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HEALTH CARE FINANCING IN LATIN AMERICA AND THE CARIBBEAN
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Private Sector Health Care Alternatives in Lima, Peru: Study Design

Prepared by:

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ANNEX C

THE ECONOMIC FEASIBILITY OF PRIVATE SECTOR PRE-PAYMENT SCHEMES IN PERU

Scope of Work

(First Draft)

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1. Subject of Study

This country study will analyze the metropolitan-Lima market potential for the development of economically viable Health Maintenance Organizations. It would use data from the national household survey (ENNSA) and generate new information from seven private clinics trying to become HMO's, from five private health insurance carriers, and from several large employers. The questions to be answered will be whether HMO's represent an institutionally appropriate and economically viable alternative to ambulatory care currently provided by Ministry of Health hospitals, and to direct medical care under social security (IPSS). If the Ministry and IPSS can be relieved of some of their financially draining ambulatory services in the urban areas, they may be able to reallocate resources to the new government's priority areas and population groups.

2. Background

Private medical care in Peru has expanded very rapidly during the last decade and now accounts for 45-65% of all health sector expenditures, according to a financing analysis nearly completed under the USAID-funded Health Sector Analysis (HSA). Public health and social security account for 23-20% respectively of total expenditures and cover about 36% and 18% of the population, respectively. The private sector also serves a large proportion of these same population segments, and is used exclusively by about 10-20% of the urban population. These estimates do not take into consideration the role of traditional or folk medicine still used by many rural people in Peru.

USAID/Peru has in the past sponsored a number of studies of private medical care in Peru, including the roles of NGO's or PVO's, cooperatives and pharmacies. Under the HSA, these studies have been used to help define the dimensions of the private sector. The HSA has also conducted a study of medical care under social security. These combined efforts have resulted in a private sector exploratory study that shows a heretofore unexamined relationship between social security, private health insurance, employer-provided health benefits, and private sector clinics.

In essence, the private sector exploratory study shows that in Peru both, the employers and the workers, have for many years looked and obtained additional health benefits either to supplement social security medical care or to substitute for such care because the quality of services of both the Minisitry and IPSS have decreased the last decade. They initially paid for

such benefits through private health insurance group policies. While these policies are mainly sold through brokers, the latter have in recent years helped employers create self-financing schemes in order to cut health insurance costs. In either arrangement, medical services have been purchased from private clinics. Now several of these clinics in Lima have begun to reconstitute themselves into HMO's and they are offering their services directly to employers, cutting out the brokers. The coverage of seven such clinics in Lima is estimated at about 100,000 people, but the potential market size for this type of service may be over one million people in Lima alone, and perhaps as many more in Peru's other major cities.

3. Current Importance

The Ministry of Health and the IPSS currently allocates a large proportion of its resources to urban hospital services, notwithstanding its policy to expand primary health care in the poorest sections of the cities and in the rural areas. Urban hospital services are heavily utilized by urban lower middle class families, especially because of their relatively low cost. This finding emerges from the HSA demand analysis, using data from the household survey, also funded by USAID. If HMO's could be established and expand coverage toward the potential market size of two million or more residents in the largest cities, hospital utilization for ambulatory care could gradually be reduced and with it the heavy financial strain that hospitals represent for the Ministry.

Also, HMO's could become a viable alternative to direct

medical care under social security. The law permits workers covered by social security to seek private medical care on a partial cost reimbursement basis. Given widespread dissatisfaction, particularly with ambulatory care provided directly by social security hospitals and clinics, workers may find HMO's an affordable alternative. Thus, Lima's nascent HMO's have the potential for rapid expansion of coverage. This should help improve the efficiency of urban hospitals who could reduce their ambulatory care and devote their resources to providing quality in-patient services, yet at a proportionately lower cost to the Ministry and IPSS.

4. General Objectives

The study proposed under the HCF/LAC regional project will research the current market for HMO's or similar pre-payment schemes in Lima. The exploratory study carried out under the HSA has developed not only the general research framework, but also direct contact with the seven private clinics, five largest health insurance carriers, and a number of large employers. The principal researcher and author of the HSA Study, Jose Carlos Vera, will be one of two host country professionals on the study. Thus, we expect to have access to information on the supply side. This will take up most of the study's time and resources.

The demand-side analysis draws primarily on the household survey data for metropolitan Lima which has already been largely completed under the HSA, although some additional work may be necessary. In addition, the study may be able to obtain data from the clinics on the characteristics of their patients to

complement the household data.

The objective of this market analysis would therefore be to determine the actual and potential demand for private medical care and the share of this demand that HMO's might be able to capture. Based on the results of this study, USAID may be able to determine what assistance to the emerging HMO's is justifiable within the mission's overall health sector strategy. The clinics, health insurance firms and employers to be studied may also find that the study will assist them in determining common objectives in the development of HMO's in Lima, including their respective or joint needs for technical assistance that USAID might be able to provide.

5. Specific Objectives

The study will first examine the current financial structure of existing pre-payment schemes. Among the variables that will be recovered are the following (subject to the accessibility of information):

-numbers of enrollees
-pricing structure
-revenue generated
-operating budget
-benefit package
-costs of providing services
-specific enrollment regulations that affect financial risk; i.e., enrollee age or state of health

Secondly, the study will determine the market potential for expansion of coverage, including:

-potential for expansion through family and individual enrollment
-potential for expansion by employee groups
-determine provider and consumer response to existing plans.

Third, the study will explore management and organizational issues, such as:

-identify and compare management capacity of the 7 private clinics to operate through pre-payment.
-identify and compare pre-payment arragements being made through the 5 private health insurance carriers,
-identify and compare user-payment schemes providing health care benefits to employees.
-compare the organizational structure of the health care delivery mechanisms of the 7 private clinics.
-variables that affect rate of consumer re-enrollment or disenrollment, such as waiting time, perception of quality of care, and perception of adequacy of coverage through the plan.

Finally, the study will examine experiences in the utilization of hospital facilities by exisiting pre-paid schemes. Specific attention will be directed to recovering information about the relationship between physicians operating within the pre-paid plan and their financial relationship with hospitals used by the plan. Arrrangements for hospitalization will be examined.

6. General methodology

Research for the study will concentrate on obtaining primary data on patients served in recent years (1980-85) by clinics, and on staffing and other organizational and management aspects of each clinic. It is not yet clear if clinics will be willing to divulge financial information and the study design will not heavily depend on obtaining such information. Health insurance companies also may decline to give out financial information. They are more likely to divulge aggregate data on number of policies and individuals covered, on services covered, and on payment procedures. Employers are most likely to provide data on the cost of health care benefits, plus details on employees and benefits. Cross checks among these sources are likely to help increase the accuracy and complementarity of the data sources.

While specific research hypotheses are not yet clearly defined, the questions to be focused on concern the economic determinants of HMO creation and viability in Peru, considering domestic market characteristics and international comparisons of standards (using HMO's in Brazil, Uruguay and the U.S. as examples). The relationship between social security, employers, private health insurers, and private clinics will be examined in greater depth from legal and practical perspectives. If the role of brokers is important, this will also be examined.

7. Workplan

The study will be carried out over a two-month period and be closely coordinated with the end of the HSA and the beginning of USAID mission project preparation. This timing calls for field work to be scheduled in June-July, with a full first-draft report to be completed by October 1. Preliminary findings will be discussed with the mission toward the end of July. The HSA technical document on financing will be completed by April 30 and serve as the contextual framework for the study. The two host country professionals both of whom are currently working on the HSA project, will become available to work on this study on June 1. Study preparations by the key staff and study coordinator will begin in June, and the first of two international consultants should work in Peru in July, followed by the second one in August with a one-week overlap. The first two weeks would be devoted to "opening doors" and gaining the confidence of the institutions involved, with data collection to begin as soon as possible. The second month's activities will center on data

collection, analysis and presentation of results (see figure 1). The GHAA as subcontractor on this project would assume major responsibilities in the design and execution of this study.

Figure 1: Time Schedule at Country level

STAGES	WEEKS 1	2	3	4	5	6	7	8
Final Design	---	---						
Data Collection		---	---	---				
Data Processing					---	---		
Analysis and Presentation							---	---

8. Personnel requirements

The two international experts should include a medical doctor with experience in HMO organization and management from an international and comparative perspective, and a social scientist with HMO experience and social science research skills (e.g., data gathering techniques, including structured interviewing). The Peruvian professionals should include a medical doctor with administrative experience in both the public and private sector, and a social scientist with data gathering and analytical writing experience. The study coordinator should be substantially involved in the research itself and be assisted by a host country assistant who should also have some research experience as well as project management experience. In total, 12 person-weeks of international experts, and four person-months of host country

professionals will be required. The study coordinator will work on the study for 12 weeks . A key staff member will supervise initiation and completion of field work and edit the study team's report within a two-month period after completion of field work.

9. Resource Requirements

In-country resource requirements will include the salaries for two months of two host country professionals, a research assistant, a secretary, car and driver for the study team, rental of a small office, and a budget for telephone expenses and supplies. Total cost of in-country resources will be about $10,000. These costs will be covered by the project budget, as will the costs of 2 roundtrips for the international experts and one international roundtrip for the study coordinator and key staff participant.

10. Expected results

The study will generate a 40-60 page analytical report, based on demand and supply data of private medical care in metropolitan Lima. The relevant bibliographical data base already exists, both in Lima (the HSA documentation base housed at PAHO/Lima) and in Stony Brook. The additional data to be gathered and analyzed will result in one of the very few studies of the private market for medical services in a developing country. It will estimate the population covered by private care, supplementary to or instead of public health and social security services. The study's findings and recommendations will be of immediate usefulness to USAID/Peru in the development of a private sector component for its new health sector project, and

they will be of interest to the participating private sector institutions. More generally, the study will make a significant contribution to our understanding of the conditions determining HMO development in the LAC region.

ESTIMATED TOTAL COST

		Estimated Cost	
1. Direct Labor - Study Coordinator			
Gail Marie Crowley	115.40/day (62 days)	$6,347	
2. Consultants			
Judith Davidson	200/day (37 days)	8,400	
Alfredo Solari	250/day (38 days)	9,500	
Sub total		25,054	
3. International Travel and Local Transportation			
Gail Marie Crowley	1 trip @ 1,233 + 550	1,783	
Judith Davidson	2 x @ 1,355 + 280	2,990	
Alfredo Solari	2 x @ 837 + 380	2,054	
Sub total		6,827	
4. Per Diem	$67/day in Peru, $75/day U.S.)		
Gail Marie Crowley	(63 days) Peru	4,221	
Judith Davidson	(28 Peru) (6 U.S.)	2,393	
Alfredo Solari	(42 days) Peru	2,814	
Sub total		9,428	
5. Local Peruvian Subcontractors			
Julio Castaneda	300/week (8 weeks)	2,400	
Jose Carlos Vera	300/week (8 weeks)	2,400	
Research Assistant	125/week (9 weeks)	1,125	
Secretary	75/week (9 weeks)	675	
Sub total		6,600	
6. Miscellaneous Direct Costs (3 months)			
Office Space	600/month	1,800	
Stationary	150/month	450	
Supplies (telephone, printing, postage)	300/month (recommend $400/mo.)	900	1,200
Transportation	500/month	1,500	
Sub total		4,650	4,950

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7.	DBAC Insurance (Workman's Compensation)		
	Remuneration 25,054 ($2.67 per $100.00 remuneration)	699	
8.	Direct Labor Fringe (20%)	1,431	
TOTAL DIRECT COSTS		54,779	55,079
9.	General and Administrative		
	BASE $47,510 @ 80% rate	38,008	38,248
	TOTAL ESTIMATED COST	92,727	93,327

TIME SCHEDULE
PERU COUNTRY STUDY

June	July	August	September

GMC
----------21
rep. 2 weeks

JD
22----------6
Peru 2 weeks

GMC
22----------23
Peru 9 weeks

AS
29----------19
Peru 3 weeks

JD
10----------23
Peru 2 weeks

AS
3----------23
Peru 3 weeks

GMC
24---------30
1 weeks

JD
24----------6
Peru 2 weeks
1 week Stony Brook
1 week California

mes:

MC = Gail Marie Greuley
June 6-21 (preparation)
June 22-August 23 (Peru)
August 24- August 30

Judy Davidson
June 22-July 6
August 10-August 23 (Peru)
August 24-August 30 (Stony Brook)
[illegible] (California)

AS = Alfredo Solari
June 29-July 19 (Peru)
August 24-September 6

BUDGET FOR CONSULTANTS
PERU COUNTRY STUDY

Consultants	Fee			International Travel and local transport				Per Diem				
	days	paid	total	Inter. no.	cost	local trans.	total	Peru days	paid	U.S. days	paid	tota
J. Davidson 6/22-6/6 8/10-8/23 8/24-9/6	42	200.	8,400.	2	1355.	400.	3,110.	28	67.	6	75.	2,3
A. Solari 6/29-7/19 8/3-8/23	38	250.	9,500.	2	837.	380.	2,054.	42	67.	-	--	2,8
G.M. Crowley 6/8-6/21 6/22-8/23 8/24-8/30	62	115.40	7,154.	1	1233.	550.	1,783.	63	67.	-	--	4,2
Subtotals			25,054.				6,947.					9,36

Grand Totals: Total Consultants Cost 41,362

Personnel
Peru Country Study

·sonnel	weeks	pay/week	total	
lio Castaneda nterpart	8	300.	2,400.	
se Carlos Vera nterpart	8	300.	2,400.	
ritza Torres search Assistant	9	125.	1,125.	
lingual Secy	9	75.	675.	
and Total			6,600.	

MISCELLANEOUS
Peru Country Study

Items	months	paid	total	
Office Space	3mo.	600.	1,800.	
Stationary	3mo.	150	450.	
Supplies: telephone postage printing	3mo.	300.	900.	
Taxi Driver	3mo.	500.	1,500.	

Grand Total: 4,650

TOPICOS Y ESTRUCTURA DEL REPORTE FINAL

HCF/LAC PERU STUDY

1. Presentación de los Servicios de Salud: ANSSA, organización y financiamiento de servicios de salud en Lima hace 25 años y su evolución con énfasis en aparición y crecimiento de los primeros seguros privados.

2. Descrpción Sumaria del Estudio diferentes formas de financiamiento, modelos alternativos de seguros de salud; objetivos y finalidad.

3. Modalidades principales de Seguros Existentes: organizaciones que las ofrecen, tipos de pólizas, (beneficios, precios, relación con usuarios y con proveedores) clasificación conceptual según riesgo asumido; estimación de volúmen de asegurados y clasificación por tipo de entidad aseguradora, por tipo de ocupación , por niveles de ingreso, etc.

4. Modalidades Principales de Prestación de Servicios Organizados: Descripción gneral de la oferta de servicios: MS, IPSS, Clínicas, Centros Médicos, Médicos (general y especializados) y Farmacias; distribución geográfica de Clínicas y Centros Médicos.

   Clínicas: Patrones de organización y funcionamiento; potencial de participar en un esquema de seguros privados de salud.

   Centros Médicos: patrones de organización y funcionamiento. Planes de expansión y formas evolutivas en vías de gestación.

5. Factores que determinan (favorecen/restringen) los seguros de salud:

   Contexto Económico: Desarrollo industrial, mercantil y fianciero. Surgimiento de clase media. Crecimiento en poder adquisitivo y negociador de trabajadores.

   Crisis Económica: Recesión del 81-85. Fuerte corriente de migración rural a Lima/Callao.

   Presente: Mal funcionamiento y no cobertura de dependientes por IPSS presión de trabajadores; altos

cosotos de la atención médica y presión de la población por asegurarse. Recuperación limitada de gastos ante el IPSS, duplicación de aportes de trabajadores/empresarios para atención de salud; presión en clínicas para incrementar funcionamiento eficiente; presión de cuerpo médico para encontrar fuentes de empleo; ideología médica comienza a apreciar o favorecer. clientela privada.

Potencial: impuesto 20%, sobre oferta mano de obra médica, etc.

- Posición de SBS en relación a esquemas de pre-pagos propios de los proveedores.

- Integración funcional de los servicios del IPSS y del Ministerio de Salud.

6. Estimación de Evolución (próximos 10 años) de la Demanda de Seguros Privados: bajo condiciones actuales (ingresos, crecimiento de la población, evolución de ingresos, etc.)

7. Estimación de Demanda Potencial Siguientes Supuestos:

- Diferentes formas organizativas (tipo HMOSO y ampliar formas conceptuales posibles de desarrollo de organizaciones de préstamo de servicios y financiación),

- Cambio de política del IPSS

- Cambios en la carga impositiva

- Evolución en ingreso familiar

- Utilización de camas de organizaciones públicas (IPSS, MS)

- Aumento de número de camas privadas.

8. Conclusión.

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