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Policy Brief 35

Redesigning Price Setting under the Universal Health Insurance in Egypt

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Summary

Since the Sustainable Development Goals were adopted by the United Nations Development Program, Universal Health Coverage became the main target for many nations. One of the main challenges facing the governments to achieve universal health coverage is maintaining adequate policies to set fair pricing for the healthcare services. Each country has different strategies to apply fair pricing and this paper is discussing the current pricing methods in Egypt and suggesting three policies to tackle their challenges.

Section 1: Introduction:

Health Financing and the Health System

The healthcare market has three key players: the patients who benefit from the healthcare services, the payers or purchasers who pay on behalf of the patients, and the healthcare providers who are represented as hospitals and clinics. Although prices of healthcare services do not affect the demand of using these services, different considerations should be taken during price setting for health services and reflect broader health system goals.

Section 1: Introduction:

The Pricing of Health Services

Pricing health services is a key aspect under purchasing the benefits package of health services within the overall financing system. As the public spending on health is increasing, there should be more attention towards strategic purchasing including the pricing of services and payment methods which provide an incentive for providers to deliver quality health care. Evidence has shown that price setting serves as a tool to control costs and in turn affects the volumes of certain services. This paper explains the challenges in identifying the prices and costs of healthcare services that are provided for insured individuals under the new Health Insurance scheme in Egypt (UHI).

The Current Egyptian Context

In 2018, the Egyptian parliament legislated the new Universal Health Insurance law (UHI) which enforces a total health system reform and introduces a compulsory social health insurance scheme to extend health coverage to the whole population ensuring access to quality health services without financial hardship.

The UHI scheme is yet to be fully implemented across the country, with the aim of including the whole population by 2030. These pilots revealed several limitations identified by the Universal Health Insurance authority regarding applying strategic purchasing and setting prices for healthcare services.

Section 2 Problem Statement and Stakeholder Analysis

The implementation of the Egyptian Universal health insurance faces a significant problem regarding price setting and the regulation of the health services under UHI as prices should reflect actual costs and take into consideration broader health system goals and health outcomes. In this context, price setting serves as an instrument to reduce or increase volumes of certain services or treatment modalities to control costs.

Based on the interviews with the representatives of the main stakeholder is UHIA, Discussing the reasons behind the current normative costing structure , it is apparent how crucial the current status of the costing structure inside UHIA is as it is fragmented and is founded on non-evidence based practices, and that lays on several factors:

1. Costing models are not inclusive of all types of hospitals
2. Unfinished automation of the HIS system
3. Commitment towards health insurance coverage
4. Incoherence between departments work (UHIA internal issues)
5. Issues within the pricing committee
6. Lack of stakeholders' engagement

Relevant Stakeholder Analysis

The analysis of stakeholders who may be relevant to the pricing and regulation of health services is very important and needs to be put into consideration.

Power		
	High power/ low interest	**High power/high interest**
	• Private sector • Academic professors (Universities) • (Parliament - health committee \ presidential office)	• UHIA (MOF) • GAHC (MoHP)
	Low power/ low interest	**Low power/ high interest**
	• Media	• Subject matter experts • Beneficiaries • Hospital managers/Costing employees
Interest		

High ↑ Low

Low ← → High

Section 3 International Practices

In order to find the best policies for pricing in Egypt, we should look at other practices in different countries to learn from their experiences. In this paper, different practices from four countries are demonstrated. The countries are selected from different economic status. In Indonesia, a middle-income country like Egypt, the government put a standard tariff for different diagnostic groups depending on the opinion of a technical team from the Ministry of Health and costs collected from different hospitals. One example is Afghanistan, a low-income country, which compares the actual costs of primary care services to the normative costs of these services in order to find the differences in the costs and reduce the out-of-pocket services. The costs are calculated by an information system designed by the government for calculating the primary care services.

In high-income countries, they realize the importance of data collection so they develop systems to ensure proper health care data collection including data about health care services costs. For example, in the US, the Agency for Healthcare Research and Quality (AHRQ) established Healthcare Cost and Utilization Project to collect data about services visits, in-patients stay, etc. and the Medical Expenditure Panel Survey, to determine the actual costs of the services. These projects help in giving evidence- based data to ease the process of setting suitable prices, and also facilitate the development of health care and patient safety research. Another example for a developed high-income country is the United Kingdom, which obligates the providers to submit cost reports annually to the National Health Service, so they can set prices for healthcare services based on actual data. Also, the government will start the Patient Level Information and Costing System in 2022 to collect cost data on the patient level.

Section 4 Policy Alternatives

Objectives

The main objective of this paper is to provide alternatives to the current policies and UHIA costing structure in order to apply the actuarial cost practices. Although there is much published literature about countries' best practices in applying costing exercises and setting prices for healthcare services, a conclusion was made that there is no standard guideline or mechanism that Egypt should follow. Each country initiates and tailor the roadmap based on the reality and the maturity of their microsystems. In that sense, a tailored solution will be presented taking into consideration Egypt's health system inputs and capacities. In the following section, we will give an overview of the three policy alternatives as a brief orientation:

Alternative One: Annual Reports by Providers

The first alternative is to have annual cost reports produced by healthcare providers to overcome the challenge of the absence of the real cost data of healthcare services. This policy option will focus on collecting the real data of costs on a regular basis, the government is recommended to obligate the UHIA providers to submit an annual report of the actual cost of its health services. This report should contain all the details of the health services per patient, such as the disease, the needed services, and medication.

Advantages:	Disadvantages
• Ensure collecting the actual data regularly. • Collect the data from all the providers. • Find the correlation between the characteristics of patients and costs • Enhance the health services quality through monitoring.	• Long time to be implemented. • Bias

Alternative Two: Contracting out to Third Parties

The second alternative is considered as a shortcut (short-term) solution for the current roadmap. The alternative is to contract with a reputable third-party consultancy to conduct a costing exercise on a representative sample of healthcare institutions on the limited geographic scope of governorates that are currently implementing UHI, for example: Port Said and Luxor. The timeline of the project should not exceed 6-9 months and the data collected must be statistically analyzed to provide cost averages on a distribution curve to deliver the most accurate results on the given limited scope. Parallel to this, the third-party consultancy must also conduct market research on cost and price data in the private sector and provide average results categorized to A, B and C classes of private sector with comparable items to the results of costing exercise.

Advantages:	Disadvantages
• Time saving. • Provides pricing overview in the market.	• The UHIA experience in costing will not be built to conduct this exercise in the future. • Not actual costing, but an estimate.

Alternative Three: National Costing Database

The third alternative is increasing health sector costs to transform it into a national project. The alternative may seem complicated, however, we noticed through our stakeholder analysis the same problem in most healthcare authorities and organizations serving the public sector: the need to have cost data. In this alternative, the UHIA will propose to the Council of Ministries a national project to build a healthcare costing database.

Advantages:	Disadvantages
• The costing issue will be completely resolved forever. • Provides comprehensive data. • Different stakeholders involved	• requires support from higher authorities. • Long time to be implemented.

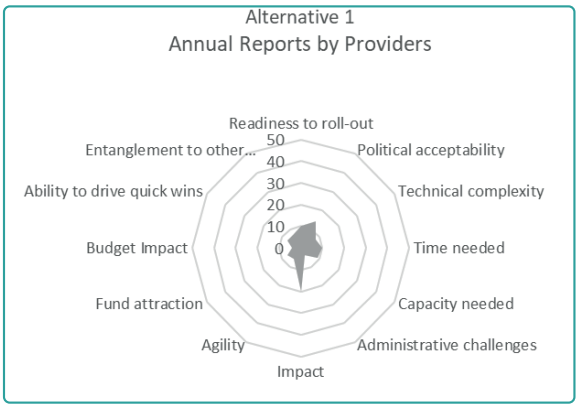
Analysis of Policy Alternatives

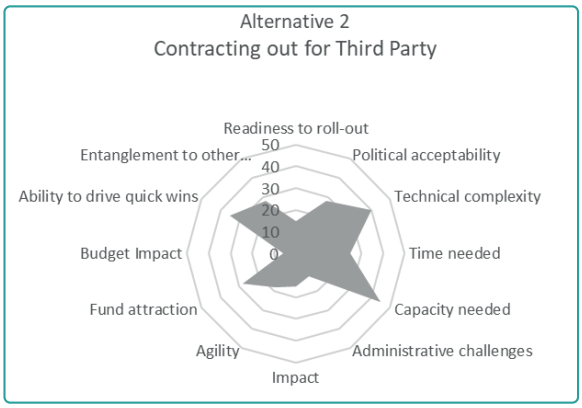
Comparing policy alternatives should rely on criteria to make an objective judgment that is based on analyzing clear factors. Rossell (1993) discussed several criteria to assess policy alternatives such as political feasibility, effectiveness, efficiency, and equity. Also, technical difficulty and perceived difficulty, including political difficulty are used for the evaluation of policy alternatives. Based on literature and learning experience, we developed 12 criteria to study the alternatives from different perspectives. Not only relying on literature, but also touching base with how we perceive the implementation success factors in the governmental sector. The criteria are:

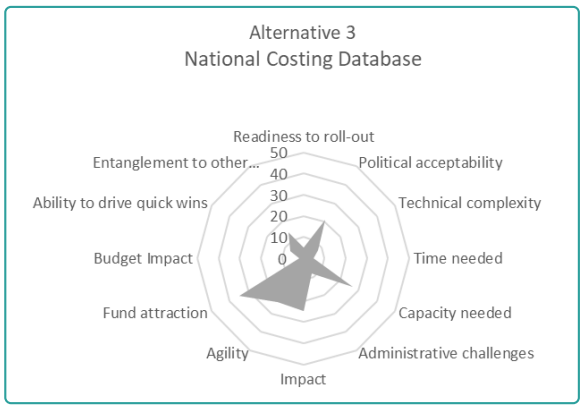
Analysis of Policy Alternatives

- *Readiness to roll-out*
- *Political acceptability*
- *Technical complexity*
- *Time needed*
- *Capacity needed*
- *Administrative challenges*
- *Impact*
- *Agility*
- *Fund attraction*
- *Budget Impact*
- *Ability to drive quick wins*
- *Entanglement with other dependencies*

*i*n our analysis we discussed the weights of the criteria in comparison to each other and we found they should not be evaluated as similar weights. We referred to our meetings and interviews with UHIA and reviewed our stakeholders to decide on the weight of each criterion.







Conclusion and Recommendation:

As public spending levels are increasing among the middle-income countries, the importance of applying strategic approaches in purchasing and pricing of health services has been highlighted and putting pressure on governments to link the payment and pricing to the performance of healthcare providers. According to the above evaluation criteria, establishing an annual report system and a national costing database will take a longer time, effort and cost to be implemented, but they will have an effective impact in the future in maintaining the costing issue. Thus, our recommendation is to start with contracting out third parties, because it needs a shorter time to plan, prepare and implement, it fulfills the political acceptability criteria, and there is no technical complexity. Moreover, it will impose few administrative challenges and must pass through some bureaucratic hurdles. Also, it will yield a quick win for the government and will pave the road for the implementation of the other two policies.

«All the academic references used in this brief are mentioned in the policy paper.»
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