

**TECHNICAL SUPPORT FOR THE DEVELOPMENT OF HEALTH SERVICES  
PURCHASING AND PRIVATE HEALTH CARE PROVIDERS**

**(TC-98-11-94-5)**

**EXECUTIVE SUMMARY**

<b>Executing Agency:</b>	Ministry of Health, Public Service, Labor and Civil Society (MHPSLCS)		
<b>Beneficiaries:</b>	The direct beneficiaries will be private sector providers who will be offered expanded contracting opportunities and a more stable operating environment; the indirect beneficiaries will be the population of Belize, especially low-income families as recipients of better regulated and more efficient health services.		
<b>Amount and source:</b>	Modality:	Grant	
	GOBL counterpart:	US\$ 457,140	37%
	MIF	US\$ 771,650	63%
	Total:	US\$ 1,228,790	100%
	Execution period:	36 months	
	Disbursement period:	42 months	
<b>Objectives:</b>	To create a policy, regulatory and purchasing environment which facilitates the expansion of the domestic private sector in publicly and privately funded health services.  The project consists of three components: (i) regulation of the private sector; (ii) development of private sector contracting; and (iii) improvement of private sector standards and market organization.		
<b>Special contractual conditions:</b>	In addition to the general contractual conditions applicable to this operation, conditions prior to the first disbursement of MIF funds will be (i) that operation funds for Planning Unit must be designated in the Government Estimates and (ii) the Coordinator of the Project Executing Unit should be contracted.		
<b>Exceptions to Bank's policy</b>	None		

## **I. COUNTRY ELIGIBILITY**

- 1.1 On January 2, 1999, the Donors Committee of the Multilateral Investment Fund (MIF) declared Belize eligible for MIF financing under the technical cooperation facility.

## **II. BACKGROUND**

- 2.1 The Government of Belize (GOBL) is embarking on a health sector reform program (HSRP) supported by IDB and other lending and donor agencies (Project BL-0014, to be submitted to the Board in the first quarter of 2000). The overall goal of the government program is to raise the health status of the population by improving the efficiency, equity and quality of health care services and by promoting healthier lifestyles. To achieve this goal, health care services will rely increasingly on a more competitive environment utilizing to a great extent private sector providers. In order to support the development of a more private-sector based health system, a number of key market changes are needed: (i) GOBL must develop a more comprehensive and efficient regulatory environment for private sector providers; (ii) domestic private providers must be encouraged to expand and adopt more efficient forms of organization, such as group practices; (iii) the government must create private services purchasing capacity to ensure the efficient and accountable use of public funds; and (iv) there must be a predictable and identifiable market which will be contracted out to the private sector to encourage their participation and growth.
- 2.2 GOBL is establishing with IDB support a National Health Insurance Fund (NHIF) within the existing Social Security Board that will lead to more efficient and equitable health sector financing and to institutionalize the purchasing of services. As the NHIF is developed it will be free to purchase needed services from public, statutory authority and private sources according to best value-for-money principles. The NHIF will be established as a new and separate branch of the Belize Social Security Board (SSB), but maintaining separate financial arrangements. Legislation will be finalized to reflect the agreed remit, structure and *modus operandi* and will be presented to Cabinet in the first quarter of 2000. NHIF will operate under contract to the Ministry of Finance and its enabling legislation will ensure that it must conform to national health goals and policies.
- 2.3 To support the long-term goals of developing a more private-sector based health system, the Government of Belize has requested MIF support to address the key barriers to contracting the private sector and providing incentives to expand and make more competitive the domestic private sector. The domestic private sector in Belize is small, offering 12 beds and 70 physicians dedicated to outpatient services, mostly in Belize City. The private sector is largely unregulated and uncoordinated. Many Belizeans seek health services abroad, mostly at private facilities at the border with Mexico. Overall, the private sector, both domestic and international, is the first choice of most citizens for their medical care, especially those with the ability to pay. Many of those in lower income groups also use services abroad, particularly those living in the northern Districts and Belize City. Given the size of the domestic market, a competitive private sector in Belize would naturally involve reliance on both national and international providers. The intent of strengthening the domestic market is to encourage the delivery of efficient health services within Belize itself.

### III. PROJECT OBJECTIVES AND COMPONENTS

- 3.1 The general objective of the proposed project is to create a policy, regulatory and purchasing environment to facilitate the participation of the private sector as providers of high quality, competitive services. The proposed operation will achieve this objective with three components which represent both demand and supply interventions: (1) developing a regulatory framework for the private sector; (2) improvement of private sector standards and market organization, including the corporate and organizational development of private providers as contractors; and (3) developing and institutionalizing private sector purchasing and contracting.

**1. Component 1: Developing a regulatory framework for the private sector.**  
(MIF: US\$127,500; Counterpart: US\$55,500)

- 3.2 A regulatory framework would be developed within the Ministry of Health (MoH) to strengthen licensing and accreditation of providers, establish quality standards, encourage and facilitate self-regulation through professional bodies and to support patients as consumers. Within the MoH, the Planning Unit will be in charge of developing the procedures, standards, and regulatory framework. The Unit will contract experts who will bring expertise on sensitive areas such as accreditation for complex services and monitoring provision of services. As well, the Unit will receive technical inputs from the Belize Medical and Dental Association (BMDA). A key feature of the regulatory framework to be developed will be its orientation to meet the particular characteristics of Belize private sector market.

- 3.3 The proposed project will fund: (i) technical assistance to develop the regulatory framework and legislation; (ii) start-up and evaluation costs of regulation, monitoring and consumer support; and (iii) training for staff and professionals in implementing the regulatory framework. The proposed project would also fund dissemination and information sharing of this regulatory framework. This dissemination effort is aimed at promoting the benefits of regulation and the rights of consumers covering both users of services and private providers. The dissemination effort will be undertaken using a mix of media tools appropriate to each target audience.

**2. Component 2: Improvement of private sector standards and market organization, including the corporate and organizational development of private providers as contractors** (MIF: US\$165,000; Counterpart: US\$290,000)

- 3.4 For the private sector to respond competitively to an expanded market for their services, it must not only expand in size, quality and diversity of services provided, but be organized in a more competitive manner in group practices, franchises and other forms of competitive organization. Private sector providers will need substantial technical support to establish new forms of business organization. The project takes an important and innovative step in involving directly the BMDA in the development of provider standards, expansion of providers in key markets and training and orientation to new, more competitive forms of organization. The project will finance technical assistance, training, in-job coaching support, and systems development in the following three market areas. While executed through the Ministry of Health, this assistance and training to private providers will be coordinated and encouraged through the BMDA. Specifically, this training and technical assistance will cover:

- i. General medical practice as the preferred future primary care delivery mode including the potential for general practitioners (GPs) to supervise other primary care providers particularly in rural areas. GPs will be supported to form group practices, develop administrative capacity to maintain patient registers and medical records and to respond to potential payment systems based on capitation and health promotion and prevention targets. Longer term training in general practice as a specialty will also be addressed.
  - ii. Private specialists and diagnostic services working for public hospitals and the KHMH. Activities will focus on helping providers identify opportunities, anticipate public sector needs, work with public sector clinical staff and managers, and on pricing policy. Opportunities for improving clinical standards will be investigated including support in developing more day-case surgery, admissions and discharge policies and links to improving primary care. Longer-term training needs will be identified.
  - iii. Franchising and/or “approved provider” schemes including pharmacies and ancillary services. Activities will aim to improve quality and consistency of service provision in the private sector. Providers willing to offer services to agreed standards and protocols will be identified and supported. The potential for standards development and organizational development will be investigated with the relevant professional bodies and trade associations, and formation of these will be encouraged where none exist.
- 3.5 The BMDA has agreed to support the project by providing technical inputs to the development of the regulatory framework, by encouraging the participation of its membership in the training provided under the project, and by becoming an important vehicle for institutionalizing and diffusing the standards and regulatory changes developed within their membership. BMDA will act as a catalyst to accomplish provider standards among their membership in order to improve the quality of health services provided in Belize.
- 3. Component 3: Developing and institutionalizing private sector purchasing and contracting tools and skills (MIF: US\$369,000; Counterpart: US\$81,290)**
- 3.6 As GOBL begins to procure services from the private sector and as the (currently public) Karl Heusner Memorial Hospital (KHMH) becomes an independent provider and subcontractor, there will be an increased need to develop more systematic purchasing and contracting skills and procedures, including the development of specific contracts for outsourcing health services to the private sector. The proposed project will fund technical assistance to develop and implement the purchasing and contracting functions within the Planning Unit of the Ministry of Health. First, a services purchasing plan will be prepared signaling to the private sector the nature, volume and quality of services GOBL will be purchasing in the next few years. Specific contracts (or annual service agreements) will also be prepared for use by the Planning Unit to engage the private sector (and KHMH) in the delivery of specific services and encourage a more performance-oriented management culture. KHMH

will also require some early support in contracting with private sector providers, including medical specialists and diagnostic services

- 3.7 To develop and test the purchase of services from the private sector GOBL will establish a definable, temporary Innovation Fund that will outsource innonative contracts with the private sector in high priority service areas, such as family medicine for primary care and services that redress shortages at public hospitals. The Innovation Fund will be financed entirely through an IDB loan. Within Belize there is skepticism within the private sector that the government will provide a significant enough market to warrant substantial changes and investments in reorganizing their businesses. This Fund is vital to creating market signals for and commitment to the private sector. By establishing a visible, earmarked Fund, the government seeks to provide the market stability and predictability needed to encourage the supply of needed services of acceptable standards, with accountable and efficient practices. This temporary fund will enable contracting new sources of care without immediately redirecting public funding away from public providers. Earmarking of contracts for private providers via a special fund is expected to be phased out after three years as both government capability and commitment to contracting are improved under the National Health InsuranceFund, making the Fund no longer necessary to provide signals to the private sector.
- 3.8 Technical assistance will develop the purchasing skills and systems in the Planning Unit of the MoH. The MIF contribution will support vital technical assistnce, in-job coaching and training of the private sector, and regulatory development need to jump-start the private provision of health care within the Ministry of health and overcome public sector barriers to the private provision of health services. As this internal capacity to contract to the private sector evolves, it can be transferred within the government to the designated operating entity within the Social Security Board with important experience gained and private market development and expansion initiated. The Social Security Board is decided to implement a pilot project to test its purchasing capabilities due to initiate on April the 1<sup>st</sup> of 2000 based on new legislation.

#### **IV. PROJECT EXECUTION AND BENEFICIARIES**

##### **A. Project execution**

- 4.1 The project will be executed by a Project Executing Unit within the Planning Unit of the Belize Ministry of Health working in close collaboration with the Social Security Board. A PEU (Project Execution Unit) will technically support the development of purchasing skills and of the regulatory framework. The Planning Unit within the MoH is currently operating and has been strengthened as part of the outputs of the Technical Cooperation operation funded by IDB. As soon as the NHIF Board and senior management is appointed, execution of the Innovation Fund will transfer to the NHIF within the Social Security BoardTransferring the above responsibility will not affect the structure of execution of the Fund.
- 4.2 The PEU will be staffed by a Coordinator, a Procurement Coordinator and an Accountant, funded with the IDB loan and counterpart fund. This unit will ensure all goods and services are procured in accordance with Bank procedures and that required reports, accounts and evaluations be produced as programmed. In addition the IDB Loan will fund a Health Sector Reform Advisor reporting directly

to the Minister of Health who will assist with organizational development, health care purchasing and financing matters and can provide input to the MIF operation as well. The MIF operation will finance specified consultants working only on private sector provision of health services as elaborated above, not administrative staff.

- 4.3 The Ministry of Health system to contract to the private sector will eventually graduate to the new branch of the Social Security Board that will be in charge of a new National Health Insurance Fund. Legislation to create this new branch of the Board, laying out its structure and *modus operandi* is expected to be presented to the House of Representatives by the end of 1999. While this is viewed as a promising development for the long-term development of a private sector-based health care system, the status of the legislation would not affect the execution of the MIF operation with the Ministry of Health.
- 4.4 The MIF operation will execute over 36 months. A mid-term auditing will be carried out and a final evaluation at the end of the project will be performed. The executing agency will have to present the following reports:
- Reports on the execution of the project each year, or within such other period as the parties may agree, prepared in accordance with the relevant rules of the Bank.
  - The financial statement of the Project within ninety (90) days following the date of the last disbursement of the Contribution audited by independent public accountants acceptable to the Bank and in accordance with procedures satisfactory to the Bank.

**B. Beneficiaries**

- 4.5 The direct beneficiaries of the project will be private sector service providers of Belize (73 General Practitioners, 30 Specialists and 22 Dentists, more and less 12 Health Care Centers, including 2 with hospitalization capacity, 1 X ray provider and 1 major Laboratory with branches in some districts) who will benefit from a larger, more predictable and better organized health service market. Indirect beneficiaries will be the consumers of health care services, in particular low-income consumers, benefiting from the improvements in access, quality and cost effectiveness facilitated by informed purchasing and greater competition.

**C. Sustainability**

- 4.6 The project will contribute significantly to the regulatory and market structure needed to ensure sustainable private sector growth and better coordination within the health sector as a whole. After the project's investment in regulatory and purchasing practices the NHIF would be able to assume greater and sustainable private sector contracting functions.

**V. COST AND FINANCING**

- 5.1 Total program costs are US\$1,228,790. The MIF will finance 63% of costs totalling US\$771,650 and the GOBL will finance 37% for a total of \$457,140. Beyond this sum, GOBL has committed to implement a \$420,000 Innovation Fund to be financed from the IDB loan for the Health Sector Reform Program. However, the Fund is not considered as GOBL counterpart for this project.

- 5.2 GOBL counterpart includes US\$290,000 participation “in kind” from the private sector (Belize Medical and Dental Association). This support is in the form of member (e.g. physicians and dentists) participation in training and participation in the dissemination and development of new regulations.
- 5.3 A summary of costs by main component is shown in the following Table.

**Project Budget US\$**

Component	MIF	GOBL	Total
<b>Component 1: Developing a Regulatory Framework</b>	<b>127,500</b>	<b>55,500</b>	<b>183,000</b>
Design and Technical Assistance	42,500	24,000	66,500
Dissemination of regulatory framework	85,000	31,500	116,500
<b>Component 2: Private Sector Self-Regulation</b>	<b>165,000</b>	<b>290,000</b>	<b>455,000</b>
Organizational Development and Technical Assistance	165,000		165,000
Private Sector/BMA “In-Kind” Contributions		290,000	290,000
<b>Component 3: Developing Private Sector Purchasing</b>	<b>369,000</b>	<b>81,290</b>	<b>450,290</b>
TA Purchasing/contracting	160,000		160,000
Start-up costs		66,290	66,290
TA private sector	100,000		100,000
TA systems	80,000		80,000
Training	29,000	10,000	39,000
External audit		5,000	5,000
<b>Project Coordination</b>		<b>30,350</b>	<b>30,350</b>
HSRP Program Management Unit		30,350	30,350
<b>Project Evaluation</b>	<b>40,000</b>		<b>40,000</b>
Evaluation and auditing	40,000		40,000
<b>Contingencies</b>	<b>70,150</b>		<b>70,150</b>
<b>Total</b>	<b>771,650</b>	<b>457,140</b>	<b>1,228,790</b>
%	63	37	100

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

## **VI. PROJECT JUSTIFICATION AND RISKS**

### **A. Justification**

- 6.1 Belize’s health system suffers from heavy dependence on poor quality public sector services. An essential element of reform is the orderly expansion to greater private-sector providers with quality, cost and availability improvements. Health sector reform in Belize will provide seed finance for the rational design and implementation of a strong purchaser function to promote quality and value for money in both private and public sectors. MIF funding is critical to setting up and testing this function on a pilot basis and to demonstrating that the private sector can prosper while delivering needed and priority services. The project will support the development of the organizational capacity that will perform these functions, develop the essential standard setting and purchasing skills, promote innovations in primary care like family medicine, capitation payments and clinical “gate keeping” that are essential to sustainable sector financing.

### **B. Risks**

- 6.2 The major risk to effective implementation of the project is that essential organizational reforms in the public sector may not occur. In this event, GOBL may not be able to redirect finance to the NHIF on a performance basis and would continue to transfer resources for the fixed costs of public sector salaries and

wages. The project provides for the creation of regulatory and purchasing capacity within the current system with provisions for eventual transfer to a new system. Simply put, it is able to be operational right away by introducing purchasing with the existing budget funds while building trust for National Health Insurance program. Additional actions regarding safeguarding long-term reforms being taken by the Health Sector Reform Project including: (i) a pilot is being undertaken to create an autonomous body to own and operate the national hospital and related primary care services; and (ii) new decentralized management units are being created in the public sector that will generate pressure for more such autonomy to take place.

- 6.3 A second major challenge is how extensively the private sector responds to these new regulatory and purchasing incentives. The project's design and innovative aspects are oriented to assure the market to private sector providers and to supply the technical assistance and training required to respond adequately to this new market. Inclusion of the major professional associations in the project's execution will offer an additional avenue for development of stronger public-private relationships over health care.

### **C. Environment and Social Impact**

- 6.4 Approved as proposed in the plan of operations, subject to the following recommendations:
- (i) include in the TOR for improvement of the regulatory framework provisions for adequate disposal of medical waste and control of related hazards (refer to para. 3.1 (a));
  - (ii) include in the TOR for the training components topics related to workers health and safety (refer to para. 3.3. (iii));
  - (iii) ensure that the regulatory framework for private providers is flexible enough to allow for traditional and multi-cultural practices.

## **VII. PROJECT PERFORMANCE CRITERIA AND EVALUATION OF RESULTS**

- 7.1 Annual evaluations of the project will be undertaken as part of the Annual Reviews of the Health Sector Reform Project. Included will be specific assessment of: (i) the operational plans for the innovation fund in year 1; (ii) the detailed structure, plans and draft legislation for the NHIF; and (iii) the overall achievements of the project upon completion when NHIF is operational and innovation funds have been disbursed. Process indicators are shown in the attached Logical Framework chart (Annex I).

## **VIII. EXCEPTIONS TO BANK POLICIES AND PROCEDURES**

- 8.1 There are no exceptions to Bank policies and procedures.

## **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: prior to first disbursement, (i) that operation funds for Planning Unit must be designated in the

Government Estimates (ii) the Coordinator of the Project Executing Unit should be contracted.

**Overall Goal of HSRP:** To improve the health status of the population of Belize

Objective	Indicator	Means of Verification	Prerequisites
1. To improve the efficiency and quality of health care delivery in a sustainable manner	1. Public financing allocated to those groups or programs with greatest health needs. 2. Public and private providers meeting services targets and objectives defines in Sector Purchasing Plan	1. MoH annual reports  2. Purchasing Plans	
2. To ensure that the health sector is financed in a equitable, cost effective and sustainable manner	1. MoH and MoF budgetary and planning cycles and systems redesigned in keeping with decentralization and autonomy initiatives. 2. Private Sector providing services using block contracts with an orientation to public policy on prevention and primary care.	1. MoH annual report  HSRP Progress Report	

**Objective of the Project:** To create a policy, regulatory and purchasing environment to facilitate the participation of the domestic private sector in publicly provided health services

**Outputs (year 1)**

**Component 1: Developing a regulatory framework for the private sector**

1. Regulatory framework designed, implementation planned and costed 2. All preparations made.	1. Regulatory framework completed (y1) 2. Standards defined (y1) 3. Legislation approved (y1) 4. At least one professional body collaborating on standards and market organization (y1)	1. Regulatory framework document approved. 2. Draft law 3. Meeting records and resolutions	1. Cooperation form professional trade bodies 2. Legislative agreement
1. Communications program designed 2. Phase 1 implemented	1. Consumer opinion on private sector surveyed and analyzed (m6) 2. Objectives and benefits of regulation communicated (m8)	1. Communications Strategy 2. HSRP Progress reports	

**Component 2: Improvement of private sector standards and market organization**

1. Private sector providers offering appropriate services to the public 2. Private sector (MoH/NHIF) and improved	1. At least 5 private providers pilot contracted to public sector (including KHMHA) (y1)	1. Pilot contracts signed	1. Participation by private sector
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ty to consumers	2. Professional association committees formed and identifying opportunities and procedures (m6) 3. At least 1 general practice pilot working (y1) 4. Continuous clinical and management training program identified (y1)	2. Committee Meeting Records  3. Consultancy Reports  4. Training program and manuals	2. TA appointed  3. Support from new Regional Health Management Teams
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### Component 3: Developing private sector purchasing

#### Purchasing Capacity

Purchasing capacity developed	1. Services Purchasing Plan completed (y1) 2. Standard contracting format developed for private sector use (y1) 3. Contract prepared for KHMHA and agreed (y1) 4. Internal MoH "contracts" prepared for health regions and agreed (y1)	1. Purchasing Plan document  2. Standard contract document  3. Contract document  4. Four specific annual service agreements	1. TA available in time  2. Interest from private sector  3. KHMHA Board in place
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#### Purchasing from Private Sector

Strategy and public-private sector partnerships in improving health care delivery developed and pilots implemented.	1. "Innovation Fund" established with clear guidelines for monitoring and evaluation of outcome (m6) 2. At least 1 pilot project in each Region approved (m9) 3. Committee established and operational with private sector to develop pilots (y1) 4. MoH Personnel trained in managed care procedures and contracts	1. Eligibility Guidelines for fund.  2. HSRP Progress reports  3. Strategy document  4. Training program and evaluation	
Financial and affordability studies completed	1. Income and expenditure survey designed (m9) and implemented (y1) 2. Affordability and sustainability studies completed in collaboration with SSB (y1)	1. Survey results  2. Consultancy Reports	1. Cabinet approval to conduct income survey

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## PROPOSED RESOLUTION

### BELIZE. NONREIMBURSABLE TECHNICAL COOPERATION FOR A TECHNICAL SUPPORT PROJECT FOR THE DEVELOPMENT OF HEALTH SERVICES PURCHASING AND PRIVATE HEALTH CARE PROVIDERS

The Donors Committee of the Multilateral Investment Fund

#### RESOLVES:

1. That the President of the Inter-American Development 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 with Belize and to take such additional measures as may be pertinent for the execution of the Donors Memorandum referred to in Document MIF/AT-\_\_\_\_\_ with respect to a technical cooperation program for a technical support project for the development of health services purchasing and private health care providers.
2. That up to the amount of US\$771,650, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.