As many countries in the Latin America and the Caribbean (LAC) region continue moving towards universal health coverage, establishing health policy objectives that set out to allocate resources efficiently and avoid unnecessary expenditures is critical. The second meeting of the OECD Joint Network of Senior Budget and Health Officials for LAC countries focused on health budgeting practices. In particular, the use of performance-based budgeting tools, as well as provider payment methods, in light of the discussions of the previous meeting and the interest of participants.

This meeting brought together 65 participants from 17 countries in the LAC region, alongside experts from the Global Fund, Harvard University, the Pan-American Health Organization (PAHO/WHO) and the World Bank.

The topics discussed during the meeting included: health financing, performance budgeting, and performance budgeting frameworks, performance agreements, performance targets and indicators, spending reviews, provider payment methods, and pay for performance. Five themes were explored in depth:

- Performance oriented budget planning to link health budgets to policy priorities, strategic plans and medium-term fiscal plans
- Key performance indicators and targets that capture effectiveness, efficiency and quality
- Spending reviews to identify potential savings, based on the systematic scrutiny of baseline expenditure

---

1 Argentina, Brazil, Bahamas, Cuba, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guyana, Haiti, Jamaica, Mexico, Paraguay, Peru, Uruguay.
• Provider payment methods to the potential and limitation of pay-for-performance schemes
• Strategies for budget planning during the transition from external assistance

In conjunction with the regional meeting for Latin American and Caribbean countries, during 2019 the Joint Network held a regional meeting for Central Eastern and Southern Eastern Europe countries in Vilnius, Lithuania, along with the annual meeting for OECD countries in Paris.
Session 1: Opening Session

Overview

This session set the objectives and structure of the meeting, with a brief introduction to performance budgeting for health by the OECD focused on how the budgeting processes can support results-oriented healthcare systems. This was followed by a presentation by the Global Fund on the use of budgeting for results in the context of transition.

Presenters

- Daniel Salas Peraza, Minister of Health of Costa Rica
- Chris James, Health Policy Analyst, OECD
- Andrew Blazey, Deputy Head of Division, OECD
- Annelise Hirschmann, Regional Manager, The Global Fund to Fight AIDS, Tuberculosis and Malaria

Key Messages

- The need to avoid system overload from a complex performance budgeting framework and too many performance indicators. While dialogue between ministries of health and finance are critical, the budget ministry is typically charged with managing the number of programmes and the volume of performance information, in order to prevent system overload.
Session 2: Performance Budgeting Frameworks and Performance Agreements

Overview

This session highlighted the use of performance budgeting frameworks and performance agreements. The discussion explained how performance budgeting frameworks and performance agreements can help link resources to planning objectives and measurable results.

Presenters

- **Luciana Rosato**, Consultant, OECD
- **Mariannela Villabos Cortes**, Ministry of Health of Costa Rica
- **Martha Peña Kieninger**, Technical Advisor of the Ministry of Health of Paraguay

Discussion moderated by Claudia Pescetto, Pan-American Health Organization

Key Messages

- Performance agreements are akin to contracts between the purchasers and providers of healthcare, and typically break down overall strategic goals into programme elements, setting specific, often detailed, operational, procedural and output-oriented targets for each agency and service delivery unit. Almost all countries surveyed\(^2\) had performance budgeting frameworks in place, but were generally only partially applied to the Ministry of Health. Further, half of the surveyed countries have performance agreements in place. These were most commonly applied between the Ministry of Health and the Central Budget Authority, and to health service delivery units within the government sector.

- Paraguay presented a pilot project focusing on the use of performance agreement frameworks with maternal and child health programmes in the northern part of the country, known as the Paraná. Each level of government was tasked with different areas of focus for the performance agreement. The central level played a key role in performance frameworks, including the indicators used; the regional level monitored these indicators; and the local or municipal levels were responsible for on-the-ground follow up. Monitoring took place every six months. If performance indicators were met, bonus payments were made.

- Costa Rica gave an overview of the health financing system in the country. Total health expenditure in 2016 was 7.8% of the country’s GDP, with around 75% coming from government and compulsory health insurance.

\(^2\) Survey of Budgeting Practices to Improve Health System Performance implemented in the LAC region (forthcoming)
Session 3: Performance Indicators and Target Setting: Strengthening Monitoring Frameworks and Tools

Overview

Performance targets and indicators are a natural component of performance budgeting frameworks and agreements. These targets and indicators are mostly used to track spending progress and the achievement of agreed upon strategic goals.

Presenters

- Mauricio Verdejo, Head of Division of Budget, Ministry of Health of Chile
- Luciana Rosato, Consultant, OECD

Discussion moderated by Geir Lie, Global Fund

Key Messages

- Almost all surveyed countries in the LAC region use performance targets and indicators in reference to budgeting. Among these countries, the most commonly cited agency for determining performance indicators was the Ministry of Health, followed by the Central Budget Authority. The main limitation cited by countries for not effectively using performance-based budgeting tools were lack of availability of performance information and data, poor quality information and data, and lack of capability (technical expertise or methodological data).

- This session included an overview of the use of performance indicators for budgeting in Chile. A balanced scorecard approach to indicators was used to evaluate the implementation of strategies by geographic region. Through the use of this approach it was revealed that out of 350 hospitals, only four hospitals had a scorecard that exceeds 75% compliance with targets. Budget transparency is central to Chile’s communication strategy, which is mandated under Chile’s transparency law. All the information generated is published and made available to the public on a monthly, or bimonthly, basis. This includes the performance of management staff.

- During the round table discussion some criticisms arose around the emphasis of using financial incentives as the primary performance incentive, since the impact of financial incentives are difficult to measure. An area of improvement cited by countries during the roundtable portion of the session was the need to make performance indicators useful for management as well as for budget allocations. For example, in Colombia, indicators are also used to provide updates on areas where organisations, or hospitals, are doing less well.
Session 4: Spending Reviews

Overview

This session examined how spending reviews can help identify proposed cost savings and expenditure prioritisation, based on the systematic scrutiny of baselines expenditures. Spending reviews also provide governments with improved control over the level of aggregate expenditure and can be used as a tool to improve efficiency and effectiveness or to create fiscal space by reallocating and/or reducing public expenditure for programmes or organisations.

Presenters

- Luciana Rosato, Consultant, OECD
- Dr. Analía Silvina López, Chief of Staff, Ministry of Health of Argentina

Discussion moderated by Andrew Blazey, OECD

Key Messages

- Among the countries surveyed, nine of the twelve countries reported carrying out spending reviews. Reallocating health expenditures and identifying cost savings were cited as the main objectives for these reviews.
- Argentina discussed how spending reviews have helped gain insights to prioritise spending for the most vulnerable people and to engage in strategic procurement for drug purchases. The spending review process is linked to the fiscal conversion process that is applied across the public sector in Argentina. The last spending review included provinces even though these operate autonomously. Based on the spending review, the health ministry was able to reallocate savings it identifies into high priority activities or programmes.
- During the roundtable discussion, delegates often thought that the success of spending reviews is reliant on the availability of relevant data, used for monitoring purposes. This requires political cooperation across all levels of government within the health sector, as well as between the ministries of health and finance.
Session 5: Provider Payment Methods and Pay for Performance in LAC

Overview

Dialogue centred on the potential and limitations of both traditional provider payments and pay-for-performance approaches in improving the performance of health providers. When correctly applied, some of the benefits of pay-for-performance methods include enhancing efficiency in health services and improving provider performance. Pay-for-performance approaches can also help link budgeting practices with health policy objectives by using economic incentives. However, among the main concerns of this system is the over-emphasis on economic rewards and failure to account for non-financial incentives.

Presenters

- **Ashish Jha**, Director of Harvard Global Health Institute, Harvard School of Public Health
- **Zoila Llempen**, Director of Quality Spending, Ministry of Economy and Finance, Peru
- **Leticia Zumar**, Advisor of Macroeconomic and Financial Management, Ministry of Economy and Finance, Uruguay

Discussion moderated by **Ronald Gomez Suarez**, World Bank

Key Messages

- While only five countries in the LAC region currently use pay-for-performance (P4P), several countries expressed interest or are in the process of introducing schemes.

- Harvard University revealed that providing high quality healthcare is one of the main focal points of engaging in P4P. However, studies reveal that healthcare is paid for in the wrong way, such as fee-for-service, giving no incentives for quality, and lacking in transparency. Instead, financial incentives must be aligned with quality. Evidence shows that it is crucial to scrutinize the results generated by P4P, as results can be attributed to “gaming”. Effective implementation of P4P requires creating large incentives while using a small number of outcomes, in order to maintain simplicity. It was also seen as imperative that P4P schemes target organisations rather than individuals. Uruguay added that it is crucial to involve all actors in the process of establishing goals and incentives, and that these actors be committed to fulfilling goals.

- In Peru, two types of budgeting for results have been implemented across government. First, incentives for municipal improvement, directed to 1,864 municipalities throughout the country. Second, budgeting support agreements, through contracts between the Ministry of Finance and the regional governments. Since its start, P4P in the health sector has seen greater compliance in meeting health goals from private providers versus public providers.

- In Uruguay, a National Health Board (JUNASA) monitors compliance of providers to health goals. The focus of these goals was oriented towards maternal and neonatal care, national health objectives, high quality medical care, and included P4P mechanisms.
Session 6: Upstream Performance Management: Links between Budgeting and Strategic Planning

Overview
Following in-depth discussions on performance budgeting frameworks, key performance indicators, spending and pay-for-performance, this session served as an opportunity to take a step back and discuss how performance reforms in budgeting and provider payments link to national health plans and other strategic planning initiatives in the health sector.

Presenters
- Andrew Blazey, Deputy Head of Division, OECD
- Camilo Cid, Health Systems and Service, PAHO

Discussion moderated by Chris James, OECD

Key Messages
- During this session, four core principles of budgeting were outlined by the OECD: protection, creation of performance agreements, delegating decisions, and developing information systems. Several challenges exist when trying to link strategic plans to budgets. Keys to ensuring strategic planning include ensuring that the plan is durable and able to self-actualize on a regular basis. Maintaining transparency, greater use of open data, participation, and accountability were seen as key to effective strategic planning.
- PAHO/WHO emphasised that any strategic planning needs to have universal health coverage at the centre. The presentation from PAHO also discussed P4P methods, and how it is imperative that P4P be aligned to strategic planning mechanisms.
- During the roundtable discussions, some delegates emphasised the need for stronger consequences when providers do not meet health goals, not just depriving providers of their bonus.
Session 7: Special Session on Fiscal Sustainability and Transitions: Innovative Ways of Working with Donors to Increase Domestic Spending on Health to Deliver Impact

Overview
A key policy challenge facing countries is strengthening their health systems while effectively managing the reduction or exit from external financing. This session discussed how synergies, efficiencies and flexibilities can be maximised in order to mobilise additional resources and achieve better results, drawing from responses to HIV/AIDS, tuberculosis and malaria in the region.

Presenters
- Alejandra Acuña, Vice-Minister, Ministry of Health, Costa Rica
- Ronald Gomez Suarez, World Bank
- Annelise Hirschmann, Regional Manager, The Global Fund to Fight AIDS, Tuberculosis and Malaria
- Dr. Julio Garay Ramos, Program Coordinator for Tuberculosis and Respiratory Diseases, Ministry of Health, El Salvador

Discussion moderated by Paul Bonilla, Global Fund

Key Messages
- Costa Rica delegates discussed how Global Fund support has been used to catalyse national investment in HIV, helping to create a sustainable model for HIV prevention. This model emphasised the need for government and civil society collaborations. Standards for LGBT healthcare, rapid testing, and information systems have greatly contributed to this model, although information systems still require strengthening.
- This session also served to talk about the changing nature of big data systems, including the volume size and analysis of this data. The World Bank pointed out that 30% of big data comes from health, and that the production of data in LAC has grown exponentially. However, while progress in data production and quality has been made, this data is not being fully utilised.
Session 8: Future Work Programme and Feedback

**Presenters**
- Chris James, Health Policy Analyst, OECD
- Andrew Blazey, Deputy Head of Division, OECD

**Key Messages**
- Among the responses from evaluations, several countries expressed interest in learning how to define and develop effective performance indicators and measures for budgeting purposes. Similarly, participants stated wanting more information on the methodology and implementation of results based budgeting from different country perspectives. This would ideally incorporate more information on evaluation of performance budgeting programmes.
- Some countries were also interested in how P4P methods are adapted differently for primary, secondary, and tertiary levels of care. Further, there was interest in understanding the different roles of the Ministry of Health, the Ministry of Finance and Congress in P4P.
- Another topic of interest was digitalisation, and how this can aid the budget process; and related to this the mismatch between performance systems in fragmented health systems (e.g. with parallel financing and service delivery systems).
All outputs and main publications of the OECD Joint Network of Senior Budget and Health Officials are available on the website, and published in the Journal on Budgeting. Alternatively, for further information on any of our analytical reports or network meetings, please feel free to contact:

Chris.James@oecd.org (Health division)
Andrew.Blazey@oecd.org (Budget division)
Contact us

For further information on any of our analytical reports or network meetings, please feel free to contact:

Chris.James@oecd.org (health division)
Andrew.Blazey@oecd.org (budget division)

You can also visit our website at www.oecd.org/health/health-systems/sbo-health.htm