

Kyrgyz Health Reformers Tackle Funding Declines

By Michael Borowitz, MD, PhD, MPH

With a decline in national funding levels from 4.2 to 2.6 percent of gross domestic product since 1990, the health sector in Kyrgyzstan faces crisis. Today Kyrgyz health reformers confront the dual challenges of generating more revenue and improving the health care delivery system's efficiency.

In 1994, the Kyrgyz government requested assistance in testing health reforms. The USAID-sponsored ZdravReform program, which is managed by Cambridge-based Abt Associates Inc., responded with a reform package targeted for Issyk-kul Oblast. The program includes the city of Karakol and the surrounding rural areas, which were designated as an "experimental zone" for health insurance. The reform package includes:

- Creation of a sustainable health insurance fund;
- Implementation of provider payment reforms to establish incentives and fundamentally change the relationships among government, facilities, physicians and consumers; and
- Establishment of family group practices (FGPs) focused on primary care.

The ZdravReform program expands on the Kyrgyz government's July 1992 Health Protection Act and Law on Medical Insurance, which called for diversification and decentralization of the health sector, the creation of a basic health insurance (BHI) fund and diverse funding sources in each oblast. By 1994, the health sector received only half of the funding it got in 1990. Kyrgyzstan spent 70-80 percent of these diminished health resources on expensive hospital care, instead of more cost-effective primary care.

ZdravReform has introduced a new provider payment system consisting of primary care fundholding, in which money for FGPs is pooled, and a case-based hospital payment system. Under primary care fundholding, each person can choose a family practice. Polyclinics and rural health clinics have been reorganized into independent family practices consisting of a pediatrician, internist, gynecologist, several nurses and a practice manager. Basic medical equipment, clinical training in outpatient care, and new accounting systems complement these reorganizations. Under the reformed system, family practices are paid based on the number of people enrolled in their practices; the payment also includes funds for outpatient and hospital care.

Hospitals are paid based on the number of patients admitted, though the payment rate varies depending on the complexity of services. The payment systems create competition between family practices and hospitals, thus creating a market for health services. The new payment system provides incentives to shift care from the hospital sector to FGPs, and rewards efficient hospitals.

Currently, the World Bank is finalizing a health sector loan that will build on the results of the Issyk-kul demonstration. A large portion of the loan will be used specifically to extend the provider payment reforms to Bishkek and Chui Oblast.

As of February 1996, ZdravReform and Issyk-kul Oblast staff have completed the following steps toward health care reform:

- Evaluated the legal environment and prepared draft presidential decree and government edict to address legal/regulatory issues
- Prepared preliminary BHI fund regulations
- Helped define BHI fund organizational structure
- Developed and assisted in a facility consolidation plan that resulted in savings of 1.62 million soms-- or about \$162,000-- closure of six facilities and a 9.2 percent reduction in beds
- Developed a case-based hospital payment system using a database that includes all hospitals
- Designed a computerized accounting system and installed the first module--an enrollment database for FGPs

--Developed preliminary capitation rate and design of the FGP
--Enrolled 72 percent of families in Dzety-Oguz area into FGPs.

By mid-1996, the BHI fund's organizational structure and regulations will be finalized. The remaining modules of the accounting and auditing system and banking relationships for the hospital payment system and FGP fundholding systems will be functioning, funds will be pooled, and the hospital payment system and FGP fundholding system will be in place. A fee schedule for outpatient specialists and diagnostic tests will also be introduced. By the end of 1996, clinical information systems will be installed, and 55 family group practices will be formed.

The reforms in Issyk-kul Oblast combine health insurance and fundamental incentive-based payment reforms with a restructured primary care sector and improved quality assurance and clinical information systems. These integrated reforms will provide the basis for a new cost-effective health care system in Kyrgyzstan.

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AIHA Partnership Addresses Health Insurance Reform

In January 1996, AIHA's Vladivostok-Richmond partnership was awarded a grant from the Abt Associates' *ZdravReform* Project to develop an information system for determining medical care costs at partner hospitals in Vladivostok. The project is an outgrowth of the hospital partnership program, which has been developing accounting models to determine hospital costs for the past two years.

"Our goal is to develop a model information system that is replicable throughout Primorskii Krai," explained Charles Breindel, US partner representative and director of MHA programs at Virginia Commonwealth University.

The information system will allow administrators at Vladivostok hospital partnerships to expand their existing cost-accounting model so that they can share and record costs. As a first step, the partners have purchased a computer that will be networked at the Vladivostok partner hospitals. This computerized system will form a basis for the development of a database and algorithms for the broader accounting system in the Abt project. These costs can then be analyzed by the insurance foundation to determine what payment levels are appropriate, as well as develop standards of care and medical costs