Policy Brief # 9
Evaluating Manas Health Sector Reforms (1996-2005): Focus on Restructuring

This policy brief is a summary of a detailed study evaluating the achievements of restructuring in the framework of the Manas Health Care Reforms (1996-2005).

The objectives of this paper are to (i) to accurately document the restructuring and rationalization of health delivery system at the level of primary care, hospital care and public health system including changes in organizational structure, physical infrastructure, human resources, staffing ratios, and the resulting impact on finances; (ii) evaluate the effect of restructuring on the efficiency of the health care system and on access to health care services; and (iii) provide lessons learned from restructuring in order to inform phase II.

1. Why was restructuring needed?

Under the FSU, the health system was over-sized and ill-structured. Health care provision was overly hospital centered with poor emphasis on primary care. This was reflected in resource allocation patterns as the majority of state funds were allocated to hospitals and in particular to specialized hospital facilities. The health system functioned with too many buildings, too many staff and high utility expenditures. Staff and utility expenditures took up 80% of the public budget, leaving very little resources for direct medical spending and patient care. The result was an inefficient medical system that resulted in sub-optimal health outcomes for the Kyrgyz population. In addition, the system itself was increasingly unsustainable as the fiscal constraints and shifting public policy priorities resulted in decreasing public resources for the health sector.

These inefficiencies were a major impediment to use scarce resources for the improvement of access to health care and improvement of health outcomes. Thus, achieving efficiency gains became a major objective of the first phase of the Manas reforms as a precondition for focusing on access and equity improvements in later stages.

2. Main restructuring activities

The Kyrgyz health system underwent major restructuring over the period of 1996-2005. The main goals of the restructuring efforts were to improve efficiency, quality and access in the Kyrgyz health system. This meant overhauling the physical infrastructure, human resource policy, management culture, and overall organization of institutions and activities to create a smaller, more “patient focused” and “primary care oriented” health system. The hope was that this would result in a health system that is less costly to operate and has better health outcomes in the long term.

- **Primary care**. The aim of the primary care reforms was to shift away from the traditionally hospital-centered care to a greater emphasis on primary care. Primary care has been organizationally and financially separated from hospital care. Independent family group practices (FGP’s) have been set up. Population is required to enroll with an FGP and FGP’s in turn are paid based on the number of enrolled population. The material-technical base of primary care has significantly improved due to significant donor investments in renovations, rehabilitations, and new medical instruments and equipment.

- **Hospital care**. The infrastructure of the hospital system has gone through major downsizing. The square footage of the hospital sector has been reduced by 39.6% and the number of buildings by 46.5%, with a resultant savings in utilities costs. Many rural district facilities have been transformed into FGP’s or structural subdivisions of territorial hospitals. In several cases, donors supported the introduction of energy-efficient heating and water systems. In other cases, increased autonomy enabled innovative hospital managers to make their own efforts to reduce these costs.

- **Public health and SES system.** Restructuring in the public health system has been less extensive than in the health service delivery system and remains to be a task for the next phase of the Manas Reforms. However, important steps have been taken to begin the downsizing of SES and its laboratory system, as well as to separate the functions of health promotion and health protection. In addition, significant training activities have also taken place to begin modernization of public health activities.

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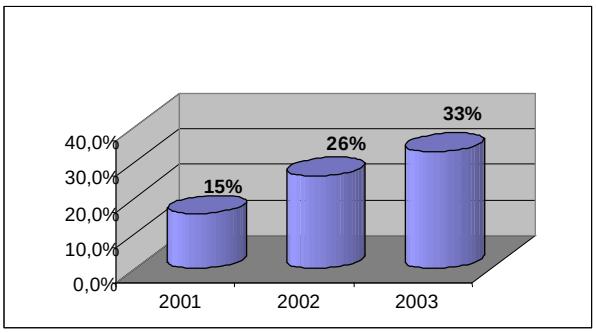
3. Impact of restructuring on efficiency

These efforts have achieved significant improvement in efficiency of health care delivery and it is demonstrated in the evaluation study. Allocative efficiency of the health system has improved as the share of health care expenditures devoted to primary care has doubled from 15% to 33%. This allowed better funding of salaries, medicines, and supplies.

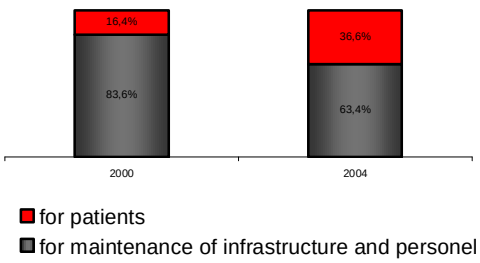
Share of PHC in total health expenditures



Source:Socium Consult

In the hospital sector, productivity indicators have significantly improved. The share of expenditures allocated to utilities and staff has declined leaving more resources for direct patient treatment expenditures.

Share of health expenditures on infrastructure and on patient care 2000-2004



Source: MHIF

At the same time, hospitals are warmer in the winter, doctors are better paid, and drugs are more widely available in hospitals.

We find no evidence that restructuring and downsizing have created access barriers for the poor. A major concern in countries where the hospital sector has been downsized is the effect of these efforts on access to care. The results of the conducted study show that acess to health care for the poorest segment of the population has not changed significantly over the past years. It has to be mentioned, however, that the financial burden of seeking care continues to be high for the poor households as was the case prior to restructuring. These findings suggest that since efficiency gains have been so effectively tackled in the first phase of the reforms, it is essential that Manas-II be more focused on reducing the financial burden of seeking care for the most disadvantaged part of the population.

4. Lessons learnt

There were many lessons learnt during the restructuring process that are relevant for a wide-range of complex health system reforms:

- Given fiscal constraints and severely declining public resources, failure to restructure the health system would have have worsened access and health outcomes.
- Restructuring was successfully implemented in the Kyrgyz context because it was a component of a broader health system reform and not a stand-alone effort. Health financing reform, in particular, was a key for the success of restructuring to ensure that facilities had the right incentives to downsize. The two reform steps should be appropriately sequenced.
- Restructuring has resulted in measurable gains in efficiency. However, investment into energy efficient heating and water systems has been a key to optimize utility consumption in post-soviet health systems.
- Particular attention was paid to building stakeholder participation and communication at all levels;
- There is no “magic bullet” for successful reforms; what works in one country may not work in another. However, it is important to undertake a comprehensive approach;
- Piloting of new ideas and reforms prior to rolling out to the entire country may help surface unforeseen problems and help build capacity for national roll-out;
- Strong donor and project coordination is important to avoid duplication of efforts and contradictory policy directions;

Certain areas of restructuring did not progress as fast as expected. Little progress took place in the restructuring and rationalization of Bishkek City (both Republican and City

facilities), and Osh City/Osh Oblast. The lack or real progress in Bishkek and Osh is partially due to the inability to pool funds and implement a single payer system in these areas. This is a major impediment to the improvement of regional inequalities in the distribution of funding. Progress with SES restructuring has been slow to take hold and while a number of changes have been made a lot is left over for Manas-II.

A major shortcoming of the restructuring efforts was the difficulty to retain savings for those areas that have achieved significant downsizing. In part, this is due to the slow reform progress of the overall public sector which continues to function and allocate budgets based on inputs rather than outputs. In part, it is due to weak advocacy function the health sector has fulfilled in building alliances and fighting for at least constant budget shares in the annual budget negotiation process. The inability to retain all savings undermined the restructuring process in the eyes of many health care professionals and reduced incentives for further restructuring efforts. Output-oriented incentives within the health sector need to be matched with an end to input-based budget determination from outside the sector.

5. Key recommendations for further reforms

Unfinished restructuring program is reflected the strategy of further health reform and includes the following activities:

- Continued pooling of funds and implementation of the single payer system at all levels of the health system as well as ensuring that savings can be retained;
- continued “right-sizing” the total health system, especially in Bishkek and Osh cities
- continued improvements in the material-technical base of both primary care and hospital service delivery;
- development of an effective tertiary care system with additions of new technology in selected tertiary care areas;
- improvements in human resources management including narrow specialists in primary care by ending duplication in responsibilities for specialist outpatient care;
- continued reform of SES and development of effective health promotion and public health functions;
- development of a capital investment plan for improving the energy efficiency of hospital buildings.

To get more detailed information and complete report on the study, please contact HPAP team**:**

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