PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

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Borrower(s)	MINISTRY OF HEALTH
Implementing Agency	
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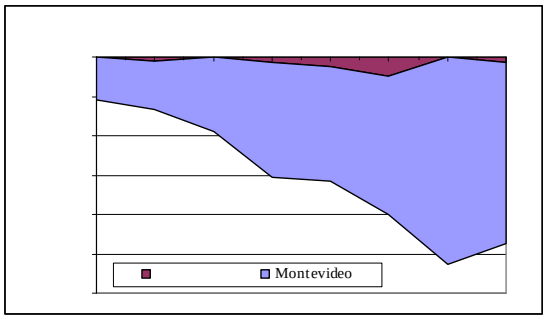
Key development issues and rationale for Bank involvement.

The two major shortcomings of the health sector are (i) the growing inability of the system to provide adequate financial protection; and (ii) an inadequate response to non-communicable diseases. These two main problems are linked.

Financial Cost of Health Care System. At 11 percent of GDP, Uruguay's burden of financing for health is the equivalent of Switzerland's, exceeded only by the United States and Lebanon (UNDP 2004). This raises concerns about the financial sustainability of the system. The fact that health expenditures have long been increasing at a pace faster than the cost of living and that the share of GDP devoted to health grew by more than 20 percent between 1994 and 2003, underscores concerns about the magnitude and the rapid growth of the system's financial burden.

The most important factor for the financial stress in the health system is the deficit of the social security health insurance system (which translates into the deficit of the IAMCs). This deficit has been growing, reaching as much as 25 percent of revenues in recent years (Figure 2). The deficit is financed by general taxation. The long term financial crisis of the IAMCs resulted in serious sustainability problems, with increasing long term debt and a growing number of

providers filing for bankruptcy (15 percent of all IAMCs since 1999). Another important factor is the FNR's cumulative annual operating deficit, which from 1991 through 2001 totaled UY$1.26 billion real pesos. Although the FNR has achieved an important turn-around in its fiscal balance, it still has a massive debt burden and a fragile institutional framework, and as a result, risks reverting back to an operational deficit.



Financial stress of health spending is also high for households. Thirty percent of Montevideo's households and 25 percent of households in the interior spend 20 percent or more of their household income on health. This is a high proportion in relation to other countries.(World Bank, 2005). The cost of the premium health insurance program of the social security system (i.e., administered by the Dirección de Servicios de Salud del Estado, DISSE, of the Banco de Previsión Social, BPS), has increased twice as fast as the legal minimum salary since 1993, while average co-payments per consultation have increased 75 percent.

There are important inequities in financing. The private sector (through the IAMCs) receives major subsidies from the public sector: 10 percent of IAMC affiliates report they regularly obtain at least a portion of their care from a public sector provider, which constitutes a cross-subsidy from the public to the private sector. Furthermore, as mentioned earlier, the deficit of the formal social security institution (DISSE), which in 2004 equaled about 11 percent of the MSP budget, is covered by the Ministry of Economy and financed by general taxpayer contributions. Finally, there is wide variation in the proportion of employers' wage bills that are paid as BPS contributions.

Non-Communicable Diseases and the Epidemiological Transition. Uruguay has completed its epidemiological transition, changing its health profile to one with a high prevalence of NCDs. The health system has made only a few adaptive changes to address this change. The effects of chronic illness are of particular concern among poor populations, who lack both the knowledge and time to access health services. However, few resources are devoted to primary or secondary prevention of NCD or to health promotion activities.

The sluggish pace of change in the health system is perhaps even more important and troubling than the health system's financial problems because of its financial, individual, social, and economic implications. Chronic illnesses now account for an estimated 75 percent of all lost disability-adjusted life years (DALYs), and just two chronic diseases—cardiovascular diseases and malignant tumors—account for 58 percent of all deaths (Medici, 2002). It is estimated that 22 percent of all deaths and 32 percent of the deaths of Uruguayans less than 65 years old are avoidable. Many Uruguayans are suffering unnecessarily and dying prematurely because their

health system is not addressing the needs of the population. The burden of this disease is also distributed inequitably, with the poor population enduring more suffering than the rich. There are important economic costs to the health system associated with the care of chronic illnesses. However, the financing levels for prevention and health promotion services are inadequate. Only 0.4 percent of overall health expenditures are spent on preventive care and health promotion (Trylesinski 2002), and DIGESA devotes only 7 percent of its expenditures on these areas (Perez 2004). Due to the longstanding and marked incongruity between the epidemiological profile and the health care model, it is estimated that the adoption of even a few simple measures of health promotion and prevention focused on chronic diseases could reduce the number of years of life lost due to premature death among persons less than 60 years by one-third (Medici, 2002).

Interrelationship between Financing Problems and Health Care Model. There are important and growing economic costs for the health system associated with the care of chronic NCDs, which progressively erodes the capability of the health system to provide adequate financial protection.

Although both factors need to be addressed concurrently, it is critical to improve the capacity of the health system to respond to the burden of disease appropriately. Merely improving the financing of the health system without addressing the health care model itself, will be insufficient to address the cost explosion. Until now, health reform initiatives in Uruguay have concentrated on financial and design problems. Efforts were never focused on improving the health system's response to the areas where the disease burden was highest. As a consequence, the MSP does not have the basic tools to face NCDs effectively such as an appropriate information system; epidemiological surveillance and monitoring systems; and a health promotion and prevention policy.

Government program.

The new Government, which took office in March 2005, has put an integrated health care reform high on its agenda. The Government has taken regulatory measures to improve coverage for NCD (e.g. diabetic patients) and to prevent harm from tobacco through the legislative approval and implementation of "The Framework Convention on Tobacco Control (FCTC)." More broadly, the Government is proposing an important health system reform. This reform would have two important components:

(i) *Integrated National Health System*. This pillar of the reform could center on the creation of an Integrated National Health System (INHS) which could define a basic package of comprehensive health services to be provided by public and private health care providers alike.

(ii) *Program to strengthen MSP capacity*. The other pillar of the planned health reform is a program to strengthen MSP's capacity to carry out the essential public health functions: regulation and stewardship, health promotion and prevention, and epidemiological surveillance and monitoring. The proposal is advanced and would focus principally on matters related to prevalent Non-Communicable Diseases (NCD), including several common types of cancer and the improvement of health care for NCD, especially by primary care public providers. This strategic path is proposed as a way to get the delivery system to match the health needs of the population.

The Proposed Bank Operation.

The Government is proposing necessary reforms within the public health sector regarding the health care delivery model as well as creating incentives within the sector to improve performance. These will be important in their own right but also necessary for the larger health insurance reform.

Recently, the government announced a program to strengthen MPS capacity to carry out the critical essential public health functions: regulation and stewardship, health promotion and prevention, and epidemiological surveillance and monitoring, all of them specially related to NCDs. The World Bank would support the core initiatives through an investment operation to provide financial and technical assistance.

The operation would seek to support Government health policy through:

(a) Strengthening MOH to define and implement a public health system that meets the needs of the population, specifically improving the quality of primary and secondary health prevention of NCD through the optimization of health intelligence tools, like applications for monitoring and surveillance of epidemiological health systems**;**

(b) Promoting important reforms in the public sector which would be supported through the operation: (i) furthering decentralization/decision-making autonomy of hospitals; (ii) introducing performance agreements between insurers and providers; (iii) introducing new monitoring systems and extending already existing ones to both public and private sectors; (iv) overhauling the regulatory framework to make it more effective in providing health consumer protection to allocate public subsidies in a more equitable way, and to ensure access to health services for non-communicable diseases for the entire population;

(c) Providing financing for key infrastructure and medical equipment needed to expand the primary health care network of the public system (which requires significant modernization for better promotion and prevention activities)as well as to upgrade the epidemiological monitoring and surveillance system**;** and

(d) Strengthening MSP capacity to implement 'healthy spaces' policies in schools and municipalities related to NCD promotion and prevention under a social inclusion strategy approach.

1. Safeguard policies that might apply:

The project is not expected to have any adverse environmental or social impacts or detrimental effects neither social nor environmental. Since the project seeks to ensure universal access to promotional health services and to improve access to and quality of health care to NCD for poor population, it will directly benefit communities and populations who are currently not well covered. As the project will strengthen MOH capacity to implement healthy spaces policy (school / municipalities) related to NCD promotion and prevention under social inclusion strategy approach, it will be promoting, among other matters, the environmental care and the social inclusion. The project is not expected to trigger other Safeguard Policies.

2. Tentative financing

Source:		($m.)
BORROWER		0
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT		20
	Total	20

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