Proposal

Costing of the health services in Lao PDR

(Integrated Costing Exercise on the Health Insurance Benefit Package, Health Facility and Essential Service Package)

Funding: MOH, ILO, Fred Hollows Foundation, WHO, SRC, WB, ADB, UNPFA, UNICEF

Prepared for: Ministry of Health, Lao PDR
Prepared by: National Health Insurance Bureau (NHIB), Department of Finance (DOF), Department of Health Care (DHC) and Swiss Red Cross (SRC)

Vientiane, Laos
October 2018

Contents

1 Background 4
2 Objectives 4
3 Scope of the work 5
4 Methodology 6
4.1 Principles 6
4.2 Definitions 6
4.3 Data source, approach and tool 7
5 Implementation 9
5.1 Costing team, information provider and consultants 9
5.2 Duration 10
6 Funding 10
7 Terms of References (TORs) for the teams and consultants ..... **Error! Bookmark not defined.**

Executive Summary: Costing of the health services in Lao PDR

Goal	Costing of the Health Insurance Benefit Package (HIBP), Health Facility (HF) and Essential Service Package (ESP)
Objectives	• To provide baseline information on what to be funded by the government budget, by the Health Insurance and by facility revenues after the Fiscal Year 2020 • To cost the 121 interventions of the ESP to prioritization, scale-up of new interventions and ensure minimum funding • To contribute to the preparation of the 9th National Health Sector Development Plan 2021-2025. • To provide basis for setting the providers payment rates for the HIBP for the fiscal year 2019/20 • To provide the full health facility cost and revenues information in the decision-making around hospital autonomy • To provide basis for setting up the benchmark user charges rates, potential health insurance contributions for health services in public health facilities (outside HIBP), and even for private health facilities
Methodology	The costing exercise will integrate three different costing exercises proposed (Health Insurance Benefit Package (HIBP), Health Facility (HF) and Essential Service Package (ESP)) to achieve synergies in implementation. The exercise will employ a mix of approaches, including: • Top-down costing for HIBP (outpatient) & HF • Bottom-up costing for HIBP (inpatient) & some ESP interventions • Normative costing for HIBP & ESP (based on Lao and international standards) • Activity-based costing for few ESP interventions
Implementation Arrangement	The costing exercise will be implemented by • Core costing team (~20-25 people from NHIB, DOF, NSSF, LaoTPHI) • Clinical specialist (~30 people from hospitals by each specialty) • National program (~10 people from MOH departments/programs) • Consultants or Firm (International) • Technical Assistance from Development Partners Data collection will be performed at • 44 public health facilities (Top-down, bottom-up) • Central/Special/Provincial hospitals (Normative costing, Activity-based costing)
Duration	From October 2018 to July 2019 (8 months)
Budget	1.78 Billion LAK (~210,000 US$)
Funding source	MOH, ILO, WHO, SRC, WB, ADB, LuxDev, Fred Hollows, UNFPA, UNICEF

1 Background

The Government of the Lao PDR (GoL) is committed to pursue reforms aiming at achieving Universal Health Coverage by 2025. According to the strategy outlined in the health sector reform process initiated in 2012, the GoL aims to increase funding to the national health care system through increased supply-side subsidies, and strengthen and expand the coverage through social health protection mechanisms. This has recently been translated into an establishment of a national health insurance scheme in 2016 through the merger of multiple but fragmented social health protection schemes previously operated in the Lao PDR. The GOL also defined an essential service package to concentrate scarce resources on interventions which provide the best 'value for money'. These measures are targeted at reducing the burden of out-of-pocket payments estimated at 40 per cent of total health expenditures and delivering quality health care services to the population.

In order to support adequate and timely implementation of the aforementioned measures, and inform policy discussion and debates on need of domestic funding for health in view of the transition from external financing, different costing exercises have been proposed by various departments and donors. In August 2018, key officials from MOH departments met and agreed on integrating as much as possible three different costing exercises, namely Health Insurance Benefit Package (HIBP), Health Facility (HF) and Essential Service Package (ESP), to achieve synergies in implementation. Data generated from the integrated costing exercise on public health services will be used to identify resources needs, advocate for funding, improve planning and budgeting, ensure equitable and efficient resource allocation, and determine provider payment rates.

2 Objectives

Specific objectives of the proposed costing exercise are as follows:

Planning and Budgeting:

- To provide baseline information on what to be funded by the government budget, by the Health Insurance and by facility revenues after the Fiscal Year 2020
- To cost the 121 interventions of the ESP to prioritization, scale-up of new interventions and ensure minimum funding
- To contribute to the preparation of the 9th National Health Sector Development Plan 2021-2025.

Setting Provider Payment Rates:

- To provide basis for setting the providers payment rates for the HIBP for the fiscal year 2019/20

Improving Provider Internal Management and Performance

- To provide the full health facility cost and revenues information in the decision-making around hospital autonomy
- To provide basis for setting up the benchmark user charges rates, potential health insurance contributions for health services in public health facilities (outside HIBP), and even for private health facilities

3 Scope of the work

The scope of costing exercise is as follows:

Dimension	Health Insurance Benefit Package / Health Facility		Essential Service Package
Perspective	• Purchaser (costs incurred to cover a service)		• Provider (costs incurred to *deliver* a service)
Provider type included	Only public health facilities / institutions: • Public hospital (central, special/institutions, regional, provincial, district) • Health center • Services delivered through outreach/community events		
Cost Objects	HIBP • Service (for individual service or a package of services provided)	HF • Organization (for each health facility level)	• Service (for individual service or a package of services provided)
Cost Type	HIBP • Financial cost	HF • Financial cost	• Financial cost
Cost Items	HIBP • Recurrent cost (personnel, drugs & medical supplies, utilities, other recurrent costs)	HF • Recurrent cost (personnel, drugs & medical supplies, utilities, other recurrent costs, amortization?) • Capital cost (building, medical equipment, non-medical equipment) *<u>Full cost incurred at health facility</u>*	• Non-staff recurrent cost (drugs & medical supplies) + equipment directly linked) • Personnel cost: by intervention (hours) or total staff costs by program • Add total current programmatic costs by program *<u>Direct cost + summary full cost</u>*
Cost measure	HIBP • Average cost by category of services • (Total HIBP cost)	HF • Total health facility cost by each level	• Average cost by intervention or a package of interventions • Total ESP cost (direct and total costs)

3.1 Key questions

Key questions to be answered include:

Dimension	Key questions
Health Insurance Benefit Package	• How much does outpatient department cost (by level)? • How much does each intervention/pathology cost? (40 tracers -> ~17-28 categories) • How much different to current NHIB per capita and case-based payment rate? • How much should the NHIB pay for per capita, and each category? • (How much would the total HIBP cost?) • (Which categories should be prioritized?) • (How much should a patient have to pay for services that are outside HIBP?)
Health Facility	• How much does public health facility cost (by each level, by cost item)? • How should public health facilities be funded? Specifically, which expenditure categories should be funded by what? (by NHIB/NSSF reimbursement, budget allocation, facility revenues)
Essential Service Package	• How much does each intervention cost? (121 interventions) • How much would the total ESP cost? • (Which interventions can the government afford?) • (Which interventions should be prioritized?)

4 Methodology

4.1 Principles

- The costing exercise will integrate three different costing (Health Insurance Benefit Package, Essential Service Package and Health Facility) to achieve synergies in implementation, especially data collection and analysis.
- The costing exercise will employ a mix of approaches including:
  - Top-down costing for HIBP (outpatient) & HF
  - Bottom-up costing for HIBP (inpatient) & some ESP interventions
  - Normative costing for HIBP & ESP (based on Lao and international standards)
  - Activity-based costing for few ESP interventions
- The costing exercise will be performed at each level of health providers (special hospitals/institutions, central hospital, special hospitals, regional hospital, provincial hospital, district hospital (both type A and B), health centers (and potentially for outreach and community-based activity).
- The cost data collected will be considered uniform across all patient/beneficiary groups regardless of their current financial health protection status (NSSF member, NHI member, patients who paid OOP, and others).
- The cost data will be collected from various data sources, including but not limited to: data collected by core costing team, inputs from clinical specialist team, hospital cost data reported to DOF, inputs from national programs and international literatures.

4.2 Definitions[1]

Top-down – Stepdown approach:

- Top-down costing is generally used to estimate the macro-level costs of resources when implementing a specific strategy or a package of health services. In health services costing at facility level, the term can also be associated with a step-down cost-allocation process.
- The step-down technique is a method of allocating a supporting department's costs to other direct health service departments, in a sequential manner based on organisational resource relationships and ultimately to establish unit costs.

Bottom-up approach:

- This approach is used to estimate the costs of a distinct service (e.g. provision of a normal delivery)

Normative approach:

- In contrast to the actual cost calculation, which captures the cost of services as it is currently given, the normative cost calculation sets the resource inputs according to national protocols or to facility standards and also national targets

Activity-based costing (ABC)

- While the above-described approaches are generally applied to capturing the costs of health services delivered by facilities, **activity-based costing (ABC)** is an alternative costing methodology that identifies the goals, objectives, activities and sub-activities of an organisation and establishes the cost of each activity/sub-activity by matching resource inputs with a distinctly calculated unit cost, and then establishing a total cost for each sub-activity and activity. **ABC is generally applied to public health activities**, **health sector strategies, and broader macro-level interventions**. Each sub-activity also has an indicator or set of measures by which the sub-activity can be evaluated for cost-efficiency (e.g. cost per person reached).

---

[1] *Blaakman A (2014) Cost Analysis of the Essential Package of Health Services (EPHS) in Somalia*

4.3 Data source, approach and tool

Interventions and data source

	HIBP	HF	ESP
Pathologies / Interventions	40 pathologies / interventions • *Current 7 categories (15 pathologies)* • *New 10-22 categories (25 pathologies)*	X	106 pathologies / interventions • *Among 121 ESP interventions, 15 do not have significant direct cost*
Data sources	1. Samples from 44 health facilities • *3 Central hospitals* • *5 Special hospitals/institutions* • *3 Regional hospitals* • *3 Provincial hospitals* • *10 District hospitals (3 type A, 7 type B)* • *20 Health centers* 2. Data from the DOF reporting 3. Data from national programs		1. Inputs from clinical specialists and national programs 2. Some data from 44 health facilities 3. Data on outreach sessions and community events (for some, not all)
Approaches	• Bottom-up costing • Normative costing	• Top-down costing	• Normative costing (all) • Bottom-up costing (some) • Activity-based costing (few)

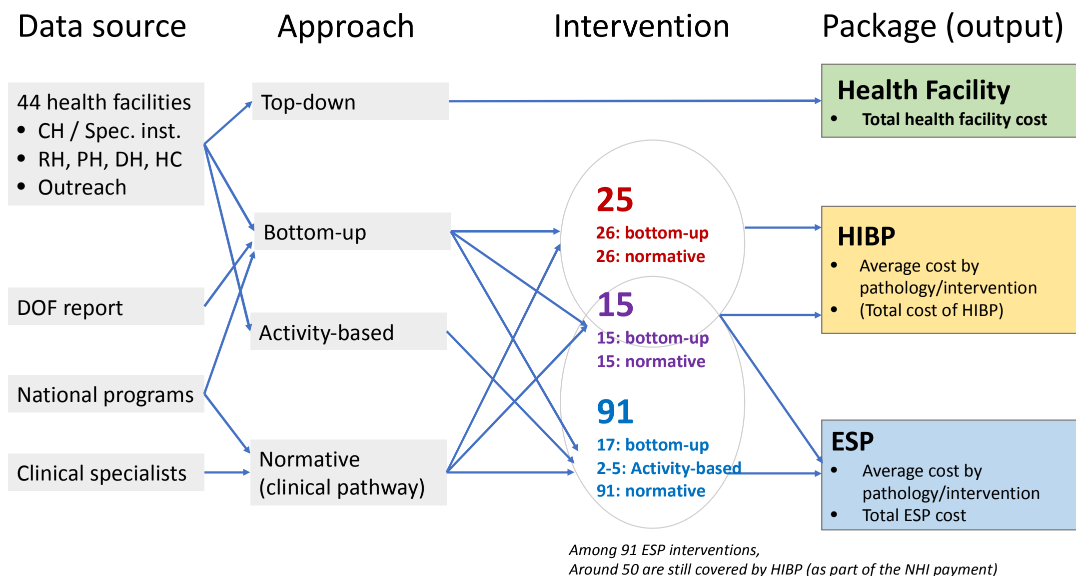
Costing approach

A detailed costing methodology, data management plan, and data collection tools / templates will be developed by each team with support of consultants and TAs from DPs.

Costing approach	Interventions / Methodology
Top-down costing	Costing will be performed in 44 health facilities: • CH/RH 12 days, PH 10 days, DHA 6 days, DHB 4 days, HC 2 days

Bottom-up costing	**A total of 57 (40+32-15) interventions will be costed from 44 health facilities**
	• HIBP: 40 tracers' pathologies/interventions (30 patient files for each)
	  o Current 7 categories (15 pathologies)
	  o New 10-22 categories (25 pathologies)
	  o These includes 14 interventions under the ESP
	• ESP: 32 pathologies/interventions
	  o 15 interventions are included in both HIBP and ESP
	  o 17 interventions are only for ESP (not included in HIBP)
	
	30 patient files will be collected for each pathology/intervention
	Collected data will be compared with DOF hospital reporting data

Normative costing (costing of clinical pathway)	**A total of <u>129</u> (40+106-15) interventions will be costed** • HIBP: all 40 tracers' interventions will be costed • ESP: 91 ESP interventions will be costed (Among 121 ESP interventions, 15 interventions are without cost, and 15 interventions are already costed under HIBP) Interventions will be costed based on clinical guidelines • For Int'l standards: from OHT and other standard estimates • For Lao standards: defined by a team of 3-4 specialists from central hospitals and provincial hospitals for each pathology/intervention
Activity-based costing	• Few ESP interventions (2-5 interventions)



Tools and Analysis

At this stage, the definite choice of tools is not made. Excel will certainly be the main tool for both the HIBP/HF and ESP (data collection, management and analysis). OneHealth Tool (OHT) and possibly Health Service Prioritization Tool (HSPT) for ESP costing and R (for all), will also be used depending on needs, complementing the Excel.

- Average cost of interventions/pathologies will be estimated using data from the bottom-up and top-down costing (using Excel), and normative costing (OHT for HIBP/HF, and either Excel or OHT plus HSPT for ESP).
- Total cost will be estimated by linking cost data with utilization data from DHIS2, health insurance claims, national programs and others, using either Excel or OHT/HSPT, or both.

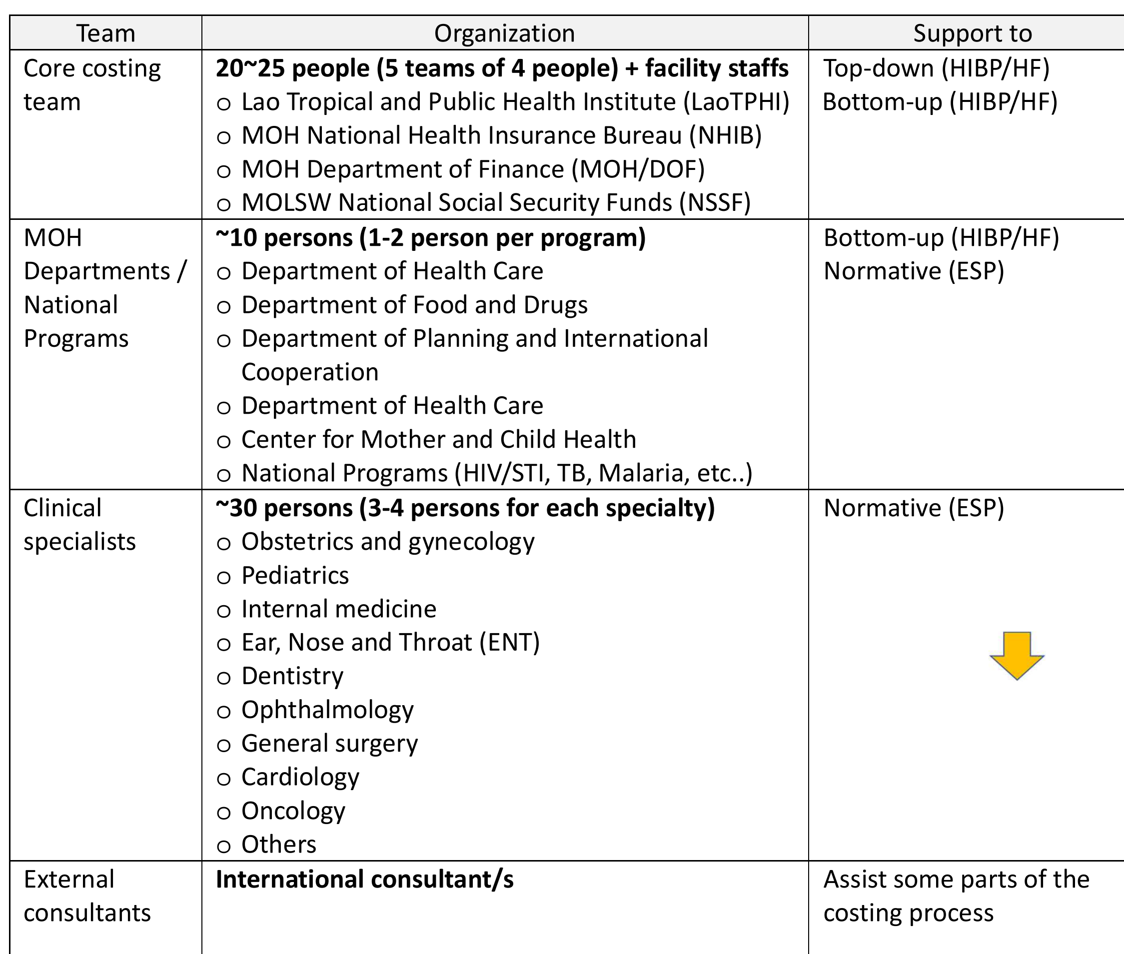
#	Costing	Average cost by category/intervention		Total cost	
		Methodology	Tool	Methodology	Tool
1	**Health Insurance Benefit package (HIBP)**	• Stepdown • Bottom-up • Normative	Excel (info <OHT)	• Utilization from DHIS2, HI, Nat. Prog. • Projections utilization	• Excel or OHT
	Health Facility Costing (HF)	• Stepdown	Excel		• Excel
2	**Essential Service package (ESP)**	• Normative (all) • Bottom-up (some)	OHT or Excel		• OHT and/or HSPT or Excel

5y HSD Plan 2020-25

5 Implementation

5.1 Costing team, information provider and consultants

The exercise will be led by a core costing team, using information collected or provided from health facilities, various departments and national programs, and clinical specialists from hospitals. An independent expert or a team of consultants will be recruited to accompany and facilitate the costing process. Development Partners will also engage and provide necessary technical guidance and support at various stage of the process.



Team	Organization	Support to
Core costing team	**20~25 people (5 teams of 4 people) + facility staffs** o Lao Tropical and Public Health Institute (LaoTPHI) o MOH National Health Insurance Bureau (NHIB) o MOH Department of Finance (MOH/DOF) o MOLSW National Social Security Funds (NSSF)	Top-down (HIBP/HF) Bottom-up (HIBP/HF)
MOH Departments / National Programs	**~10 persons (1-2 person per program)** o Department of Health Care o Department of Food and Drugs o Department of Planning and International Cooperation o Department of Health Care o Center for Mother and Child Health o National Programs (HIV/STI, TB, Malaria, etc..)	Bottom-up (HIBP/HF) Normative (ESP)
Clinical specialists	**~30 persons (3-4 persons for each specialty)** o Obstetrics and gynecology o Pediatrics o Internal medicine o Ear, Nose and Throat (ENT) o Dentistry o Ophthalmology o General surgery o Cardiology o Oncology o Others	Normative (ESP)
External consultants	**International consultant/s**	Assist some parts of the costing process

	o For HIBP/HF: A team of consultants or an institute to focus on overall design, monitoring, and reporting (~125 days) o For ESP: one consultant or various consultants with 1 week input (Family Planning, MNCH, CD, NCD) (~60 days)	
Development partners	**Financial and relevant TA supports from:** o International Labor Organization (ILO) o World Health Organization (WHO) o Swiss Red Cross (SRC) o World Bank (WB) o Asian Development Bank (ADB) o Fred Hollows Foundation o The United Nations Population Fund (UNFPA) o The United Nations Children's Fund (UNICEF)	Assist the whole costing process

5.2 Duration

The costing exercise is expected to take around 8 months from October 2018 to July 2019.

#	Initial Budget estimates	Planning										
		Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
1	Design											
2	Equipment data collection											
3	Data collection											
4	Monitoring											
5	Data recording & analysis											
6	Reporting											
7	Dissemination											

6 Funding

Funding sources

Funding source	Main costing focus	Main type of cost	Committed amount
Government	HF, NHIBP, ESP	Operations	
Regular budget (Chap. 63)	DOF & dep't/national programs		
Budget from NHIB/NSSF			
Disbursement Linked Indicators (DLI)			
Development Partners			
ILO	HIBP and HF	Operations & consultants, TA	
WHO	ESP	Operations & consultants, TA	
SRC	HIBP, HF, ESP	TA, Operations	
WB	ESP and HIBP	TA, Operations & consultants	
ADB	?	Operations & consultants?	
LuxDev	?	Operations & consultants?	
Fred Hollows	ESP (mainly eye care) & HIBP	Operations & TA	
UNFPA	ESP (mainly Reproductive Health)	Operations?	
UNICE	ESP	Operations?	