



The Banking on Health Project

Strengthening Contracting Out in the Private Sector in Nicaragua

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Outline

- Overview on Banking on Health (BoH)
- Background on Nicaragua
- Design of BoH Intervention
- Results

Banking on Health Project

- Five year, global project under the PSP IQC.
- Team: Abt Associates in consortium with Banyan Global, ACDI/VOCA, IntraHealth, and Bitran and Associates.
- Objective: Improve the ability of private health providers to access credit, thereby improving their capacity to deliver high quality RH/FP services in a financially sustainable manner.

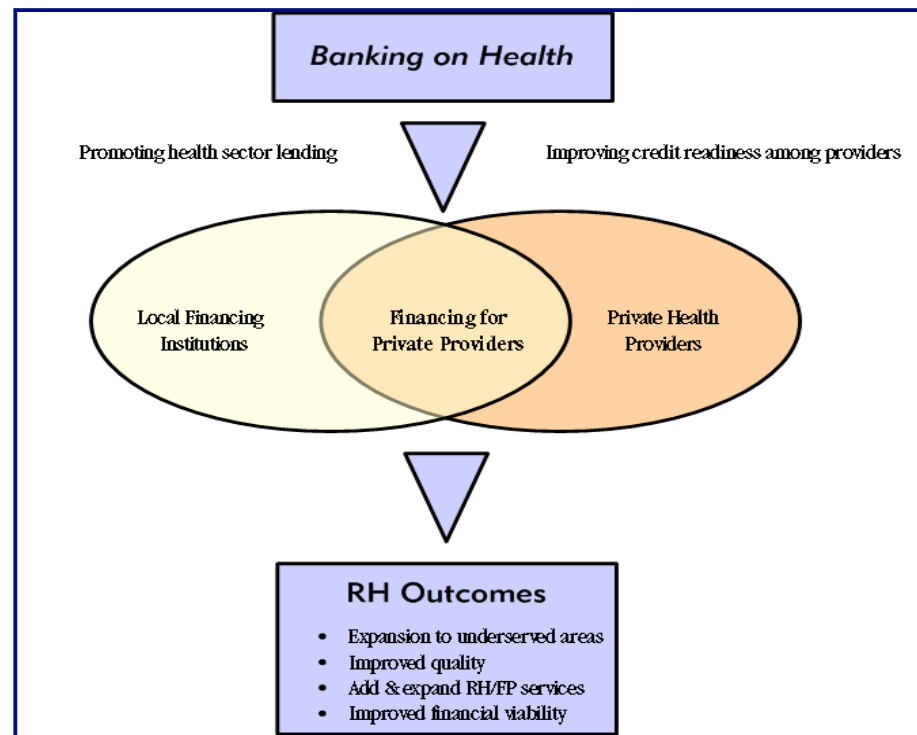
The Issue

- Access to finance has been identified by private providers and public health practitioners as a major barrier to the growth of the private sector.
- Banks don't lend to the health sector.
 - Risk, public good, collateral, poor quality applications.
- Many private providers do not have the skills to prepare a bankable business plan.

A Two Pronged Approach:

 Provide technical assistance to local financial institutions to promote health sector lending.

 Provide technical assistance to private providers.



Nicaragua Background

- Central American country w/ population of 5.5m
- Some of the worst health outcomes in the region.
- Maternal mortality rate of 148 per 100,000 live births
- Annual population growth rate of 2.7%
- Total fertility rate: 3.7 (2003)



Nicaragua Health Reform

- Transition from socialist system to more market focus, increased private sector, decentralization.
- 3 tiered health system
 - Private
 - Social Security covers formal sector workers and dependents (660,000 people, approximately 12% of the population)
 - Ministry of Health covers approximately 70% of the population

Nicaragua Social Security Institute

- In 1993 the Social Security Institute (INSS) introduced contracting out to provide a basic package of health care for formal sector workers and their dependents.
- INSS contracts out for profit, not-for-profit and public sector facilities (~75% are for profit).
- INSS utilizes payroll and employer contributions to purchase services through capitated contracts.
- There are 51 contracted providers, called EMPs.
- The EMP is paid a monthly capitation rate of C\$214 or US\$13 per family.

The INSS Plan

- The basic package of services includes
 - Curative care
 - Limited preventive, including family planning
 - Antenatal care, deliveries and postnatal care
 - Diagnostic tests
 - Basic medicines



RH/FP Services at EMPs

- A 2003 survey of over 1,000 women clients at two EMPs indicated low levels of FP utilization.
- 2/3 were receiving FP from sources other than their EMP.
- 60% were unaware that the EMP provided FP services.
- 10-13% of women of reproductive age were at risk of experiencing an unintended pregnancy during the year.

Survey Raises Concerns

- By getting FP from other sources, there is an inefficient use of resources.
- Deliveries are covered in the INSS package.
- Promoting cost effective preventive services, such as voluntary FP, to avoid more costly services, such as deliveries, is an important tool in managed care.
- EMPs were not taking advantage of this built in incentive.

BoH Assessment in November 2004

EMPs

- In 2002 INSS modified certification process with more rigorous standards for infrastructure, finance, administration and service delivery.
- Many EMPs failed and were given two more years to meet certification criteria.
- Need financing to make necessary investments.
- INSS certification has pushed smaller EMPs to evaluate their viability and begin exploring mergers.
- Weak financial management of capitation and cost control.
- EMPs were interested in TA for business planning, mergers and acquisition and improved management within capitated system.

BoH Assessment

Banks

- USAID had structured a health sector DCA with two banks to promote health sector lending.
- No loans had been disbursed. Limited understanding of health sector. Varying credit skills.

BoH Assessment

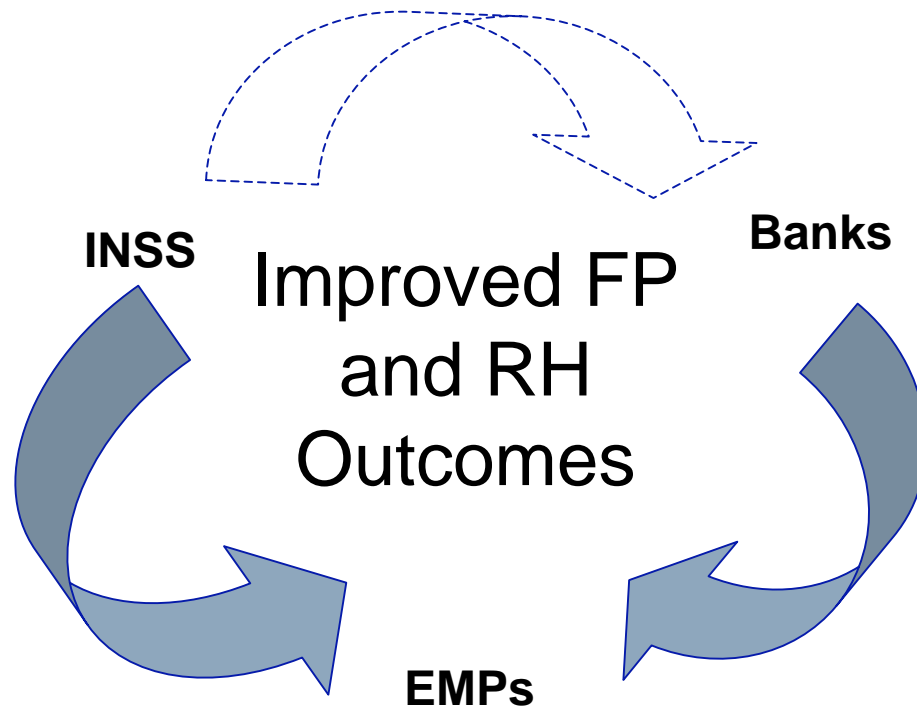
INSS

- Financial evaluation of EMPs is limited.
- Did not fully understand the benefits of promoting FP/RH services to control pressure on capitation rate.
- No written guidelines or protocols for FP service delivery. Did not monitor FP service delivery.
- Coverage is only limited to formal sector workers, which account for only 19% of the economically active population.

Objectives of BoH Intervention

- Strengthen contracting out system's ability to produce high quality RH/FP outcomes in the private sector by:
 - Increasing access to financing for private health providers in Nicaragua with a focus on EMPs.
 - Support the INSS' ability to certify private providers.
 - Encouraging the promotion of RH and FP services among private providers and their regulators.
 - Explore possibility of expanding coverage to informal sector.

Strengthening Contracting Out is a Dynamic Process



Expand Access to Financing

- Train banks in lending to the health sector.
- Train EMPs in accessing financing.

Banking Training

- Lending to the Private Health Sector: Myths and Realities
 - Understanding the health sector in Nicaragua
 - INSS system and EMP financial risks under different payment mechanisms
 - Opportunities and risks of financing the health sector
 - Credit analysis of an EMP (financial statement analysis, key ratios, cash flow, market segmentation, market share)
 - Presentation by CanSalud (Chamber of EMPs) on industry trends
 - Reception to introduce DCA banks to EMP managers in an informal setting



Findings: Bank Training

- 25 bankers attended the training.
- DCA structure has drawn attention to a sector that would otherwise have been overlooked due to its complexity.
- Lack of information has been a principal impediment to full utilization of the DCA structure.
- Bankers demonstrated an increased understanding of the health sector after the course. Requested INSS presentation on certification process (BoH facilitated in August 2005).
- Banks' capacity for evaluating a health sector loan has improved.

EMP Training

- A 2 day course on “Financing for Growth”.


Five modules:

 Business planning

 Feasibility studies

 Financial statement analysis

 Mergers and acquisitions

 Negotiating with a bank and bank “expo”

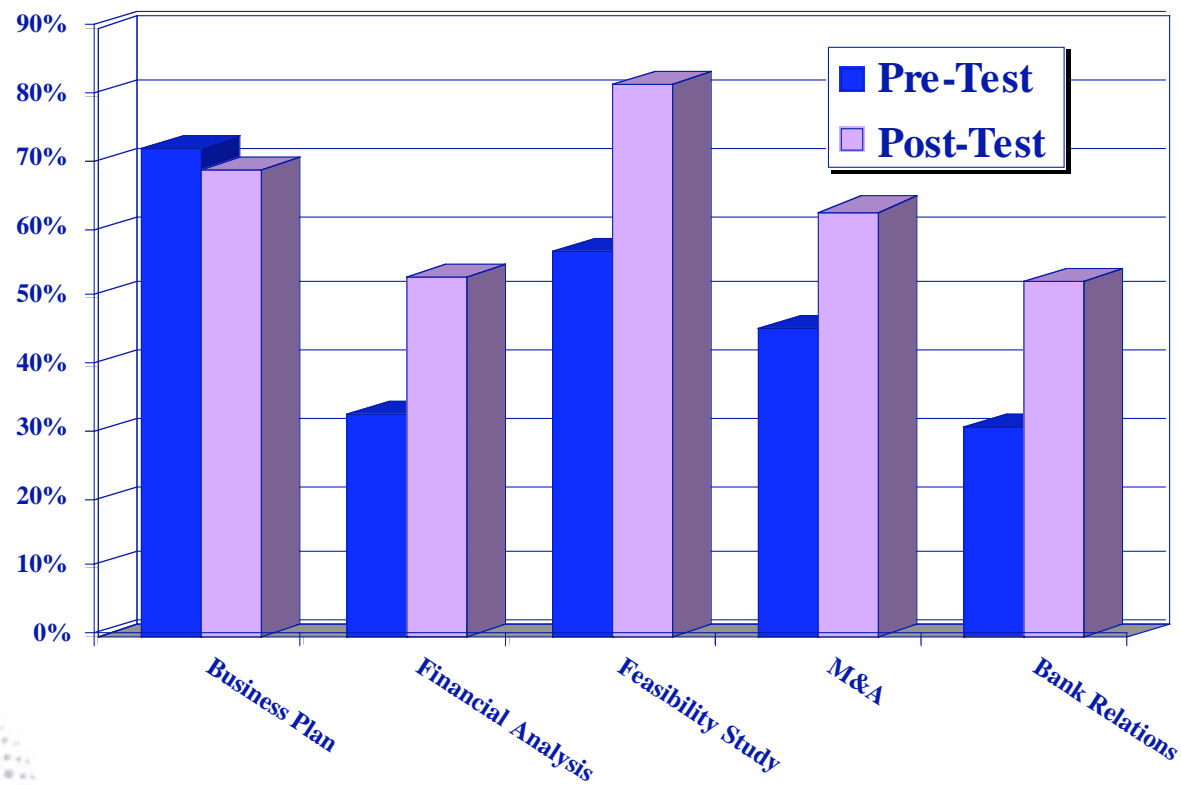
- One-on-one technical assistance with EMPs



Findings: EMP Training

- 45.5% total increase in test scores

Pre and Post Test Results



Support the INSS' Ability to Certify Private Providers

- A 1-day course for INSS evaluators on financial evaluation and indicators (June 2005)

	Pre Test	Post Test	Change
Strengths and Weaknesses of the EMP	.92	1.38	50%
Financial Analysis of the EMP	1.77	3.08	74%
Benchmarking	.54	.69	29%
Financial Evaluation by the INSS	1.23	1.23	0%
Total Change			43%

- Submitted a formal document to the INSS recommending new indicators and evaluation criteria for analyzing the financial strength and sustainability of EMPs during the certification process.

Encourage the Promotion of RH/FP Services

- Conducted training for EMPs, INSS and MoH in benefits of promoting RH services in the capitated system.
- Training covered:
 - Financial incentives of per capita system for providers
 - Benefits of investing in prevention
 - Cost effectiveness of investing in RH/FP
 - Public/private coordination to meet RH and FP objectives
 - Training for monitoring and supervising health programs
- At the end of the course most EMPs agreed that promoting RH/FP would reduce their costs and improve their profitability. INSS was convinced that promoting preventive care would reduce pressure on capitated rate.
- Constraints identified: lack of guidelines/skills/monitoring/cost accounting.

Encourage the Promotion of RH/FP Services

- Developed clinical guidelines and new service delivery model for INSS for family planning, breast and cervical cancers.
 - Developed women's clinic model that provides voluntary FP and breast and cervical cancer screenings for all female patients of EMPs.
 - Guidelines will cover 50 EMPs, and some 150,000 female subscribers.
 - Trained 50 participants from 25 EMPs on Breast and Cervical Cancer Guidelines.
 - Developed training for Family Planning Guidelines (to be delivered) for EMP managers, doctors and nurses with a focus on implementing a voluntary FP program.
 - Trained and certified 12 "Replicators" within INSS to provide follow on training and monitor program within INSS.

Encourage the Promotion of RH/FP Services

- Conducted cost accounting course for EMPs.
 - Trained 40 managers and accountants from 21 EMPs.
 - To improve financial management and ability to analyze the costs and benefits of offering family planning and other preventive services.

Explore Expanding Coverage to the Informal Sector

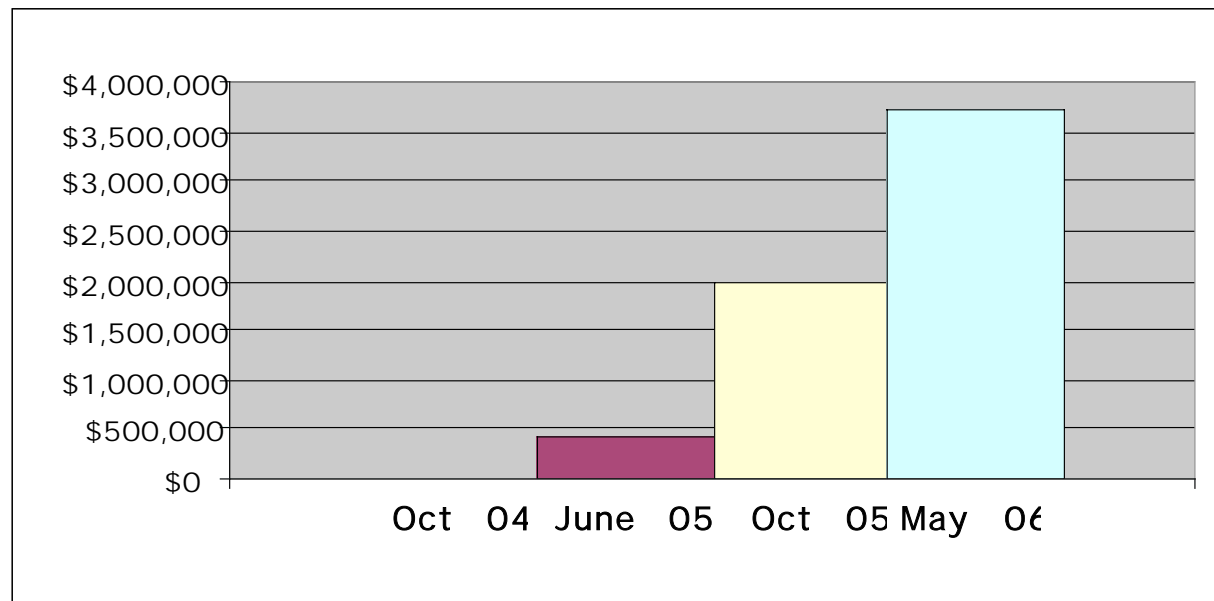
- INSS was interested in expanding coverage to informal sector- 1.2m workers- through a voluntary affiliation scheme.
- Needed a mechanism to reach informal sector.
- Banking on Health conducted feasibility study and designed pilot program to work through microfinance institutions (MFIs).
- Provided technical input on design and supported INSS and MFIs in adapting MIS and marketing strategy.

Results



Results: Expand Access to Financing

- A total of \$3.7m in health sector loans have been made since the BoH training last May.
- 3 EMPs have merged.



Results: Support the INSS' Ability to Certify Providers

- INSS had adopted most of BoH's recommendations for improving the financial evaluation of EMPs.



Results: Encourage the Promotion of RH/FP Services

- INSS and EMPs agreed to implement women's health model and support the promotion of family planning to improve cost containment and client's health.
- INSS requested BoH support in developing clinical guidelines for FP, breast and cervical cancers.
- Guidelines have been rolled out through the system and INSS has trained replicators that are responsible for monitoring implementation and training EMPs.
- INSS has agreed to expand coverage of family planning services to beneficiaries as well as subscribers.

Results: Expand Coverage to the Informal Sector

- President Bolaños announced the expansion of health coverage to the informal sector through the INSS on May 1, 2006.

Final Thoughts

Strengthening Contracting Out in the Private Sector is a Dynamic Process

- Involves multiple actors: providers, payers/regulators, bankers (clients, more...)
- Success requires necessary financial and human capital, policy support, financial access, knowledge and incentives.
- Long term sustainability is improved if interventions address interests and bottom lines of each actor.

Final Thoughts

Strengthening Contracting Out in the Private Sector is a Dynamic Process





For More Information

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