Mongolia

Making Provider Payment Mechanisms More Strategic: Removing the Roadblocks to Implementation

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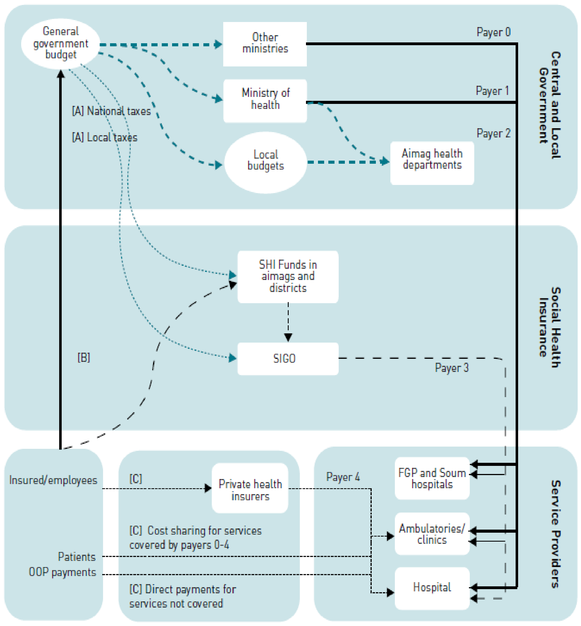
Context:

Population	3.2 M (2017 Estimate)
GDP/ Capita	$3,771 (USD)
THE/ Capita	$152.6 (USD, 2015) *Gov't spending comprises 57% of THE*

Organization and financing of the Health System



Monitoring

PHC
- Data registration program
- No mechanism to monitor the quality of PHC

Hospital services
- Data registration program for DRGs related to claims and patient information
- Program used to control service quality and registration, invoice and so on.

Monitoring is not linked to PPM reform

Provider Payment Mechanisms

Capitation
- Health service law states PHC providers (rural soum health centers and urban family health centres) are paid by capitation.
- Makes up 100% of PHC providers' revenue

Line-item budgets
- The MOH finances most public health facilities using line-item budgets.
- Line-item budgets account for about 50% of public providers' revenue.

DRGs
- SIGO purchases inpatient services using a set of 118 DRGs.
- DRG payments account for about 30 percent of public and private hospitals' revenue.

Fee for service
- Health facilities charge user fees for a limited set of services.
- Forms a small share of total revenue for all public providers, between 5-10% of provider revenue.

Innovations

Generating evidence for PPM reform

- Several studies conducted: assessment of provider payment mechanism, costing of the health insurance package and situation analysis for health financing system.

Successes
- Data generated used for increasing the DRG base rate - to improve fairness and health service quality, reduce out-of-pocket payments for some medicines and other supplies from the patient. Also reduced informal payments.

Challenges
- Because of few sets of DRGs and 1 set has many diseases, providers can get a higher amount of payment than the real cost in some diseases.
- DRGs is not considered disease condition.
- Need for a robust monitoring system.

Reimbursement of high cost medical devices (2015)

- The aim was to protect the population from hardship buying devices and control surgical procedures.

Successes
- Improves financial protection.
- Improve surgery quality.

Challenges
- Increased health insurance claims.
- Some hospitals using low quality devices.

Capitation introduced in soum health centers (2013)
- While using line-items, there was disparity in resource allocation
- The objective of introducing capitation was to harmonize payment across PHC providers and improve equity in resource distribution.

Lessons Learned

✓ **Regulation supports PPM reform.** The Health Service law was the basis for reforming PPMs and negotiating with MOF for initiatives that were never accepted by MOF before.

✓ **Use evidence to diagnose challenges and reform PPMs.** Institute sustainable research institutions to monitor current policy, identify problems and find solutions.

✓ **Monitoring systems are essential.** Monitoring is essential for successful implementation of reform. If monitoring is not adequate, the reform and changes can go a different way.

Success and Challenges

Successes

Capitation
- Using capitation for PHC has helped to move UHC forward, improve equity, efficiency and provide sustainable and guaranteed resources for providers.
- Capitation payment is adjusted for age and sex group, and ger population is paid higher.
- Multiple reviews of the capitation payment rate of based on inflation, salary increments and so on.

DRGs
- DRGs have helped to improve efficiency and push to improve service quality.
- Initially there were only 22 DRGs, and it has been expanding until the current set of 118 DRGs.

Challenges

Line-item budgets
- Predominant use of line-item budgets.
- Budget rigidity and very little flexibility to reallocate expenditures.
- Providers cannot retain surpluses. This reduces the power of incentives for efficiency.

Capitation
- PHC providers complain about the low payment rate.
- No system to transfer the capitation payment from one provider to another when citizens move.

DRGs
- Health insurance fund delays payment to private providers.
- Private providers are paid lower rates as compared to public hospitals. This increases additional charges levied to patients and OOP payments.

Next Steps

Planned PPM reforms in 2019.
- Reform DRGs for the state budget benefit package and harmonize for all services provided by secondary and tertiary hospitals.
- Provider autonomy reforms to be piloted in some hospitals. It means these hospitals will not use line item for spending and will decide how to use their budget themselves.
- Improve the capitation rate for soum health centers and improve IT program as well.
- Link budget allocation to achievement of SDGs.

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