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# PRIVATE PROVIDER NETWORKS: THE ROLE OF VIABILITY IN EXPANDING THE SUPPLY OF REPRODUCTIVE HEALTH AND FAMILY PLANNING SERVICES

## Executive Summary

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**PSP-*One***

PRIVATE SECTOR PARTNERSHIPS FOR BETTER HEALTH

# EXECUTIVE SUMMARY

## WHY PRIVATE PROVIDER NETWORKS?

As the private sector plays an increasingly critical role in the delivery of reproductive health/family planning (RH/FP) services, donors and public health ministries are turning their attention to business arrangements that offer the potential to increase access to high-quality priority health services. Private provider networks hold the promise of cost effectively expanding the scale of private practice, and are increasingly being considered as a way to achieve national public health objectives.

Networks are an affiliation of health service providers grouped together under an umbrella structure or organization. They are an attractive mechanism for delivering uniform health services to a broad market, with a structure that lends itself to replication. Networks are able to realize efficiencies in training, capacity building, product distribution, procurement, and the advertising of health services. This paper distinguishes among three types of networks based on their *objectives* (social or commercial) and their *ownership* (individual or integrated). The network types are not-for-profit networks, social franchises, and purely commercial networks.

To date, evidence on the effectiveness of networks in achieving RH/FP objectives is scarce, and even less is known about the factors that contribute to their long-term viability. This review is intended to address this knowledge gap, offering practical guidance to donors and network implementers on how to expand the supply of high-quality priority health services. The paper first assesses whether and how networks achieve viability and, second, distills lessons that have contributed to network viability. The review also examines the extent to which viability goals conflict with or support the delivery of RH/FP services. By drawing from the business practices of both commercial and donor-supported networks and assessing their relative strengths and weaknesses, the paper cross-fertilizes lessons from each and suggests the need for synergies and partnerships across sectors.

The methodology consisted of a literature review of publications and resources on over 50 networks, the development of a framework to assess network viability, followed by in-depth interviews with representatives of 23 networks. All selected networks met the following criteria: they operate through several service delivery points, serve low to middle-income populations, and provide RH/FP services.

## A FRAMEWORK TO ASSESS NETWORK VIABILITY

Every network is structured according to a set of benefits and obligations that tie the parent and members together. Benefits to the provider may include training, marketing and promotion, and increased clientele; in return, providers are typically obligated to pay the parent fees or royalties, provide specific services at fixed prices, and adhere to quality standards. The exact structure and design of benefits and obligations stem from a variety of conditions, as noted below, that in turn affect network viability:

- Policy and regulatory environment
- Mission of the network

- Institutional capacity and ability to develop a business plan
- Financing sources
- Revenue and expenses
- Marketing and promotion strategies
- Monitoring and quality assurance systems

The paper assessed networks against this framework to understand the factors and conditions that contribute to network viability.

## MAJOR LESSONS ON NETWORK VIABILITY

A *policy environment* conducive to private sector provision of health services is critical to the viability of private provider networks. Policies may relate directly to service provision, governing the range of services private providers are able to offer and their licensing requirements; or they may relate to incentives that spur private sector participation, including opportunities to contract with government or operate within public or private health insurance schemes.

Depending on their *mission*, networks are driven to achieve a combination of health and financial objectives. Most networks must make a trade-off in reaching the poor versus earning a profit. Few networks operate with a “double bottom line,” which is the ability to make a profit while achieving public health objectives. Successful strategies to achieve a double bottom line include diversifying clientele, offering a mix of curative and preventive services, and cross-subsidizing service delivery outlets. Effective networks also demonstrate strong *institutional and business planning capacity* and employ staff with a business orientation. Any plan to achieve growth or scale up must be based on a tested model that is built into the business plan. It should also demonstrate an understanding of consumer and provider markets and reflect the network’s institutional capacity.

Networks are increasingly diversifying their *financing sources* to achieve viability. More and more, they are negotiating service contracts with the public sector, forming partnerships with pharmaceutical manufacturers, seeking commercial loans and private equity, structuring plural franchise arrangements, or simply diversifying donor funds in order to enhance their financial strength. The ability to generate revenue from the sale of services and products (either directly to consumers or through government contracts) is critical if networks are to achieve viability. Donor-supported networks now recognize the need to expand beyond RH/FP services to curative and ancillary care, which are associated with higher demand and consumers’ willingness to pay. Commercial networks, on the other hand, may require incentives to expand the provision of RH/FP services, which are typically less lucrative than curative or ancillary services.

Networks tailor their *marketing and promotion strategies* to consumer and provider markets. The better they respond to changing conditions, the more likely they will anticipate opportunities and constraints in both markets. The ability to serve a diversified clientele with varying abilities to pay and to deliver services through several types of service providers underscores a keen sensitivity to the market.

A long-standing challenge for private provider networks is the cost of quality assurance. Although they continue to struggle with identifying cost-effective *monitoring and quality assurance* approaches that benefit from scale, private provider networks are still testing quality assurance strategies such as peer oversight, partnering with professional associations, and empowering consumers to respond to quality signals.

## CONCLUSIONS AND LOOKING FORWARD

Largely owing to their ability to bridge commercial and social objectives, private provider networks represent a compelling business arrangement for scaling up RH/FP services in the private sector. However, donor-supported networks can enhance their viability by looking to the business practices of commercial networks and learning from their lessons. Such lessons focus on an orientation to market opportunities, understanding differentiated consumer preferences, and planning according to a long-term strategic roadmap. Alternatively, incentives for commercial networks to expand the delivery of RH/FP services, possibly in synergy with donor-supported institutions and public health ministries, should be explored.

Ultimately, no one “best” model or approach can ensure an expanded supply of RH/FP services. Networks must make practical trade-offs between serving the poor, offering preventive RH/FP services, and earning a profit. Donors and health practitioners need to realize both the potential and the limitations of the private sector in meeting public health objectives. They must also understand how best to target their own support to maximize social return. As this review underscores, it is essential to draw on the relative strengths of commercial and donor-supported models to optimize health and efficiency objectives.

Looking forward, it is necessary to identify financial incentives that will catalyze *commercial networks* to expand the delivery of preventive RH/FP services by, for example, advocating for capitated health insurance packages or facilitating public-private contracts for defined health services. Approaches to supporting the viability of *donor-supported networks* might include (1) negotiating mutually beneficial corporate partnerships, such as with pharmaceutical firms, (2) shifting networks to looser “centers of influence” by transferring capacity and responsibility to professional associations or educational institutions, and (3) facilitating the graduation of franchisees out of the network to focus on recruiting new members and supporting the overall competitiveness of the provider market.