunizations. In these areas, we are one of the best-performing provinces in the country. You have contributed to this success. We thank you for your efforts.

“In family planning, however, we fare poorly compared with others. Only 25.5 percent of couples in Matangol Province are using a modern contraceptive method, while the national average is 32.4 percent.

“The Ministry of Health has set ambitious performance goals for the national health program to reach by 2004. They want 80 percent of pregnant women to receive at least 2 tetanus toxoid vaccinations, 80 percent of youngest children to be fully immunized during the first 12 months of life, and 60 percent of couples to be using a modern contraceptive method. As part of its decentralization initiative, the ministry is relying on each province to determine how best to reach these goals.” Several people nodded their heads in agreement.

“I have asked you here today because the Matangol Provincial Health Office is piloting an initiative that ties performance goals with the funding it provides for health service delivery. Although participation is voluntary, we are strongly encouraging municipalities to join the initiative. Under this program, you can increase your service delivery funding by 5 percent if you reach agreed-on performance goals. On the other hand, you will lose 5 percent of your funding if you do not reach your goals.” A murmur ran through the group.

“So the benefit to us of joining this program is the possibility of increasing our funding?” asked a municipal officer.

“Yes, that is a major benefit,” said Dr. Siongco. “Another benefit would be the inputs my office could provide to help you meet your performance goals.”

“How would we get started with this program?” asked the officer.

“The first step is to develop a performance management agreement that we both sign,” said Dr. Siongco. “The performance management agreement must specify your performance goals and the inputs that we agree to provide. Inputs could include technical assistance to help you establish performance goals that we both agree are realistic, or to expand a particular service-delivery intervention.”

“What are some examples of performance goals under this program?” asked an officer.

“Performance goals can relate to immunization, as I mentioned, or to treatment of children with diarrheal diseases. Others might relate to client satisfaction, such as reducing the number of family planning drop-outs,” said Dr. Siongco. “From our perspective, the important overall goal of this program is to improve the way we organize and deliver our services and improve the health status of all people living in Matangol Province. These changes will benefit all of us. We want you to succeed.”

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In Pandaya City, one of the municipalities of Matangol Province, Dr. Victoriano Macapagal has just finished explaining the new performance-based payment initiative to his municipal health office colleagues. Some of them were excited at the news. Others seemed concerned. They are a spirited group and do not hesitate to speak their minds.

“What if some areas fail to meet their performance goals, and we lose 5 percent of our funding as a result?” asked Mrs. Magsino. “I feel nervous about relying on others to do their part.”

“Yes, entering this agreement means taking a risk, and we might fail,” said Dr. Macapagal. “On the other hand, perhaps taking this risk will help us pull together to succeed. Perhaps we can build on the teamwork that has made us successful over the past five years.

“For example, our mobile unit is already improving maternal and child vaccination rates. I would feel confident about a goal of reducing maternal mortality and morbidity related to tetanus. I would feel less confident about meeting a goal of reducing family planning dropouts.”

“How would we meet our operational responsibilities if we lost 5 percent of our funding?” asked Mrs. Benitez. “We should plan for that contingency.”

“Would you please volunteer to take the lead in developing a contingency plan?” asked Dr. Macapagal. Mrs. Benitez nodded her agreement. “I suggest looking at our costs and revenues related to specialized services that the provincial hospital is also providing. Perhaps we could eliminate some of those services.”

“What else must we do if we want to join this pilot program?” he continued.

“We must develop performance goals,” said Dr. Cotaco. “I would like to lead the effort to establish baseline performance data and develop performance goals. Who wants to take the lead on determining our technical assistance and other input needs?”

“I am closely acquainted with our mobile outreach program. Also, Dr. Avestro has been leading our family planning program for some time,” said Mrs. Magsino. “I propose that we form a team to look at our technical assistance and input needs in those areas.”

“Thank you for volunteering to take the lead on these tasks,” said Dr. Macapagal. “Joining this pilot will require effort on our part. But the additional funding and technical assistance could allow us to do some of the innovative things that we have been talking about among ourselves in recent years but never had the funding or incentive to initiate. Let’s share our draft schedules and work plans at next week’s staff meeting. We can then set a deadline for making the decision on whether or not to join.”

Discussion Questions

1. Referring to the above scenario and the contents of this issue of *The Manager*, what does the Matangol Provincial Health Office need to consider in designing a performance-based payment system? What are some of the tasks they must do to begin the program?
2. What should the municipal health department do in order to enter into such an agreement? What types of inputs may the municipality require of the Matangol Provincial Health Office to ensure its success in meeting performance goals?
3. Referring to the working solutions from the USA, the Philippines, and Haiti in this issue of *The Manager*, and to the program performance in Matangol Province as discussed in the above scenario, what would you suggest as appropriate performance goals for the municipality of Pandaya City?

Case Analysis

QUESTION 1 Referring to the above scenario and the contents of this issue of *The Manager*, what does the Matangol Provincial Health Office need to consider in designing a performance-based payment system? What are some of the tasks they must do to begin the program?

The Matangol Provincial Health Office needs to consider its ability to establish and monitor performance data, implement performance-based payment agreements, and provide the types of technical assistance and other inputs that municipalities may require in order to meet their goals. In addition, the office will need to assess the municipalities' ability to reach their performance goals and its own ability to provide the technical assistance and other inputs that the municipalities may require.

The types of considerations that the Matangol Provincial Health Office should take into account in designing a performance-based system are:

- How will they establish, measure, and monitor baseline and ongoing indicators?
- What staff and systems will the Matangol Provincial Health Office need in order to plan and manage these new responsibilities? For example, will the office need to hire new people or establish new departments?
- How much room for improvement does each municipality have? What are challenging but realistic performance goals for each municipality?
- What technical assistance will the municipalities require in order to meet their goals? Does the Matangol Provincial Health Office have the staff, funding, and technical expertise to provide this assistance? Is it possible to outsource any of this technical assistance, and is funding available to do this?

The types of tasks the provincial health office will need to do to initiate the program include:

- evaluate the municipality's proposed strategic plan to achieve the performance goals;
- evaluate proposed methodologies for establishing and monitoring performance goals for feasibility and clarity;
- assess the managerial and systems capacity of the municipality to implement changes that will result in success;
- assess the desirability of the proposed goals and negotiate for improvements, if needed;
- assess the requests for technical assistance;
- develop a performance management agreement;
- sign the agreement.

QUESTION 2 What should the municipal health department do in order to enter into such an agreement? What types of inputs may the municipality require of the Matangol Provincial Health Office to ensure its success in meeting performance goals?

The municipal health department needs to:

- establish a methodology to measure baseline performance and make sure that the Matangol Provincial Health Office is confident of the accuracy of data collected with this methodology;
- develop realistic performance goals and a strategic plan to achieve them;
- develop a contingency plan against loss of funding;
- identify the technical assistance and other inputs that the department will require in order to meet the goals;
- develop a draft performance management agreement;
- negotiate with the provincial health office;
- sign the agreement;
- develop a work plan.

Inputs that the municipality may require from the provincial health office in order to meet its performance goals include:

- assistance in measuring its baseline performance or in establishing a methodology to measure baseline performance;
- assistance in establishing realistic performance goals;
- technical support, training and coaching in management, skill upgrading, and related assistance to help expand useful service delivery interventions;

- outsourcing a neutral party to monitor achievement of performance goals;
- travel expenses to visit other municipalities to share experiences, results, and innovations.

QUESTION 3 Referring to the working solutions from the USA, the Philippines, and Haiti in this issue of *The Manager*, and to the program performance in Matangol Province as discussed in the above scenario, what would you suggest as appropriate performance goals for the municipality of Pandaya City?

Performance goals for health impact could include:

- reducing the rates of maternal morbidity and mortality related to tetanus;
- increasing immunization rates among the youngest children.

The Pandaya City Health Office could also aim to increase the number of new family planning acceptors, as a performance goal that relates to improving family planning program performance.

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