5 Purchasing of PHC

5.1 Public purchaser and its legal status

5.1.1 Public purchaser

A core definition of purchase is
"A health care body which assesses the needs of a defined population and buys services to meet those needs from providers"[23].
The public purchaser in the Georgian health care system should fulfil several tasks:

- Tender process or selecting the providers under State Procurement Law of Georgia
- Contract the providers (PHC FTs)
- Invoice verification
- Remunerate of the PHC providers 4.5.1 (see 4.5.1 - recommended under option 2)
- Provide financial statement for budget control
- Prepare IT database for contracted provider and registered catchments population
- Report to the MoLHSA

The tender process should be suspended during the implementation phase up to 2 or 3 years in the future. The Human resources development plan should be defined between the MoLHSA and local authorities and this plan should be submitted to the public purchaser.

5.1.2 Legal status

According to the President's Decree 558, dated December 31, 2002, the main tasks of the SUSIF are:

- "The realization of health, social insurance, employment and other State programs, organization of social insurance of the population, granting of payments defined by the legislation";

- "The transfer of the cost of work, pensions, assistances and other social insurance payments according to health, social insurance, employment and other State programs in the limits of allocated financing";

- "The registration of the citizens of Georgia and their personification in order to involve physical and legal persons in the social security system".

The implementation of the new Tax Code and the direct (or semi-direct) payment of the health care services by the Treasury changed the role of the SUSIF for a large part (January 2005).

According to the introduction of the PHC and purchasing of the BBP the MoLHSA should declare in the Decree of Minister that the SUSIF will provide the necessary administration of the PHC program.

5.2 Contracting of PHC

5.2.1 Contracting system of PHC

Core definition of a contracts is:

[23] Witter, 1997

"**A contract is an agreement made between two or more parties with the intention of creating a legal relationship, enforceable by law.** If it contains the essential elements of a contract, neither party may escape from its effect other than by mutual consent. Any agreement to supply goods or services in return for payment that falls within this definition is a contract. As such, all contracting parties have legally binding obligations to fulfil its conditions. Therefore the parties must carefully consider whether to conclude a contract and each contract must be carefully prepared – otherwise the result might be undesired and costly."

According to Harding and Preker (2003), the potential benefits of contracting from a public sector perspective are:

- **Competitive forces**: Contracting can generate pressure on both public and private providers to improve their performance in terms of both service and price.
- **Planning and Policy Development**: Contracting requires and may promote better planning and policy development by improving the flow of information about volumes of goods, services, costs, quality, responsiveness, population served, health needs, and other issues.
- **Price Stability**: Contracting provides government with a mechanism for purchasing needed health services at an agreed-on, and therefore, predictable price.

In addition, contracting can also improve the level of equity in distribution of health services because the Georgian government can establish contracts that focus on delivering services to poorest and vulnerable population.

The MoLHSA can use contracting to guide private sector delivery of health services, and to achieve national health objectives.

The main characteristic of contracting-out is that the PHC providers are completely private (see 3.3 and 3.4). The State is not the owner of these companies but still is the owner of the facilities (important in terms of accreditation). Contracting-out could be defined as: the contractor have complete line responsibility for service delivery, including hiring, firing and setting wages, procuring and distributing essential drugs and supplies, organizing and staffing health facilities.

The general rationale for contracting-out relates to theories of why governments fail in their provision of services A central tenet of contracting-out is that the traditional organisational form of the public sector, hierarchical bureaucracy, is inherently inefficient and that the introduction of various market mechanism will substantially enhance the efficiency of public service delivery.

Due to the current situation in Georgia MoLHSA, the SUSIF and the providers cannot use the contracting-out system. The services delivery contract will be concluded between the PHC providers as a Health delivery Organization and the public purchaser (SUSIF).

5.2.2 Content of contracting

Contracts between purchasers (e.g. SUSIF) and PHC providers (e.g. self employed PHC teams or PHC group practises) will form a legal platform for executing PHC in Georgia. The contracts shall consider the following content:

- Preamble or subject of the contract and PHC definition
  The family medicine based PHC facilities are the first point of contact for the patient. Comprehensive PHC services will be delivered by the Family Medicine Teams (1 doctor + 1 nurse). That includes:

  - Curative PHC services
  - Preventive services: common immunizations mainly for children as well as immunization against tetanus for adults and basic preventive examinations for all age groups of population.

- Basic laboratory tests.
- Drugs: we propose to include a specified list of essential drugs in the BBP in the form of “a catastrophic cap”.
- Excluded services from BBP: Services in personal interest of a person (like different certificates), acupuncture and any “beauty” services
- Authorized persons and signatures

Identification of the individual from both the purchaser and the provider who signs the contract and who is responsible for ensuring the terms of the contract are fulfilled.

- The contract period should be a Fiscal year or two years.

The time period covered by the contract (and, possibly, the assumed arrangements for its renewal subject to satisfactory performance)

- *Terms of the contract*
  - Licenses physicians
  - Accredited facilities
  - Services provided
- *Stipulation of:*
  - Registration of the catchments population made by the provider and aggregated by the purchaser
  - Referral System: PHC with “Gate keeping” function to SHC and Tertiary Health Care + monitoring of patient coming back from SHC and THC
  - Prescription of drugs/medicines
  - Information about the patient rights
  - Accounting
  - Documentation of medical records and statistic
  - Indicator (Utilizations rate/ Amount of referrals/ Amount of prescriptions/ Reduction of specific illnesses/ Prevention/ Immunization) to deliver the selected indicators to the purchaser
- *Express warranty*
  - Hygiene
  - Quality of medical service/treatment
- *Rights and responsibilities of the physicians*
  - careful use of the equipment
  - treat patient up to clinical level
  - First Aid
  - Provide purchaser, “Supervisor” and Statistical Dept. with necessary information like medical statistics, cash and management information
  - Guaranteed wages
  - Retraining
- *Working schedule*
  - 8 hours a day and 5 days a week
  - Availability full time as a first aid point
- *Payment method/Reimbursement*
  - Capitation >for curative services
  - Fee for service >for preventive services
  - Co-payments >for drugs/medicines
- *Bank account*
- *Monitoring of the results (as a duty of the purchaser but should be legalized under the contract)*
  - Accounting
  - Indicators
- *Penalties*
  - Informal payments

- Referral system
- Falsification of documents

- *Replacements cost if physicians change their position or job*
- *Severability clause*

The defined contract should be introduced as a standard contract by the decree of Minister of Labor Health and Social Affairs . Neither the purchaser nor the provider could change this standard form. The contract should consist of three parts:

- Preconditions
- Negotiable and
- Legal.

5.3 Other (non-public) purchaser

Other (non-public) purchasers are NGOs, private insurances, private companies or single private household. There could be an interest of them to use or contract the new refurbished facilities and retrained physicians directly. It should be the State or governmental interest to serve the PHC services 100% under the contract of the public purchaser otherwise it will open the space for fraud and corruption. If it's in the State interest to maintain programs from NGOs for immunization or vaccination the contract should be concluded between the public purchaser and the NGO directly. The services will be subcontracted between the purchaser and the PHC facilities.