Introduction to Control
Knobs

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Figure A: An Illustration of Means, Intermediate and Final Ends

Means
- Financing
- Payment
- Macro-organization
- Regulation
- Persuasion

Intermediate outcomes
- Access
- Quality
- Efficiency
- cost

Final Goals
- Health Status
- Public Satisfaction
- Risk Protection

Figure A shows the relationship between means, intermediate outcomes, and final goals. The means include financing, payment, macro-organization, regulation, and persuasion. The intermediate outcomes are access, quality, and efficiency, which are influenced by cost. The final goals are health status, public satisfaction, and risk protection.
What Is A “Control Knob”?  

• A key feature of the health system  
  …that can be changed by policy  
  …that influences performance  

• Not all key features can be changed by policy or can significantly influence system performance  

• Control knobs are not simply descriptive categories – they are levers of change
Features of the “Control Knob” Framework

• For health sector reform (Big R), most likely you have to use several knobs together (e.g., regulate how insurers pay doctors)

• Simple versus complex interventions – related to Big R and small r reform
Financing

• Health care financing often refers to 2 related functions:
  – Resource mobilization
  – Resource allocation and pooling
  – Paying for and purchasing health care

• Financing focuses on first two of these; payment treated separately, recognizing the importance of financial incentives as a driver of health system performance
Financing

• Methods of Financing Determine the Amount of Resources Mobilized, Who Bears the Burden and Tightness of Overall Budget Constraint

• Financing source allocate resources that Affects Allocative Efficiency, Equity, and Distribution of Benefits

• Financing Decides the Method to Ration Health Services
Financing Options

• Taxes, especially “general revenue”
• Social insurance
• Private insurance
• Patient out of pocket payment
• Community financing
• Medical savings account

THESE ARE DISTINCT TYPES…REAL WORLD SYSTEMS ARE MORE COMPLEX…AND MAY INCLUDE THEM ALL!
Payment

• Financial incentives key driver of system performance

• Payment systems differ by:
  – Type of service
  – Unit of payment
  – Level of payment

• Adjustment over time

• Correlated with financing arrangements…but not necessarily
Payment

- Payment method determines the incentive structure to providers, and who bears the risk in the uncertainty of health costs
- Payment level affects providers’ revenues and their practice behavior
- Payment impacts on the organization of health care delivery, division of labor, and production efficiency
Using Payment

• One of the most studied control knobs
• Affects both provider and patient behavior
• Powerful inducement – both positive and negative effects
• Providers reluctant to acknowledge effect – conflicts with ethical notions
• Interest groups will try to influence implementation
Organization

• Focus is on organization of service delivery. There are also organizational issues in other control knobs like financing, regulation

• System-level – “macro” organization. How can policy change the overall structure of services organization affect system performance?

• How can change in organization change system performance?
Macro-Organization

Marco-organization Options:

- Rely on Competition or Planning?
- Who owns health facilities?—For profit, non-profit or government
- Centralize or Decentralize?
- Vertically Integrate Medical Services?

Macro-organization Choice Affects Efficiency and Quality of Health Services
Regulation

• Definition: Uses the Coercive Power to Alter Organizational and Individual Behavior
• Public and/or Self Regulation
• Assures Safety of Drugs, Water, Food, Medical Devices and Medical Practices
• Protects Rights and Assure the Fulfillment of Contracts
• Sets the Rules of Game for market competition
• For regulation to be effective, often requires complementary structural changes such as incentives and organizational structure
Categories of Regulation

- Create essential conditions for markets to function, e.g. property rights and contracts
- Improve markets by correcting imperfect conditions, e.g. information and externality problems
- Do what markets cannot or will not do, e.g. control popular but dangerous substances like tobacco

Remember...how do these relate to health system performance goals?
Regulation Works Best When

- The regulations are seen as legitimate
- Behavior is easy to monitor
- Enforcement costs are low
- Regulators are committed to the task

Regulation should not be primarily about enforcement and punishment
PERSUASION

• Affects People’s Values and Preferences and thus alters their behavior
• Uses Education, Social Marketing, Advertising, and Social Norms to Influence Individual’s Behavior
• Includes public sector efforts such as family planning and smoking; private sector efforts such as drug advertising and physicians’ advice.
The Persuasion Control Knob

Can be affected by policy…can affect system performance

• Promotion of healthy behaviors

• Strategic communication to influence attitudes and expectations on systems

• Promotion of “better” health care use

• Persuasion to change provider behavior

Reformers may also need to counter-balance behavior influence by other system actors!
Limits on Persuasion Control Knob

• In short-term, must reflect existing needs and motives. Efforts to change these are longer-term, more uncertain

• Information alone often does not change behavior. Persuasion control control usually need to be link to regulation and payment

• Little experience in using behavior to affect larger system factors

• In open societies, others are free to counteract efforts to use behavior CK
Some Thoughts on Wise Use of the Control Knobs
System Change is to Influence Individual Behavior Change

• Change will require people to behave differently

• They must have both reason and incentives (preference, payment, accountability, regulation) and capacity (financing, organizational structure)

• This usually requires acting on more than one, and possibly all, control knobs
BON VOYAGE
On your reform journey