



Deep Dive: An Exploration for Innovation

Improving Quality in the Private Sector

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Case Study: Banking on Health in Nicaragua

Contributed by Banking on Health

Name of Project

Banking on Health

Country

Nicaragua

Years of activities

2005 – ongoing

Banking on Health, a project funded by USAID, works to increase access to financing for the private health sector in developing and emerging economies. In 1998, Nicaragua began a broad based health reform process that has enabled the contracting out of health services, including reproductive health and family planning. Contracted providers, known as *Empresas Médicas Previsionales (EMPs)* suffered when the National Social Security Institute (INSS) modified its certification process, adding rigorous standards for infrastructure, finance and administration, and service delivery. Many EMPs lacked access to financing to make the required physical infrastructure improvements and invest in quality of care. As a result, Banking on Health has provided training to banks, EMPs, and the INSS, to promote family planning services as a cost containment strategy.



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Background

Health Sector Reform in Nicaragua

Since 1998, Nicaragua has undergone a broad based health reform process that has enabled the National Social Security Institute (INSS) to contract out basic health services, including family planning and reproductive health, to the private sector throughout the country. The INSS collects contributions from employers and employees and then makes a monthly per capita payment to public and private sector providers to offer a basic, defined package of health services to social security beneficiaries and their eligible dependents. The INSS package covers both family planning services as well as deliveries. The contracted providers are called Empresas Médicas Previsionales (EMPs) and consist of for-profit firms, non-governmental organizations (NGOs) and Ministry of Health facilities. Three quarters of the EMPs are private. The EMPs are certified by the INSS. There are currently 51 EMPs in Nicaragua, serving approximately 16% of the economically active population and their dependents.

Financial Incentives, Capitation and the Promotion of Family Planning Services

Surveys of private sector EMPs reveal that family planning service delivery is limited. Many EMP clients do not realize that their EMP provides family planning services and that family planning is part of their benefits package. Most of the private sector EMPs are not promoting family planning services. Under the INSS basket of services, the EMPs are required to provide maternity care, including prenatal, delivery and postnatal services. From a financial perspective, it is much more cost effective for EMPs to promote family planning services than to provide maternity services for unintended pregnancies. Promoting cheaper preventive services, such as family planning, in order to avoid more costly services, such as deliveries, is an important tool in managed care. EMP management and staff did not fully understand the managed care model and where not responding to the built-in incentives.

INSS Certification, Quality and the Importance of Finance

In 2002, the INSS modified its certification process for EMPs with more rigorous standards for infrastructure, finance and administration and service delivery. Many EMPs failed to pass certification under the new standards. As a result, the INSS allowed for a second and third round of certification to enable new applicants and existing EMPs to make necessary changes in order to be certified as EMPs. Due to the small size and limited capacity of many of the EMPs, experts had predicted that there would be considerable consolidation in the sector. In order to provide high quality health services, compete with other health providers and be re-certified, EMPs have had to

improve their physical infrastructure and invest in quality of care. This process has been gradual and slow. A lack of access to financing is one of the factors that has constrained the consolidation and necessary investment that the sector requires in order to improve its delivery of service. To address this issue, USAID/Nicaragua has initiated a DCA (Development Credit Authority) loan portfolio guarantee structure that provides up to 50% loan loss guarantee for banks, which lend to the private health sector. This includes EMPs and other private providers that do not participate in the INSS system.

The Banking on Health Project

The Banking on Health Project seeks to improve the environment for private health care providers to access credit, and thereby improve their capacity to deliver quality family planning and reproductive health services in a sustainable manner. The Banking on Health Project seeks to increase quality of care in the private sector by increasing access to financing so that providers can make improvements in facility, capacity, or commodity supply.

How was the Intervention launched?

In November 2004, the Banking on Health Project conducted an assessment in Nicaragua, interviewing banks, EMPs and the INSS. Based on this assessment, Banking on Health recommended a three-pronged package of technical assistance. Recommended TA included:

- Technical assistance to financial institutions: Banking on Health proposed to train financial institutions with the health sector DCA in lending to the private health sector and understanding the capitated system.
- Technical assistance to EMPs: Banking on Health proposed two modules. The first module focuses on working with EMPs to improve their performance within the capitated system. This module explains the importance of cost containment in improving financial performance and the role of preventive services, particularly family planning, as a cost containment strategy. The second module works with EMPs to identify their financing need, develop a business plan and apply to a bank for a loan to improve and expand their services.
- Technical assistance to the INSS: This training works with the INSS to understand the importance of promoting family planning and other preventive services as a cost containment strategy. Promoting preventive services can reduce pressure to raise the capitation rate, saving the INSS money in the long run.

What steps were used in the intervention?

Leveraging Previous Work in Nicaragua

The Banking on Health team initiated the intervention based on previous work in Nicaragua by the CMS Project and the Summa Foundation. The goal of the intervention was to scale-up a successful pilot.

Assessment Visit

The team conducted an assessment visit in November 2004 to determine whether there was an opportunity to use access to financing and financial incentives to promote quality reproductive health and family planning service delivery.

Design Visit

A subsequent design visit was conducted. The team interviewed the banks, EMPs and the INSS and used findings to develop training materials.

Training

In April 2005, the Banking on Health Project conducted the initial round of training with the banks, EMPs and the INSS. A second round of training will be conducted in June 2005 followed by one-on-one technical assistance to select EMPs. Based on the initial training, the INSS recognizes the importance of promoting family planning services as a cost containment strategy. They are so convinced they are interested in compensating providers that promote family planning services. They are also interested in revising their certification protocols to include reproductive health and family planning protocols.

How did you measure change?

The Banking on Health Project is conducting a baseline survey at 30 EMPs. The survey will assess current levels of family planning service delivery, financial management, and financing need. A follow-on survey will be conducted a year after the intervention was initiated. We will also be measuring qualitative changes at the policy level.

How was the private sector involved?

The Banking on Health Project is working with all of the private EMPs.

What worked best in this experience?

The most successful components of the training have been opportunities for all interested parties (the banks, EMPs and INSS) to meet each other and exchange views. Improving quality in the private sector is a dynamic process that takes advantage of numerous actors. The intervention in Nicaragua involves financial institutions, private providers and the regulator/payor, the INSS. In addition, the intervention is taking advantage of built-in incentives to promote quality family planning and reproductive health services. This will be important in the long-term sustainability of the intervention.

What were the potential roadblocks and challenges?

- The financial institutions were reluctant to lend to the health sector.
- The EMPs now understand the benefits of promoting family planning services but want to make sure that all EMPs make these investments.

What advice do you have for others?

- Identify the incentives for promoting quality.
- If possible work with the private sector to understand how investments in quality can contribute to their bottom line.
- Understand that promoting quality will be a dynamic process involving multiple actors. Private providers cannot and should not do it all on their own.

Contact Information

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