



A conceptual schema for government purchasing arrangements for Australian alcohol and other drug treatment



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HIGHLIGHTS

- We need a better understanding of the variety of purchasing arrangements for alcohol and other drug treatment.
- This study provides a conceptual schema for purchasing arrangements, purpose-built for alcohol and other drug treatment.
- The schema has 3 dimensions: 1. The ways in which providers are chosen; 2. The ways in which services are paid for; and 3. How price is managed.
- While empirical comparisons between mechanisms are currently lacking, there is evidence that payment-for-outcomes has not proved effective.
- Treatment purchasers can use the schema to make more informed decisions about mechanisms.
- Researchers can use the schema to characterise and compare different purchasing arrangements.

ARTICLE INFO

Article history:

Received 10 November 2015

Received in revised form 15 March 2016

Accepted 20 April 2016

Available online 22 April 2016

Keywords:

Treatment purchasing

Fee-for-service

Competitive tendering

ABSTRACT

Aim: The aim of this study was to establish a conceptual schema for government purchasing of alcohol and other drug treatment in Australia which could encompass the diversity and variety in purchasing arrangements, and facilitate better decision-maker by purchasers. There is a limited evidence base on purchasing arrangements in alcohol and drug treatment despite the clear impact of purchasing arrangements on both treatment processes and treatment outcomes.

Methods: The relevant health and social welfare literature on purchasing arrangements was reviewed; data were collected from Australian purchasers and providers of treatment giving detailed descriptions of the array of purchasing arrangements. Combined analysis of the literature and the Australian purchasing data resulted in a draft schema which was then reviewed by an expert committee and subsequently finalised.

Results: The conceptual schema presented here was purpose-built for alcohol and other drug treatment, with its overlap between health and social welfare services. It has three dimensions: 1. The ways in which providers are chosen; 2. The ways in which services are paid for; and 3. How price is managed. Distinguishing between the methods for choosing providers (such as competitive or individually negotiated processes) from the way in which organisations are paid for their provision of treatment (such as via a block grant or payment for activity) provides conceptual clarity and enables closer analysis of each mechanism.

Conclusions: Governments can improve health and wellbeing by making informed decisions about the way they purchase and fund alcohol and other drug treatment. Research comparing different purchasing arrangements can provide a vital evidence-base to inform funders; however a first step is to accurately and consistently categorise current approaches against a typology or conceptual schema.

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1. Introduction

This study sought to characterise purchasing arrangements and funding mechanisms for alcohol and other drug (AOD) treatment. AOD treatment systematically differs from standard medical care in a number of important ways. The settings in which the same

AOD treatment is provided are diverse and can include hospitals, outpatient clinics, primary care settings and community non-government organisations. Each of these healthcare settings have different purchasing arrangements. The providers of treatment are similarly diverse – and range from those with medical training to those with lived experience. Again, the ways in which different professional groups are funded or reimbursed varies. Finally, AOD treatment is often provided in the context of other social welfare services, which themselves have a variety of funding mechanisms. This level of complexity can result in multiple

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purchasing frameworks and approaches within the one state or country, despite the fact that the same treatment type, for example withdrawal, is being purchased. In Australia, both state and federal governments directly fund and purchase AOD treatment (Chalmers, Ritter, Berends, et al., 2015; Ritter, Chalmers, & Berends, 2015) but to date there has not been any systematic documentation of approaches nor analysis of the mechanisms. The aim of this study was to establish a conceptual schema for government purchasing of AOD treatment that could encompass the diversity and variety in purchasing arrangements.

Better decision-making around purchasing is important because of the evidence showing that the purchasing arrangements, which include the funding models (such as payment-for activity), pricing (such as fixed or variable price) and purchasing processes (such as competitive tendering) make a difference to the types of services offered (e.g. outpatient vs inpatient); to the treatment processes (e.g. retention in treatment); to the quantity and quality of treatment; and to treatment outcomes (Fuller, Rieckmann, McCarty, et al., 2005; Ghose, 2008; Heinrich & Fournier, 2005; Knudsen & Roman, 2012; Mason, Sutton, Whittaker, et al., 2015; McLellan, Kemp, Brooks, et al., 2008; Roman & Johnson, 2002; Stein, Reardon, & Sturm, 1999; Soman, Brindis, & Dunn-Malhotra, 1996; Sosin, 2005). Thus purchasing arrangements can have important impacts on service delivery and health outcomes. Furthermore, the global shift away from governments as 'providers' to governments as 'purchasers' of health services (Chernichovsky, 1995; Hood, 1991; Paulsen, 2006) increases the need for examination and evaluation of purchasing arrangements.

There is no standardised way of classifying purchasing arrangements for AOD treatment and there is a lack of agreement on nomenclature and models. The existing healthcare literature provides limited help. It separates models of practitioner payment mechanisms (Chakraborty, 2016; Duckett & Willcox, 2011) from hospital funding models (Duckett & Willcox, 2011; Health Policy Solutions, 2011) from healthcare financing arrangements (European Monitoring Centre for Drugs and Drug Addiction, 2011; Jegers, Kesteloot, De Graeve, et al., 2002; Kutzin, 2001; Langenbrunner & Liu, 2004). For example, the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) has published a typology of European financing arrangements specific to AOD treatment. It identifies prospective annual budgets, case-based payments, retrospective reimbursements, fee-for-service, and payment by results as the financing mechanisms in operation across the EU (European Monitoring Centre for Drugs and Drug Addiction, 2011). However financing mechanism are only one part of the purchasing puzzle. Competitive tendering and the associated provider selection that is inherent within competitive tendering is a critical part of a purchasing framework yet is absent from the above frameworks. This is despite the prevailing contemporary trend toward purchasing AOD treatment from the not-for-profit sector, where contracting out and competitive tendering essentially involve provider selection (Finn, 2008; Housego & O'Brien, 2012; Neville, 2013; Productivity Commission, 2010).

We were motivated by a desire to provide Australian governments, in this instance, with a conceptual schema that would facilitate consideration of all aspects of AOD treatment purchasing. Funders of AOD treatment are currently left to negotiate an apparently arbitrary set of administrative decisions regarding purchasing arrangements. In addition, a conceptual schema of purchasing arrangements has the potential to provide researchers in different countries with a way of summarising important treatment service system features, thus enhancing the likelihood of cross-state and cross-national comparative research.

2. Methods

The study formed part of a larger review of Australian AOD treatment service systems and the role of government funding (Ritter et al., 2014). Four sequential methods were used to develop the conceptual schema: a comprehensive literature review; analysis of current Australian purchasing mechanisms; development of a draft schema

through combining the evidence from the literature review and the current purchasing mechanisms; and finally analysis and review by an expert committee.

2.1. Literature reviews

The literature reviews were undertaken to locate peer-reviewed research articles and key grey literature documents relating to the funding, purchasing and contracting of health and social services with particular reference to alcohol and other drug treatment. Multiple search terms were used including alcohol and other drug treatments (and all associated variants) and funding, financing, contracting and purchasing (and all associated variants). (Search terms are available from the first author). The databases searched included PubMed, EconLit, Scopus, PsychINFO, Australian Public Affairs Information Service (APAIS), Google (for grey literature not elsewhere obtained) and Google Scholar, the Cochrane Library, the Campbell Collaboration, Health Systems Evidence, the National Drug and Alcohol Research Centre Library (Australia), Project Cork Online database, the National Drugs Sector Information Service (NDSIS) Drug Database, and the Virginia Commonwealth open source alcohol and drug database. Additional articles were located by searching reference lists and using the "related articles" feature in search engines. Searches were initially confined to AOD literature, but were then supplemented by more general searches from topic areas such as public sector funding, contracting, governance, business and economics. Searches were undertaken in 2013 and 2014, confined to English language publications and not date delimited. More than 200 references were obtained. These were then sorted into pre-determined categories (competitive tendering, practitioner funding, hospital funding, capitation/managed care, literature concerned with price, and other). Summaries of the variety of mechanisms, their respective strengths and weaknesses and associated details were then developed.

2.2. Current Australian purchasing arrangements

Current Australian purchasing arrangements were analysed from data collected as part of the larger review (Ritter et al., 2014). Semi-structured group interviews (conducted between August and November 2013) were undertaken across the eight Australian states and territories and the Commonwealth. Participants in each jurisdiction included government personnel in AOD treatment policy positions (purchasers) and representatives of the treatment sector (providers). Participants were interviewed in groups, ranging from 3 to 10 people. A total of 190 participants were interviewed. The questions (which had been previously provided to participants) covered details regarding current funding arrangements; procurement and tendering processes; contracting arrangements; types of funding; and the perceived advantages and disadvantages of the funding and procurement arrangements currently in operation. Detailed descriptions of funding mechanisms were recorded. The primary means of data collection was note taking. Notes from the interviews were then transcribed and sent back to participants for comment regarding their accuracy and comprehensiveness. Participants had the opportunity to speak with the Review team, use track changes in the document provided, or forward separate comments to improve the quality of the data. Ethics approval for the Review was obtained from the Human Research Ethics Committee at UNSW Australia.

2.3. Draft schema

Analysis of the literature was combined with analysis of the Australian AOD treatment purchasing arrangements. In the first instance we sought unifying concepts common to both datasets, and established an agreed terminology within the research team. The different dimensions, which represented mutually exclusive aspects of

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