

Road to Results

ACHIEVING SUCCESS STEP BY STEP

The Karakol Merged Oblast Hospital: A New Model for Inpatient Care in the Kyrgyz Republic

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Esen Abykhanov serves as Deputy Director of the Karakol Merged Oblast Hospital in Issyk-Kul Oblast. Every day he makes decisions about hospital spending, personnel, and services—keeping in mind the institution's limited resources and expected caseload.

Abykhanov's work may sound routine, but until recently, it would not have been imaginable. In fact, the very existence of a single, merged facility (which is the consolidation of three hospitals, four dispensaries, city polyclinics and other institutions) with independent budget oversight, and serving a variety of patients from the entire oblast, is only possible as a result of the national level health care financing reforms which have taken place in Kyrgyzstan.

System in Crisis

In 1995, when the USAID-funded ZdravReform Project (the predecessor to ZdravPlus) began its work in Central Asia, the health care system in the region was in crisis. The percentage of GDP devoted to health care in Kyrgyzstan had fallen from approximately six percent in 1990 to 2-3 percent in 1995.

The hospital system itself was extremely inefficient, consuming over 70 percent of health care resources, as compared to an average of just over 40 percent for OECD member countries in the same year. The sheer number of hospitals contributed to this inefficiency. Each oblast center had an adult, pediatric, and women's hospital – and these three hospitals were replicated on the city level as well. Adding to the numbers were specialized hospitals such as emergency care and tuberculosis.

Health funds were allocated across hospitals based on a plan for the coming year, which took into account the previous year's capacity and utilization rates. Thus, more beds filled this year meant more money for next year, leading to over-hospitalization. As Abykhanov explains, "Whether it was imperative or not, we always

tried to fill the hospitals. Even if [people] didn't necessarily need to be in the hospital, sometimes they were kept there just for massage... We never thought about cost."



Merged Oblast Hospital Deputy Director E. Abykhanov

Rationalization

For the ZdravReform Project, it was clear. The system needed to be "rationalized," or downsized, with reductions in the numbers of beds, staff, and buildings in order to reduce fixed costs and improve efficiency.

However, simply closing hospitals was not a solution. First, closing hospitals is usually an unpopular decision. Second, reducing the number of beds would have meant a decrease in the total amount of funding available to the healthcare sector as a whole, since the hospital payment system was based on the total number of beds. Third, hospital managers had no incentive to merge hospitals since many would lose their power base and hospital personnel would lose their jobs.

To be successful, incentives needed to be created within the system in order to facilitate change.

Incentives for Efficiency

In order to create incentives for rationalization, ZdravReform worked closely with the government of Kyrgyzstan to address four major systemic issues: existence of separate, fragmented health budgets on the oblast, city, and rayon



The USAID-funded ZdravPlus Program provides technical assistance and training to improve the health of Central Asian populations by improving health delivery systems

levels; a budget formation process based on physical infrastructure rather than on health services provided to the population; excessive emphasis on inpatient hospital care; and little management autonomy or incentives for providers to achieve efficiency, as they could not create and reinvest savings. To overcome these obstacles, the following steps were taken:

- **A primary health care system** was established as an alternative to hospital-based care, in order to *shift the emphasis away from inpatient care*. New emphasis on preventative care would reduce the need for inpatient treatment, thus reducing costs.
- **A single-payer system** was introduced, meaning that *the budgets of the oblast, city, and rayon level health care systems were pooled into a single-budget* at the oblast level, ensuring equity of care throughout the oblast and across oblasts. Providers were assured that they would be able to keep any savings gained from efficiency and reinvest these savings into the operations of their own facilities.
- **A case-based system** of health financing was introduced, paying hospitals and inpatient providers a set amount per clinical case treated as opposed to an amount based on bed numbers and occupancy. *This created a crucial link between funding to providers and health services provided to the population*. The financial incentive moved from filling beds to treating specific clinical cases efficiently and successfully.
- **A formal, transparent system of co-payments paid by patients** was introduced to *replace the prevailing under-the-table payments to doctors in return for treatment*. Co-payments enter the official budget of the health care institution and the institutions themselves are given control of the co-payment funds, resulting in more available

resources to improve services at the institution level.

The new health financing systems create incentives for outpatient care, reducing unnecessary hospital admissions. Savings from improvements in efficiency are kept by the hospitals and reinvested as they see fit. Thus, as hospitals gained management autonomy, for the first time, health care managers had the incentive to make decisions based on efficiency, leading in turn to rationalization of the system.

In Issyk-Kul Oblast

In Esen Abykhanov's region, the Issyk-Kul Oblast, these reforms meant that over a period of several years, a single, successful and viable Merged Oblast Hospital, capable of providing general and specialty services in one centralized location, was created from hospitals, dispensaries, polyclinics, and other institutions. The total number of buildings in use was reduced by 51; beds were reduced by 40 percent between 2000 and 2002; utility costs by 24.4 percent; and the number of staff by 41 percent. At the same time, remaining staff salaries increased 64 percent for physicians and 35 percent for mid-level personnel.

Abykhanov can now make informed financial decisions for the Merged Oblast Hospital in Karakol. Co-payments made to the hospital have helped raise salaries for remaining staff and improved patient care and facility upkeep, while covering co-payment contributions for those who cannot afford them. Management autonomy means that Abykhanov can re-invest the hospital's savings and undertake initiatives to provide high-quality, cost-effective services.

As Abykhanov is proud to note, "When representatives of the Ministry of Health visited Issyk-Kul Oblast, they saw that the health system here is progressive, flexible and above all – viable."

For more information

Office in Kazakhstan

39 Begalina Street
Almaty, Kazakhstan 480100
Tel: (3272)915-775, 919-285
Fax: (3272)919-370
E-mail: office@zplus.kz

Office in Kyrgyzstan

1 Togolok Moldo Street
Bishkek, Kyrgyzstan 720405
Tel: (996-312)663-816, 663-708
Fax: (996-312)661-024
E-mail: abt_bish@infotel.kg

Office in Uzbekistan

16 Bozbozor Street
Tashkent, Uzbekistan 700007
Tel: (998-71) 169-2212, 169-1491
Fax: (998-71) 169-1492
E-mail: abt@zdravplus.uz

Office in Tajikistan

23 Bukhoro Street, #5-7
Dushanbe, Tajikistan 734025
Tel: (992-372) 218-244
Fax: (992-372) 278-035
E-mail: zdrav@tajnet.com

Office in Turkmenistan

43 Gyorogly Street, # 4
Ashgabad, Turkmenistan 744020
Tel: (993-12)344-242
Fax: (993-12)344-242
E-mail: natalyazp@online.tm