



PS3 CASE BRIEF

DIRECT HEALTH FACILITY FINANCING

Direct Health Facility Financing (DHFF) frees administrators to focus on better alignment of plans with policies, use of resources, and linking information systems with higher levels of government.

The introduction of DHFF and the Education Programme for Results (EP4R) in Tanzania dramatically changed the landscape for public facilities in the health and education sectors. Now, money is sent directly to the facility itself, and for the first time, facilities can plan, budget, and manage their own resources to better meet the needs of their beneficiaries. In Tanzania, the DHFF policy started in the education sector and schools were paid through a predetermined fee per enrolled student. In 2018, the health sector adopted DHFF by shifting the general revenue from Tanzania's Health Basket Fund, a collection fund foreign donor assistance that is managed and administered by the Ministry of Health, to output-based payment for 5,459 health centers and dispensaries in all 185 Local Government Authorities (LGAs) in Tanzania.

The United States Agency for International Development (USAID) partnered with the Government of Tanzania (GOT), health basket funders and other development partners to design and implement DHFF in the health sector through the USAID Public Sector Systems Strengthening Project (PS3). The project strengthened the purchasing (financing) capabilities of public sector facilities to better manage the funds they now receive.

PS3 worked across the education and health sectors using a systems approach to identify interventions that impacted multiple functions in the health system at once, such as information systems and data use, human resources, finance, governance, service delivery and quality improvement. Through PS3, USAID and the GOT are strengthening the systems that deliver important services to Tanzanians and paving the way for Tanzania to rely less on foreign donor assistance and more on the ingenuity of Tanzanians themselves.

COMPARATIVE ADVANTAGE

DHFF fundamentally changes the way in which facilities receive funds to deliver their services and allows them to manage their funds more efficiently. DHFF allocates funds to facilities based on service outputs, replacing rigid line item budget payments for inputs (e.g., supplies, drugs). This “output-based” way of calculating budgets for health facilities matches the type and number of services provided and includes adjustments based on need (the size of the population served), performance (the types of services used), and equity (access to the facility). Receiving funds of a known amount, on time allows facilities to implement plans, manage operations, procure inputs such as drugs or learning materials, and consequently improve service delivery. This funding predictability and certainty also helps to build a strong relationship between facilities and suppliers especially when flexibility is needed for emergency purchases. DHFF gives health facilities more incentive to continuously improve the quality of services so that more community members trust and use their services, generating greater revenue and budgets.

Health facilities also benefit from increased autonomy through DHFF with their ability to determine how best to plan, budget and utilize their funding to deliver high quality services. These include the essential health service package such as immunizations, maternal, newborn and child health, family planning, malaria, HIV, and tuberculosis services. DHFF also enables health facilities to be more accountable for how their funds are used, requiring them to determine the most efficient and effective mix of inputs to procure, and to ensure appropriate accounting, financial management and reporting.

“We are generally very satisfied with the choices or priorities that facilities are making about how to use the funds from their bank accounts. They are based on participatory approaches during the planning and budgeting exercise including advice given at the local government level. Facility funds in their bank account are being used properly according to priorities identified in their plans and the guidelines provided.” – LGA Respondent, PS3 Operations Research Study

IMPACTS TO THE HEALTH SYSTEM

DHFF has ignited changes in the way public health facilities manage and operate to serve their citizens and communities. Coupled with stronger public financial management systems at the facility level, including the PlanRep system for planning and budgeting and Facility Financial Accounting and Reporting System (FFFARS), there has been an increase in transparency, autonomy, and accountability at the facility level. With the power to directly receive funds from the Ministry of Finance to the facilities’ bank accounts, and the systems to better plan and account for those funds, health facilities and their governing committees are beginning to strengthen their own management processes and more actively engage communities to improve public sector service delivery. DHFF also establishes a foundation for health financing that will enable the implementation of national

health insurance by ensuring that health facilities are prepared to receive and manage insurance payments.

“Our ability to provide services has improved significantly, we are now able to purchase goods based on needs of the facility and thus provide good and quality services. Previously, we used to receive drugs that we were not in need of or not relevant. Supply of drugs has improved by more than 65%.” - Dispensary In-Charge, PS3 Operations Research Study