



1. Project Data:		Date Posted : 09/24/2003	
PROJ ID: P007720		Appraisal	Actual
Project Name: Mx: Health System Reform - Sal	Project Costs (US\$M)	700	625
Country: Mexico	Loan/Credit (US\$M)	700	625
Sector(s): Board: HE - Health (79%), Health insurance (21%)	Cofinancing (US\$M)		
L/C Number: L4364			
	Board Approval (FY)		
Partners involved :	Closing Date	06/30/2000	09/30/2002

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

Project objectives, as defined in the Loan Summary of the President's Report and as consistent with the Government's Letter of Health Sector Development Policy and the Matrix of Policy Actions, were to support the ongoing implementation of the Government's health system reform, focusing on the modernization of the Mexican Social Security Institute for Private Sector Employees (IMSS), and designed to: a) improve the financial management of the health insurance system to ensure financial transparency; b) introduce new resource allocation and financial mechanisms to improve efficiency and limit the fiscal impact of the proposed reforms; c) strengthen the institutional and regulatory framework for health insurance to extend coverage to the self-employed and informal sector workers; d) ensure greater transparency and greater accountability among providers; e) develop measures for quality assurance and user rights, and to facilitate user choice; and f) improve the quality and efficiency of the IMSS health delivery system by supporting the decentralization of decision making, restructuring of the health care delivery network around a population-based system, and the introduction of performance-based incentives for providers.

b. Components

There were 2 components:

- 1) Development and implementation of health insurance financing reforms and the regulatory framework through separating financing from provision of services; increasing user choice and extending coverage; and developing and implementing purchasing mechanisms.
- 2) Institutional strengthening of IMSS through changing its corporate structure for health services administration; and strengthening its health care delivery network.

c. Comments on Project Cost, Financing and Dates

Originally two equal tranches of \$350m were to have been disbursed. The first tranche was disbursed as planned but delays (as a result of 2000 elections) and subsequent changes in the reform strategy required two amendments to the loan agreement. Despite project extension by 2 years to close in 09/30/2000, a number of competitive reform elements remained to be implemented, and only \$625m was spent.

3. Achievement of Relevant Objectives:

Project objectives were only partially achieved. The focus of the reforms was the IMSS. The general public were opposed to many of the market mechanisms introduced, perceived to be privatization of IMSS services. In particular, the Mexican senate and labor unions opposed the idea of permitting IMSS clientele to opt out and select their own external health insurance companies and care providers. Such opposition limited the planned growth in alternative insurance and private care provider networks, rendering some other project objectives (quality assurance body; greater accountability by providers) less urgent. Unable to achieve the efficiency gains hoped for via the separation of purchasing and providing of health services, and the introduction of competition into the insurance and care provider markets, the incomplete reforms could not limit the fiscal impact of the government's broader health system reform. Progress was made in strengthening institutional and regulatory frameworks to enable extension of health insurance coverage to the self-employed and informal sector workers, even though the number of new members actually receiving services had to be limited due to budget constraints. The social security health fund (SSHF) was established. Designed to pool risks, promote healthy competition and greater accountability among all insurance- and care- providers, its efficacy was curtailed as related reforms allowing the opting out of IMSS services were not

implemented. IMSS itself was restructured and concomitant benefits in improved financial management, decentralization of decision making, improved service delivery and better client orientation, are expected .

4. Significant Outcomes/Impacts:

- Major gains in the restructuring of IMSS . Although incomplete, organizational culture has changed from output-based to performance-based with a focus on equity, efficiency and quality . Resource allocation has moved towards a population-based approach as opposed to following historical and often politicized practice .
- Establishment of the SSHF has set the stage for more transparent financial planning and management . A long term cooperative arrangement between Ministry of Finance and IMSS is in place with a joint budget management committee overseeing the management of IMSS reserves, health insurance financing and management of outstanding liabilities .
- 200,000 new patrons from the self employed and informal sector who would otherwise be uninsured, have now enrolled with the IMSS .
- Despite setbacks in expanding user choice and market mechanisms in the health insurance and health provision network, regulations have been enacted (including the revised Social Security Law) creating the enabling environment for private insurance and managed care .
- Despite a change in government, the new administration has demonstrated its commitment to and ownership of the reform agenda . Key mechanisms developed by the project have been integrated into IMSS operational structure .
- Good progress in instituting management contracts (with risk-adjusted capitation mechanism and incentives to reward performance) between IMSS and its existing care providing organizations . Diagnosis-based resource allocation mechanism has been implemented in 185 hospitals against the original target of 15 hospitals .
- An independent board for quality assurance has been established to protect patient rights .

5. Significant Shortcomings (including non-compliance with safeguard policies):

- For project with such a rich and complex reform agenda, there should have been better provisions for broad based political ownership and support . The problem was more pronounced in this case as social security reform was a highly debated topic in the country .
- The crucial public awareness strategy and campaign on IMSS reform were never implemented .
- The Director General of IMSS was changed 3 consecutive times adding further stress on overall leadership and ownership of the reforms .
- Incomplete reforms meant limited efficiency gains from restructuring of the health care delivery system which were intended to introduce competitive forces into the care provider markets .
- Limited reforms in one area negatively affected the outcome of reforms in other areas . 200,000 new patrons "opting in" IMSS as planned could not be effectively serviced for 2 reasons: i) inability of existing patrons to "opt out" meant financial stress on the program and ii) delayed progress in the development of the comprehensive patient data base .
- Political opposition to the opting out of IMSS has set back the development of alternative insurance and care provider entities (both public and private), thus preventing the expansion of user choices in the near future, and the benefits of competition, improved services and greater accountability by providers .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	[the ICR's 4-point scale does not allow for a "moderately sat." rating]. Project objectives were partially achieved - many reforms remain unimplemented .
Institutional Dev .:	High	Substantial	While there has been significant progress in institutional development as witnessed in section 4, the most important reform areas (choice of opting out of IMSS, and creation of alternative insurance and care provider entities) remain incomplete. Thus IDI is rated substantial .
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Such ambitious policy-based reforms while nicely designed and technically sound cannot be successfully implemented without the assurance of broad based political support .
- Multistage reform projects such as this should endeavor to identify "early wins" that will provide the buy-in and

political capital for more difficult structural reforms down the road . The "early wins" need to be marketed and made highly visible.

- This project demonstrated that even the highest ownership and commitment to project objectives by the "internal" key actors (in this case Ministry of Finance and IMSS which collaborated very well) could not resist the external political forces which opposed the reforms .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

ICR is satisfactory. It had a very thoughtful section on lessons . However, discussion of project achievements was rather thin and could have been improved with more detailed account of events that took place .