



# Making National Hospitals Efficient: Improving the Hospital Autonomy Process

## INTRODUCTION

Hospitals are vital to the delivery of life-saving health services for the country. They are necessary and expensive. The 2011-12 National Health Accounts (NHA) found that hospital services consumed 24 percent of Afghanistan's total health expenditure, which is completely funded from the ordinary (core) budget, unlike the primary care system (GIROA, 2013).

## CONTEXT AND PROBLEM STATEMENT

Unlike many countries, Afghanistan's hospitals were profoundly neglected and operated on limited resources as the focus was on primary emergency services. In 2011, the Ministry of Public Health (MoPH) developed the Hospital Sector Strategy to map out ways to improve the operations and functions of the country's national and specialty hospitals.

Hospitals have since been granted increasing levels of autonomy, specifically in budgeting and procurement functions, with the end goal of becoming fully autonomous institutions (GIROA, 2011). A 2012 costing study of the national hospitals identified several challenges to be addressed, such as the distribution of resources and the rational use of medicines (GIROA, 2012). Improvements have been made but more needs to be done.

A review of relevant studies and interviews conducted with stakeholders<sup>1</sup> identified four specific areas that pose challenges to the hospital autonomy process, and limit the efficiency of these hospitals. These four areas are: lack of administrative autonomy, low management and clinical capacity, inappropriate budget allocations, and poor diagnostic services capacity.

## CHALLENGES

### No Administrative Autonomy

Hospital human resources (HR) management is centralized, creating long recruitment processes

that do not meet the staffing needs of the hospital.

There are imbalanced staff ratios: many hospitals were found to have too many doctors and not enough nurses (GIROA, 2012). Centralized management may also create additional problems of fostering inertia among staff in providing services, and creating absenteeism because hospitals do not have the authority to dismiss low-performing staff.

### Low Management and Clinical Capacity

**Management capacity:** With the transition to semi-autonomy, hospitals have increased their capacity in budgeting and procurement. However, overall management capacity is still lacking, and the existing financial, procurement, and HR capacity should be strengthened.

**Clinical capacity:** Clinical capacity in necessary treatments and specialty areas is limited due to the lack of on-the-job training by experts. This lack of clinical capacity at hospitals drives patients to seek specialized services outside of the country: households spent up to US\$255 million on inpatient services abroad in 2011-12 (GIROA, 2013).

### Inappropriate Budget Allocation System

Though hospitals have reported an improvement in budget execution rates after becoming semi-autonomous, their inability to spend across budget line items prevents the efficient use of limited resources.

### Poor Quality and Availability of Diagnostic Services

Currently, there is no line item for diagnostic services or equipment; rather, all diagnostic-related expenses are included under equipment. The quality and availability of diagnostic services at national hospitals are poor, resulting in patients being referred to the private health sector for diagnostic services. Purchasing and maintaining diagnostic equipment is expensive, and hospitals cannot afford the necessary services with their current budgets.

<sup>1</sup> Stakeholders interviewed include MoPH senior leadership, donors, and officials from the Curative Medicine Department, HMIS, Finance, HR, and the Ministry of Finance.

## APPROACH GOING FORWARD

The MoPH has prioritized the improvement of national hospitals in its Health and Nutrition Strategic Plan 2011-15 and the Hospital Sector Strategy. Greater political and financial support is needed for the national hospitals to smoothly implement the hospital strategy and ensure more efficient and effective delivery of tertiary services. Five actions are recommended to identify and address these challenges.

**Improve Administrative Autonomy:** Administrative autonomy, especially in HR processes, should be considered in the next immediate phase of hospital autonomy. Poor allocation and mix of staff leads to inefficiencies—salaries consume over 60 percent of the hospitals' costs on average (GIRoA, 2012).

Hospital staffing—clinical, administrative, and support—should be based on need, qualifications, and transparent and efficient recruitment and dismissal procedures at the hospital level. Further discussions should be held to define the role of the central MoPH in hospital HR.

**Continue and Improve Training and Capacity Strengthening Programs:** There are a multitude of opportunities for management and clinical trainings and capacity-strengthening programs. The MoPH could consider an appropriate mix of hospital management trainings related to finance, procurement law and processes, human resources procedures, budgeting, and information management.

Long-term or short-course clinical trainings could be considered. Clinical capacity strengthening can best be supported through on-the-job learning with expert clinical specialists who are invited to train a larger group of Afghan medical professionals.

Appropriate trainings on procedures and treatments can be identified by assessing the demand for services patients seek abroad and what can be appropriately delivered in-country instead.

Furthermore, to evolve as tertiary care institutions, all national hospitals should have a development plan.

**Reform Payment Mechanisms:** The line item budget is commonly used in the government financial system. Because of its rigidity, there is no link between outputs and the payment mechanism (inputs). Line item budgets could be adjusted slightly each year, however, in most cases they are determined based on the past years' execution rate.

Providers have limited ability to transfer funds across line items to adjust service provision swiftly, and there is often no space to introduce initiatives for better performance and quality improvement under this mechanism. In addition, there is little accountability for the volume and quality of services provided. A provider payment mechanism is a payment method combined with all supporting systems, such as contracting, accountability mechanisms that accompany the payment method, and management information systems to promote effective and efficient use of resources.

A global budget mechanism, which gives greater freedom to providers in spending the budget, is a set aggregate budget for a period of time for the provision of agreed upon services. The global budget coupled with incentives for health workers will enable the hospitals to maximize the efficiency of resource allocation and expenditure for improved quality of services. This mechanism could be piloted in the near future.

**Develop an Innovative Approach to Deliver Diagnostic Services through PPP Model:** A public-private partnership model could be considered for outsourcing diagnostic services to the private health sector. Using the strengths of the private sector will allow public hospitals to deliver services more efficiently, without compromising them with poor diagnostic capabilities. The central MoPH could consider its role in the supervision, monitoring, and quality assurance aspects of diagnostic services. More discussion is needed to maximize the role of the central MoPH, the capacities of the hospitals, and the assignation of the private sector.

**Introduce Standardization and Accreditation:** Standardization and accreditation are main indicators of high-quality services and patient satisfaction. National hospitals should have practical plans for accreditation and standardization.

## POLICY RECOMMENDATIONS

- Introduce autonomy for human resource management at the hospital level to rationalize clinical and administrative staff according to needs.
- Improve the quality of health services delivered by health workers with performance-based incentives.
- Introduce a provider payment mechanism for greater flexibility and efficiency in budgeting and spending.
- Partner with the private health sector to improve diagnostic services.

## ENDNOTES

Government of the Islamic Republic of Afghanistan, Ministry of Public Health, Health Economics and Financing Directorate. (2013). 2011-12 National Health Accounts. Kabul, Afghanistan.

Government of the Islamic Republic of Afghanistan, Ministry of Public Health, Health Economics and Financing Directorate. (2012). Cost Analysis of Kabul's National Hospitals. Kabul, Afghanistan.

Government of the Islamic Republic of Afghanistan, Ministry of Public Health. (2011). Hospital Sector Strategy. Kabul, Afghanistan.