

ASSESSMENT OF
PRIVATE AND PUBLIC HEALTH SECTOR
CONSTRAINTS AND OPPORTUNITIES
IN THE REPUBLIC OF GEORGIA

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EXECUTIVE SUMMARY

USAID/Georgia undertook this assessment to identify public and private sector constraints and opportunities for advancing health reform in Georgia, focusing on the participation of private insurance companies, private providers, and the government. It will assist USAID in designing the next project, which will build on the work of the five-year Cooperation in Health Care System Transformation (CoReform) project ending September 30, 2009.

After several attempts over the past years to reform the health care system, the Government of Georgia (GoG) is undertaking a bold health reform initiative relying on market mechanisms to increase the population's access to health care; improve the quality of care; and increase the efficiency of service provision. The reform effort includes the widespread privatization of hospitals and primary health care facilities, a larger role for private health insurers, and better means testing for state-funded programs for poor and disadvantaged citizens. Since unveiling the reform effort at the end of 2006, the GoG has endorsed a hospital privatization master plan; launched a health insurance voucher program for the poor and disadvantaged; initiated a partly subsidized universal health insurance program covering a basic package of health care services; and is planning to privatize primary health care clinics in the very near future.

At the same time the GoG is undertaking this dramatic health reform effort, it is grappling with the effects of the August 2008 Russian invasion and the global financial crisis, as well as strong resistance to the reforms by some opposition parties, all of which are placing great strain on the reform process. Nonetheless, stakeholders agree that the reform efforts are too far advanced to turn back and that failure would harm all involved in the reform process, and especially Georgian citizens.

The assessment team reviewed background documents, interviewed stakeholders from the Government of Georgia, the Georgian Parliament, USAID, other donor organizations, civil society, insurance companies, health care providers, and investors. Most of the stakeholders mentioned similar constraints, believing that some regulation of market forces is necessary to address them.

Health insurers, health care providers, and the government are struggling to build their capacities to function in the newly privatized health sector. Health insurers' constraints include weak management skills of executives, actuaries, and claims managers; inefficient medical coding and provider payment systems; and limited capacity to prevent fraud, including the lack of a database to assess the insurance history of its clients.

Health care providers/investors are hindered by the lack of access to credit, weak management skills, and weak professional medical associations. The delivery of

high quality services is constrained further by a weak accreditation program for facilities, a discontinued physician licensing program, a weak physician continuing development program, and few approved evidence-based clinical protocols and drug prescribing practices.

The government's capacity to guide and monitor the health reforms is constrained by the inadequacies of the national health information system to inform decision-making; its limited capacity to analyze actuarial data and negotiate insurance premiums; too few communication programs on health reforms, insurance, and health promotion; a weak accreditation program for facilities; and limited capacity to manage the process for developing and approving clinical practice guidelines.

The assessment team recommends a variety of interventions to strengthen insurers' capacity to provide quality health insurance services; including activities to improve the management skills of executives, actuaries, and claims manager; strengthen insurers' capacity to detect fraud; create an insurance client database to facilitate fraud detection; offer drug benefit plans based on an Essential Drug List; develop insurance plans that include health-promotion incentives; and continue ongoing efforts to adopt more transparent medical intervention coding and provider payment systems. The latter benefits providers and the government as well as the insurance industry.

To strengthen providers' capacity to meet citizen's expectations for affordable, higher quality services, the team recommends that the next project undertake interventions to increase providers' access to financial credit; improve provider management skills; strengthen medical associations' capacity to play a more active role with the MoLHSA in monitoring the quality of health care; and establish a clearinghouse of evidence-based medical literature and clinical practice guidelines, etc.

Finally, to strengthen the government's capacity, the team recommends interventions to promote a "partnership" between the MoLHSA to strengthen the accreditation program for medical facilities; work with other donors to improve the health information system; institutionalize the capacity to analyze and negotiate premiums for public insurance plans, including a plan including coverage for drugs; and strengthen the MoLHSA's capacity to educate consumers on the health reforms and health insurance.

Over the past five years, USAID's CoReform project has made important contributions to advancing health reform; for example its assistance in creating the Health Insurance Mediation Services and facilitating the working group on medical classification systems. Still, much work remains to be done if the health reforms are to succeed. The next project can build on CoReform's work and, along with USAID/Georgia's other health programs, leave an important legacy of the USG presence in Georgia—better health care for all Georgians.

BACKGROUND AND PROBLEM STATEMENT

Starting in 1997, the Government of Georgia (GoG) made several attempts to transform Georgia's health care system into one that improves the efficiency, accessibility, and quality of health care services. The first rounds of reforms focused predominantly on developing a nationwide primary health care network. However, these attempts were less successful than expected in achieving their objectives, partly due to weak GoG leadership and lack of effective donor coordination.

At the end of 2006, the GoG embarked on a new strategy by turning to market mechanisms to improve access to health care, upgrade infrastructure, improve the quality of health care services, and increase the efficiency of service provision. The Government pursued a three-pronged strategy: better means-tested targeting of state resources to address the health needs of the poor and disadvantaged; increased privatization of health care providers (including hospitals and primary health care facilities); and, an enhanced role for private health insurers.

Currently the GoG is pursuing this program at the same time it is recovering from the consequences of the August 2008 Russian invasion and coping with the global financial crisis. In this environment, failure of the health reform program could cause increasing numbers of Georgians to fall below the poverty line and erode public support for the current administration. According to the International Republican Institute's (IRI) recent public opinion survey conducted in Georgia, health care reforms are amongst top three priorities that the population is demanding from the government. The government places a high priority on the reforms succeeding and fears failure could lead to political instability. The political opposition frequently criticizes the health sector reforms as a major issue.

Hospital Privatization

The Hospital Restructuring Master Plan, endorsed by the GoG in early 2007, aimed to build and open 100 new hospitals by private investors over the next 2-3 years. In early 2008, the government signed contracts, transferring the majority of publicly owned hospitals to investors and obliging them to construct and operate new hospitals for a minimum period of 7 years. The subsequent global economic crisis has placed great strains on this process. Many of the new hospital owners report difficulty obtaining the capital needed to either build the new hospitals or renovate and operate the old ones. In November 2008, hospital investors threatened to exercise the *force majeure* clause of their contracts unless the Ministry of Economic Development (MoED) granted them lengthy postponements of the construction requirements of their contracts. The Ministry granted the investors postponements of 6 months to a year. The government also granted permission to hospital investors to collateralize newly acquired property in order to obtain credit for constructing and equipping new hospitals, as

outlined in their obligations. In 2009 the GoG also intends to privatize most primary health clinics (PHC) by transferring their ownership to medical personnel currently working in these clinics for a symbolic price. Ownership will fall into three categories: stand-alone ownership, many including facilities newly renovated by the Economic Commission and the World Bank, whereby the owner assumes title to the facility and land; partial ownership in small villages whereby the owner manages the clinic as an enterprise but the local government retains ownership of the building; and ownership by hospital investors that include urban polyclinics in their regional networks of referral hospitals, feeder hospitals, and feeder polyclinics.

Private Health Insurance

In addition to the challenges the GoG is confronting to privatize health care providers, the government is facing the challenge of increasing citizen access to health care services -especially access of the poor, vulnerable groups, and internally displaced persons (IDPs). The GoG is gradually providing private-sector-led health care insurance coverage through a voucher program. The program uses a poverty means testing process to determine who should be classified as poor and therefore should be eligible to receive health insurance vouchers. The means test of each family or individual is calculated based upon a point system, which reflects the actual income of the family or individual, as well as their assets and property. Those with points below 70,000 are entitled to free health insurance vouchers. Recipients use the vouchers to purchase private health insurance policies. This free insurance covers all essential outpatient and hospital care, but excludes outpatient drugs.

At the outset, the plan targeted 200,000 eligible individuals in Imereti and Tbilisi. In April 2008, the GoG expanded the program to cover an additional 600,000 low-income beneficiaries as well as public school teachers (83,000 of which 70% are women), military (40,000), police (35,000 of which 70% are men) and penitentiary facilities' staff and prisoners (30,000).

In 2009, the GoG expanded coverage nationwide to approximately 1,100,000 poor beneficiaries and 150,000 public school personnel. Funding for the state program for the poor increased from GEL 75 million in 2008 to GEL 130 million in 2009, and funding for the school personnel insurance program from GEL 8.4 million in 2008 to GEL 19.6 million in 2009. The voucher program significantly boosted the development and expansion of the Georgian insurance industry. Overall, the program for the poor and schoolteachers dramatically improved financial access to health services for these vulnerable groups.

In mid-February of 2009, the government announced a new affordable health insurance program for all citizens not already covered through other arrangements. The new insurance program covers the costs of urgent care in case of accident, 50% of urgent non-accident inpatient care costs, urgent outpatient care, unlimited visits to primary health care physician, and limited

laboratory and diagnostic tests at the PHC level. This insurance package, too, does not cover medicines. The government subsidizes GEL 40 of the GEL 60 annual premium and each beneficiary pays the remaining GEL 20. A citizen may choose to purchase a more comprehensive insurance plan and still receive the GEL 40 subsidy from the government. However, if the citizen purchases a plan for more than GEL 180/year (GEL 15/month), the GoG assumes the person is sufficiently well off enough to not receive the government subsidy.

The new plan is intended to protect targeted population groups from catastrophic health care expenditures, which are the main factor pushing health care consumers below the poverty line, accustom citizens to the idea of health insurance, and open up the retail health insurance market to the public. More than 25,000 Georgians have enrolled in the program since it opened and the government hopes the current ongoing public education campaigns will encourage 500,000 citizens to enroll by the end of 2009. A stand alone state medical program covers children under the age of three and adults older than 60, without participation of the insurance industry. For those older than 60, the state pays 75% and the patient pays 25% of the health service costs.

The MoLHSA is also considering the feasibility of introducing next year a U.S. Medicare-type program to cover those over 60 and add selected essential medicines to the state subsidized insurance package offered to the poor. The GoG intends to take precautions to ensure the Georgian programs avoid the high costs and excessive number of uninsured.

Access and Utilization of Health Care Services

Improvement of health outcomes in Georgia remains a continuing challenge. Appropriate and timely utilization of quality health services is a key proximate determinant of health status. Health services utilization rates are the lowest in the European and Central Asian (ECA) region with less than two outpatient visits per capita and less than five inpatient visits per 100 people. For those uninsured, out-of-pocket payments for treatment are still a major barrier to seeking care. Illness is one of the causes of falling into poverty, as 10 percent more individuals fall below the poverty line after incurring hospitalization expenditures.

Private Health Insurance Company Capacity

Although the Georgian health insurance industry is in its infancy, it is witnessing exponential growth. Two years ago, the industry serviced 40,000 clients only. Today, it struggles to service 1,500,000 and the number continues to rise. Contracts between the insurance companies and providers, including provider payment mechanisms, are still rudimentary and not standardized, allowing for ambiguity of interpretation, fraudulent practices and leading to irresolvable disputes between the parties, ultimately affecting patients. Different classification systems for diseases and medical interventions create a heavy reporting and claims processing workload, both for insurers and providers.

Private insurers, providers, and government purchasing agencies are hampered by the lack of a standardized system for coding medical diagnoses and treatments. The lack of such a system greatly reduces the efficiency, transparency, and accountability of the medical claim and cost reimbursement process. Insurers reimburse hospitals on claims that are not uniform in how they define the diagnoses and treatments provided, making the process highly inefficient and time-consuming to manage. Medical interventions classification system is being developed through the currently ongoing USAID CoReform project in partnership with the insurance industry, health service providers and MoLHSA representatives. Nevertheless, extensive training both for insurers as well as for providers of health services will be needed to ensure smooth introduction and implementation of the new classification systems.

Insurers complain about how quickly providers and their competitors have learned to "game" the health insurance programs. Several stakeholders, both in the private and public sector, noted that some providers charge for services that were not performed or categorize a diagnosis as more severe than it is in order to receive higher reimbursement. Insurance companies must pay staff or third parties to investigate suspected fraud and are still learning how to identify and address fraudulent practices. One insurance executive stated that its company had auditors to investigate suspicious claims. However, training is on an ad hoc basis and a stronger fraud prevention system is needed. Although the new medical interventions classification systems will help to standardize the payment systems, claims auditing will still be needed.

Currently, Georgian insurance companies lack a database to track client insurance status and history. In the absence of such a database, beneficiaries can purchase double insurance and be reimbursed twice for the same procedure. A database that records if the client already is enrolled in an insurance program would prevent the issue of double insurance. In addition to helping to prevent fraud, the database would also track the client's premium payment history. With the database in place, an insurance company could charge a lower premium to the customers with a good payment history. The database could help to lower high financial barriers to choosing a new insurance company. Hospitals and other health service providers could also access the database to see the client's insurance status.

The nascent private health insurance industry has little experience in writing policies with health promoting services and incentives to practice healthy behaviors. Short-term (annual) insurance policies create no incentives for the insurance companies to invest in health promotion and disease prevention of their enrollees. Insurers are ill informed about cost-effectiveness of preventive services and costs of covering preventive services are immediate, while expected savings from less curative care are long-term. The MoLHSA would like to encourage insurance companies play a greater role in providing incentives for the public to adopt healthy behaviors. An example is the use of seat-belts in the

United States which gained wide-spread acceptance once auto insurance companies stopped reimbursing medical claims if the person was not wearing a seat belt in a collision.

Insurance companies, civil society organizations, political parties, and government frequently cite the need to adopt an Essential Drug List as a first step to include pharmaceuticals in the state subsidized insurance policies. Despite the liberalization of the pharmaceutical market, oligopolies formed and drove drug prices higher. Pharmaceuticals account for one of the biggest costs for an insurance company and, for this reason the government does not include them in its subsidized insurance packages. The MoLHSA regards this as a major issue. A new draft law on pharmaceuticals, developed with USAID assistance and aiming to reduce costs through fair competition, is awaiting approval by the parliament. An Essential Drug List is vital to all parties to contain costs while ensuring access to drugs.

Privatized Health Facility Capacity

The sweeping privatization program includes all health facilities, with the exception of five public hospitals. Many owners of these newly privatized facilities need training in basic management skills in order to operate them as successful businesses. They face the same systems constraints just described for their insurance company counterparts.

Private sector investors lack the credit they need to complete the construction or renovation of hospitals and polyclinics. Investors did not sign contracts until July due to a shortage of staff in the Ministry of Economy and resulting delays in the issuance of property titles. The Russian-Georgian War followed in August, and the global financial crisis hit in September. Local banks are dealing with liquidity concerns and do not have the capital to lend. The Georgian banks had borrowed heavily from abroad due to favorable interest rates and these loans totaling \$300USD million come due at the end of 2009. They will be receiving \$500 million from the USG, IFC, and EBRD to pay foreign loans and to help restore liquidity. In the meantime, the banking situation in Georgia remains tight. Interest rates are unaffordably high and investors are seeking credit elsewhere.

Public Sector Capacity to Guide and Monitor Health Care Services

The MoLHSA needs further capacity building to implement its new role as a regulator and monitor of private health service providers, including the quality of care and the efficient and effective implementation of the GoG's privatized health insurance programs. The GoG envisioned a limited regulatory role for the government when it launched the reform program in early 2007. Since then, it has become clear that some regulatory oversight is needed. Government capacity in areas such as the accreditation of hospitals and approval and issuance of clinical practice guidelines remains weak.

Georgia lacks an effective national health information system to provide timely, reliable demographic, epidemiological, clinical, service use and financial information needed to monitor health reforms, inform decision-making, and permit the efficient management of the privatized health system. Public and private sector stakeholders' plea for such a system and view it as being critical to everyone's success. The MoLHSA clearly recognizes the need as well and is seeking assistance from all major donors to create the system.

Currently there are no minimum standards set for hospitals in Georgia. The Ministry of Health's regulatory department is responsible for licensing hospitals with help from the Georgian Medical Association. However, the department does not have the capacity to ensure all hospitals are adhering to basic standards. The Ministry, its regulatory department, and Georgian Medical Association, agree on the need to strengthen the hospital licensing system and to establish a hospital accreditation program.

The GoG subsidized health insurance packages do not cover pharmaceuticals for outpatient use. In the setting of heavy burden of chronic non-communicable diseases, out of pocket payments for pharmaceuticals remain significant barrier to receive care. Due to unregulated drug market and high prices, insurance companies are also hesitant to include drug packages in their low and middle-priced insurance policies. Private insurance companies are not using positive drug lists, and the Essential Drug List, developed with assistance of WHO several years back is outdated.

Both the public and private sectors express the need for consumer education and outreach on consumer rights and responsibilities. Consumers do not understand the concept of insurance, nor the growing variety of public and private plans available. The Georgian Private Insurance Association is concerned that Georgians are not accustomed to the idea of insurance where the individual must pay now to receive benefits later. There have been many cases where individuals have bought insurance only after learning that they need a costly medical procedure. This practice has resulted in the rejection of many insurance claims due to preexisting conditions and also an unfavorable risk pool for low-cost policies which may ultimately jeopardize the industry's willingness to participate in government sponsored insurance programs for lower income and vulnerable groups. The health insurance industry has identified the need for public outreach and education on how health insurance works.

Along with a lack of understanding of how insurance works, the sheer number of different insurance options available to consumers makes it difficult to decide which insurance option would be most suitable for them. A donor agency representative questioned whether people would know how to make informed choices among the different insurance options, fearing that the poor segment of population would be especially vulnerable to making uninformed decisions due to lack of information. Some worry that consumers do not know the benefits that

are available to them through the insurance system and expressed the need for more consumer education.

The GoG has begun a door-to-door education campaign asking if each resident is aware of about the new 60-lari program and if they are enrolled in an insurance program. This is an important first step in the education and outreach campaign and shows government commitment. Some stakeholders also stated that the 60-lari program will be a good educational tool to teach people how insurance works; it is hoped that the consumer who purchases the 60-lari program will understand how insurance works and be pleased with the benefits and will then purchase a more comprehensive insurance plan.

Role of Professional Medical Associations

The MoLHSA is looking to medical associations to play a more collaborative role with it to monitor the quality of care, develop and enforce standards of care, including the accreditation of medical facilities and the continuous professional development of providers. MoLHSA hopes to work collaboratively with medical associations and school on physician licensing programs, creation of standard clinical practice guidelines, and continuing professional development programs.

Public Health Functions and Roles of Public and Private Sectors

While the overall health reforms are directed towards privatization and introduction of market mechanisms, the GoG acknowledges the need to retain direct responsibility over provision of essential public health services, such as immunization, TB and HIV control, health promotion, etc. Most community-based and universal public health services are public goods, benefiting all regardless of their actual payments, and therefore individuals are not willing to pay for them. In the new, private sector dominated health care services marketplace, GoG will have to outsource provision of public health services to privately owned health service providers; e.g. immunization will be carried out by the privatized PHC clinics. The essential public health services to remain in the GoG's responsibility should be defined and models of involvement of private sector in delivering such services developed.

INTERNATIONAL DONOR SUPPORT

For many years, international and bilateral donors have assisted Georgia in planning and implementing the health sector reform, largely focused on strengthening the primary health care system.

World Health Organization

The WHO does not contribute large sums of funding to the health reform effort, but it is making an especially valuable contribution through its support and participation on the Health Systems Performance Assessment working group. This group includes representatives from the WHO, the Ministry of Health, World

Bank, and USAID. In other health areas, WHO works on disaster preparedness and responses, training of trainers for improved quality of treatment of the integrated management of childhood illness (IMCI) for regional hospitals, and has specific health programs working on HIV/AIDS, TB, and malaria.

World Bank

The World Bank, through the Georgia Health and Social Projects Implementation Center, has been focused on strengthening primary health care (PHC), including rehabilitation of PHC infrastructure and training of personnel. In addition, the World Bank in the next two years is planning to support development of up to 20 clinical practice guidelines for PHC, carry out an information campaign aimed at informing beneficiaries of state subsidized programs about their entitlements, support MoLHSA in health information system development and strengthening, and conduct a Health Utilization and Expenditure Survey (HUES).

European Commission

The European Commission (EC) health assistance program focuses on strengthening primary health care and developing information systems. EC has been training primary health care doctors and nurses in clinical skills for the past year and will continue to do so for the following two years. In addition to training, the EC has rehabilitated 52 primary health care centers in the Kakheti region. The EC also mapped Health and Social Programs Agency (HeSPA) business processes, and designed and purchased an information system to improve purchasing the business processes.

U.K. Department for International Development (DFID)

DFID left Georgia at the end of 2008. During DFID's time in Georgia, the agency worked with the World Bank on strengthening the primary health care system. DFID assisted with the technical assistance aspect of curriculum development clinical training for primary health care physicians and wrote a series of documents on the health reform effort.

USAID

CoReform Project: The Cooperation in Health System Transformation (Co-Reform) project ends in September 2009 and has been assisting Georgia's health reform effort since 2005 through a number of successful activities benefiting the public, insurance companies, providers, and government. For example, the Health Insurance Mediation Service (HIMS), created for out of court resolution of disputes between insurance companies and insured, has helped to lower costs for insurance companies and clients and has increased customer satisfaction. With this third party mediation service, insurance companies and clients can resolve disputes in a less costly, yet satisfactory, way. The mediation service is widely praised by all stakeholders, though its functioning still relies heavily on USG funding.

CoReform is assisting insurance companies and providers to develop the medical interventions classification system and facilitate the creation of model contract agreements between insurers and providers. The classification systems will greatly reduce redundancy in reporting, reduce paperwork, streamline business processes, increase information sharing, and reduce costs. The standard contracts will also help to streamline business processes and make it easier for insurance companies to contract with hospitals.

CoReform has further plans to support health care providers through management training for primary health care (PHC) physicians. The PHC physicians will become owners of their clinics under the privatization effort and yet most do not have management skills. Therefore, CoReform has developed and will contract out a 5-day management course that is ready to be implemented after the privatization of the PHC clinics occurs in 2009.

CoReform is enhancing the capacity of the MoLHSA to set premiums and interact with private health insurance companies through the provision of a part-time consultant. The consultant works in the Ministry to help calculate premium costs and negotiate with the insurance companies. Stakeholders have viewed the CoReform project favorably and the HIMS and classification systems are seen as especially helpful. As a CEO of one of the hospitals mentioned, standardization of the contracts and reporting will significantly reduce his administrative expenses, ultimately reducing the costs of medical services to consumers. See attachments for key CoReform reports.

Health Management Education Project: Responding to the growing demand in qualified health managers in Georgia, USAID partnered Georgian and U.S. universities to offer to the private health industry graduate degree and professional short training courses in health insurance and health service management. Masters of Business Administration (MBA) and Masters of Health Administration (MHA) courses were designed in two private Georgian universities along with the faculty and teaching material development. To date the Health MBA programs produced 32 MBA graduates in health and insurance management. Currently, there are 32 students registered for the MHA degree. More than 50 insurance company and hospital middle managers are undergoing various professional short courses and 21 faculty members from Georgian partner universities are involved in the faculty development program.

Loan Guarantees Program: In order to address hospital investors' limited access to credit to fulfill their new hospital construction obligations, USAID is planning to use a Development Credit Authority (DCA) mechanism. A partial loan guarantees will be offered to qualifying hospital investment companies for amounts borrowed from privately-owned banking/financial lending institution as determined by USAID/Caucasus.

Programs to Improve Priority Health Services: In addition to the policy advisory assistance that USAID/Georgia provides the GoG through the CoReform project (described above), USAID provides assistance to help control the spread of TB, HIV/AIDS and STI, develop modern emergency medical services, as well as expand and improve reproductive health services. These projects recognize the need for targeting specific diseases and strengthening health systems to achieve better health outcomes.

PROBLEM STATEMENT

Notwithstanding the considerable efforts of the GoG, donor agencies and private sector entities, technical assistance is still required to ensure successful advancement of health care reforms. Government subsidized health insurance plans have significantly improved the affordability of health care services for the targeted population groups. Nevertheless, financial access to health care services remains inadequate for significant portions of the population. For those uninsured, out-of-pocket payments for treatment are still a major barrier to seeking care. With the exponential growth of the Georgian health insurance industry over the last two years, limited technical knowledge and management skills of the insurance companies became more evident.

The relationship between insurance companies and health services providers remains particularly problematic, leading to delays in claims reimbursement and fraudulent practices which ultimately affects end users of health services. Providers of health services at the hospital and PHC levels lack necessary skills and knowledge to manage their facilities and productively engage in business relationships with the insurance industry. Georgia lacks an effective national health information system to provide timely, reliable demographic, epidemiological, clinical, service use and financial information needed to monitor health reforms, inform decision-making, and permit the efficient management of the privatized health system. The privatization process suffers from the weak regulatory capacity of the Ministry of Labor, Health, and Social Affairs (MoLHSA), both to monitor the quality of care provided by private health care providers, and to ensure the health insurance voucher program is transparent, efficient, and effective. Professional medical associations are still very weak and unable to self-regulate their profession and develop evidence based clinical practice guidelines in order to ensure high quality of services. Adoption of an essential drug list is critical to ensuring that lower income Georgians have adequate access to affordable medications.

Providing the needed technical assistance to the health sector reforms in Georgia is needed to ensure that the continuation of reforms is successful, ultimately benefiting every Georgian citizen and contributing to stability and prosperity in the country.

RELATIONSHIP TO US COUNTRY STRATEGY

Relationship to the Development Planning Framework for Georgia, FY 2009 – 2011

The project falls under the assistance objective Investing in People of the Development Planning Framework for Georgia, FY 2009 – 2011. More specifically, the project interventions address the priority goal of Improved Delivery of Social Services, and its approaches one and two. *Approach One: Build GoG's management capacity to ensure provision of quality social services.* The Ministry of Labor, Health, and Social Affairs (MoLHSA) needs substantial management training and capacity building to manage and monitor the provision of both privatized and non-privatized public health services. The GoG's management capacity building will result in expanded private health insurance program for the poor, provide timely payment to health care providers as well as ensure appropriate benefit coverage. *Approach Two: Build management and technical capacity of private health service providers.* As reliance on private health service providers rapidly expands, additional technical assistance and training will be needed to help these companies deliver quality services. Additional technical assistance will be needed for private health insurance companies to ensure that they provide appropriate benefits to policy holders and timely payments to health care providers. Assistance to hospital and polyclinic investors to construct, equip and/or renovate their facilities through DCA loan guarantees will enable investors to provide higher quality and more efficient services at their current facilities.

Relationship to the US Mission Strategic Plan

Implementation of the activity will support achievement of the **Strategic Assistance Objective for Investing in People** and the **Assistance Goal of Improving the Delivery of Social Services** by improving access to high quality evidence based health care services.

Host Country Commitment

The Ministry of Labor, Health and Social Affairs (MoLHSA) is focusing on three strategic objectives:

- **Strategic Objective 1.** Increasing the wellbeing of the population through developing more efficient social safety net and improving health of the nation;
- **Strategic Objective 2.** Ensuring national security through minimizing public health problems and threats and creating conducive healthy environment for population wellbeing;

- **Strategic Objective 3.** Strengthening capacity of the MoLHSA and affiliated agencies to achieve better efficiency, effectiveness and responsiveness to the challenges ahead.

The Ministry of Labor, Health and Social Affairs is committed to continuing and strengthening its health reform agenda. This is evidenced by the number of publically-subsidized health insurance programs the GoG has announced to date, the growing allocation of public expenditures to fund these programs, as well as the Ministry advancement and strong support for private investors in the health sector. The Ministry has asked USAID for technical assistance to improve and strengthen these initiatives as well as helping the Ministry to launch new initiatives, such as insurance coverage for essential drugs and improved oversight of private and public sector service providers.

Crosscutting Linkages

The project significantly supports and reinforces other key USG strategic foreign policy objectives including:

- Contributing to a positive long term impact on the domestic demographic situation and the health status of the workforce;
- Improving the management and delivery of social services, meeting basic survival needs of the vulnerable groups and minimizing poor health as determinant of poverty;
- Reducing the burden to the society of costly medical costs through greater efficiency in health service provision.

Relationship to USG Operational Plan

Proposed activities will support the following components of the USAID Operational Plan: Assistance Objective: Investing in People; Program Area 3.1-- Health; PE 3.1.6 Maternal and Child Health.

From a funding perspective, MCH-designated funding will largely support the proposed activity. The most directly relevant sub-elements under each of these program elements are:

Program Element 3.1.6: Maternal and Child Health

- Sub-Element: Health Governance and Finance (MCH)
- Sub-Element: Host Country Strategic Information Capacity (MCH)
- Sub-Element: Administration and Oversight (MCH)

Proposed indicators for the new project by objectives are presented in Section 6.

STATEMENT OF NEED

Notwithstanding the considerable efforts of the GoG, donor agencies and private sector entities, technical assistance is still required to ensure successful advancement of health care reforms. Government subsidized health insurance plans have significantly improved the affordability of health care services for the targeted population groups. Nevertheless, financial access to health care services remains inadequate for other significant portions of the population. For those uninsured, out-of-pocket payments for treatment are still a major barrier to seeking care. With the exponential growth of the Georgian health insurance industry over last two years, limited technical knowledge and management skills of the insurance companies became more evident. In the current stage of health care reform implementation in Georgia, external technical assistance is crucial for attaining the ultimate goal of the reform – making high quality health care services affordable and accessible for Georgian population. The project will play a critical role in transforming Georgia's health care system from a public to private sector driven one, leading to efficiency gains and better consumer satisfaction as a result of market forces. Successfully doing so requires bold and expeditious efforts to strengthen the capacity of the key stakeholders involved, including the Ministry of Labor, Health and Social Affairs, private insurers, private health care service providers, and the consumers of these services.

PROPOSED INTERVENTIONS

In the current stage of health care reform implementation in Georgia, external technical assistance is crucial for attaining the ultimate goal of the reform – making high quality health care services affordable and accessible for Georgian population. The project will play a critical role in transforming Georgia's health care system from a public to private sector driven one, leading to efficiency gains and better consumer satisfaction as a result of market forces. Successfully doing so requires bold and expeditious efforts to strengthen the capacity of the key stakeholders involved, including the Ministry of Labor, Health and Social Affairs, private insurers, private health care service providers, and the consumers of these services.

The goal of the project is to support GoG's health reform efforts aimed at improved population health status, access to, and satisfaction with the quality of health services. The new project will contribute to these efforts by achieving the following three objectives over a five year period.

- Objective 1: Strengthen insurer capacity to provide quality health insurance services;

- Objective 2: Strengthen provider capacity to manage and deliver quality health care services;
- Objective 3: Strengthen government capacity to guide and monitor health reforms.

Project Interventions:

Objective 1: Strengthen insurer capacity to provide quality health insurance services

Stronger insurance companies with efficient and transparent business practices will be much better able to fulfill their obligations in relation to the GoG subsidized health insurance policies, attract new enrollees in their voluntary insurance pools, as well as enhance confidence between themselves and health service providers. The project will undertake high priority interventions to strengthen insurers' capacity to provide quality health insurance services, including initiatives to improve the management skills of executives and claims managers, strengthen insurers' capacity to detect and prevent fraud, create an insurance client database to facilitate fraud detection, introduce drug benefit plans based on an Essential Drug List, develop insurance plans that include health-promotion incentives, and continue ongoing efforts to adopt more transparent and efficient medical intervention coding and provider payment systems.

Interventions:

- Strengthening insurance management skills, building upon efforts to date to establish curriculums and build the capacity of local universities in training insurance company executives and other professional staff. Specific activities will include:
 - Revise and update as appropriate curriculums for graduate programs and short courses;
 - In collaboration with the partnering Georgian Universities, GIA and health insurance companies, develop and offer to the industry new professional training programs for health insurance managers, claims managers, risk analysts, underwriters, actuaries, and other professional staff.
- Development of systems for insurance fraud detection and prevention while strengthening systems to safeguard confidential personal data in compliance with international privacy standards. Specific activities will include:
 - Jointly with MoLHSA and GIA, conduct an insurance fraud assessment to document types and trends of fraud, as well as identify its root causes.

- Based on assessment findings, propose recommendations to the GIA and MoLHSA on ways fraud can be detected and prevented while safeguarding inappropriate access or release of confidential personal data.
- Provide technical assistance to implement proposed recommendations.
- Provide technical assistance to GIA and MoLHSA to develop an electronic database of insurance clients. Specific activities will include:
 - Reach agreement on the list of variables to be included in the database, host of database and its funding options;
 - Ensure proper safeguards are in place for protection of personal data and prevention of its inappropriate use;
 - Define access privileges for the various stakeholders;
 - Assist in development of the database.
- Provide technical assistance to the insurance companies to develop and offer standard benefit plans including outpatient drug benefits based on an Essential Drug List (EDL). Specific activities will include:
 - In collaboration with MoLHSA, WHO, professional medical associations and insurance companies, revise and update the existing EDL.
 - Jointly with GIA conduct series of workshops to strengthen analytical capability of insurance companies to design affordable drug benefit packages and develop drug reimbursement schemes.
- Provide technical assistance to insurance companies to develop insurance plans that include health promotion benefits and incentives. Specific activities will include:
 - Conduct a review/study to justify benefits of investing in health promotion of their enrollees by the insurance companies.
 - Develop mechanism on how to retain clients in the insurance pools for a longer than one year periods, in order to create genuine incentives for insurance companies to invest in health promotion.
 - Develop model insurance plans that include incentives for enrollees to practice healthy behaviors, including, but not limited to denial of benefits if the beneficiary was not wearing a seatbelt in a car accident, discounts for not smoking or practicing other healthy behaviors, distribution of health education materials, issuing quarterly newsletters and discussing healthy lifestyle behaviors on TV talk shows etc.
 - Revise and develop evidence based screening and preventive health examinations calendars and elaborate models for reimbursing PHC providers for health promotion, screening and disease prevention services.

- Assist providers, insurers, and the government to adopt standard medical intervention classification systems and develop new provider payment models in collaboration with GIA and MoLHSA. Specific activities will include:
 - Conduct trainings for health insurance companies and service providers on the new coding and classification systems;
 - In collaboration with the MoLHSA, GIA, insurance companies and health service providers develop provider payment methods, such as case-based and capitation reimbursement for hospitals and primary health care providers respectively;
 - Develop implementation plan for national roll-out of the new provider payment systems;
 - Conduct targeted trainings and workshops for health insurance companies and service providers on the new provider payment systems;
 - Develop a monitoring and evaluation system to track performance in implementing the new systems

- Continue provision of technical assistance to the Health Insurance Mediation Service.
 - Assist HIMS in developing its sustainability plan and funding options and negotiate it with the MoLHSA and GIA.
 - In the beginning of the project, provide partial operational funding for the HIMS as necessary.

Expected Results:

- Improved management skills of health insurance company executives and other professional staff.
- Strengthened health insurance company fraud detection and prevention skills, appropriate systems in place.
- Electronic database of health insurance clients with appropriate safeguards for protection of personal information in place.
- Insurance companies are offering standard health insurance plans including outpatient drug benefits based on an Essential Drug List.
- Improved company capability to offer private insurance plans with health promotion and disease prevention services and incentives; especially those relating to MCH, FP/RH, TB, HIV/AIDS, priority non-communicable diseases and injuries.
- Medical intervention classification systems in use in hospitals and primary health care facilities.
- Case-based provider payment system operational in hospitals.
- Capitation provider payment system operational in primary health care facilities.
- HIMS fully operational in 2011.

Objective 2: Strengthen providers' capacity to manage and deliver quality health care services

Enhancing management skills of the health service providers, both private and public, is absolutely critical for success of reforms and meeting citizen expectations for affordable, accessible and higher quality services. The project interventions will be targeted at improving and standardizing business relationships between health service providers and insurance companies, enhancing quality and effectiveness of health services, strengthening capacity of professional medical associations to play a more active role in ensuring higher quality of services, and improving access of health professional to modern evidence based medical knowledge.

Interventions:

- Strengthening management skills of hospital and PHC managers, building upon the work to date to establish curriculums at local universities and offer entrepreneurial trainings to the PHC managers. The project will promote collaboration between the professional medical associations and the universities to ensure the latter offer courses that meet the needs of their members for meeting standards for licensing certification and continuous professional development. Specific activities will include:
 - Revise and update as appropriate curriculums for graduate programs and short courses;
 - Identify new professional training needs.
 - In collaboration with the partnering Georgian Universities, develop and offer to the industry new professional training programs for health service managers.
 - Provide additional advisory assistance to the emerging private PHC clinics and meet their ongoing re-fresher training needs.

- Provide technical assistance and training to assist medical associations in developing programs and processes aimed at improving the quality of health care services and facilities of their members. Specific activities will include:
 - Facilitate dialogue between professional medical associations and MoLHSA to reach agreement on the roles and responsibilities of professional associations aimed at ensuring better health service quality;
 - Assess the strengths, weaknesses, opportunities and threats of the associations, and develop strategies and work plans to identify and fulfill their roles for those associations deemed viable and interested in expanding their roles.
 - Strengthen the capacity of professional medical associations in development of evidence based clinical practice guidelines

- Assist associations in recommending accreditation standards to the MoLHSA for hospitals and primary health care facilities.
 - Assist the associations in establishing programs of continuous professional development to insure physicians' skills meet evidence-based standards.
 - Explore opportunities for introducing international quality management techniques and approaches to ensure clinical excellence in Georgian health care sector.
- Improve access of Georgian medical professionals to modern evidence based medical knowledge. Specific activities will include:
 - Provide technical assistance to establish an information clearinghouse on the Internet that will serve as a central repository of literature on evidence-based medicine (including translated materials), clinical practice guidelines, standard protocols, etc.
 - Facilitate discussions among the associations and MoLHSA on the modes of the clearinghouse funding, maintenance and management;
 - Develop and offer targeted course for health professionals in Medical English;
- Assist USAID/Caucasus in monitoring implementation of the approved DCA hospital investment projects and identifying possibility of new hospital DCA projects.
 - Develop monitoring timeline and procedure;
 - Report to USAID/Caucasus on the progress made by the approved DCA projects;
 - Identify new health DCA opportunities based on market assessment.

Expected Results:

- Privatized hospitals and PHC facilities provide higher quality services;
- Medical associations exercising more active and substantive roles in monitoring the quality of health care services.
- Physicians have improved access to evidenced-based medical literature, clinical practice guidelines, etc
- Approved hospital DCA projects are implemented as scheduled.

Objective 3: Strengthen GoG's capacity to guide and monitor health reforms

Notwithstanding the substantive role of the private health insurance companies and health service providers in the emerging health care architecture of Georgia, MoLHSA will still continue to play a key stewardship and oversight role in order to ensure that their policy goals of health service access, quality and equity are met

and maintained. Project activities will focus on strengthening the ministry's technical capabilities as the planner and negotiator with the insurance industry and providers.

Interventions:

- Facilitate discussions between medical associations and the regulatory department in MoLHSA to identify how the associations can assist the Ministry in performing its health facility licensing (meeting basic minimum requirements to obtain a license) and accreditation (a much more rigorous audit linked to Joint International Commission Accreditation standards) functions.
 - Assist the Ministry in identifying its capacity constraints and recommend options for addressing them. Particular attention will be given to the expanded roles that the medical associations can play as partners with the regulatory department in strengthening the accreditation process.

- Assist MoLHSA in developing and implementing a Health Information System and a Management Information System for Social Services (MISSS), in partnership with other donor agencies, such as World Bank and European Commission. Specific activities will include:
 - Participate in the donor-working group established to coordinate assistance on creating the Health Information System (HIS).
 - Define specific elements / components of HIS and MISSS to be addressed by USAID assistance;
 - Provide technical assistance, training, database entry and software that is required to make this component operational.

- Strengthen MoLHSA capabilities and skills to engage in negotiations with the insurers and service providers. Specific activities will include:
 - Provide technical assistance and training to help the MoLHSA institutionalize this capacity.
 - Establish a coordination committee consisting of MoLHSA, USAID, and representatives of health insurers and service providers to coordinate technical assistance to ensure that technical assistance is effective and targeted.

- Improve access to essential medicines within GoG subsidized insurance packages. Specific activities will include:
 - Provide technical assistance and training to help the MoLHSA to include drug benefits in GoG subsidized health insurance packages, based on an Essential Drug List and monitor access and affordability to drugs for vulnerable populations.

- In cooperation with the WHO, update the existing EDL reflecting the country morbidity pattern and building on evidence based clinical practice guidelines;
 - Develop systems for keeping the EDL up to date;
 - In coordination with USAID's projects for Family Planning and TB, the Global Fund, the National Tuberculosis Program and the National AIDS Center, help MoLHSA evaluate the relative merits of adding antiretroviral and TB drugs to the Essential Drug List for prescription through private health service providers.
 - Facilitate negotiations between MoLHSA and insurance industry to utilize the EDL.
 - Provide technical assistance and training to NGOs involved in consumer issues to develop activities for consumer advocacy on health issues.
- Empower consumers of health care services to make informed health care seeking decisions and enhance insurance literacy among general public. Specific activities will include:
 - Provide technical assistance to the MoLHSA to expand its outreach efforts to educate consumers on how the health reform program will benefit them.
 - Assist the Ministry to engage in grassroots discussions with citizens, distribute printed materials, and identify ways to use television and radio to promote better health; for example, through soap operas and public service announcements. The project will target rural areas in particular where public outreach is more challenging.
 - Assist the MoLHSA in sponsoring a series of workshops to educate journalists on how to report more substantively on health, health reform and especially health insurance related issues.
- Assist MoLHSA to identify essential public health services to remain in the GoG's responsibility and develop models of involvement of private sector in delivering such services. Specific activities will include:
 - Organize series of workshops to identify essential public health functions to remain in the GoG's responsibility;
 - Assist MoLHSA in developing and implementing models of involvement of private sector in delivering these services.

Expected Results:

- Hospital and PHC accreditation programs operational and improving quality of health care services.
- Health Information System operational and informing decision-making by 2013.
- Improved MoLHSA capacity to perform actuarial analysis and negotiate insurance and drug benefit premiums.

- Affordable drug coverage based on updated essential drug list added to state-funded health insurance plans, including coverage for MCH, FP/RH, and the most burdensome noncommunicable diseases and injuries.
- Improved MoLHSA capacity to monitor benefits of essential drug list to state-funded insurance recipients.
- Strengthened MoLHSA capacity to educate consumers on health reforms and health insurance, especially as they relate to MCH, FP/RH and the most burdensome noncommunicable diseases and injuries.
- Increased capability of journalists to write more substantive articles on health issues.
- Essential Public health services are sustainably provided to the population through the public-private partnership.