

**TECHNICAL SUPPORT FOR THE DEVELOPMENT OF PRIVATE
SECTOR HEALTH CARE PROVIDERS**

(TC-98-06-35)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Superintendencia de Entidades Prestadoras de Salud (SEPS)

BENEFICIARIES: Social security contributors and their families, SEPS, and private sector health care providers

OBJECTIVES: The project objective is to support the Government of Peru in the creation of a policy and regulatory environment that enables the participation of the private sector in the social security health system.

DESCRIPTION: The project consists of the following activities: a) design and implementation of shared health management information systems; b) development of measures to assure the long-term sustainability of the system through strengthening of SEPS' institutional capacity; c) implementation of consumer protection systems, and d) launch of public information and education campaign.

FINANCING:

Modality:	Grant from Facility I and II
Recipient:	US\$1.40 million
MIF Facility I:	US\$1.67 million
MIF Facility II:	<u>US\$0.33 million</u>
Total:	US\$3.40 million

IMPLEMENTATION SCHEDULE:

Execution	24 months
Disbursement	30 months

SPECIAL CONTRACTUAL CONDITIONS: In addition to the general contractual conditions applicable to this operation, the following special condition will be included in the agreement. As condition precedent to the first disbursement of MIF resources, the executing agency must furnish the Bank evidence that it has selected the project coordinator.

EXCEPTIONS TO BANK'S POLICY: None.

I. COUNTRY ELIGIBILITY

- 1.1 On December 14, 1993, the Donors Committee of the Multilateral Investment Fund (MIF) declared the Republic of Peru eligible for MIF financing. This operation is eligible for MIF financing under both the technical cooperation and human resources facilities. It supports legal and regulatory reforms necessary to permit greater private sector involvement in the health sector, encourages prudent, fair and sound management of the reform process and provides for the development and training of medical auditors and arbiters to mediate problems. The project establishes a model for dispute resolution that will be instructive to other countries undergoing similar health sector reform processes, and is key to the successful development of the larger health sector reform program.

II. BACKGROUND

- 2.1 The Government of Peru has recently enacted legislation to modernize the financing and provision of social security health services through the introduction of competition and consumer choice. Specifically, the new law eliminates the monopoly enjoyed by the Peruvian Institute of Social Security [*Instituto Peruano de Seguridad Social*] (IPSS), allowing for the establishment of private health enterprises [*Entidades Prestadoras de Salud*] (EPS). Once established and accredited, the EPS will be contracted by employers, based on the majority choice of their employees, to provide a defined health plan. Employers that do so will receive a 25% credit on their social security contributions.
- 2.2 A health superintendency [*Superintendencia de EPS*] (SEPS) has been established for the purpose of accrediting, regulating and supervising EPS in accordance with the law, defining appropriate legal norms and regulations for the promotion and sustainability of the system and consumer protection. In particular, SEPS will:
- (a) define contract modalities between EPS and their affiliates;
 - (b) provide information on the EPS system to users, firms and the public;
 - (c) define, verify, regulate and supervise solvency and infrastructure requirements for EPS, including the collection of financial data;
 - (d) authorize and register EPS health plans;
 - (e) regulate and supervise health providers contracted by EPS, and
 - (f) establish arbitration, conflict resolution and sanction systems between users and EPS and between other health care providers and EPS.
- The SEPS is an autonomous public body, whose operating expenses will be funded initially by public monies and, within three years, financed with dues and fees paid by the accredited EPS.

III. PROJECT OBJECTIVES AND COMPONENTS

- 3.1 The overall objective of the proposed grant is to support the Government of Peru in the creation of a policy and regulatory environment that enables the participation of the private sector in the social security health system. The proposed operation will achieve this objective by supporting the development and strengthening of SEPS regulatory and informational functions and EPS managerial and technical quality. Activities will focus on four components: (a) design and implementation of shared health management information systems and procedures; (b) development of measures designed to assure the long-term sustainability of the new system through strengthening SEPS institutional capacity; (c) implementation of consumer protection systems, including specialized technical training to form a cadre of private medical auditors and arbiters, and (d) launch of public information and education campaign to familiarize consumers with the new system. A detailed description and costing of each component is available in the project technical files.
- A. Component 1: Health management information systems
(MIF: US\$850,000; Counterpart: US\$300,000)
- 3.2 SEPS' functions of control, supervision and regulation require timely reporting and dissemination of financial, utilization and clinical data by EPS. To achieve this objective, the proposed project will finance: (a) technical assistance for system design, including standard-setting and development of software modules for collection, analysis and presentation of financial, clinical and other information; (b) training for EPS in the use of modules and system, and (c) equipment for system operation and networking within SEPS only. SEPS information system activities will be integrated with other health sector institutions, such as the IPSS and the Ministry of Health, through the creation of common standards and compatible system architecture.
- B. Component 2: Institutional capacity building
(MIF: US\$140,000; Counterpart: US\$62,000)
- 3.3 SEPS capacity to project and respond to future financial scenarios and to manage internal resources effectively and efficiently will be key to guaranteeing the sustainability of the regulatory system. To strengthen these capacities, the project will finance technical assistance for: (a) strategic and operational planning; (b) establishment of technical and operational procedures and internal control systems, and (c) establishment and monitoring of a continuous quality improvement management system.

C. Component 3: Consumer protection systems
(MIF: US\$330,000; Counterpart: US\$138,000)

- 3.4 The provision of high quality medical care and responsiveness to consumers are fundamental principles of the EPS system. First, in order to create mechanisms assuring quality of care, the project will finance: (a) technical assistance for the development and implementation of a system of medical auditing, and (b) training for EPS in risk management through new models of care that emphasize prevention. Medical auditors are responsible for assuring provider compliance with medical protocols and best practice in resolving patient health problems as a part of routine management within EPS and in the case of arbitration. Second, in order to assure consumer complaints are appropriately addressed, the SEPS will utilize a claims system paired with conciliation and arbitration mechanisms, a novel approach to consumer protection in the health sector in Latin America. The project will finance technical assistance for the development and implementation of a training program for medical arbiters. Both medical auditors and arbiters will be independent licensed professionals, contracted by SEPS if complaints cannot be resolved by EPS' claims offices.

D. Component 4: Public information and education campaign
(MIF: US\$375,000; Counterpart: US\$800,000)

- 3.5 Sustainability of the new system relies on increasing affiliation to the EPS encompassing both those employers already providing complementary insurance to their employees as well as those which currently only contribute to the IPSS. To achieve this goal, SEPS will carry out national and sub-national promotional campaigns and hold sessions with large employers and unions to provide information about the new social security system. The campaign is designed to educate potential beneficiaries about the advantages of EPS enrollment, inform them of their rights and obligations, and familiarize them with the new consumer protection mechanisms established by the SEPS. In addition, the campaign will be used to increase awareness among all participants of the new system about the role of the SEPS as a regulatory and supervisory agency. The proposed project will finance a portion of these activities through technical assistance to launch the campaign, while counterpart funds will cover the remainder.

IV. PROJECT EXECUTION, DIRECT BENEFICIARIES, AND SUSTAINABILITY

A. Project execution

- 4.1 The project will be executed by the SEPS which employs 37 professional and administrative staff, with expertise in management, private insurance, health information systems, medical quality of care, health law and communications. Consistent with operating

budget estimates and project needs, SEPS plans to maintain a staff of 50 in 1999, with flexibility to grow as the system grows. Specialized SEPS staff will have the technical responsibility for the project components, under the direction of the chief operational executive officer (*intendente*). They will be supported by individual consultants and consulting firms, as required, selected and contracted in accordance with Bank and MIF procedures. The project team has analyzed the institutional and technical capacity of the SEPS and confirmed that the project is ready for implementation. A preliminary workplan has been prepared for each component (available in the technical files) and will be finalized prior to signing of the agreement.

- 4.2 Financing (MIF: US\$80,000; Counterpart: US\$100,000) is included to assist SEPS in the coordination and administration of program activities. These resources will be used to hire a project coordinator and provide administrative support. The project coordinator will be responsible for: (a) management and coordination of project component activities; (b) production of progress reports for Bank supervision, and (c) assurance of compliance with Bank procurement and disbursement regulations.
- 4.3 The operation will be supervised by the Bank's Country Office in Peru. It is anticipated that this technical cooperation will require 24 months for execution. The project will be considered complete when all funds are disbursed and a project completion report has been prepared. The project will be executed in coordination with the larger health reform loan project (PE-0146).

B. Beneficiaries

- 4.4 SEPS will be the direct beneficiary of the grant, though indirect benefits in the form of training and data reporting modules will be transferred to participating EPS. Ultimately, clients of EPS will receive the bulk of benefits through effective regulation of the system, consumer protection measures and information dissemination.

C. Sustainability

- 4.5 Based on illustrative figures from two EPS applicants and projections of future EPS participation and market size, SEPS anticipates that its operating budget will amount to US\$2.5 million, financed through a 1% premium tax on the EPS. This level of SEPS contribution implies EPS premiums of US\$250 million, a premium level considered reasonable under conservative assumptions. Project technical files contain an analysis of SEPS and EPS sustainability, EPS market size and projected revenue growth.

V. COST AND FINANCING DURING PROJECT EXECUTION AND OPERATION PHASES

- 5.1 Total program costs are US\$3.4 million; US\$2 million will be financed by the MIF, distributed between the Technical Cooperation Facility (US\$1.67 million) and the Human Resources Facility (US\$330,000) for component 3. SEPS will contribute the equivalent of US\$1.4 million or 41% of project costs. SEPS counterpart contribution will be used to cofinance consultancies, training and equipment under each component. The EPS will finance activities related to their own operations, such as purchase of information systems and training. A summary of costs in thousands of US dollars by component is furnished in the following table.

COST TABLE (in US\$ thousands)			
COMPONENT	MIF	COUNTERPART	TOTAL
COMPONENT 1: INFORMATION SYSTEMS	850	300	1,150
Design and implementation of system	150	50	200
Design and implementation of physical system architecture	210	90	300
Development of tools and training	490	160	650
COMPONENT 2: INSTITUTIONAL CAPACITY	140	62	202
Strategic and operational planning	70	27	97
Technical and operational procedures	45	16	61
CQI for processes	25	19	44
COMPONENT 3: CONSUMER PROTECTION	330	138	468
Arbitration training and TA	160	40	200
Quality control (auditors) training and TA	120	56	176
Preventive care and health education	50	-	50
Claims system	-	12	12
Plan and EPS selection	-	30	30
COMPONENT 4: PUBLIC INFORMATION & EDUCATION CAMPAIGN	375	800	1,175
System launch	375	400	775
System promotion	-	400	400
PROJECT COORDINATION	80	100	180
Project coordinator	72	-	72
Administrative support	-	82	82
Equipment and supplies	8	18	26
PROJECT EVALUATION	50	-	50
CONTINGENCIES	175	-	175
GRAND TOTAL	2,000	1,400	3,400

- 5.2 Grant funds will be disbursed in accordance with Bank procedures, and the procurement of goods and services will be limited to MIF-eligible countries.

VI. PROJECT JUSTIFICATION AND RISKS

A. Project justification

- 6.1 Implementation of this program will establish the regulatory framework that will assure effective and efficient private sector participation in the social security system. Due to the pilot nature of the arbitration and auditing activities within the consumer protection component, the operation will generate lessons and models that can be applied in other countries undergoing similar reform processes. Additionally, it will improve the quality of services and responsiveness to consumers through components of consumer protection and public information and education. Finally, support of SEPS and EPS will facilitate reform activities to be executed under the larger health sector reform loan.

B. Risks

- 6.2 Timely execution of the project depends on the effectiveness of the social security modernization as a whole. A first challenge relates to system financing. Under current financing arrangements, where employers receive a 25% credit on their social security contribution from the IPSS to join the EPS system, the size of the market for EPS, while still unknown, is likely to be limited. To address this issue, SEPS is undertaking a study that will assess market size and model the effect on affiliation of different credit levels. Results of the study will be used to refine reform policies. A second potential risk, lies in the innovative nature of the arbitration and auditing scheme under the consumer protection component. As it is a new approach, MIF funds are critical to ensuring that training programs are well designed and sustainable and that careful evaluation of the effectiveness of the approach takes place, elements that are built into the consumer protection component.

VII. PROJECT PERFORMANCE CRITERIA AND EVALUATION OF RESULTS

- 7.1 There will be two external assessments of the project: a midterm review at the 12-month point, and a final review at the end of the project implementation. SEPS will engage the services of a consultant(s), selected in consultation with the Bank, to conduct both reviews. The consultant(s) will be hired according to Bank and MIF procedures.
- 7.2 At the macro level, the project will be evaluated by the numbers of EPS registered. The benchmark for project year one is three EPS registered; project year two will be eight EPS. Of four initial applicants currently under consideration, two are expected to

receive authorization in 1998 (*Rimac Internacional* and *Santa Cruz*). These two companies expect to insure 45,000 persons in year one with approximately US\$9.5 million worth of premiums, and 100,000 in year two with US\$20 million. The evaluations will also place emphasis on the training component; the benchmarks for project year one are 60 arbiters and 30 auditors trained, and for year two, 60 arbiters and 90 auditors. The effectiveness of innovative approaches undertaken in the consumer protection component, use of information systems, and success of dissemination campaigns will also be evaluated. Project technical files detail evaluation criteria for each project component; Annex A sets out project component benchmarks in the format of a logical framework.

VIII. EXCEPTION TO POLICIES AND PROCEDURES

- 8.1 There are no exceptions to policies and procedures in this operation.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 In addition to the general contractual conditions applicable to this operation, the following special condition will be included in the agreement. As condition precedent to the first disbursement of MIF resources, the executing agency must furnish the Bank evidence that it has selected the project coordinator.

LOGICAL FRAMEWORK

COMPONENTS	ACTIVITIES	EXPECTED RESULTS	
		YEAR 1	YEAR 2
<u>General objective:</u> To support the Government of Peru in the creation of a policy and regulatory environment that enables the participation of the private sector in the social security health system.			
1. Information system	- Design and implementation of system	- System designed and implemented - Internal network operational	
	- Design and implementation of physical architecture	- Physical architecture acquired and installed	
	- Development of tools and training	- Tools, access, and consultation interface designed and in place within SEPS - Training course for SEPS and EPS executed - Standards developed and incorporated into system - Web page with publication and consultation services in operation	
2. Institutional capacity building	- Strategic and operational planning	- SEPS strategic plan developed - SEPS strategic planning workshop held - Systemic process of strategic planning in place	- Continuous strategic planning and monitoring and evaluation systems in place
	- Technical and operational procedures	- Diagnostic of current technical and operational procedures prepared - Administrative manual developed and in use	
	- CQI for processes	- Internal process guide prepared and in used - Management indicators defined - Mechanisms and tools for monitoring and evaluation developed - Internal participatory workshop on SEPS mission held - CQI guide developed and in use	

COMPONENTS	ACTIVITIES	EXPECTED RESULTS	
		YEAR 1	YEAR 2
3. Consumer protection	- Arbitration training and TA	<ul style="list-style-type: none"> - Conciliation system constituted and validated - Center with arbitration and conciliation functions operational - Four private centers for arbitration and conciliation training operational - Sixty private arbiters trained - Two training of trainers seminars in arbitration held (20 trainers trained) - Two bulletins and an annual report on central legal proceedings published - Computerized registry of arbiters 	<ul style="list-style-type: none"> - Center operational - Sixty private arbiters trained - Four TOT seminars held - Two bulletins and an annual report on center legal proceedings published
	- Quality control (auditors) training and TA	<ul style="list-style-type: none"> - Training of trainers course in medical auditing (30 auditors trained) - Three medical auditing courses carried out by private institutions - Three courses in health services management carried out - Outpatient care guide for EPS published 	<ul style="list-style-type: none"> - Ninety medical auditors trained - Eight EPS with auditing systems in operation
	- Managed cared	- Workshops for EPS held (25 participants)	- Two EPS workshops held (50 participants)
	- Claims system	- Legal framework for user claims	- Offices functioning
	- Plan and EPS selection	- Legal framework for plan and EPS selection in place	
4. Public information and education campaign	- System launch	<ul style="list-style-type: none"> - TV promotion (6 million persons reached) - Newspaper promotion (4 million persons reached) - Radio promotion (9 million reached) 	
	- System promotion	<ul style="list-style-type: none"> - One informational seminar (eight events held - 400 persons) - Informational sessions for specific organizations held (500 persons) - Consumer rights and SEPS functions video disseminated to EPS 	<ul style="list-style-type: none"> - One seminar (32 events held - 1,200 persons) - National campaign held (Cuzco, Arequipa, Trujillo, Huaraz)

PROPOSED RESOLUTION

**PERU. NON-REIMBURSABLE TECHNICAL COOPERATION FOR
THE DEVELOPMENT OF A PRIVATE SECTOR HEALTH CARE PROVIDERS
PROGRAM**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary and to adopt such other measures as may be pertinent for the development and execution of a Private Sector Health Care Providers Program, described in the Proposal Memorandum contained in Document MIF/AT-_____ with respect to a technical cooperation with the Superintendencia de Entidades Prestadoras de Salud de la República de Peru.
2. That up to the sum of US\$2,000,000 is authorized for the purposes of this resolution, chargeable as follows: US\$1,670,000 to the Technical Cooperation Facility and US\$ 330,000 to the Human Resources Facility, of the Multilateral Investment Fund.
3. That the above mentioned sum is to be provided on a non-reimbursable basis.