

Contract Database Framework: Definitions

Contract parties	<i>Source: Roger England. April 2000 Contracting and performance management in the health sector: A guide for low and middle income countries.</i> Contracting parties are legally separate entities
Purchaser	Public sector or independent social insurance organization
Provider	An autonomous statutory authority or a private organization (for-profit or not-for-profit)
Type of Service	<i>Source: April Harding and Alexander Preker: Private Participation in Health Services Handbook, Chapter 3: Contracting for Health Services</i>
Government administration	Provide technical assistance to strengthen capacity in policy formulation, planning, contract management; strengthen capacity to monitor and evaluate contracting results; provide technical assistance to strengthen regulatory framework and business climate; Decentralize or delegate contracting to regions or institutions; purchase contract management services from NGO or other providers; etc
Physical plant development and capital investment	Contract with architect and engineering firms to improve facilities planning and design; contract for construction management services; tender bids for facilities construction and/or renovation; lease facilities from private sources; etc
Hospital (general and specialized)	Contract for hospital operations management; contract for internal managerial capacity and systems training; Outsource laundry, housekeeping, security, maintenance, and other support service; Franchise hospital radiology, clinical laboratory, or other diagnostic services to private providers; Outsource business office functions such as admissions, accounting, billing, personnel, and purchasing; etc
Basic primary care and preventive services	Contract with NGO to manage primary health services, contract with private physicians to provide immunization; contract with midwives, traditional healers, and others to promote modern family planning methods; Contract for social marketing campaign for HIV, TB, diarrheal diseases; etc
Diagnostic services	Contract with private diagnostic center to provide services to public-sponsored clients; Refer specialized laboratory procedures to private laboratory; etc
Extended care	Contract for extended care services for public-sponsored clients who are chronically ill, elderly; Contract to provide home care services; etc
Ambulance and transportation services	Lease vehicles under contract; Contract with private transportation/ambulance services to respond to emergency calls in designated areas; etc
Pharmaceuticals, medical supplies and equipment	Contract to increase access to quality drugs; contract for social marketing campaign of proper drug use; Tender bids for bulk purchase of essential drugs and medical supplies; Contract for drug and medical supply warehousing and distribution services; Contract for equipment maintenance; Lease high-tech medical equipment; etc
Human resources, education and training	Contract to develop treatment protocols; contract to develop and implement accreditation program for educational institutions; contract for temporary workers or a service staffed by private providers to reduce or control number of personnel on government payroll; etc
Knowledge management	Contract for technical assistance and training on policy research and development; contract for development and operation of management information systems; Training for managers in planning and decision making; etc

Purchasing options

Public -public partnership	Source: <i>Tonia Marek. 2000. Range of options in public-private partnerships to improve health service delivery in less industrialized countries</i>
<i>Government service delivery</i>	The government is fully responsible for providing health care through its health facilities.
<i>Project agreements</i>	In a donor financed project, the Government and the Donor set up an agreement to give certain form of independence in decision taking and resource allocation to the executing unit who is in charge of managing the project.
<i>Direct subventions</i>	The Government distribute money to entities which are working in the health sector to decentralize decision making.
<i>Autonomization</i>	The Public sector grants the hospital management different degrees of freedom to make daily decision. Autonomous hospitals are allowed to generate from services provided and keep these revenues for investment and maintenance, or as performance-bonus.
<i>Corporatization</i>	The hospital is legally established as an independent entity, a private corporation which is publicly owned. The hospital manager has complete control over all inputs and issues related to services. A board of directors and a corporate plan are established. The corporate plan contains financial performance targets. Typically, the government makes direct payments or transfers to reimburse the hospital for the costs of pursuing non-kcommercial objectives such as care for the poor and uninsured, to subsidize research and health manpower training.
Public – private partnership	Source: <i>Tonia Marek and Chiaki Yamamoto: Options for harnessing private sector to reach public health goals</i>
<i>Service contract</i>	Private entities are paid by the government to perform specific tasks. The tasks may be carried out either within or outside existing public health facilities.
<i>Contract in</i>	Under this management contract, private entities are paid by the government to manage public health care facilities and provide a whole range of services. For the “ Contract in” model, public sector continues to make employment decisions of medical professionals, procurement of medication and other supplies. The government assumes commercial risks and retain the responsibility to make capital investment.
<i>Contract out</i>	Under this management contract, private entities are paid by the government to manage public health care facilities and provide a whole range of services. For the “ Contract out” model, the private entity is responsible for making employment decisions, procurement of medication and other supplies. Contract out model transfers risks associated with input as well as with labor to the private sector. The government assumes commercial risks and retains the responsibility to make capital investment.
<i>Leasing</i>	Private entity pays a fee to the government to use the health care facilities and take on the responsibility for managing and operation them. In return, the private entity is given the right to retain revenues from the operations. In this case, the private entity bears all the commercial risks. The public sector is still responsible for making capital investment.
<i>Concession</i>	Private entity pays a fee to the government to operate and maintain the health care facilities. Concession also gives the private entity a responsibility to make capity investment. Build - Operate Transfer) is a variation of this arrangement, in which the capital investment takes the form of construction of new facilities. The private firms builds the facility, provides services, and then transfers the ownership to the government at the end of pre-specified duration. Other varations of concession include Build-Lease Transfer, Rehabilitate-Operate Transfer.
<i>Social Franchising</i>	Franchising is one variation of Buld-Own-Operate scheme. Under franchising, a private firm (franchiser) licenses other private businesses (franchisee) to operate under its trade name. Typically, the franchiser has already established a successful product line and thus is able to provide specialized business strategies and trainings to franchisees in exchange for fees.
<i>Divestiture</i>	The publicly owned health care facility is sold to a private entity. Ownership of he facility is transferred indefinitely to the private entity which will be responsible for providing services and making necessary capital investment. One model of divestiture is Build-Own-Operate (BOO) model under which private entity takes full responsibilities for construction of new facilities at their own cost.

Basic Content of Contract	Source: <i>Roger England. April 2000 Contracting and performance management in the health sector: A guide for low and middle income countries.</i>
Preamble	A statement about the purpose of the contract, what it aims to do and who the parties to it are..
Total amount of payment	The total amount of payment to be paid by the purchaser to the provider.
Authorized persons and signature	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.
Contract period	The time period covered by the contract (and, possibly, the assumed arrangements for its renewal subject to satisfactory performance)
Summary content	A summary of any key points that the contract incorporates (e.g. any significant changes required in services) and that attention should be drawn to. This may also usefully identify the key undertakings and commitments of both parties.
Levels of services	A summary of the health services that will be delivered.
Targeted population	A clear statement on who is to have access to the service.
Quality standards to be achieved	A summary of the standards required for services.
Payment mechanisms	The Contract Payment Strategy has more potential to shape results than any other contractual provision. The form of payment strongly influences provider performance. Source: <i>April Harding and Alexander Preker: Private Participation in Health Services Handbook, Chapter 3: Contracting for Health Services.</i>
<i>Capitation</i>	Payment based on an agreed amount per person covered or enrolled for a specified package of covered services. E.g. primary care services and hospital services.
<i>Fee-for-service</i>	Payment based on an agreed price per procedure or test. E.g. Contract with private doctors to provide specified health promotion or preventive services.
<i>Block contracts</i>	Payment of a single fixed amount (including direct and indirect costs and profit) for all specified services for a specified period. A block grant functions much like a global budget.
<i>Labor and materials</i>	Payment of total direct costs (labor and materials) with an additional percentage for indirect costs, management and profit.
<i>Cost-and-volume contracts</i>	Payment of a fixed amount for a specified volume of services. Excess volume may be paid on a fee-per-case basis. E.g. contract for laundry services based on cost per pound of linen or contract for food services based on an agreed price per patient day.
<i>Set price</i>	Purchaser establishes payment amount in advance and asks bidders to propose how much they can provide for that price. E.g. support services such as housekeeping, catering, laundry.
<i>Prepayment</i>	Payment provided in advance for specified services to be rendered.
<i>Indemnification</i>	Payment provided after service has been rendered. E.g. Health insurance plans where the range of covered services and exposure is limited.
Variations to the agreement	The procedure for making variations, normally in writing and mutually agreed.
Best endeavours	Both parties to have a duty to resolve matters without arbitration if possible.
Arbitration	What happens in the event that a dispute cannot be resolved by the two parties and an arbitrator is required; who this will be and how they will be appointed.
Statutory regulations	Noting that both parties must be acquainted with any act in accordance with all relevant regulation and national policy.
Confidentiality	Patient confidentiality is to be assured.
Information requirements and reporting formats	The details of the information required and the format, coding, data quality targets and methods and frequency of submission.
What do contracts manage?	Inputs (type of service, mix of providers); Productivity outputs (Volume, quality, price, timing); Health outcomes
Performance-based contract	Performance-based contracting: A contracting approach that emphasizes the achievement of measurable results, for example raising immunization rates or improving nutritional status. Performance based contracts typically give contractors a financial reward for meeting or exceeding agreed-upon goals and penalize them for sub-par performance. Source: <i>James Rosen. December 2000. Contracting for reproductive health care : A guide.</i>