

ICR Review
Operations Evaluation Department

1. Project Data:	Date Posted : 08/20/2002		
PROJ ID : P045687	Appraisal	Actual	
Project Name : Ar-health Insurance Ta	Project Costs 29.8	24.2	
	US\$M)		
	(US\$M)		
Country : Argentina	Loan/ US\$M) 25		
	Loan /Credit (US\$M)	23.6	
Sector (s): Board: HE - Health	Cofinancing -	-	
insurance (100%)	US\$M)		
	(US\$M)		
L/C Number : L4004			
	Board Approval	96	
	FY)		
	(FY)		
Partners involved : -	Closing Date 12/31/1999	06/30/2001	

Prepared by : E. Hazel Denton
Reviewed by : Timothy A. Johnston
Group Manager : Alain A. Barbu
Group : OEDST

2. Project Objectives and Components

a. Objectives

The TA loan provided the Government with the resources to support the policy conditionality attached to two health insurance adjustment loans approved simultaneously (of \$350 million), and to strengthen the public sector institutions required to implement the planned reforms of the social insurance system. These include over 300 national health insurance Funds for formal sector workers linked to their professions, 12 provincial Funds, and one large specialized Fund for retirees and disabled. The objectives of the TA project were to (a) design and put in place a set of key reform policies, (b) develop the regulatory framework and institutions for the future system, and (c) formulate and implement organizational change in the health insurance Funds. The goal was to improve the efficiency, quality and financial solvency of the health insurance system through a significant consolidation of the individual health insurance Funds, reduction of operating deficits, improved operating efficiency, and increased client satisfaction.

b. Components

The project had six components:

- Policy Design and Implementation to include refinement of the Standard Health Benefits Package; redesign of the risk and income compensation fund (FSR); review options for regulating the private pre-paid health plans; and draft legislation for submission to the Congress (US\$1 million)
- Upgrading the National Beneficiary Enrollment Information System by unifying and improving the existing information systems. (US\$4.5 million)

- Establish a new regulatory framework for supervision of health care quality, financial status of the insurance institutions, and market conduct in the new era of competition through a diagnostic study, design of new regulations and of the regulatory agency, and their implementation. (US\$2.4 million)

- Preparation of Restructuring Plans of the eligible health insurance funds (anticipated to be about 100 out of 350). (US\$10 million).

- Institutional Strengthening of the National Social Services Institute for Retirees (INSSJP) which was to be reorganized and downsized, and two polyclinics outsourced together with the ambulance service in Buenos Aires.

Total savings estimated at US\$350 million. (US\$8.5 million).

- Insurance Reform Coordination Unit The PIU handled the TA loan plus the adjustment loans to cover the entire health system insurance reform and the hiring of approximately 30 persons. (US\$3.5 million)

c. Comments on Project Cost, Financing and Dates

The project was extended for 18 months. In July 1999 \$4.2 million were reallocated from the Provincial Health

Sector Reform Project to support policy design-related TA activities in the government's health insurance reform

program. It is not clear how these funds were actually used: the initial objectives for the reallocated funds were

modified leaving only activities identified as Strengthening of the Health Insurance System and of the Ministry of

Health, plus drafting conversion plans for provincial health insurance funds and designing a pilot health insurance

□ fund for the poor and uninsured. However, according to the Revised Components in the ICR of the TA loan, the

funds were used to include development of national health accounts and a provincial health information system.

3. Achievement of Relevant Objectives:

The project provided significant support to various policy and regulatory reforms undertaken by the government in

attempting to reform the health insurance system, but fell far short of its goals to improve the efficiency, quality and

financial solvency of the system.

- Restructuring health insurance funds (Obras Sociales): The goal of creating competition among the 350

health insurance Funds met with strong opposition. The Funds did not merge or consolidate; instead a new group,

health management agencies, entered the scene and assimilated the service delivery risk to a small number of

beneficiaries, leading to even greater fragmentation and less transparency. Of the 100 Funds expected to be eligible

for support for restructuring, only 30 had loans approved. There are no evident performance distinctions between

Funds which received TA and those that did not (ICR p.9). There have been some transfers of enrollees between

funds but far fewer than projected and it appears that adverse selection is occurring (with transfers mostly from the

higher income groups).

- Improve the content of the Standard Benefit Package. While now used as a reference package by the

national health insurance funds and private insurers, it is subject to critique on a number of technical grounds and

there are “no reliable facts regarding the execution of this norm within the program scope” (ICR p. 6).

- Transparent and automatic distribution of funds from the Redistribution Fund. The formula-based automatic redistribution of funds gradually increased to 100 percent by 2001. The redistribution criteria include beneficiary income level, but do not yet include household size, sex/age distribution or other risk-related characteristics.

- Regulation and Supervision of Social Health Insurance. A new regulatory organization (Health Services Superintendency) has been established and regulations have been issued.

- Upgrade the National Beneficiary Enrollment Information System by creating a unified information system.

The project financed the upgrading of the enrollment information system and establishment of a new enrollment

database which is being used. However, there is a lack of commitment to complete the design, update the database

and assure proper administrative arrangements.

- To finance high complexity health care, instead of reforming the current program, as envisaged in the PAD, the project supported the creation of a new agency. While this may be the more effective response, the eligibility criteria were distorted as a result of intense professional interests (ICR p.7) which leaves the overall impact of the actions unclear.

4. Significant Outcomes/Impacts:

TA under the project contributed to the introduction of “freedom of choice” for health insurance (although few have

exercised it) and initiated or strengthened new activities including actuarial risk analysis assessment, discussions

about the Standard Health Benefits Package, and reinsurance analysis for high-cost/low-frequency diseases.

- The concept of competition has been introduced among the health insurance Funds, with some modest number of participants changing Funds

- An agreed Standard Benefits Package of health care is being used both by national funds, private insurers and also intermediaries and represents an important starting point for future reforms.

- The establishment of an independent regulatory agency has been achieved. The agency has adopted its strategic plan and issued regulations.

- Automatic redistribution of funds to the health insurance funds from the Redistribution Fund has been accomplished, although the basis needs adjustment to include risk-related characteristics.

- The National Beneficiary Enrollment Information System has been established, and is providing a tool for monitoring and controlling contributions and the distribution of subsidies. However, it needs further work and updating.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- The consolidation and merger of inefficient health insurance Funds has not happened. More than half of the funds are considered to be at high risk of insolvency, including two-thirds of those which received restructuring assistance.

- Approximately 100 health insurance Funds were expected to be eligible for restructuring, and each restructuring plan was expected to cost around \$100,000. Eventually some 30 funds did apply for aid in preparing a plan; as the funding for this component was fully disbursed, the cost rose to around \$340,000 per plan.
- Because the Integrated Program of Medical Care for Retirees (PAMI) resisted full participation in the reform efforts, much of the TA under this component failed to materialize and the expected annual savings of \$350 million do not appear to have been achieved. A study was completed for the planned contracting out of the ambulance services but the results were disregarded.
- The TA on regulation and supervision of private health insurance was undertaken, and included the draft law on the regulation of private insurers and on competition between private and white-collar employee insurance funds. However, strong opposition by these two groups were obstacles that could not be overcome and transparent rules for competition were successfully opposed.
- The Health Services Superintendency (SSS) was established as the independent regulatory body. A study on strengthening the agency was undertaken with the objective of designing and implementing the regulatory framework. As a result of this study, the agency adopted its strategic plan and issued regulations. However, “to date the SSS has not given priority to this area or executed specific systematic actions to develop a meaningful policy to protect beneficiaries” (ICR p.9) .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
the Outcome :	Satisfactory	Moderately	The project introduced only some of
		Unsatisfactory	intended reforms; was unable to implement organizational change at critical agencies; and although competition among insurance funds was initiated, it has not achieved the originally stated objectives.
Institutional Dev .:	Substantial	Modest	Some reforms have been introduced
and			the new administration is committed to maintaining the new direction, but actual implementation remains problematic.
Sustainability :	Likely	Unlikely	Given the significant opposition encountered and limited steps taken, high financial risk to the majority of insurance Funds and the persistent economic crisis, the sustainability of current and planned reforms remain at risk.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.
NOTE:

7. Lessons of Broad Applicability:

Policy and regulatory reforms, even when successfully adopted (such as competition between

insurance Funds)

may not lead to the expected outcomes. Similarly the technical content of planned reforms may be significantly

altered by lobbying from various interest groups, effectively undermining their intended objectives.

As with the Provincial Health Sector Reform Project to which this one was linked, there was misjudgment of

political commitment, and efforts to build stakeholder support were insufficient.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR provides frank feedback on the problems encountered in undertaking major reforms across inter - connected

organizations. It would have been helpful to have the complete list of Performance Indicators provided, with a full

status update.