

MID-TERM
EXTERNAL EVALUATION
OF
TECHNOLOGY DEVELOPMENT AND TRANSFER IN HEALTH PROJECT
COMPONENT FOR HEALTH CARE FINANCING
(State University of New York
at Stony Brook)
Project Number: 597-0006/598-0632

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I. Purpose of Activity Evaluated

1. Problem Being Addressed

Infant mortality rates remain disturbingly high in many A.I.D. countries. Yet many of these deaths could be prevented through primary health care activities such as immunizations, oral rehydration therapy, and others. These simple and relatively inexpensive programs, however, are not being undertaken by governments because of other pressures: difficult economic times are limiting tax collections; repayment of international debts is placing new demands on many government budgets; and the urban population is putting strong pressure on governments to improve medical care in hospitals even though these curative, hospital-based programs are already taking the lion's share of the government's health budget. Thus, to meet A.I.D.'s Child Survival objectives and to assure that adequate health services can be made available to all citizens, means must be found to persuade people to protect their own health, to estimate health needs (demand analysis), to calculate the cost of providing different types of health services (cost studies), to place reasonable limits on the demands on the health care system, to provide services more effectively (cost containment), and to increase the total amount of funds--private and public--going to health activities (alternative financing mechanisms, i.e. alternatives to tax-supported health care).

Experts in health-care financing have paid particular attention to the alternative financing issue. Persons active in the health field have proposed a number of actions to help overcome the problems outlined above: to charge user fees for health services, to encourage non-governmental bodies to provide health services through organizations similar to Health Maintenance Organizations in the United States, and to encourage individuals to take more responsibility for financing their own health care through various types of private insurance programs.

The most thorough exposition of this new approach is given in the World Bank Publication BKO 900 "Financing Health Services in Developing Countries". Many persons have questions about the assumptions and conclusions of this World Bank report, e.g. is it correct to assume that most poor people can and will pay user fees for health services, as indicated by the Philippines study, or will user fees limit the use of health services by the poor, as implied by an analysis of household survey data from Peru? These important issues can only be decided through carefully designed studies and analyses of the study results. Even where there is agreement on the need for new programs involving health care financing, Government and USAID Missions will require expert technical assistance to design new programs and to evaluate their effectiveness. Thus, needed reforms in the health area are

hampered by a lack of good studies and a scarcity of effective technical assistance.

2. Technical Solution

Since health care involves money, i.e. financing, there are a number of contributions which health care financing activities should be able to make in solving the above problems, for example:

- o Studies can determine the total amount of money which is being spent on health by all groups within the public and private sector, its distribution, and its cost-benefit and cost-effectiveness. With this information, a country can estimate to what extent an additional percentage of gross national product could be devoted to health activities within prevailing political and economic policy.
- o Studies can determine how the money is being spent and how much different kinds of services cost. With this information a country should be able to find ways to use its monies more effectively.
- o Alternative financing schemes, i.e. approaches other than using tax money, can help to finance health activities. Governments can charge user fees for health services; health maintenance-type organizations can be formed to provide their members with health services; or private insurance programs can be expanded to help persons pay a manageable regular premium so that they will receive medical treatment when it is needed.

The ideal is to support the efforts of countries to achieve the most cost effective use of all natural resources for its national health systems.

The effectiveness of these efforts can be improved through a combination of studies and technical assistance. Studies can also be made of household expenditures/household health experience. These studies can indicate the prevalence of specific types of health problems, the types of health services used by a family, and the family's expenditures - all of which should give some indication of the percentage of families who are in a position to pay more for health services. Also, a pool of technical assistance experts is needed to design the new projects which are required in order to meet A.I.D.'s objectives in the health field.

3. Intended Purpose of Project in Relation to the Problem

As mentioned above, one basic purpose of this sub-project has been to carry out specific financing studies and to develop standard methodologies for performing additional studies. A second basic purpose has been to provide technical assistance in the health care financing field. By the end of the project, IAC health officers should have "how to" information for studies of health care financing and for project design, and would be sensitized to the need to work on health care financing issues.

4. Addressing Mission or IAC Health Strategy

The health care financing project does address the Mission/ IAC strategy. If one wants to reduce infant mortality as quickly as possible, one is tempted to finance large-scale vertical programs to deliver immunizations and oral rehydration services. A.I.D. does not have sufficient funds for many such programs and countries are unlikely to launch them until they have been able to bring some order into public and private programs which finance health care programs. Before there can be meaningful reform, countries must know where funds for financing health services are coming from and how they are used. This HCF/IAC "horizontal" program of studies and technical assistance should pave the way for new financing programs and provide the coherence which is needed to assure adequate and continuing financial support for sustainable Child Survival programs.

5. Constraints

There are a number of constraints which make it difficult to utilize improved health care financing methods and thus to reach A.I.D.'s health goals:

- few IAC Ministries of Health systematically carry out basic financial accounting and analysis in a way which permits a determination of financial options for provision of health care services;
- there are few guidelines that indicate what financing strategies and resource allocation patterns are best for any given country;
- health inputs differ from each other, and it is necessary to differentiate between activities which affect a broad group of people, e.g. immunizations, and those which affect only individuals, i.e. curative patient-care activities;
- there are many types of health suppliers and it is necessary to take a broader approach to health planning than Ministries of Health typically take;

- there is disagreement in many countries on the appropriate role of government within the public-private mix of health sector activities;
- the revenue raising potential of user charges in public sector institutions is limited;
- more information is needed on the conditions which are necessary to assure that the revenue-raising potential of insurance-type or prepayment programs is realized; and
- for the purpose of problem-solving in the relatively recent discipline of health care financing, many USAID health officers share a common constraint with national and other international professionals in the need to be progressively informed and updated on health care financing methodologies.

II. Purpose of Evaluation and Methodology

1. Reason for Evaluation

In line with general A.I.D. evaluation procedures, this four-year project has been scheduled to receive a mid-term evaluation. This mid-term evaluation is intended to evaluate progress made to date, to suggest possible changes or emphasis for the last part of the project, and to indicate whether IAC should continue to support the activities funded under this project once the present project is completed.

2. Methodology

The methodology was as follows:

- to determine what A.I.D. intended to have done under this project;
- to review the major issues in health care financing via interviews and reading literature;
- to read the project files and the studies undertaken to date, as well as related documents; and
- to interview face-to-face or by phone persons with a knowledge of project activities, e.g. several members of the Technical Advisory Group, A.I.D. officials involved in administering the project, health officers from all IAC Missions included in the study program, and the key staff of the implementing agency--the State University of New York at Stony Brook (SUNY). A short

list of questions was used as a basis for these interviews.

III. Findings and Conclusions

1. Background and Overview

The motivation for undertaking this project came from several factors:

- o a desire to help LAC Missions meet health strategy objectives by providing a source of funding for studies on health care financing; and
- o a desire to have a source of technical assistance which could be tapped quickly for providing missions with personnel who could provide help in the health area.

Although the original intention was to include studies and technical assistance, a contract was written with SUNY that was used primarily to carry out studies.

There are three health care cost studies:

- 1) Belize: Cost of hospital services in Belize's main hospital.
- 2) Ecuador: Comparison of health-care costs in 18 local health facilities.
- 3) St. Lucia: Costs of services in the country's main hospital.

There are three health care financing studies:

- 1) Bolivia: A market analysis for a private Health Maintenance Organization (PROSALUD) in a specific geographical area.
- 2) Guatemala: An assessment of the need for health care service in a rural area and methods of providing services through private organizations.
- 3) Peru: Economic Feasibility of Private Sector Prepayment Schemes in Lima.

There are two related demand studies, both in the Dominican Republic:

- 1) Household survey in Santo Domingo of health problems in families, the use of health services, and expenditures

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on health services in absolute terms and as a percentage of total income.

- 2) Follow-up demand analysis on health care utilization in Santo Domingo and an estimate of the effect that prices of health services and methods of payment have on the utilization of health services.

2. Appropriateness of Design

The design of the project as discussed in the Project Paper was sound. LAC/DR/HN wisely decided that it would be more effective to have a single coordinating contractor carry out a series of related studies than it would be to ask several contractors to perform studies. This approach assured that there would be a knowledgeable professional who could assure coordination of methodology and of researchers with the necessary language capabilities. The Project Paper foresaw the possibility of working in Advanced Developing Countries such as Brazil, but the LAC Bureau decided to limit activities primarily to countries with A.I.D. Missions.

The coordination factor was further reinforced by requiring that an expert advisory committee, the Technical Advisory Group, be formed to assure that the conceptualization and performance of studies would meet high professional and academic standards.

Although the Request for Proposals did not ask for a specific dollar amount of technical assistance, the Project Paper identified a specific sum. Although technical assistance did not have to be supplied by the same contractor responsible for the studies, the decision to do so appears to have been logical in view of the possibility of using the knowledge and experience of persons carrying out studies for technical assistance activities.

The project concept included the idea of permitting Missions to use their own funds to obtain additional technical assistance and studies from the contractor over and above the projected core project cost, i.e. the contract was to include a "buy-in" provision.

The Request for Proposals (RFP) did not spell out clearly enough that the project was to have two major parts: a study component and a traditional technical assistance component. Nor did the Request for Proposals require that the budget in a contractor's proposal be presented in a way which would permit an analysis of the amount of budget money allocated for studies and the amount of money allocated for technical assistance.

The SUNY budget was calculated to provide the funds required to meet the basic objective of performing only the requested number of studies. SUNY assumed that studies and the exploratory

visits which were to precede the studies are a form of technical assistance and would also include some incidental traditional technical assistance. Attachments to the SUNY proposal clearly indicate that its budget covered basically the costs of studies plus related activities such as workshops, and provided only \$51,521 for pure non-study technical assistance except for limited time of two "key personnel", i.e. the Director and another SUNY employee. The contracting assumptions (see next paragraph) obviously affected the contractor's ability to meet and address contract objectives.

As explained below, the project evolved primarily as a study activity and short-term technical assistance requests were generally handled through other contractors (e.g. REACH). The SUNY contract was written without the mechanism for "buy-ins" and approved by both A.I.D. and SUNY even though the intention of the Project Paper had been to include "buy-ins".

3. Attainment of Contract Purposes and Objectives

The LAC Bureau provided the field with a summary of the objectives of the contract and the Missions had an opportunity to outline their needs. The contractor also outlined its capabilities at a meeting of the LAC health officers in November, 1986.

The contractor is ahead of schedule on 8 studies requested by Missions and the remaining funds in the contract are estimated to be just sufficient to pay the basic staff through the end of the project period - September, 1989 - and to finance personnel needed for scheduled activities, i.e. the preparation of the final revised state of the art paper, completion of studies, Workshop IV, and partial funding for a final wrap-up conference. A total of eight studies have been completed or are underway, instead of the nine studies originally specified in the contract. Assuming that there would be nine studies plus 40-70 person months of technical assistance, as stated in the contract, there has obviously been a shortfall. The contractor interpreted the reference to 70 persons/months of technical assistance in the contract as referring to the total use of consultants other than the project's two half-time and one full-time "key personnel" and it submitted its offer with this assumption clearly spelled out in the annexes. (It is not clear, however, that the technical evaluation group had these annexes when it reviewed the technical proposals.)

Consequently, the contractor has interpreted the contract to mean that persons working on studies are to be included in the total technical assistance figure. LAC/DR/HN indicated at an early stage in the contract implementation that SUNY would be expected to provide technical assistance if this action were an appropriate way to meet Mission needs. SUNY accepted this

approach and the contract was negotiated on the basis of a SUNY final offer which listed \$51,521 for short-term technical assistance. As this total could not reasonably support 70 person/months of technical assistance, if such assistance was to be additional to the country studies, the acceptance of this stated budget component would imply that the 70 person/months of technical assistance would have to include other channels for the accomplishment of this level of effort, namely through short term consultations provided in the course of exploratory visits, and the provision of technical consultation by SUNY senior staff to the 9 proposed country studies. While it is possible to view the SUNY budget of \$51,521 as underbidding the level of effort stated in the contract scope of work, it is equally possible to question the acceptance of the SUNY proposal unless the SUNY assumptions were understood.

SUNY has carried out some technical assistance through means other than through the 8 studies, i.e. in the form of specific Mission requests listed in Para III.7 ("Technical Assistance") and in the form of direct dialogue with Missions, on a variety of design and selection issues, during the pre-study visits by SUNY to requesting Missions. Significantly, the SUNY project began at about the same time in 1985 as the REACH Project. The availability of the latter project was followed by a Mission trend to request REACH to meet demands for short term technical assistance.

4. Scope of Work

The question of achieving the project's objectives can also be approached by looking at the Contract Scope of Work which provided for 6 categories of output (see Annex 1):

- 1) Overview and synthesis of existing A.I.D.-supported health financing studies.
- 2) Nine country studies, with the possibility of 3 additional studies from Mission funding.
- 3) Technical Assistance: "The Contractor will provide up to 70 person/months of short-term technical assistance during the life of the project to assist USAID/LAC and Missions with: the design and implementation of financing studies; the formulation of appropriate health financing policy dialogue agendas; economic analyses of health projects; and the implementation of financing-related components of health projects, e.g. establishing appropriate fee schedules or revenue-generating schemes for public sector programs, developing hospital cost containment programs, public/private sector cost-sharing schemes, etc."

- 4) Four regional workshops.
- 5) A final wrap-up meeting.
- 6) Establishment of an expert advisory committee.

The studies have contributed to several of the contracted technical assistance objectives, such as the design of financing studies (through the design of the 8 studies); the Belize and St. Lucia hospital studies on economic analyses of specific health projects; public/private sector cost sharing schemes (Bolivia, Peru, Guatemala studies); and developing hospital cost-containment schemes (Belize, St. Lucia). Studies have not yet addressed health financing policy dialogue agendas.

5. Management, Logistics, Procedures, and Processes

The prime contractor is the Research Foundation of the State University of New York (RF-SUNY), with the key staff being at SUNY's Stony Brook campus on Long Island. The person who has been the guiding force in SUNY's administration of the project is an experienced economist with a long history in health financing work. He is accepted as one of a relatively small group of real experts in the field with LAC Regional experience. Another SUNY employee, who has since returned to live in his Latin American home, has played an important role in leading project teams.

A number of studies have been carried out via two sub-contractors: the International Resources Group Ltd. (IRG), which specializes in sector studies in the energy and health fields, and the Group Health Association of America, Inc. (GHAA), the umbrella organization for health maintenance organizations in the United States. The use of these two organizations has enabled SUNY to tap into experts who work with these organizations and thereby to carry on more work than would have been possible for SUNY to do alone. The contract arrangements appear to have worked smoothly, although one sub-contractor found that responses to its inquiries on what is acceptable under government procurement regulations were not always appropriate.

LAC Bureau officials state that, generally, LAC does not try to insert itself into the communications loop between the Contractor and USAID Missions. SUNY informs the LAC project manager of planned actions and seeks required approvals. Communications are currently proceeding satisfactorily. However, there have been earlier communication problems, e.g. SUNY had not asked USAID Peru/the Government of Peru if the draft study of Lima Health Care Financing could be discussed at the contractor's annual workshop and the Government asked that no discussion be held on the substance of the Peru study since the government had not had time to review the study. There have also been failures on the part of SUNY to provide LAC/DR/HN with timely notice of

changes in contract personnel and salary adjustments. Several months were required to establish good working relationships between LAC/DR/HN and SUNY.

6. Output of the Project

The output of the project to date includes the following:

- o studies (8 have been completed or are in progress) and debriefings of USAID Missions and government officials on the content and implications of the studies;
- o 3 annual workshops which combine a review of studies made during the last year and education/information on what has been learned about health-care financing;
- o training for national individuals and organizations as an element in their participation in the studies (the SUNY approach has stressed the use of local organizations in carrying out studies);
- o a limited amount of technical assistance not directly related to studies;
- o publication of a State-of-the-Art Paper on health care financing (SUNY plans to prepare a final, revised State-of-the-Art Paper toward the end of the project and the paper is to be discussed at a final conference);
- o publication every six months of a two page summary of project activities and project findings; and
- o creation of a Technical Advisory group to provide direction and oversight for the project.

6.1 Studies

A list of studies is shown in Annex 2. The studies can be grouped according to their major characteristics. There are three cost studies.

1) Belize: Estimated direct costs: \$92,000 (12% of direct costs of country studies). The final study was published in June, 1987. The Belize study analyzed the costs of operating the Belize Hospital which absorbs at least 50% of the government's health budget. The USAID has found the report to be excellent and the government has also praised the report. The report is expected to have an impact on the future course of the Belize health program, e.g. the government is exploring whether ancillary "hotel" services such as laundry can be turned over to the private sector. The USAID is maximizing the impact of the

report through a seminar of important government leaders held in Belize in February, 1988.

2) Ecuador: Estimated Direct Costs: \$80,000 (11% of direct costs). A Spanish version of the study was completed in July, 1987, and an English translation is currently being edited. The Ecuador study compared the costs of 18 local health facilities and covered government, social security and private facilities. The health officer who was in Ecuador when the studies were started has since been transferred. Current personnel at USAID find the study to be of limited usefulness for reasons of methodology and consultant selection. There is no indication to date that the report is influencing government action, although the study has been prepared with the help of an important Health Ministry Official. The study has not yet been officially transmitted to the Minister of Health. Thus, it is still too early to make a definite judgement as to whether the study will influence health programs.

3) Saint Lucia: Estimated Direct Costs: \$67,000 (9% of direct costs). A preliminary draft was completed in January, 1988. The St. Lucia study calculated general costs of broad categories of service in St. Lucia's main hospital which absorbs a high percentage of the country's health budget. The responsible USAID health officer has found the preliminary draft to be very useful and the local health ministry officials have been highly pleased with the report. A member of the study team returned in February, 1988 to make a presentation of report findings to the full cabinet. Based on the study, the Government is reconsidering an earlier concept to construct several outlying hospitals. The study demonstrated that there is low utilization of facilities besides the main hospital and that it would be more cost-effective to bring patients to the main hospital than to build new small facilities.

There are three alternative financing studies:

1) Bolivia: Estimated direct costs: \$77,000 (10% of direct costs). The preliminary English draft was completed in January, 1988. The Bolivia study examines the market for health services in an area where a private health care organization, PROSALUD, is expanding its activities with assistance from USAID/Bolivia. Both the USAID and the PROSALUD officials are highly pleased with the results. The study had some immediate practical results in helping the private health care group to develop an operating methodology for calculating revenue requirements for achieving self-financing. The study recommended that new clinics include two types of experts (a gynecologist and a pediatrician) whose services in the study area have been heavily used and have helped to improve the financial position of the clinics. The USAID has increased the potential for impact of the study by planning a seminar to disseminate the results.

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2) Guatemala: Estimated Direct Costs: \$105,000 (14% of direct costs). The preliminary draft is scheduled for completion in February/March 1988. The Guatemala study is examining health needs in a part of the country with few government clinics. After estimating needs, it will explore how to expand private health services to assist agricultural workers who currently do not have access to adequate health care. The USAID believes the study is providing an essential piece of information which will be used in the design of future activities. The USAID also expects to use the study in its dialogue with the government on the need to look at alternatives to direct government programs for providing health services to persons not currently adequately covered.

3) Peru: Estimated direct costs: \$106,000 (14% of direct costs). An English version of the study was published in August, 1987, and a Spanish summary is also available. (The key persons in the private groups working with the study are bilingual. However, few persons in the Government are able to absorb information quickly in English). The Peru study explored the economic feasibility of private sector prepayment schemes in Lima. The study thus meets the LAC objective of encouraging the development of the private sector. It is not clear to what extent private groups are utilizing the results of the study. This study has stimulated the Government's interest in having other studies performed.

There are two closely related studies on household demand and expenditure for health services (Estimated Direct Costs: \$227,000, 30% of total direct costs). The first study, being financed with funds allotted to USAID/Dominican Republic, is a household survey of the health problems in the capital city of Santa Domingo during a two week period, the types of health care sought by persons who were ill, income of the family and related questions. The second study will be an analysis of information available from this survey and other data sources. The second study will estimate the determinants of health care utilization in Santa Domingo. Field work on the household survey has been completed but no results have yet been published. However, based on work performed so far, the Mission believes the studies will be helpful in preparing a project to assist the private health sector.

6.2 Other Studies and Reports

The "Health Care Financing in Latin America and the Caribbean: Research Review and Recommendations" State-of-the-Art Paper (SOAP) was published in April, 1986. A revised chapter on "costs" is available in English and Spanish and the original chapter on "alternative financing" has also been translated into Spanish. The contract required the preparation of an overview and synthesis of existing A.I.D.-supported health financing

studies in Latin America. The contractor review also included non-A.I.D. materials. The document presents a review of the literature and offers conclusions.

Although there was an attempt to make the report readable, it remains fairly "heavy" technical reading and A.I.D. health officers must be prepared to work through references to "cross elasticities" and other terms of interest to the economist. As a literature survey rather than as strategy guidance, the document is not in a form to provide ready-made applications, e.g. a USAID about to discuss the issue of user fees with a government would not be able to use the paper to cite clear evidence as to criteria which should be used in considering a system of user fees. The report lays out questions worthy of further detailed study, i.e. a research agenda which was one objective envisioned in the Project Paper.

6.3 Updates

The contractor has prepared four "Updates", (see Annex 2), which summarize project developments during the most recent six-month period. These updates are a useful vehicle for keeping health officers and other interested persons abreast of developments under the project.

6.4 Country Study Guidelines

These guidelines outline the approach used by SUNY and its sub-contractors in preparing country reports.

6.5 Annual Workshops

Including the March 16-18, 1988 workshop in Antigua, Guatemala, SUNY has organized three workshops. At these workshops, the draft studies are discussed with a group that includes SUNY staff and consultants, the relevant LAC Missions, local research groups which participated in the study, and selected other individuals, e.g. members of the Technical Advisory Group and host country health officials. Since a major objective of the workshop is to reach agreement on the studies, the studies are the major end-product of the workshop and there are no separate reports on the proceedings. The evaluation questionnaires filled out by participants in the workshops indicate satisfaction with this format. The review serves as an effective means of transferring technology concerning health care financing studies through discussions of country studies and reviews of appropriate elements of the State-of-the-Art paper.

6.6 Technical Advisory Group (TAG) Meetings

Meetings of the Technical Advisory Group are held every six months, with every other meeting being combined with the annual

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workshop meeting. The Advisory Group includes A.I.D.'s project manager for the SUNY contract, A.I.D.'s project manager for the REACH project and health financing experts from other development groups such as PAHO and the World Bank. This approach helps to assure that project activities are carried out with advice from leading experts in the field.

6.7 Documentation List

SUNY has created a computer file of documents relating to health care financing.

6.8 Technical Assistance

SUNY has pointed out that its studies have assisted USAID Missions to carry out their objectives and has indicated that the studies should be considered as a form of technical assistance (Annex 3). While recognizing the validity of this position, one should remember that the Project Paper envisaged more technical assistance of a traditional nature than has been provided under the contract (see issues of Contracting and Design, Para III B).

For technical assistance, SUNY cites the following specific tasks (see Annex 3):

- a scope-of-work for an evaluation of PROSALUD in Bolivia;
- household survey designs for El Salvador;
- household survey designs for the Dominican Republic;
- a meeting on study exploration for Panama, Stony Brook;
- a scope-of-work for technical assistance to the Belize Banana Control Board; and
- a PID concept paper for USAID/Guatemala.

Annex 4 lists 18.3 months of estimated short term Technical Assistance by key staff by 12/31/88. Estimated short-term technical advisory services by consultants and coordinators for all SUNY activities is 68.6 months by 12/31/88 (see Annex 4).

7. Quality and Efficiency of Work and Responsiveness

Although some criticism exists, the general quality of the studies has been good. The use of local research groups has provided training to local persons in research methodology and has improved access to local data bases and local information on health conditions. The need to coordinate with local groups on the text and tables of the report may lead to some delays in

completing the reports. The files and conversations with persons familiar with the project have also disclosed some slip-ups and delays, but on the whole the studies have been carried forward in an efficient manner.

Several Missions hoping for specific help from SUNY were disappointed. The USAID Mission in Jamaica requested technical assistance but turned down the person proposed because that individual did not have the skills requested by the Mission. USAID/San Salvador asked Washington to arrange help in organizing a survey, but there was a long delay before anyone was sent by SUNY. The Mission was highly pleased with the quality of the advice, but the delay meant it was not possible to proceed with the work as originally planned.

8. Budget Review

The original contract budget, as proposed by SUNY (see Annex 5) totals \$2,025,250. Annex 6 shows SUNY estimated expenditures through 9/30/87 to be approximately 54% (\$989,155) of the obligated total of \$1,812,950.00. Estimates of additional expenditures through 9/30/88 total \$711,250.00, leaving a balance available on 9/30/88 of \$112,545.00. This balance is premised on completion of current studies and completion of Workshop III. With the estimated balance by 9/30/88 and final project obligation of \$212,000.00, the estimated availability for the final project year would be \$324,845.00. Functional projections for the use of this balance, as stated in Annex 6 is for Stony Brook salaries (and their availability for HCF activities), direct and indirect costs, plus Workshop IV and the final contracted wrap-up meeting.

Annex 7 provides estimates and proposed budget allocation by time and function. Estimated costs for the current 8 approved studies is \$741,754 with an additional \$20,000 for "short term technical assistance".

The expenditure pattern suggests that country studies cost less than \$100,000 (varying from \$53,814 to \$112,950). Only one study exceeds \$100,000 (see Annex 8). This figure would need to be increased by the value of the time spent by "key personnel" on the studies and by a share of the costs of the workshops. (Precise information on these values is not available.) If one includes Belize in the Central America category, 26% of direct study expenditures are in the Central America region while Central American regional funds have provided 40% of obligations to date. Latin American regional funds have provided 60% of funds obligated to date. Direct costs of studies for the LAC countries other than Central America are expected to be 76% of total direct costs.

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As noted above, SUNY estimates a fourth year funding availability of \$324,845.00 after completion of current sub-contract (see Annex 6). By comparison, the original SUNY proposed budget estimated the fourth year budget to be \$359,067.00 (see Annexes 1 and 5). Assuming that SUNY is ahead of its work schedule on 8 studies, which are to be completed by the end by 9/30/88, the original SUNY provision for sub-contracts in the fourth year would not be required (\$94,869). Accordingly, the original fourth year contract budget estimate could have been decreased by this amount to give a fourth year estimate of only \$264,198.00. This decreased fourth year requirement would then be \$60,647.00 below the SUNY staff estimate of final year funding availability of \$324,845.00. The originally scheduled budget would have permitted a ninth study in the fourth year plus SUNY consultation to Missions on study applications.

In view of revised budget estimates approved by the A.I.D. Contract Office (see Annex 9, dated 9/15/87), the original estimates no longer apply. The revision in Annex 9 approves escalations in salaries and wages (30%); fringe benefits (32%); consultants (140%); and travel, transportation, and per diem (18%). "Other Direct Costs", which was supposed to fund technical assistance support in form of Workshops and conferences is reduced from \$243,000.00 to \$14,798.00. The approved fourth year budget further deletes sub-contract financing which has been fully utilized during the first three project years. Under this contract amendment, a ninth study - if requested from Missions - could not be funded without contingency funding at a level between \$50,000 and \$100,000.

9. Requests for Proposals (RFP)

The Scope of Work in the Request for Proposals did not adequately reflect the intention of the Project Paper. Specifically, the RFP did not state precisely enough what services were being requested and did not require that the bidder clearly indicate which part of its cost proposal related to studies and which part related to non-study technical assistance. Such a breakdown was essential since the RFP stated: "COST FACTORS WILL NOT BE ASSIGNED NUMERICAL WEIGHTING. YOU ARE CAUTIONED, HOWEVER, NOT TO MINIMIZE THE IMPORTANCE OF THIS FACTOR AS IT WILL BE CAREFULLY EVALUATED."

However, the RFP does carry a "level of effort" description that includes studies and technical assistance. The outcome and comments of the evaluation team are stated in Part III, sections 2 and 3.

10. Contract Requirements

The Contract Work Statement is provided in Annex 1. Beyond

the general categories specified, a number of details remained unclear. There was no reference as to whether reports for Hispanic countries were to be published in both English and Spanish. SUNY decided to publish at least a Spanish summary of all studies written in English for Hispanic countries. The contract also did not specify the number of English copies. SUNY printed and distributed 200 copies of the English version of its studies.

As noted earlier, a contract was written which is open to different interpretations for the division of work between studies and technical assistance. The contract also states: "The contractor will conduct a final wrap-up meeting during the last year of the project to disseminate research findings of studies implemented under this project."

11. Relationship to the REACH Project

S&T central funds have been used to finance "The Resources for Child Health Project" (REACH). This project includes both immunization programs and health care financing activities primarily in support of Child Survival activities. Although there apparently were some coordination problems in the early stages of the activities of the two projects, there now appear to be very good working relationships between HCF/LAC and REACH. The SUNY Director is on the advisory board of REACH. Although the S&T Project Manager is on the SUNY Technical Advisory Group, the REACH Deputy Associate Director for health care financing is not a member of this body.

However, the existence of the REACH project raises an obvious question: Is there a need for both the HCF/LAC project, which is intended to support national HCF issues irrespective of the Child Survival focus, and the REACH project, which is intended to focus primarily on Child Survival issues? According to the original Project Paper, the terms of reference for the HCF/LAC project were far broader than those for REACH and attempted to address basic underlying financial issues affecting the health sector. There is a substantial body of work to be done and both groups have been very active in health financial studies. There are advantages in having more than one organization involved in thinking through the theoretical and practical issues of health care financing. There is a need to tap as much talent as possible in this field, including a pool of talented Spanish-speaking experts. Aside from the difference in focus on financing studies, the two organizations appear to have been more effective than one would have been. Having an organization exclusively devoted to LAC countries may help to assure better understanding of problems in a region with such widely diverse financial problems.

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12. Relationship between PRICOR and HCF/LAC

During its first phase of operations, PRICOR accepted suggestions for research from a wide variety of American and foreign researchers. A number of studies dealt with fees for services. In a few cases, fees were charged and the reaction of the intended users was studied and calculations were made of the percent of cost recovery. Most studies in this field, however, attempted to use polling techniques to find out if persons would be willing to pay if fees for service were instituted. The results have been well summarized in PRICOR's report "Community Financing of Primary Health Care: The Pricor Experience, A Comparative Analysis". Thus, the HCF/LAC activity does overlap the work that had been performed under PRICOR I.

However, under PRICOR II, the main emphasis is being given to operational aspects of health programs. PRICOR examines in detail very specific health operations, such as immunization, and attempts to determine how effectively they are being carried out and to identify the most efficient methods. This operational research should prove to be very useful in specific Child Survival operations. There does not seem to be any significant overlap with the economic-oriented research being carried out under the HCF/LAC project.

13. Methodology

The Project Paper stressed that LAC needs to develop methodologies for analyzing the various types of health financing problems which countries in the LAC Region are facing. The contractor has been very conscious of the importance of this aspect of the assignment and nearly all country reports include a section on methodology. LAC/DR/HN recognizes that health care financing is a relatively new field and that many A.I.D. health officials would benefit from training in the new methodologies and from jargon-free discussions of the issues in this field. This view lies behind the LAC/DR/HN request that the State-of-the-Art Paper on financing be revised for clarity.

14. SUNY's Approach to Carrying Out Studies

The contractor has developed a very effective approach to carrying out studies. First, there has been an attempt to make frequent use of several highly respected experts in leading the study teams. Second, the process begins with an exploratory visit by the person who will lead the study team to those countries approved by Missions and LAC/DR/HN. Several Health Officers mentioned that these preliminary discussions during the exploratory visit were extremely useful and often helped to refine the Mission's thinking and/or to identify new approaches to solving the problems at hand. Before departing, the exploratory person leaves a detailed outline of the proposed

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study which clearly indicates the type of information which will be collected and the types of analyses which will be performed. The exploratory person also contacts local research groups and arranges for these groups and/or government health officials to assist in carrying out the study. A budget is also prepared for the study.

Once the proposed study has been approved by the Mission and LAC/DR/HN, the contractor (sometimes SUNY directly, sometimes IRC, and sometimes GHAA) brings the team together at Stony Brook with the SUNY Project Director. This meeting helps to assure that the team members will work together smoothly and that the general methodology of the HCF/LAC project will be followed. One team member, usually a junior or mid-level person with research skills, is designated "Project Coordinator", i.e. project administrator. This person is responsible for handling all logistic matters and for assuring that the study is carried out within the budget limits. This approach appears to have worked very well: it assures that necessary logistic matters are arranged; it frees up other personnel from administrative matters so they can concentrate their energies on the research questions; and it helps to assure that the budget is respected. (Since the budget was originally prepared by the team leader in close cooperation with the Project Director, there also is strong pressure on the leader to live within the budget.) The team leader is held responsible for preparing the draft of the team report. This report is further edited by the SUNY staff, and, as explained above, it is reviewed in detail at the annual workshop.

15. Other Studies: Peru Health Sector Analysis

Several persons working on the HCF/LAC project, including the SUNY Project Director, had played key roles in working with local groups in Peru in preparing a Health Sector Analysis which preceded the HCF/LAC project. This analysis drew on the results of an A.I.D.-financed national nutrition and health survey carried out earlier. Although A.I.D. played a key role in terms of financing and providing personnel, the study was carried out in collaboration with PAHO, a relationship which was essential for its acceptance by all important groups in the government of Peru.

This study was broad enough in both its scope and in its involvement of Peruvian officials, that it led to a major reexamination of health financing policies on the part of the government and an increase in the funds allotted to the health sector and to meeting specific problems, e.g. primary health care for child survival activities and physical maintenance of health facilities. Recently, however, the Government's interest in health issues has reverted to ways of improving the quality of hospital care. Nevertheless, the original Health Sector Analysis is an essential initial approach used increasingly by

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international funding organizations such as the World Bank. Health Sector Analyses are diagnostic steps necessary to permit alternative choices for action, even though the host country may not choose to accept the conclusions.

16. Have the Studies under the HCF/LAC Project Been too "Academic"?

Although the comments on the studies under the HCF/LAC have been generally quite favorable, there have been occasional questions as to whether the studies, particularly the original State-of-the-Art Paper, have been stated in language which is clear to those who may not be professional economists.

SUNY is aware of this issue. The Director has stated that an explicit effort is being made in editing to improve the readability of the studies. In addition, one of the important staff members brings an editing background to the project.

17. Cost Studies

Because of the nature of the cost information that is available, nearly all cost studies based on existing data will provide only general information on costs, e.g. the cost of operating different wards in a hospital. Practically no health units in the LAC Region have organized their record keeping in such a way that one can discover the specific types of health problems which have been treated, the success of the treatment, and costs of the treatment. Thus, the information from the Belize and St. Lucia studies is quite general. However, even the information on the costs of general types of services is still a vast improvement over the data previously available. The information from the studies is being used by the health authorities in the two countries in their health planning and management work.

The information from the Ecuador study was also quite general, e.g. costs of running different clinics. However, the study did show sharp differences in the costs of running various clinics and demonstrated that urban clinics are not always more expensive to operate than rural clinics.

IV. Recommendations

1. Clarify Content of Final Synthesis Report and Assure that the Best Available Experts are Obtained to Write the Report:

The contract requirement for the output at the end of the project is unsatisfactory. The contract now states: "The Contractor will conduct a final wrap-up meeting during the last year of the project to disseminate research findings of studies implemented under this project." The Contractor intends to prepare a written report for discussion and distribution, but this approach should be specified in writing and there should be a specific understanding of what will be covered. It is recommended that the report(s) include at least the following points:

- o Summary of methodologies: a listing of the types of problems which can be more easily resolved if health care financing studies are performed, and a short outline of the methodology(ies) which can be used in carrying out the study(ies).
- o Research Review: to cover all relevant health-care financing research, not just research under the HCF/LAC project.
- o Review of Evaluations of Health Projects involving health care financing carried out by A.I.D., World Bank, IDB, Asian Development Bank, African Development Bank, etc. (SUNY may need some A.I.D. support in order to obtain these evaluation reports.)
- o Lessons Learned: A summary of what the research and evaluation implies as to actions which LAC Governments and USAID Missions can take in dealing with health care financing problems. This material should be written in non-technical language and should provide USAID and host country officials with suggestions of specific health financing actions which can be taken to improve health programs. The World Bank's recent publication on health care financing presents a coherent summary of suggested reform actions. The final State-of-the-Art Paper could indicate to what extent existing research supports the conclusions of the World Bank Report, and/or how a country could proceed to implement/test the recommended programs. The preparation of this material will require the best drafts to be reviewed by persons with expert knowledge in the area. The editing of the documents should be completed before the final "wrap up" conference. Every attempt should be made to hold the conference at a time and place which

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facilitates attendance by LAC health officers from Washington and--particularly--the USAID Missions.

2. Increase Direct Dialogue and Technical Assistance For LAC Missions During Remaining Project Period

As a second priority, emphasis should be given to discussing the applications of country studies with the sponsoring Missions and Host Governments. While this type of discussion may take place in part at the annual workshops, not all studies are yet completed. Conveying the findings, lessons, and applications will be an important practical step in supporting health care financing knowledge in the LAC Region. A second advantage of direct discussions between SUNY contract staff and Missions is to review other concerns expressed by Missions and host governments in the area of health financing. In light of the current REACH concentration on issues primarily of relevance to Child Survival program sustainability, SUNY expertise should be used to engage in dialogue with Missions-- and with host governments if Missions concur-- on financing issues which affect the health sector in general.

3. Review the Need for a Ninth Study

As a third priority, depending on expression of interest from LAC Missions and the availability of contingency funding, a ninth study may be considered. However, such an additional study may not be critical to the underlying intent of the SUNY contract, which was to support the LAC Region's effort to address major issues in health care financing as perceived by the various LAC Missions. For this reason, such a single study may not be as useful to LAC Regional Strategy during the balance of the project period as greater dialogue with Missions to review major problems and needs for future study. It is noted, for example, that the Missions have stated their appreciation for discussions which took place during the early planning stages of the existing 8 studies.

The problem of financing will remain critical for the health sector as long as attempts are made to extend health services in an environment of high external debt, recession, and severe competition for social sector funds.

4. Provide New Contract for Health Care Financing Studies and Technical Assistance for Post FY 1989 Period

The identification of health care financing reforms which are generally applicable is at an early stage among all international organizations. HCF/LAC studies undertaken to date have played only a minor preliminary role in reaching this goal. Nevertheless, the HCF/LAC studies are proving to be useful and LAC should establish a mechanism for continuing Regional support

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to LAC Missions beyond the end of the contract period (September, 1989).

If LAC studies are to be continued, it would appear desirable to maintain the pattern of a separate contractor, i.e. LAC should have a separate contract for this work and should not depend on the REACH project because of the latter's more narrow Child Survival focus. However, replies from the LAC Missions to a cable asking for their future requirements for outside help, raise a question as to the amount of health care financing activity - studies and technical assistance - envisioned by the Missions.

Although it is tempting to think in terms of a LAC study agenda, in practice, a study will be most effective if it has the full support of both USAID and the host country. A decision on having separate LAC contracts for health care studies and technical assistance should depend, therefore, on an estimate of demand by LAC missions. If the demand justifies the overhead costs of a separate contractor, there should be a separate contract.

As for specifics, top priority should be given to mechanisms which encourage a country to seriously consider undertaking reforms in the health financing field. Effective action will undoubtedly require the interest and collaboration of not only the Ministry of Health/Social Security Office, but also the key economic ministries, e.g. the Planning Ministry, and the Finance Ministry.

In this connection, LAC should consider possible joint efforts with the World Bank and/or PAHO. Under the World Bank's new administrative arrangement of assigning health experts to the regions, the central pool of health funds for carrying out collaborative reform activities no longer exists and it is not clear whether the Bank will have alternative sources of funds for this purpose. As discussed above, the Bank through its PSI/ER reviews is in a position to identify countries with a real interest in reform. The LAC Bureau, if it has funds available, may be able to play a very helpful role.

LAC should attempt to study "natural experiments" in health care financing, particularly as concerns user fees. There is currently a debate as to whether imposing user fees at health facilities will make it unreasonably difficult for poor people to obtain essential health care. In general, priority should be given to performing studies to measure the impact of reforms which are being undertaken in various countries, i.e. what actually works in a health program/area where there has been reform. Thus, studies of the effectiveness of countries' efforts to decentralize the responsibility for health programs, might be undertaken.

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In considering the role of health care studies, LAC should support efforts of governments to undertake basic financial analysis of the health sector in order to determine the sources and distribution of public and private funding over time. Such basic analysis permits a first look at imbalances in the use of existing finances prior to special studies on cost and demand for health services.

5. Add REACH Official to HCF/LAC Advisory Group

As for formal administrative arrangements, it is recommended that REACH's Deputy Associate Director for health care financing be named a member of the HCF/LAC Technical Advisory Group.

V. Lessons Learned

From the point of view of effective utilization of a regional activity, it is incumbent on the contractor to engage Missions and host countries in repeated discussion on the opportunities and rationale of the project activity. Even with LAC Bureau endorsement at the Washington level, a regional activity is continuously dependent on reinforcement to define its usefulness and need in relation to the array of other projects in the health field.



List of Persons Contacted

*Mrs. Susan Abramson, S&T REACH Project Manager (REACH)
 *Mr. John Alden, PRITECH
 *Mr. Gerardo Arabe, USAID/Peru
 *Ms. Lilliana Ayalde, GDO, USAID/Guatemala
 Mr. Gerald Bowers, LAC/DR
 Ms. Paulette Chase, Management Officer, HCF/LAC/SUNY
 *Mr. Sam Dowding, USAID/Belize
 *Ms. Lisa Early, USAID/Dominican Republic
 *Ms. Susan Gibson, formerly USAID/El Salvador
 *Mr. Bill Goldman, USAID/Ecuador
 Ms. Gretchen Gwynne, Research Associate, HCF/LAC/SUNY
 *Mr. Paul Hartenbergaer, Dep. GDO, USAID/Bolivia
 *Mr. James Heiby, S&T/Health Project Manager (PRICOR)
 *Mr. Lee Hougen, HDO, USAID/Dominican Republic
 Ms. Judith Johnson, SER/OP/OS/LAC
 *Ms. Katherine Jones-Patron, USAID/Ecuador, former HCF/LAC
 Project Manager
 *Ms. Joan LaRosa, HDO, USAID/Peru
 *Ms. Maureen Lewis, Urban Institute
 *Ms. Linda Lion, GDO, USAID/Peru
 *Mr. John Massey, Population Officer, USAID/Guatemala
 Dr. William McGreevey, World Bank
 *Ms. Linda Morse, Deputy Director, USAID/Haiti
 Ms. Patricia Moser, present HCF/LAC Project Manager
 Dr. Philip Musgrove, Advisor in Health Economics, PAHO
 *Dr. John Naponick, GDO, USAID/El Salvador
 Ms. Petra Reyes, LAC/DR/HN Child Survival Fellow
 Mr. David Osinski, SER/OP/OS/LAC
 *Ms. Catherine Overholt, Independent Consultant
 Mr. Philip Palmedo, CEO, IRG
 Mr. Alland Randlov, S&T/Health
 Mr. Gerald Rosenthal, REACH
 *Mr. George Strumpf
 Ms. Ethel Weeks, Coordinator, IRG
 *Mr. Theodore Weinberg
 *Ms. Louise "Holly" Wise, Chief, HPE, RDO/C Bridgetown, Barbados
 Dr. Dieter Zschock, Director, HCF/LAC (State University of New
 York-SUNY)

An "*" indicates that the individual in question was contacted by telephone. If there is no asterisk, there was a personal meeting with the individual listed.

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BIBLIOGRAPHY

"AID Evaluation Handbook" AID Program Design and Evaluation Methodology Report No. 7.

"AID Policy Paper: Health Assistance" Revised.

"Health Technology and Transfer" AID/LAC/P-218. AID Project Paper Project Number 596-0136 & 598-0632.

Ferranti, David de,

"Paying for Health Services in Developing Countries-An Overview", World Bank Staff Working Paper Number 721.

Gertler, Paul; Locay, Luis; Anderson, Warren,

"Are User Fees Regressive? The Welfare Implications of Health Care Financing Proposals in Peru" National Bureau of Economic Research, Inc. Working Paper No. 2299.

Meyer, Johnathan D.,

"Private Sector Research Retrieval and Analysis Project No. 698-0135-3-6134605 Overview and Recommendations: Household Expenditure Survey" NTIS Accession Number JDMCG/TR 8417

PRICOR (Primary Health Care Operations Research),

"Community Financing of Primary Health Care: The Pricor Experience"

World Bank,

"Financing Health Services in Developing Countries: An Agenda for Reform" World Bank Policy Study

Zschock, Dieter,

"HSA Peru The Health Sector Analysis of Peru Summary Report. Health Sector Analysis of Peru: Summary and Recommendations"

PART I - THE SCHEDULE (cont'd)

SECTION C, DESCRIPTION, SPECIFICATIONS/WORK STATEMENT:I. Background:

Financing and resource allocation issues pose fundamental constraints to efficient, effective delivery and expansion of health care services in the LAC region. Total health expenditures for LAC countries are estimated at between 2-6% of GNP. Social insurance and payments by individuals usually account for at least half of the total but relatively little information is available regarding the nature of these expenditures. Public sector health budgets take up the remainder. Ministry of Health systems in the region are financed almost entirely by public sector health budgets which are generated by general tax revenues derived from duties, consumption taxes, licenses, fees, and income taxes. The recurrent cost burdens of these public sector health care delivery systems already account for a relatively large share of total government recurrent expenditures, yet they experience constant shortages of funds, drugs, supplies, and other resources as well as constant management and administrative problems.

Despite ambitious "Health For All" goals, LAC countries are not likely to increase the proportion of their budgets allocated to the health sector, particularly given economic austerity programs in many countries which restrict public sector spending. Without more efficient resource allocation in the public sector, additional revenue generated by the health delivery systems, and introduction of risk and cost sharing modes of health services, resources will remain insufficient to expand and/or improve primary health care services which directly address infant and child mortality and morbidity.

II. Objectives:

The objectives of this project are to: a) assist AID/LAC and Missions to design, implement and evaluate health projects which address key financing constraints in the health sector; b) develop operations research methodologies and models in the area of health services financing; c) assist AID/LAC and Missions in implementing operations research activities in the health financing area; d) assist AID/LAC and Missions to formulate health policy dialogue agendas; e) assist AID/LAC and Missions and LAC countries to ascertain the economic and financial implications of investments in the health sector; and, f) to assist AID/LAC and Missions to design and implement private sector health programs.

III. Scope of Work

The Contractor shall provide a core staff of individuals during the terms of this contract to design and implement the studies and to coordinate the technical services described below:

A. The Contractor will prepare an overview and synthesis of existing AID-supported health financing studies in LAC countries.

B. The Contractor will design and implement approximately 4 financing studies per year for the first three years of the project for up to 12 country studies. The contractor will design and implement studies which fall into the following categories:

- (1) Cost studies: The Contractor will assemble and assess health sector cost data and estimate unit costs for public, semi-public and private systems (i.e. cost per unit of input, cost per unit of intermediate output, cost per unit of change in incidence or prevalence, cost per unit of mortality reduction). Estimation procedures for costs at different types of health facilities will also be established.
- (2) Demand studies: The Contractor will design and implement studies which determine the willingness and ability of consumers to pay for health care services.
- (3) Alternative financing studies: The Contractor will design and implement two types of studies covering alternative financing mechanisms including user fees and risk sharing models of health delivery.

These studies will test the concept that health services can be funded entirely, or in part, through payments made by or on behalf of the individual into a common pool without respect to individual utilization of services. These variations include prepayment systems such as health maintenance organizations or social insurance mechanisms through employers or cooperatives.
- (4) Other Studies: The Contractor will design and implement other studies e.g. labor market analyses of physicians, HMO feasibility studies, etc. subject to the availability of funds.

(A minimum of nine country studies will be funded during the life of project. Additional studies will depend on the level of Mission participation in funding.)

C. The Contractor will provide up to 70 person months of short term technical assistance during the life of the project to assist AID/LAC and Missions with: the design and implementation of financing studies; the formulation of appropriate health financing policy dialogue agendas; economic analyses of health projects; and the implementation of financing related components of health projects, e.g., establishing appropriate fee schedules or revenue generating schemes for public sector programs, developing hospital cost containment programs, public/private sector cost sharing schemes, etc.

D. The Contractor will conduct at least 4 sub-regional meetings/workshops on alternative financing of health delivery systems, with special reference to private sector options.

E. The Contractor will conduct a final wrap-up meeting during the last year of the project to disseminate research findings of studies implemented under this project. (See evaluation section below).

F. The Contractor will be responsible for forming an expert advisory committee composed of individuals from the private sector, the World Bank and AID, among others, whose function will be to provide guidance on research methodology and review specific research proposals.

IV. Key Personnel:

The contractor will provide the following key personnel:

- 1 health economist/project coordinator (50% time)
- 1 health services research specialist (50% time)
- 1 management officer (100%)

Health Economist/Project Coordinator

Qualifications

- PhD in Economics or Operations Research or DrPH with emphasis on health care financing or equivalent;
- Minimum 5 years experience in health services research and/or design/analysis of health projects, including at least two years in developing countries.
- Familiarity with AID policy, procedures and project design requirements;
- Strong management and communication skills, supervisory experience;

ATTACHMENT A

	<u>B U D G E T</u>				
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>TOTAL</u>
1. Salaries & Wages	\$ 84,955	\$ 88,706	\$ 85,956	\$ 88,556	\$ 348,173
2. Fringe Benefits	16,913	17,640	16,797	17,229	68,579
3. Consultants	25,167	12,690	13,664	- 0 -	51,521
4. Travel, Transp. & Per Diem	36,150	26,600	21,825	9,600	94,175
5. Other Direct Costs	57,200	57,200	57,200	72,200	243,800
6. Indirect Costs	75,503	69,673	67,134	64,436	276,946
7. Miscellaneous Costs *	13,490	13,074	12,966	12,177	51,707
8. Subcontracts	<u>232,155</u>	<u>268,297</u>	<u>295,028</u>	<u>94,869</u>	<u>890,349</u>
TOTAL	\$541,733	\$553,880	\$570,570	\$359,067	\$2,025,250

* Equipment maintenance, computer, postage, duplicating, printing, telephone, telegraph, travel insurance, DBA not subject to indirect costs.

HCF/LAC STUDIES

<u>Country</u>	<u>Title</u>	<u>Status</u>
Region	- "Health Care Financing in Latin America and the Caribbean: Research Review and Recommendations"	Completed April, 1986*
Belize	- "Financing and Costs of Health Services in Belize"	Completed June 1987
Ecuador	- "Costos de los Servicios Basicos de Salud en Ecuador"	Completed July 1987**
Peru	- "Private Health Care Financing Alternatives in Metropolitan Lima, Peru"	Completed August 1987***
Bolivia	- "Toward Self-Financing of Primary Health Care Services, A Market Study of Prosalud in Santa Cruz, Bolivia"	Preliminary draft completed January 1988
St. Lucia	- "Health Care Financing in St. Lucia and Cost of Victoria Hospital"	Preliminary draft completed January 1988
Guatemala	- "Primary Health Care Services and Agro-Export Farmworkers in Guatemala"	Preliminary draft February 1988
Dominican Republic	- "Household Survey"	In Progress
Dominican Republic	- "Demand for Health Care in the Dominican Republic"	Waiting completion of survey data base

*Revised "Cost" chapter available in English and Spanish;
"Alternative Financing" Chapter also available in Spanish.

**English translation currently being edited.

***Spanish summary also available.

HCF/LAC REPORTSQuarterly Reports

- #1 - July 4, 1986
- #2 - September 30, 1986
- #3 - January 2, 1987
- #4 - April 10, 1987
- #5 - July 8, 1987
- #6 - October 9, 1987
- #7 - January 11, 1988

Updates

- #1 - April 1986
- #2 - November 1986
- #3 - April 1987
- #4 - January 1988

Guidelines

Country Study Guidelines - Jan. 87

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HCF/LAC MEETINGSWorkshops:

Workshop I - Stony Brook, NY Mar 19-22, 1986
 Workshop II - Quito, Ecuador April 1-3, 1987
 Workshop III - Antigua, Guatemala (planned) Mar 16-18, 1988

Advisory Committee Meetings:

March 21, 1986 - Stony Brook, NY
 October 10, 1986 - Washington, DC
 April 3, 1987 - Quito, Ecuador
 October 27, 1987 - Washington, DC
 March 18, 1988 - Antigua, Guatemala (planned)

USAID HCF/LAC Staff Meetings:

Dr. Zschock, Project Director and Paulette Chase, Management Officer, meet with the USAID Project Manager and other USAID representatives as appropriate, approximately every 3 months in Washington, DC. The purpose of these meetings is to report on progress to date and discuss all issues of immediate concern to the project.

Country Study and Other Technical Assistance Meetings:

<u>Participants</u>	<u>Study Team/ HCF/LAC Staff</u>	<u>Study Team/ Host Country Counterparts</u>	<u>Study Team/ USAID Staff</u>
<u>Peru</u>	7/86	7/86 8/86	7/86 8/86
<u>Belize</u>	8/86	10/86 10/86	11/86 11/86
<u>Ecuador</u>	2/87	5/87 7/87	5/87 7/87
<u>Bolivia</u>	1/87	2/87 6/87	2/87 6/87
<u>Guatemala</u>	8/87	9/87 11/87	9/87 11/87
<u>St. Lucia</u>	8/87	10/87 11/87	10/87 11/87
<u>DB Survey</u>	8/87	9/87 11/87	9/87 (4/88)

HCF/LAC MEETINGS (cont'd)Other Technical Assistance Meetings

Meeting on scope-of-work for PROSALUD evaluation, USAID/Bolivia 2/86
Meeting on household survey, USAID/El Salvador, 2/87
Meeting on household survey, USAID/D.R., 3/87
Meeting on study exploration for Panama, Stony Brook, 6/87
Meetings on PID concept paper, USAID/Guatemala, 7/87, 9/87

HCF/LAC Staff Meetings

Meetings of the HCF/LAC Staff are held approximately once a month

Allocation of Key Staff and Short-term TA Time (months) as of 12/31/88

	SHORT-TERM TA					
	KEY STAFF *		CONSULTANTS		COORDINATORS	
	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT
(1) Review paper, updates, synthesis	2.2	8.6	4.4	9.1	1.1	5.5
(2) Workshops, confs.	5.0	19.6	***	***	1.0	5.0
(3) Short-term TA (incl. explor. visits, country studies, and other techn. asst.)	18.3 **	71.8	44.1	90.9	18.0	89.6
	25.5	100.0	48.5	100.0	20.1	100.0

			68.6			

* DKZ and LCG only (not including PC)

** Adjusted upward for error (under-reporting) in quarterly reports.

*** Consultants' time not included here because it is included in workshop budgets rather than charged as short-term TA.

Stony Brook

Annex 5

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September 20, 1985

Vivian Prakash
Agency for International Development
Office of Contract Management (CM/ROD/LAC)
Rm. 723, Plaza West Building
1723 North Lynn Street
Rosslyn, VA 22209

Re: RFP-ROD/LAC-85-016
PN 71366

Dear Ms. Prakash:

In accordance with your request, enclosed is our best and final offer in the amount of \$ 2,025,250. for the above referenced project.

All questions raised by you in negotiation with Mr. Eugene K. Schuler on September 19, 1985 have been answered either by a budget adjustment or an explanatory note.

The indirect cost ceiling for this RFP is as follows:

Research Foundation of SUNY - 25% On Campus at 49.5% of MDIC and 75%
Off-Campus at 29.3% of MDIC

IRG - 36% - G & A and 8% fee
(documentation enclosed)

GHA - 79% of Salaries
(documentation to be forwarded by GHA)

In addition, in response to your questions concerning DBAC insurance coverage, we have incorporated the costs for this DBAC insurance into the proposed budget.

If you should have any questions, or should you need any further information, please contact Mr. Schuler at 516/434-7113.

Sincerely,

Kathryn S. Rockett
Kathryn S. Rockett
Asst. Vice Provost for Research
and Research Foundation
Endorsing Designee

KRS:ejm
cc: Dr. D. Zschock
Mr. Eugene K. Schuler
Grants Management Office
file

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USAID RFP-ROD/LAC-85-016

TECHNOLOGY DEVELOPMENT AND TRANSFER IN HEALTH:
HEALTH CARE FINANCING IN LATIN AMERICA AND THE CARIBBEAN

STONY BROOK COST PROPOSAL

1. <u>PERSONNEL</u>	Year 1	Year 2	Year 3	Year 4	TOTAL
a) Key Personnel					
D.K. Zschock (50% Time)	32,825	33,970	33,970	33,970	134,735
R. Perdomo-Ayala (100% Time)	20,000	21,000	22,050	23,153	86,203
SUBTOTAL 1a.	52,825	54,970	56,020	57,123	220,938
b) Faculty and Staff					
L. Locay (2.5 months)	4,977	5,225	0	0	10,202
Secretary (full-time)	12,669	13,303	13,968	14,666	54,606
Graduate Asst. (2 @ 25% AY) (2 @ 44% Summer)	14,484	15,208	15,968	16,767	62,427
SUBTOTAL 1b	32,130	33,736	29,936	31,433	127,235
c) Fringe Benefits (24% Of Staff Salaries excluding graduate asst. (see explanation notes)	16,913	17,640	16,797	17,229	68,579
d) Short-Term Consultants					
C. Mesa-Lago	7,394	0	7,394	0	14,788
K. C. Gaspari	11,375	0	0	0	11,375
R. L. Robertson	6,398	6,710	0	0	13,108
C. A. Penaranda	0	5,972	6,270	0	12,242
SUBTOTAL 1d	25,167	12,690	13,664	0	51,521
SUBTOTAL (1a-b-c-d)	127,035	119,036	116,417	105,785	468,273

RFP-ROD/LAC-R5-016

Offeror: RF-SUNY

2. TRAVEL	Year 1	Year 2	Year 3	Year 4	TOTAL
a) International Travel					
Inter. Airline	15,000	11,000	9,000	3,000	38,000
Inter. Per Diem	14,690	10,140	7,865	2,860	35,555
Local Transp.	2,260	1,560	1,210	440	5,470
Terminal Cost	1,125	825	675	225	2,850
SUBTOTAL 2a	33,075	23,525	18,750	6,525	81,875
b) Domestic Travel					
Domestic Travel	1,500	1,500	1,500	1,500	6,000
Domestic Per Diem	1,575	1,575	1,575	1,575	6,300
SUBTOTAL 2b	3,075	3,075	3,075	3,075	12,300
SUBTOTAL TRAVEL (2a-b)	36,150	26,600	21,825	9,600	94,175
3. <u>OTHER DIRECT COSTS</u>					
Workshops & Conf.	35,000	35,000	35,000	70,000	175,000
Country Study Op.	20,000	20,000	20,000	0	60,000
Office Supplies	1,200	1,200	1,200	1,200	4,800
Books & Materials	1,000	1,000	1,000	1,000	4,000
SUBTOTAL (3)	57,200	57,200	57,200	72,200	243,800
SUBTOTAL DIRECT COSTS (1-3)					
	220,385	202,836	195,442	187,585	806,248
4. <u>INDIRECT COSTS</u>					
	Year 1	Year 2	Year 3	Year 4	TOTAL
a) 25% of Direct Costs on Campus @ 49.5%	27,273	25,180	24,186	23,214	99,773
b) 75% of Direct Costs off Campus @ 29.3%	48,430	44,573	42,940	41,222	177,173
SUBTOTAL (4a-b)	75,703	69,753	67,134	64,436	276,946

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5. MISCELLANEOUS COSTS	Year 1	Year 2	Year 3	Year 4	TOTAL
Equip. Maint.	800	800	800	800	3,200
Computer	1,000	1,000	1,000	1,000	4,000
Postage & Deliv.	750	750	750	750	3,000
Duplicating	2,000	2,000	2,000	2,000	8,000
Printing	2,000	2,000	2,000	2,000	8,000
Teleph. & Telegraph	3,500	3,500	3,500	3,500	14,000
Travel Insurance	2,197	2,091	2,098	1,673	8,061
DEAC (2.67)	1,243	932	818	453	3,446
SUBTOTAL (5)	13,490	13,078	12,966	12,177	51,707
SUBTOTAL STONY BROOK (1-5)					
	399,578	285,583	275,542	264,198	1,134,901
6. SUBCONTRACTOR COSTS					
INTERNATIONAL RESOURCES GROUP, LTD., (IRG)					
	145,167	197,270	181,602	78,898	602,936
GROUP HEALTH ASSOCIATION OF AMERICA, INC., (GHAA)					
	86,988	71,027	113,426	15,972	287,413
SUBTOTAL (6)	232,155	268,297	295,028	94,870	890,349
7. TOTAL PROJECT COST					
	541,733	553,880	570,570	359,068	2,025,250

NOTES: Please refer to explanatory notes, exhibits and annexes, attached. Also, please note detailed worksheets for Stony Brook, IRG, and GHAA cost proposal.

RFP-ROD/LAC 85-816

BUDGET REVISION NOTES

(1) Explanation of D.K. Zschock salary: In accordance with University policies, Prof. Zschock is scheduled for a salary increase to 49,250 effective Sept. 1, 1985 for the academic year 1985/86 (Sept. 1, 1985-May 31, 1986). His summer salary for June-August, 1986 is calculated also in accordance with university policies at 3/9 of his academic year salary for a total calendar-year salary equivalent of (Sept. 1, 1985 to August 31, 1986) \$65,650. Fifty percent of this total (\$32,825) is shown in the cost proposal for year 1 of the contract. Subsequent increases, are constrained by the maximum allowable salary of a FS-1 equivalent. The adjustment is shown in the attached cost proposal revision.

(2) Time allocation for D.K. Zschock: The cost proposal provides for 50% of Prof. Zschock's time on the project annually as called for in the RFP. This time will be scheduled as follows: Three months (or 33%) during the academic year (Sept. 1-May 31) and three months (or 100%) during the summer (June 1-August 31), for a total of six months (or 50%) over any 12 month period, regardless of the official starting and completion dates of the project. In this manner, Prof. Zschock's other responsibilities, for the remaining 50% of his time over any 12-month period, can be scheduled to conform with the needs of this project.

(3) Explanation of L. Locay salary: In accordance with University policies, Prof. Locay is scheduled for a salary increase to \$33,796, effective Sept. 1, 1985, for the academic year 1985/86. He is programmed to work for 1.25 months in year 1 and 1.25 months in year 2 of the project. The totals shown for him in the cost proposal are based on his academic year salaries in 1985/86 and 1986/87, respectively.

(4) Explanation of C. Mesa-Lago fee: Prof. Mesa-Lago, of Pittsburgh University, has an established consulting fee of \$260/day. His participation is calculated on the basis of 1.25 months in years 1 and 3, respectively. A correction has been made to maintain his remuneration at the current rate.

(5) When no costs are included for a particular individual in a given year, the workplan does not call for that individual to participate actively in the project that year.

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HCF/LAC STAFF ESTIMATES OF EXPENDITURES BY FUNCTION*
10/1/87 - 12/31/88

Currently obligated total	\$1,812,950
Expended as of 9/30/87	- 989,155
Balance as of 10/1/87	\$ 823,795

Actual:

GHAA subcontract completion	28,611
IRG subcontract completion	351,285
St. Lucia study completion	53,814
Workshop III completion (incl. indirect costs)	47,022

Estimates:

Stony Brook salaries 10/1/87-1/31/88	60,000
Salaries projection 2/1/88-9/30/88	120,000
Stony Brook direct and indirect costs 10/1/87-1/31/88	16,840
Projected Stony Brook direct and indirect costs 2/1/88-9/30/88	33,678
Balance as of 9/30/88	\$ 112,545
Additional obligation, Yr. 4	212,300
Estimated Year 4 funds available	\$ 324,845
<u>Functional projection, 10/1/88-9/30/89</u>	
Stony Brook salaries	176,000
Stony Brook direct and indirect costs	101,845
Workshop IV	47,000
Total projected for year 4	\$ 324,845

*Estimated by key staff; not an official financial report

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Estimated budget allocation by time and function

<u>Project staff</u>	(176.5 mos)	<u>Totals</u>	<u>Percent</u>
** (Zschock/mo = \$10,000 X 28.5 mos		285,000	
(Gomez /mo = 8,000 X 12 mos		96,000	
Chase/mo = 4,250 X 48 mos		204,000	
*** Gwynne/mo = 4,400 X 13 mos		57,200	
Sec'y/mo = 2,600 X 48 mos		124,800	
Res. Assts. = 3,100 X 24 mos		74,400	

Subtotal, staff	\$	841,400	41.5%
48 months S & E. Travel, etc. (Stony Brook & IRG)		187,096	9.3%
**** ST technical assistance (77.5 mos)		761,754	37.6%
5 Workshops/conference		<u>235,000</u>	11.6%
(238 mos) Total	\$	2,025,250	100.0%

* Estimates include unapproved assumptions on time allocation of Project Director.

** Zschock's time, originally budgeted at 24 months, is increased here to 28.5. This allows for an increase from 50% to 75% of his time for the remainder of the project period, Jan. 14, 1988 - Sept. 30, 1989. Gomez' time, in turn, is reduced from 24 to 12 months. The net difference, 7.5 months, is added to the short-term TA category (which is thereby raised from 70 to 77.5 person months).

*** Gwynne's 3 months of work as coordinator of the St. Lucia study are excluded here, instead, they are included in the ST technical assistance total of 77.5 months, show below.

**** 8 studies at \$741,754 + short term technical assistance at \$20,000

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Country Study Budgets and Expenditures

	Country*	Approved Study Budget	Study Coordinator**	Total Study Budget	Expended	Balance
(GSAH)	Peru	93,327	-	93,327	106,021	(12,694)
(TRC)	Ecuador	79,959	-	79,959	79,959	-
(TRC)	Bolivia	92,352	-	92,352	92,352	-
(GSAH)	Bolivia	77,289	-	77,289	71,280	6,108
(TRC)	St. Lucia	59,012	13,200	67,012	63,212	3,802
(TRC)	Guatemala	75,590	28,352	103,942	99,740	5,215
(TRC)	La Guaymas	112,950	-	112,950	60,256	32,694
(TRC)	La Guaymas	24,381	20,556	113,707	5,961	107,746
	TOTAL	669,242	71,912	741,754	560,783	142,971

*Parentheses indicate whether study was directly administered by Stony Brook (GSAH), or by one of our two subcontractors (TRC or GSAH).

**In those cases where the study coordinator is not shown apart from the study budget, her/his time was included in the original estimate.

BEST AVAILABLE DOCUMENT

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AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

2. AMENDMENT/MODIFICATION NO. 3	3. EFFECTIVE DATE See Bk 150	4. REQUISITION/PURCHASE REQ. NO. 517-0000-2-70035	5. PROJECT NO. (if applicable) 508-0632
6. ISSUED BY Agency for International Development Office of Procurement Overseas Division/LAC Washington, D.C. 20523		7. ADMINISTERED BY (if other than Item 6) CODE	8. CODE

9. NAME AND ADDRESS OF CONTRACTOR (No. street, country, ZIP and ZIP Code) Research Foundation of State University of New York P. O. Box 9 Albany, New York 12201-0009 E. I. No: 14-1358361 DUNS No: 02-065-7151	9A. AMENDMENT OF SOLICITATION NO.
	9B. DATED (SEE ITEM 11)
	10A. MODIFICATION OF CONTRACT/ORDER NO. LAC-0632-C-00-5137-00
	10B. DATED (SEE ITEM 13) 9/30/85

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:
 (a) By completing Items 8 and 15, and returning _____ copies of the amendment, (b) By acknowledging receipt of this amendment on each copy of the offer submitted, or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of the amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (if required):
See Block #14

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

14. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

15. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as change in paying office, appropriation, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.303(b).

16. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
 X The Foreign Assistance Act of 1961, as amended, and E.O. 11223
 O OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not, is required to sign this document and return 7 copies to the issuing office.

17. DESCRIPTION OF AMENDMENT/MODIFICATION (organized by UCF section heading, including solicitation/contract subject matter where feasible.)
 The purposes of this Modification are to add \$112,950 in incremental funding to support a household survey in the Dominican Republic and to update the four year budget set forth in the contract.

- A. In Section B-I-A delete the dollar figure "1,700,000" and substitute therefor the dollar figure "1,812,950".
- B. In Section C-II entitled "Accounting and Appropriation Data", add the following:
- (Continued on page two)

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) Patricia A. Winters, Administrator, OCGA	15B. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Judith D. Johnson
15C. DATE SIGNED 9/14/87	15D. DATE SIGNED 9/14/87
15E. CONTRACTOR OFFICE <i>Patricia A. Winters</i> (Signature of person authorized to sign)	15F. UNITED STATES OF AMERICA BY <i>Judith D. Johnson</i> (Signature of Contracting Officer)

BEST AVAILABLE DOCUMENT

Annex 9

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PIO/T No: 517-0000-3-70039
Appropriation No: 72-1171021
BPC: LDHA 87-25517-KG13
Source: Dominican Republic
Obligated Amount: \$112,950

C. Delete the Budget set forth in Attachment A to Section B in its entirety and substitute the following:

"Attachment A"

BUDGET

	Expended Yr. 1	Expended Yr. 2	Estimated Yr. 3	Estimated Yr. 4	Totals
Sal. & Wgs.	70,674	99,311	140,080	145,687	455,752
Fringes	15,550	17,063	27,859	30,645	91,117
Consultants	34,116	36,395	36,866	16,821	124,198
Trav/Trans.	10,714	29,340	42,650	28,400	111,104
ODC	1,331	2,305	5,100	6,062	14,798
Equipment	-	6,274	-	-	6,274
Ind. Costs	45,475	63,346	89,910	81,030	279,761
Misc. Costs*	14,799	16,617	17,500	16,200	65,116
Subcontracts	91,020	434,825	351,285	-	877,130
TOTAL	\$283,679	705,476	711,250	324,845	2,025,250

*Equipment maintenance, computer, postage, duplicating, printing, telephone, telegraph, travel insurance, DBA not subject to indirect costs.

D. The design for the Dominican Republic Household Survey and related budget shall be submitted for formal approval by the A.I.D. Washington Project Officer, K. Jones-Patron, LAC/DR, in accordance with the existing procedures under this contract.

E. The incremental funding being added by this amendment has been provided by U.S.A.I.D./Dominican Republic, therefore use of these funds must be individually tracked and reported to the following individuals:

Lee R. Hougen
Chief, Health & Population Division
U.S.A.I.D./Dominican Republic

T. Sebout
Controller
U.S.A.I.D./Dominican Republic

Except as expressly modified herein, all other terms and conditions of this contract remain unchanged and in full force and effect.

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