

TECHNICAL COOPERATION (TC) DOCUMENT

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Support to improve the quality and efficiency of health systems
▪ TC Number:	RG-T4240
▪ Team Leader/Members:	Distrutti, Marcella (SCL/SPH) Team Leader; Bauhoff, Sebastian (SCL/SPH) Alternate Team Leader; Casco, Mario A. (ITE/IPS); Guerra, Martha M. (SCL/SPH); Jorge Ruiz (SCL/SPH); Mendoza Benavente, Horacio (LEG/SGO); Silveira, Sheyla (SCL/SPH); Vanessa Curran (SCL/SPH); Virna Queirolo (SCL/SPH)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	N/A
▪ Beneficiary:	All borrowing member countries through the institutions of the health sector
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Social Development(W2E)
▪ IDB Funding Requested:	US\$450,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months of execution and disbursement
▪ Required start date:	15 June 2023
▪ Types of consultants:	Individual consultants and firms
▪ Prepared by Unit:	SCL/SPH-Social Protection & Health
▪ Unit of Disbursement Responsibility:	SCL/SPH-Social Protection & Health
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Gender equality; Diversity

II. Objectives and Justification of the TC

2.1 **Context.** Latin America and the Caribbean (LAC) has been making extraordinary progress towards Universal Health Coverage (UHC); however, the remaining challenges are considerable. Inequity in access to health services, high out-of-pocket spending, and quality issues remain significant.¹ Access to the newest health technologies for some often coexist with a lack of coverage of essential services for the most marginalized segments of the population. Although health spending in LAC is low compared to the Organization for Economic Co-operation and Development (OECD) average,² the economic outlook limits the options to increase overall government spending or to allocate more of the government budget to health. At the same time, a recent study done by Johns Hopkins University, in collaboration with the Inter-American Development Bank (IDB)'s Division of Social Protection and Health

¹ [Inter-American Development Bank \(IDB\)'s Health Sector Framework Document, 2021](#)

² As a share of GDP, [health spending accounted for 6.9% in LAC on average in 2019, compared to 8.5% on average in OECD countries \(USD Purchasing power parity \(PPP\) 1,155 per capita in LAC versus USD PPP 3,999 per capita in OECD\).](#)

(SCL/SPH), estimated that per capita spending on healthcare will grow between 2% and 3% per year over the next 30 years in LAC ([Rao et al., 2022](#)), with the emergence of new and increasingly expensive technologies being one of the main determinants.³ Added to this, there are new demands imposed by COVID-19, such as pandemic preparedness programs, and a greater number of people who have fallen into poverty and who will depend on public subsidies for access to health services. In this context, new and additional resources for health are unlikely to be mobilized, and it will be crucial to place **improving the efficiency of health spending** at the top of the political agenda. Progress towards UHC and protecting what has already been achieved will require not only more money for health but more value for money ([IDB's Health Sector Framework Document, 2021](#)).

- 2.2 **Problem.** According to [Izquierdo et al., 2018](#), the potential for improving the efficiency of health spending in LAC is significant, as countries could improve life expectancy at birth by about five years on average without increasing current levels of public spending if they increased the efficiency of health spending. The inefficiency of health spending is a problem that not only afflicts LAC; as estimated in the 2010 World Health Report, between 20% and 40% of all resources spent on health are inefficient ([World Health Organization -WHO, 2010](#)). An important part of these inefficiencies is related to waste, such as conducting interventions that are not effective or even harm patients, or spending higher prices than necessary for inputs such as medicines. The OECD estimates that as much as 20% of health spending in OECD countries is wasteful ([OECD 2017](#)). In this context, it becomes imperative to reallocate health resources toward strategies that generate better results per dollar invested and to use scarce resources as efficiently as possible.
- 2.3 **Causes of the problem.** According to the [WHO](#), one important source of health spending inefficiencies is related to **funding of health care interventions that are not cost-effective**. When resources are allocated to financing cost ineffective services, the financing of cost-effective services is displaced, leading to less health per dollar invested. Even if additional resources are available to finance new cost-ineffective services, there is still an [opportunity cost to be paid, because coverage of highly cost-effective services could be improved instead of financing new health technologies with comparatively low added value](#). Another important source of health spending inefficiencies, according to [WHO](#), is **operational waste**, which refers to unnecessary use of resources in the delivery of care. **Pharmaceuticals and hospital care are two areas in which operational waste is of particular concern**. In the case of pharmaceuticals, operational waste occurs in the case of overpricing, when less expensive but equally effective alternatives (for example, generics instead of innovator drugs) are not used or when purchased inputs are not used at all. In case the of hospitals, operational waste occurs when ineffective or inappropriate care is delivered (e.g., elective cesarean sections) when avoidable adverse events take place (e.g., infections), or when there is unnecessary duplication of tests and services.
- 2.4 **Available evidence.** As a recent study by the IDB indicates, diverting resources from the health system to fund high-cost drugs instead of lower-cost therapeutic alternatives can have a significant impact on the efficiency of health spending and, ultimately, on population health. It would imply a loss of almost 120,000 quality-adjusted life years in

³ [Novel gene therapies like zolgensma and zokinvy cost over US\\$2 million \(one-time cost for a course of treatment\) and US\\$1 million \(one year treatment\) respectively. New cancer drugs, such as kimmtrak and folotyn, cost approximately US\\$975,520 and US\\$842,585, respectively, per year.](#)

the Dominican Republic and 88,000 in Colombia (Gutierrez et al., 2023, forthcoming). The potential for reducing operational waste by increasing the supply and demand for non-branded generics seems to be substantial in LAC, as generic medicines appear to make up less than a third of the pharmaceuticals market ([Pan American Health Organization -PAHO, 2022](#)). Two recent IDB studies in the Dominican Republic and Chile (Atal et al., 2023, forthcoming) calculated the opportunity cost of using branded generics or innovator drugs when unbranded and lower priced alternatives are available - they found that spending on outpatient drugs in both countries could be reduced by 14%. In the Dominican Republic, the opportunity cost of consuming brand-name medicines translates into 72,736 years of life in perfect health (Atal et al., 2023, forthcoming). Furthermore, countries in the LAC region are often paying above average prices for their pharmaceuticals. Colombia, for example, was paying very high prices for its medicines before it began to regulate prices. By way of illustration, the average price of *Novoseven*, a drug used by hemophiliacs, was around US\$1,000 in 21 countries, while in Colombia it costed approximately US\$5,600 ([Observatorio Nacional de Medicamentos, 2015](#)). There is also evidence that hospitals in LAC are inefficient and provide insufficient quality of care. One indication is the high variability hospital performance. For example, across states in Mexico, the average bed occupancy rate ranges from 47% to 111%, while the length of stay ranges from 3.2 to 5.2 days (*Secretaría de Salud Federal de México, 2015*). The variability in performance is likely even larger at more disaggregated levels, for example, for individual hospitals⁴.

- 2.5 **Interventions.** To help LAC countries address the main sources of inefficiency in health spending, the IDB's Social Protection and Health Division (SCL/SPH) has been supporting the generation and dissemination of knowledge in this area, as well as knowledge transfer and policy dialogue at country and regional levels. In fact, the theme of SCL/SPH's Regional Policy Dialogue (RPD), as well as this year's Flagship Document, is inefficiency of health spending, its sources, and policy options to reduce it. Under the first source of inefficiency mentioned in paragraph 2.3, the IDB has generated and disseminated knowledge and policy dialogue on interventions such as explicit priority-setting and evidence-based design, adjustment, and costing of health benefit plans (both of which contribute to improve decision making about which technologies to finance to the population)⁵. Under the second source of inefficiency mentioned in paragraph 2.3, the Bank has supported the generation and dissemination of knowledge and policy dialogue on interventions to increase the supply and demand of generics and biosimilars, to improve the regulation of pharmaceutical markets, to strengthen procurement mechanisms, and to improve hospitals' clinical and

⁴ *Mejores Hospitales de la Secretaría de Salud Federal y los Servicios Estatales de Salud. Secretaría de Salud Federal Dirección General de Evaluación del Desempeño, Ciudad de México.*

⁵ Most of this work has taken place in the context of CRITERIA, a consolidated knowledge network of SCL/SPH, with more than 2,400 members, that aims to improve the allocative efficiency of health spending through the systematic and institutionalized use of evidence to make decisions about which health services and technologies to finance, as well as the implementation of tools to obtain more affordable prices for medicines. CRITERIA combines two articulated strategies to support countries: (i) the generation of applied knowledge and its dissemination through the use of a [virtual platform](#), the organization of periodic [webinars](#), and a [Massive Open Online Course \(MOOC\)](#); and (ii) acting as a knowledge brokerage agent, facilitating and promoting the transfer and exchange of cutting-edge knowledge on the topics of the network among the different actors within the countries and transversally throughout the region, with the support of a network of recognized international experts. CRITERIA's support is provided based on countries' demands, through SPH specialists.

managerial processes and investments, among others. Through this Technical Cooperation (TC), SCL/SPH aims to continue to close knowledge gaps in these areas and to strengthen policy dialogue with countries to support the current and future lending program.

- 2.6 **Objective of this TC.** The objective of this non-reimbursable TC is to contribute to improve the quality and efficiency of health spending through knowledge generation and dissemination and policy dialogue on strategies to improve evidence-based decision-making about which health technologies to finance to the population and strategies to reduce operational waste with a focus on pharmaceutical markets and hospitals.
- 2.7 **Strategic alignment.** This TC is consistent with the IDB's Update to the Institutional Strategy. Development Solutions that Reignite Growth and Improve Lives (AB-3190-2), since it is aligned with the development challenge of "Social Inclusion and Equality" and the cross-cutting theme of "Gender Equality and Diversity" by promoting effective and equitable access to health technologies and services, aligned with the epidemiological profile and health needs of the population, particularly the most vulnerable people, including women, indigenous peoples, and people with disabilities, among others. It is consistent with the IDB's Health Sector Framework Document (GN-2735-12) and its priority of promoting efficient health spending, quality healthcare delivery, and informed resource allocation decisions. This TC is aligned with the IDB Group Corporate Results Framework 2020-2023 (GN-2727-12) as it promotes informed decisions that support social inclusion and equality. Finally, this operation aligns with the OC SDP Window 2 - Social Development (W2E) Priority Area 5 "Inclusive Social Development" by supporting efficiency in social programming and by contributing to make quality health services accessible to all people, as the efficient use of resources allows for more and/or better investments that can yield more health to the population.
- 2.8 **Beneficiaries.** The direct beneficiaries of this TC will be technicians from the health sector and policy and decision makers who participate in the virtual technical meetings, webinars, workshops, policy discussions, and trainings, as well as those who read the knowledge products and technical documents that will be produced by this operation. The knowledge generated by this TC will benefit citizens in the region by increasing the efficiency of health investments from the public sector.
- 2.9 **Lessons learned.** As mentioned in paragraph 2.5, SCL/SPH has been supporting knowledge generation and dissemination activities as well as policy dialogue and knowledge exchanges across LAC countries for many years. Among the lessons learned from this work, the following stand out: (i) engaging a diverse range of stakeholders in knowledge generation, including researchers, practitioners, and policy and decision makers, to foster interdisciplinary discussions and enhance the relevance and applicability of the recommendations; (ii) tailoring the main findings and insights to the specific needs and preferences of different stakeholders to enhance engagement and uptake of the knowledge generated, and adjusting dissemination strategies accordingly; (iii) embracing digital platforms, social media, data visualization techniques, and other technological advancements to expand the reach and accessibility of the knowledge generated, enabling broader dissemination and engagement with diverse audiences; and (iv) building trust with policy and decision makers to create a platform for open dialogue and collaboration, tailoring recommendations to the specific context of each country, providing practical and

actionable advice, and maintaining a long-term perspective that helps governments with their planning and decision-making processes.

- 2.10 **Sustainability.** This TC supports continuous knowledge and learning to technicians from the health sector and other government areas and SCL/SPH specialists, thus contributing to the production and development of new and better ways to solve one of the main challenges facing health systems today, namely the sustainability of health spending in the light of growing pressure on spending. By providing knowledge on how to best choose which technologies to finance and how much to pay for them based on evidence, and how to reduce operational waste related to pharmaceuticals and hospitals, it ultimately contributes to the financial sustainability of health systems in LAC countries.

III. Description of activities/components and budget

- 3.1 **Component 1. Strategies to improve evidence-based decision-making about which health technologies to finance for the population (US\$150,000).** This component will finance the following activities: (i) formulation and publication of knowledge products, including an online monitor of health benefits plans in LAC; (ii) virtual technical meetings and webinars on relevant topics with international experts; (iii) virtual workshops, policy discussions, and trainings on explicit health prioritization, tailored to country needs and context; (iv) rapid policy assessments; (v) updating and maintaining the CRITERIA Network website; and (vi) disseminating the next editions of the Massive Open Online Course (MOOC) "What to finance in health and at what cost".⁶
- 3.2 **Component 2. Strategies to reduce operational waste with a focus on pharmaceutical markets and hospitals (US\$300,000).** This component will finance the following activities: (i) formulation and publication of knowledge products, including an overview on pharmaceutical policies in LAC, a study on "control knobs" to increase competition in the off-patent drug market, and an analysis of hospital costs/spending and quality of care in selected countries;⁷ (ii) virtual technical meetings and webinars on relevant topics with international experts; and (iii) virtual workshops, policy discussions, and trainings on operational waste, tailored to country needs and context.⁸
- 3.3 Expected products of this TC include publications, virtual meetings, webinars, virtual workshops, policy discussions, trainings, assessments, updated website, and disseminated MOOC course. The main expected result is that it contributes with inputs to the technical debate and the formulation and/or updating of public policies in LAC countries.
- 3.4 The total cost of this TC is US\$450,000, which will be financed by the OC SDP Window 2 - Social Development (W2E) fund. The resources will finance individual consulting services and/or firms for 36 months.

⁶ If interventions are to be carried out in any of the countries, the letter of no objection from the corresponding liaison body in the government will be requested.

⁷ The main criteria that will be used to select countries for the analysis of hospital costs/spending is the availability and accessibility of data.

⁸ If interventions are to be carried out in any of the countries, the letter of no objection from the corresponding liaison body in the government will be requested.

Indicative Budget

Activity/Component	Description	IDB/W2E Fund Total Funding
Component 1. Formulation and publication of knowledge products	Formulation and publication of technical documents, including a monitor of health benefits plans in LAC	50,000
Component 1. Virtual technical meetings and webinars	Virtual technical meetings and webinars with the participations of renowned international experts	20,000
Component 1. Virtual workshops, policy discussions, and trainings	Virtual workshops, policy discussions, and trainings on explicit health prioritization, tailored to country needs and context	30,000
Component 1. Rapid policy assessments	Rapid policy assessments requested by countries	10,000
Component 1. Updating and maintaining the CRITERIA Network website	Updating and maintaining CRITERIA's website according to IDB's policies	30,000
Activity/Component	Description	IDB/W2E Fund Total Funding
Component 1. Disseminating the next editions of the MOOC course "What to finance in health and at what cost"	Activities to disseminate the next editions of the online course "What to finance in health and at what cost"	10,000
Component 2. Formulation and publication of knowledge products	Formulation and publication of technical documents, including an overview on pharmaceutical policies in LAC, a study on "control knobs" to increase competition in the off-patent drug market, and an analysis of hospital costs/spending and quality of care	250,000
Component 2. Virtual technical meetings and webinars	Virtual technical meetings and webinars with the participations of renowned international experts	20,000
Component 2. Virtual workshops, policy discussions, and trainings	Virtual workshops, policy discussions, and trainings on operational waste, tailored to country needs and context	30,000
TOTAL		450,000

IV. Executing agency and execution structure

- 4.1 The project will be executed by the IDB from the Social Protection and Health Division (SCL/SPH). The TC Team Leader is responsible for supervising the correct execution of the operation.

- 4.2 The Bank is executing this project because it is a research and dissemination TC. The activities to be executed under this TC have been included in the Procurement Plan Annex and will be executed in accordance with the procurement methods established by the Bank, namely: (i) contracting of individual consultants, as established in AM-650 standards; (ii) contracting of consulting firms for services of an intellectual nature in accordance with the Policy for the Selection and Contracting of Companies for Operational Work executed by the Bank (GN-2765-4) and its associated operating guides (OP-1155-4); and (iii) contracting of logistics services and other non-consulting services, in accordance with policy GN-2303-28.
- 4.3 The monitoring and follow-up of this TC will be carried out by the TC Team Leader (SCL/SPH), who will work in coordination with the SCL/SPH specialists in the countries.

V. Major issues

- 5.1 The topic of inefficiencies in health spending is highly sensitive due to its implications for public trust, resource allocation, and overall healthcare system effectiveness. Acknowledging inefficiencies in health spending can trigger political debates, stakeholder resistance, and public concern about the potential impact on healthcare accessibility and affordability. Consequently, decision-makers often resist discussions on policies to address inefficiencies in health spending. Mitigating this risk requires proactive measures and strategic planning. SCL/SPH specialists will engage in regular dialogue with relevant government officials and other key stakeholders, with the aim of building broad-based support for the efficiency agenda – one that is also resistant to political shifts. This year's Regional Policy Dialogue (RPD) will contribute to strengthen the importance of this topic, adding further momentum.
- 5.2 The knowledge generated within this TC will be the property of the Bank and may be made available to the public under a creative commons license.

VI. Exceptions to Bank policy

- 6.1 None.

VII. Environmental and Social Strategy

- 7.1 Due to the scope and characteristics of this TC, it is estimated that it will not generate adverse environmental and social effects. This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Results Matrix - RG-T4240](#)

[Terms of Reference - RG-T4240](#)

[Procurement Plan - RG-T4240](#)