

Applying the Contractual Approach in Public Health Institutions in Algeria: An Unfinished Reform Project

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Abstract:

Public healthcare institutions in Algeria are facing significant challenges regarding their credibility due to the declining quality of care and healthcare services provided, leading to a loss of trust among patients. To address this issue, the Algerian government has adopted a strategy to revitalize the contractual approach, through the establishment of effective funding mechanisms and improvement of infrastructure within healthcare institutions, in addition to enhancing service quality and defining relationships among stakeholders. As a result, the revival of the contractual approach is crucial at present, especially after its delayed implementation since 1992 due to various factors.

Keywords: Contractual approach, public healthcare institutions, postponed reform, Algeria.

Jel Classification Codes: I18, H11, I5.

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1. Introduction

Public healthcare institutions in Algeria face a set of profound challenges that directly affect the quality of care provided to citizens. Among these challenges are insufficient financial and human resources, inefficiencies in health service management, and an unequal distribution of healthcare professionals across regions. These issues have led to a decline in the quality of services provided by public healthcare institutions, exacerbating patient suffering and reducing the overall effectiveness of the healthcare system. In this context, the application of the contractual approach emerges as a strategic reform tool aimed at improving healthcare quality by providing a regulatory framework that ensures performance standards are met and continuously evaluated.

The contractual approach is based on establishing agreements between entities responsible for healthcare delivery and service providers, setting clear performance standards and outcomes according to measurable indicators. This method aims to enhance transparency and accountability while motivating stakeholders to improve the quality of healthcare services through mechanisms for continuous monitoring and evaluation of performance. Given the current challenges faced by Algeria's public healthcare institutions, exploring the application of this approach becomes a necessity to improve the existing situation.

2. Study Problem:

"Given the current shortcomings in healthcare quality, can adopting a contractual approach improve service delivery in Algeria's public health institutions?"

Sub-Questions:

- What is the concept of the contractual approach, and how does it enhance the quality of healthcare services?
- How can the contractual approach be effectively implemented in Algeria's public healthcare institutions?
- What administrative, organizational, and financial obstacles might hinder the application of the contractual approach in Algerian healthcare institutions?

- How does the contractual approach contribute to improving the quality of healthcare services provided to citizens in Algeria?
- What strategies can be adopted to overcome challenges and ensure the successful implementation of the contractual approach in Algeria's public healthcare institutions?

3. Study Hypotheses:

To address the core issue of the study, we propose the following hypotheses:

First Hypothesis: The adoption of the contractual approach in public health institutions will result in measurable improvements in the quality of healthcare services provided to patients.

Second Hypothesis: Implementing the contractual approach will enable public health institutions to better manage expenses through improved financial practices.

Third Hypothesis: The success of the contractual approach depends on the preparedness of healthcare institutions, including infrastructure, staffing, and policy alignment, to engage in such agreements."

4. Importance of the Study:

This study is significant due to the potential role of the contractual approach as a reform tool for the national healthcare system, offering clear and effective methods for financing healthcare services and introducing urgent and necessary improvements within healthcare institutions. Additionally, it aims to establish quality benchmarks in the delivery of healthcare services.

5. Study Objectives:

The objectives of this study are as follows:

- Highlight the importance of the contractual approach in reforming the healthcare system in Algeria.

- Attempt to analyze the impact of implementing the contractual approach on public health institutions.
- Present the contractual system as an alternative model for managing the public health system in Algeria.

6. Study Methodology:

To analyze the problem of the study, we have adopted the descriptive-analytical method in conducting this research.

Study Framework:

The study is divided into four main sections:

Axis 1: Foundations and key principles of the contractual approach in the healthcare system.

Axis 2: Objectives and expected outcomes of applying the contractual approach in public healthcare institutions.

Axis 3: The role of the state and local communities in implementing the contractual approach in the healthcare system.

Axis 4: The contractual approach as a catalyst for reforming the management model of public healthcare institutions in Algeria

7. Fundamentals of the Contractual Approach in the Health Sector

7.1 The Concept of the Contractual Approach

The legal contracts entered into by the administration are usually administrative contracts. The governing rules of an administrative contract are similar to those of a civil contract, as both involve the agreement of two parties to establish obligations and rights, with the administration enjoying the advantage of authority (Perrot & Deroodenbeke, 2005).

An administrative contract is defined as "a contract or agreement entered into by a public legal entity for the management of a public service in accordance with the methods of public law, incorporating exceptional conditions that are unfamiliar in private law" (Perrot, n.d.). Article 54 of the Algerian Civil Code defines a contract as "an agreement through which one or more persons commit to grant, perform, or refrain from performing certain actions." The contractual domain is "the only field in which individuals have the freedom to

create rights, obligations, and legal consequences from their actions. However, this freedom is not absolute, as it quickly encounters legal intervention in regulating contractual relationships," such as in the regulation of contractual relations between public health institutions and social security organizations in the realm of funding (Saada & Kaddar, 2010).

The World Health Organization (2004) also defines a contract as "an agreement (or contract) that includes an agreement between two (or more) economic agents, by which they commit to transferring or retaining, performing, or refraining from certain actions, representing a formal administrative relationship between future partners."

Based on this foundation, the approach refers to an agreement linking the Ministry of Health and the structures under its authority to social security organizations. The Ministry commits to providing healthcare services to insured individuals, while the other party commits to funding these healthcare services (World Bank, 2003). As such, the contractual approach in health systems differs fundamentally from regular contracting in three key aspects:

- It seeks to foster a genuine and lasting partnership between the healthcare sector and social security (Saada & Kaddar, 2010).
- It serves to redefine the role of the state in the healthcare sector by organizing the sector and ensuring a fair healthcare system without direct intervention (Alsamara, Farouk, & Halima, 2022).
- It is a strategic tool for developing the healthcare system and the national health policy by expanding the scope of shared responsibilities among all parties and stakeholders (Laiche, 2024).

7.2 The Parties Involved in the Contractual Approach in Algeria

According to Article 132 of the 1993 Algerian Finance Law, the parties involved in contracts for public health financing include the entities responsible for funding health expenses:

7.2.1 The State: The state becomes a party in the contractual process when it concerns low-income patients not socially insured, as well as activities related to prevention, training, and scientific research. Identification of low-income individuals is handled by the Directorates of Social Activities, which issue a "needy card" enabling access to compulsory insurance (Ministère du Travail et de la Sécurité Sociale, 2004).

7.2.2 Social Security Funds: These are involved in contracts relating to insured individuals and their dependents.

7.2.3 Service Providers: Represented by public and private healthcare institutions delivering treatment.

7.2.4 Service Beneficiaries: Patients who are treated and must pay based on their category. Needy individuals are fully covered by the state, and socially insured individuals are covered at 80% by social security (Alsamara et al., 2022).

7.3 Types of Contracts in Healthcare Institutions

7.3.1 Internal Contracting

This form of contracting occurs within healthcare institutions and can take several forms (Perrot & Derroodenbeke, 2005). It promotes dialogue and accountability and helps transform hierarchical relations into negotiated partnerships (Saada & Kaddar, 2010).

Internal contracts are:

- **Contracts of goals and means**
- **Management tools for healthcare quality improvement**
(World Health Organization, 2004)

These contracts should not violate legal norms and must contain internal enforcement mechanisms.

7.3.2 External Contracting: Subcontracting (La sous-traitance)

Subcontracting involves delegating logistical tasks such as catering, laundry, and cleaning to specialized external providers (Benanteur, 2004). This strategy is economically beneficial but must be assessed carefully:

Advantages:

- Reduced direct management costs.
- Shared operational burdens.
- Focus on core healthcare services.

Disadvantages:

- Difficulty in cost control.
- Maintained administrative responsibility.
- Confidentiality risks.

Criteria for Choice:

- Cost-benefit analysis.
- Assessment of social and legal impacts.
- Evaluation of competencies (Benanteur, 2004).

7.4 Network Approach (Les réseaux)

The network approach allows for integration of professionals across sectors under shared goals and legally structured relationships (Laplace et al., 2002). This model is conducive to ensuring continuity in care while enabling both public and private actors to cooperate efficiently.

Additionally, contracting within the network framework enables patients to access cohesive and unified health practices. Patients do not directly approach individual healthcare providers but rather engage with the health network itself, which guarantees continuity in addressing their diverse health requirements, as they become more connected to the healthcare system to which they belong.

Practically, the network system is structured around key elements, including:

1. **Network Structure:** This refers to the organization within a legal framework (association, organization, forum, etc.).
2. **Participation in the Network:** Involves a contractual commitment to the goals established within the network and clarifies the role of each participant in the healthcare delivery chain.
3. **Relationships with Funders and Health Authorities:** It is essential for these networks to be recognized and accredited by the relevant health sector authorities, ensuring they contract with entities such as social security and health administration to guarantee the sustainability of their activities.
4. **The Patient:** Patients should be informed about the network and must give written consent to be treated under its framework.

7.5 Twinning Contracts (Le jumelage)

Such contracts facilitate cooperation between two health institutions in different regions, each with distinct specialties or competencies. This collaboration enhances the delivery of healthcare services to citizens in areas with limited resources while also developing and expanding the skills of the less equipped institution.

8. Objectives of the Contractual Approach in Health Institutions

Resorting to contracting as a new model for financing the health sector aims to achieve a range of objectives that would enhance the effectiveness of the health sector, which has experienced significant management disruptions since the establishment of free healthcare, diminishing the level of responsibility at health institutions tasked with achieving their objectives at the lowest possible cost. To address this stark contradiction, the contractual approach has been considered as a new method for financing public health institutions, primarily justified by a set of objectives, including:

8.1 Controlling Expenditures

The application of the contractual approach allows for increased effectiveness of public health institutions through:

8.1.1 Precision in Financing: This is based on accurate and detailed data that clarifies all services provided and their associated costs (Perrot, n.d.; Perrot & Deroodenbeke, 2005).

8.1.2 Establishment of Reference Rates for Comparison: These rates can be global, national, or local. For example, what is the cost of a dialysis session between a hospital in Algeria and another in France? And how does that compare between Bab El-Oued University Hospital and Mustafa Pacha University Hospital? This enables us to identify the healthcare institutions with the highest expenditures, thus allowing for necessary corrective measures (Laplace et al., 2002; World Health Organization, 2004).

8.1.3 Freedom of Initiative and Competition: This encourages public entities to consider improving the quality of their services and attracting patients. Consequently, public health institutions must control their expenses by accurately diagnosing costs. Here, it is not sufficient to know only the total cost, which refers to the entire healthcare institution; it is essential to understand the cost of the lowest function within the hospital. This necessitates the application of decentralization within the healthcare institution itself. Therefore, the primary manager must impose responsibility on each center within the institution to maintain and prepare a specific budget aimed at providing an accurate estimate of projections and creating incentives (Saada & Kaddar, 2010; Ministère du Travail et de la Sécurité Sociale, 2004).

8.2 Rationalization of Expenditures and Achieving Efficiency

This involves the optimal use of available resources, such as contracting with external entities in certain areas that the hospital is responsible for, thereby enhancing the effectiveness and efficiency of service delivery (Benanteur, 2004).

8.2.1 Rationalization of Expenditures: This is achieved through the optimal utilization of available resources. For instance, the hospital contracting external parties for specific tasks such as laundry and cleaning of linens leads to the provision of services that satisfy patients and ensure higher cleanliness standards for the linens (Laiche, 2024).

8.2.2 Efficiency: This means achieving objectives at the lowest possible costs. This is accomplished by the health institution contracting with specialized organizations, for example, for cleaning, laundry, catering, and maintenance. Such arrangements allow for services to be delivered more effectively while reducing burdens like salaries and necessary equipment for these functions (World Bank, 2003).

8.3 Control of Certain Health Indicators

The rate of hospitalization is considered one of the most important health indicators. Therefore, failure to manage this indicator leads to increased expenditures. Consequently, regular reviews of the actual utilization of hospital beds are essential as a complementary measure to provide diagnostic tools to avoid unnecessary prolonged hospital stays (Alsamara, Farouk, & Halima, 2022).

8.4 Improving the Quality of Care

Contracting not only affects funding procedures but also the quality of treatment, accommodation, and nutrition through the close supervision carried out by funding partners.

8.4.1 Enhancing Treatment Behavior: Focus on good reception and treatment of patients.

8.4.2 Focusing on Quality: Strive to achieve the best quality at the lowest possible cost to maintain efficiency, emphasizing the qualitative aspect of care rather than the quantitative (Perrot & Deroodenbeke, 2005).

8.4.3 Establishing Flexible Management Principles: Allow for the implementation of modern management principles by facilitating opportunities for skilled professionals.

8.4.4 Reestablishing Community Relations: Work on convincing and gaining the trust of clients (Saada & Kaddar, 2010).

8.5 Achieving Transparency in the Relationship between Health Institutions and Their Funders

This contrasts with the lump-sum system, which is characterized by the ambiguity of this relationship and the lack of direct connections between healthcare providers and their funders (World Health Organization, 2004; Laiche, 2024).

9. The Role of the State and Local Communities in Establishing the Contractual Approach in Public Health Institutions

9.1 The Role of the State

In response to the evolution of contracting, the state can adopt a "withdrawal" strategy, allowing the contracting process to depend on market laws. However, the state may recognize that the most appropriate and optimal outcomes can only be achieved through its intervention (Perrot, n.d.; Perrot & Derroodenbeke, 2005). Contracting provides the opportunity for the state to develop paths other than those directly related to providing healthcare services. According to this logic, the state is at the center of the contractual relationships formed among all actors in health systems, and it is the state's responsibility to ensure the effective and appropriate use of this tool (World Health Organization, 2004).

Thus, the role of the state centers on two levels:

9.1.1 The State as an Actor in Interactive Relationships

The state does not wish to be the sole actor in health; however, it also does not want to withdraw from providing and financing health services. In this case, contracting serves as a means to reconcile the state as the contracting party with other active stakeholders for the purpose of enhancing system performance (Saada & Kaddar, 2010; Laiche, 2024).

9.1.2 Providing Health Services

The state aims to maintain control over the country's health coverage without bearing the burden of financing and managing healthcare facilities while retaining ownership of its health facilities (Alsamara, Farouk, & Halima, 2022). Consequently, the state delegates management responsibilities and seeks to attract healthcare providers from the private sector, encouraging healthcare service providers to join the public service. In this way, the state will not be the operator of healthcare services, but through the contractual tool, it remains the owner of health coverage (World Bank, 2003).

9.2 Purchasing Health Services from External and Internal Sources

9.2.1 From External Sources

Instead of performing specific activities, the state decides to purchase services from another entity, usually from the private sector. The resulting contracts are of the "service contract" type (Benanteur, 2004). The purchasing strategy applies here at two levels, depending on the purpose of the purchase:

9.2.1.1 The purchase concerns a final product intended to be a health service provided by a service provider, whether or not they work in a health facility.

9.2.1.2 The purchase relates to production factors such as laundry, restoration, maintenance, security, etc. (Benanteur, 2004).

9.2.2 From Internal Sources

To avoid the drawbacks of concentrating all functions within the same entity, the state can separate funding functions by establishing specific entities that would facilitate attracting both stakeholders and funders to negotiate with other stakeholders (Ministère du Travail et de la Sécurité Sociale, 2004). These negotiations should lead to a contractual arrangement that ensures better efficiency of the health system through the establishment of specialized agencies with public budgets, enabling the state itself to compete with healthcare providers.

9.3 Local Communities as Organizers of Health Service Provision

Health services are provided through public and private health institutions, as well as by private practitioners such as doctors, nurses, pharmacists, and private clinics. Thus, decentralization determines the responsibilities assigned to local communities (Laplace et al., 2002).

To fulfill their commitments, there are two strategies:

9.3.1 The Structural Approach

Local communities carry out their health-related tasks through the structures of health institutions and the infrastructure that engages in health-related activities. To achieve this, local communities have two options:

9.3.2 Through Public Structures

This can be done either through direct management, independent management, or delegated management.

9.3.2.1 Direct Management

The financial and administrative management of these public structures is directly assured by local communities within the framework of managing a public service.

9.3.2.2 Independent Management

In this case, local communities grant public structures legal personality, but the public structure is not independent; it is under the guardianship of local communities. The public structure remains subject to local communities in terms of finance and human resources, typically through a contractual relationship between the structure and the local communities (Perrot & Deroodenbeke, 2005).

9.3.2.3 Delegated Management

Local communities delegate the responsibility of managing public activities to an external entity through a contractual relationship. If the entity is unable or incapacitated in certain cases, local communities can suspend it using a "withdrawal" policy.

9.3.3 Private Structures

Through contractual relationships, local communities can engage these structures to improve the provision of health-related activities. This may involve collaborating with private entities dedicated to health-related activities, such as social rehabilitation centers or private hospitals, whereby local communities can contract with them for continuous training of health workers in their associated health centers (Alsamara et al., 2022; Laiche, 2024).

10. The Contractual Approach as a Catalyst for Change in the Management of Public Health Institutions in Algeria

The principle of contracting was introduced in Algeria's financial laws starting in the 1990s. This law stipulated that the contribution of social security bodies to the budget of public health institutions would be contractual rather than based on flat-rate payments, which proved to be ineffective. The alternative approach would be based on measurable indicators and criteria, while expenses related to prevention, training, scientific research, and treatment for the underprivileged would continue to be funded by the state (Ministère du Travail et de la Sécurité Sociale, 2004; Saada & Kaddar, 2010).

10.1 Reasons for Adopting the Contractual Approach in Public Health Institutions in Algeria

Among the reasons that prompted the Algerian authorities to adopt the contractual approach in public health institutions are the following:

- Influence from successful foreign systems in financing their health expenditures (Laplace et al., 2002).
- Recommendations from international organizations, such as the World Health Organization, which urged member countries

to adopt a contractual model in their health reforms and insisted on adherence to the conditions of its reference model (World Health Organization, 2004; Perrot, n.d.).

- The introduction of business management concepts into public services (Benanteur, 2004).
- Enhanced transparency in the relationships between donors and health care providers (Perrot & Derroodenbeke, 2005).
- Improved monitoring of expenditures and enhanced quality of health care services (Alsamara, Farouk, & Halima, 2022).
- Increased efficiency in the performance of health care institutions, allowing for more rational and optimal use of resources (Laiche, 2024).

10.2 Mechanisms for Implementing the Contractual Approach in Public Health Institutions in Algeria

10.2.1 Stages of the Contractual Approach in Health Institutions in Algeria In this context, the legal texts regarding contractual relations include the following:

10.2.1.1 Legalizing the Process:
This was achieved through a set of legal texts where, under the Finance Law of 1992, contractual relations were mentioned for the first time as an approach for financing public health institutions, establishing provisions for "pricing" and billing for health services. In 1993, this choice was reaffirmed under Article 128 of the Finance Law for that year. The same applies to 1994, where Article 147 reiterated the contractual approach in financing the budgets of public institutions (Saada & Kaddar, 2010; Ministère du Travail et de la Sécurité Sociale, 2004).

From the above, it is clear that the finance laws of 1992, 1993, and 1994 encouraged the replacement of the financing method embedded in the framework of free treatment, known as "flat-rate hospital financing" (Forfait – Hôpitaux), with the contribution of social security bodies to the financing of public health institutions in the form of "contracts" after negotiation and consultation between the parties (World Bank, 2003).

Consequently, the contractual approach represents a fundamental shift in the management of public health institutions, starting with the transition from the "flat-rate hospital financing" model to a "contractual" model (Perrot, n.d.; Perrot & Derroodenbeke, 2005). This approach leaves its mark on the reforms witnessed in the health

system, as it does not only change management styles but also attitudes.

Undoubtedly, the desired goal of applying this method is the "contract" itself, which connects health service providers with their funders based on the payment of dues for health services rendered to the socially insured and their dependents based on actual costs (Alsamara et al., 2022).

10.2.1.2 The Admission Office as the Cornerstone for Implementing the Contractual Approach:

To ensure that health services yield results and improve under the contractual framework, the admission office serves as the solid foundation of a strategy that must be prioritized in its organization. Furthermore, the optimal use of the treatment form is a fundamental element for evaluating health services. Thus, it can be said that funders will be keen to manage activities accordingly (Benanteur, 2004).

In this context, the contractual approach will establish mechanisms for monitoring, following up, and evaluating the allocations provided by social security bodies to health institutions, leading managers to run their health facilities based on strategic and rational choices, such as:

- Studying and analyzing costs;
- Identifying the strengths and weaknesses of public health institutions (Laiche, 2024).

10.2.1.3 The Contractual Approach in the Pilot Operation (Opération Test):

In line with the finance laws issued in 1992, 1993, and 1994, and based on the results of the joint ministerial councils held on 21/03/1995 and 09/09/1997, which culminated in the joint ministerial directive issued on 20/09/1997, the pilot operation was initiated. Its implementation initially targeted six selected hospitals and included three phases summarized as follows:

- **Phase One - Observation Phase:**

The goal of this phase was solely observation. It was noted that in most public health institutions, the most important document in presentations was the treatment form, which was not utilized properly.

- **Phase Two - Appointment of Medical Advisors:**

This phase involved appointing medical advisors (Médecins-Conseils), who visited various health departments in the six selected public health institutions, which were chosen by the

joint ministerial committee: Mustapha Pacha University Hospital, Aït Adher Specialized Hospital, Pierre and Marie Curie Hospital, Hadi Fleissi Specialized Hospital, Tizi Ouzou Specialized Hospital, and the health sector of Médéa. This phase aimed primarily to:

- Raise health workers' awareness of the importance of continuously caring for the medical follow-up form for patients;
- Encourage hospital staff to participate in the use of the health professionals' code and pricing, including providing the "treatment form" (Fiche Navette) with accurate and complete information (World Bank, 2003).

- **Phase Three:**

This phase involved sending a group of medical advisors to other health departments that were not included in the previous phase to generalize the procedures within the same institution.

Despite some discrepancies, there was a noticeable improvement in the completion of the treatment form with adequate and accurate information after considering the advice given by the group of medical advisors (Saada & Kaddar, 2010).

It can be stated that the pilot operation was a preliminary step toward contracting. Even though it did not yield the anticipated results, it at least helped change some mindsets and habits of indifference regarding the management of the medical-administrative file for patients, particularly the treatment form (Fiche Navette). Therefore, what this operation sought to achieve was merely to acclimatize health workers, including administrative and medical personnel, to the routine seriousness of filling out the treatment form (Fiche Navette), particularly to regulate its contents based on the code of health professionals' practices, reflecting the actual benefits for health service consumers, thus facilitating evaluation (Perrot & Deroodenbeke, 2005; World Health Organization, 2004).

11. Preliminary Conditions for the Success of Contracting in Public Health Institutions in Algeria

The current management nature of public health institutions makes the contractual approach favorable to health officials, with dimensions aimed at establishing a new and preferred management style. For its successful application, it requires providing conditions that would enable managers to improve the quality of health services provided

(Saada & Kaddar, 2010, p. 191; Perrot & Deroodenbeke, 2005). In this regard, some of these essential conditions can be outlined as follows:

11.1 The contractual relationship between health institutions and their funders necessitates the establishment of two important entities:

- **The Hospital Agency (A.R.H):** Managed by a board of directors consisting of a representative from the supervisory administration, a representative from local communities in the health sectors, a representative from the regional social security fund, and a representative of health workers (World Health Organization, 2004).
- **The National Agency for Accreditation and Health Evaluation (A.N.A.E.S):** The establishment of this agency is essential to control treatment expenses. Among its key tasks are:
 - Monitoring and evaluating health services and the progress of treatment;
 - Standardizing acceptance criteria at the level of health departments;
 - Defining length of stay according to homogeneous diagnostic groups (G.H.MP);
 - Preparing homogeneous epidemiological groups to determine treatment costs (Perrot, n.d.).

11.2 The Admission Office

The admission office serves as a cornerstone that must be reorganized according to the tasks legally assigned to it, as well as modernizing it and reinforcing it with appropriate material and human resources. In this context, all public health institution officials must specify the organizational structure of the admission office, which should be characterized by coherence and harmony (Alsamara, Farouk, & Halima, 2022).

11.3 Monitoring through Information Technology

This involves establishing and selecting supportive information foundations and disseminating them. These pillars essentially include:

- Treatment form;
- Admission form;

- Request for patient care;
- Updating the code of health professionals' practices and training health workers to use the regulations contained within it;
- Ensuring continuous training for health workers to encourage them to provide information and clarify the intended purpose;
- Ensuring gradual care of the treatment form and incorporating billing (Ministère du Travail et de la Sécurité Sociale, 2004).

11.4 Implementing Effective Management Tools

This includes:

- Cost calculation methods;
- Ensuring the productivity of human resources by motivating and encouraging them to achieve results (Benanteur, 2004, p. 45).

11.5 Informing All Health Workers about the Contractual Approach Project

This can be done by scheduling study days aimed at clarifying the implications and explanations regarding this new management model for public health institutions and how to implement it at various levels, specifically targeting:

- Doctors;
- Medical inspectors;
- Admission office personnel (World Bank, 2003).

12. Challenges and Obstacles to Implementing the Contractual Approach in Public Health Institutions in Algeria

Algeria aimed to transition from the flat-rate system for financing public health institutions through the contractual approach, moving away from free treatment to a genuine financing system within contractual relationships between health institutions and social security bodies. This aims to provide financial resources and facilitate the monitoring and supervision of funds allocated to the health sector. However, despite the laws and measures taken by the Ministry of Health, Population, and Hospital Reform to implement the contractual approach and abandon the old system, many challenges and obstacles hindered its actual application on the ground (Laiche, 2024). This is despite the founding laws having been established as early as 1992. These challenges can be summarized as follows:

- Contracting requires the presence of independent actors, a robust and reliable information system, transparency in evaluating quantitative and qualitative performance, and the harmonization and integration of roles. However, the opaque allocation of resources contradicts the foundations for the success of the contractual approach (Perrot & Derroodenbeke, 2005; Saada & Kaddar, 2010).
- Ambiguity in identifying beneficiaries of health services, as it was found that 30% are socially insured, 10% are underprivileged, while 60% remain unclear (World Health Organization, 2004).
- One of the main reasons for the delay in applying the contractual approach to health financing is the lack of preparation of health institutions for the project, particularly concerning their status as public administrative entities reliant on public accounting, which is not compatible with the contractual approach (Perrot, n.d.; Alsamara et al., 2022).
- The restrictions on directors of public health institutions by a set of legal rules and routine procedures in executing budgets at their health facilities make them mere spenders rather than managers, distancing them from creativity and modern management (Ministère du Travail et de la Sécurité Sociale, 2004).
- Often, there is a neglect of the primary functions of the admission office, along with a lack of compatibility of management foundations in public health institutions and social security bodies (World Bank, 2003).
- Technical difficulties related to determining the patient's status, as the admission office faces several obstacles in identifying the category (Laplace et al., 2002, p. 52).

13. Conclusion

The implementation of the contractual approach in public healthcare institutions in Algeria represents a pivotal step toward reforming the healthcare sector and enhancing its efficiency. By establishing precise performance standards, ensuring transparency, and improving the sustainable use of resources, this system contributes to improving the quality of healthcare services and elevating the standard of care provided to citizens.

Despite the challenges associated with its implementation—such as the need for administrative infrastructure development and continuous training for healthcare staff—the reforms driven by this approach open opportunities for greater integration between the public and private sectors.

Consequently, the application of the contractual approach promotes the sustainable development of the healthcare system, improving public health and benefiting citizens.

13.1. Study Findings:

- Strategic Alternative to Current Funding Policy:

The contractual approach serves as a strategic alternative to the existing flat-rate funding policy in public healthcare institutions, which has faced criticism for its lack of fairness in distributing financial burdens among healthcare beneficiaries and its limited ability to achieve economic efficiency in resource management. Additionally, this system lacks sufficient incentives to improve and develop healthcare services, as it fails to foster competitiveness with the private sector and other public healthcare institutions.

- Pilot Implementation in Algeria:

The contractual approach has been gradually introduced as part of healthcare sector reforms, with pilot implementation in institutions such as:

- Mustapha Pacha University Hospital
- Specialized Hospital Center Aït Idir
- Pierre and Marie Curie Hospital Center
- Specialized Hospital Center Hadi Flici
- Specialized Hospital Center in Tizi Ouzou
- Médéa Health Sector

However, this approach has not yet been fully adopted across all public healthcare institutions.

- Cost Optimization:

The contractual approach contributes to rationalizing and controlling expenditures by requiring public healthcare institutions to adopt a stricter and more efficient resource management system. This includes:

- **Activating Cost Accounting:** Assigning cost accounting a central role in designing healthcare expenditures, rather than limiting its use to administrative documentation as currently practiced.
- **Reorganizing Healthcare Structure:** Restructuring healthcare services and support functions based on actual activity levels rather than traditional standards.

- Improved Healthcare Quality:

Under the contractual approach, public healthcare institutions are encouraged to compete directly with their counterparts in the public and private sectors, driving them to improve hospital services. This improvement enhances their appeal to patients and leads to measurable advancements in both qualitative and quantitative health indicators.

- Participatory Management:

One of the key outcomes of the contractual approach is the establishment of participatory management in healthcare institutions. This approach directly influences funding sources and spending mechanisms, requiring a shift from traditional directive management to a negotiative model that emphasizes collaborative management among stakeholders. This transition fosters a more cohesive and effective work environment, supporting institutional goals more efficiently.

13.2. Study Recommendations:

- **Adopting the Contractual System as a Funding Tool:** Expanding the use of the contractual system between public healthcare institutions and social security to create an effective mechanism for cost control, transparency, and efficiency.

- **Expanding Implementation:** Strategically broadening the scope of the contractual system to encompass all public healthcare institutions to enhance healthcare quality and balance expenditures with service standards.
- **Organizational Preparedness:** Public healthcare institutions must prepare adequately by establishing robust internal organization and developing suitable operational mechanisms before entering contractual relationships with external parties.
- **Revising the Accounting System:** Modifying the public accounting system in healthcare institutions to align with the requirements of the contractual approach, facilitating its comprehensive and efficient implementation.
- **Defining Measurable Performance Standards:** Establishing precise, measurable performance criteria to evaluate the effectiveness of the contractual system. These standards should cover various aspects such as service quality, resource utilization efficiency, treatment delivery timeframes, and other indicators that enhance performance and achieve predefined goals.

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