Thirty Years of Health Financing Reforms and the Mandatory Health Insurance Plan (POS) in Colombia: Lessons of Experience

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The Colombian health system

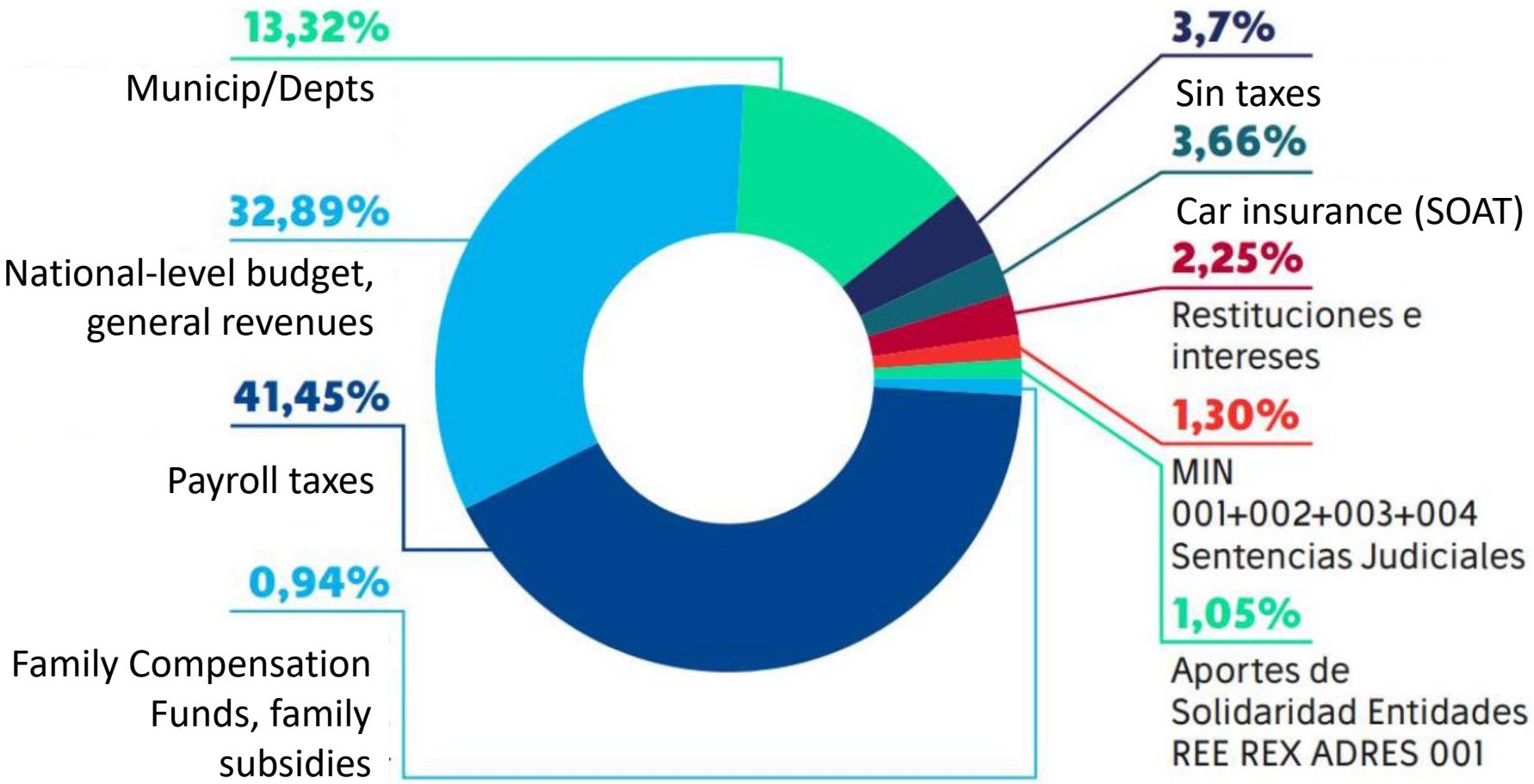
- A “Managed Competition model”
- Social health insurance, financed via general taxes and payroll taxes.

- A per-capita payment transferred to competing insurers.
- Coverage to employee and family members.

- Comprehensive benefit package
- Insurers cannot select risks, cannot set premiums

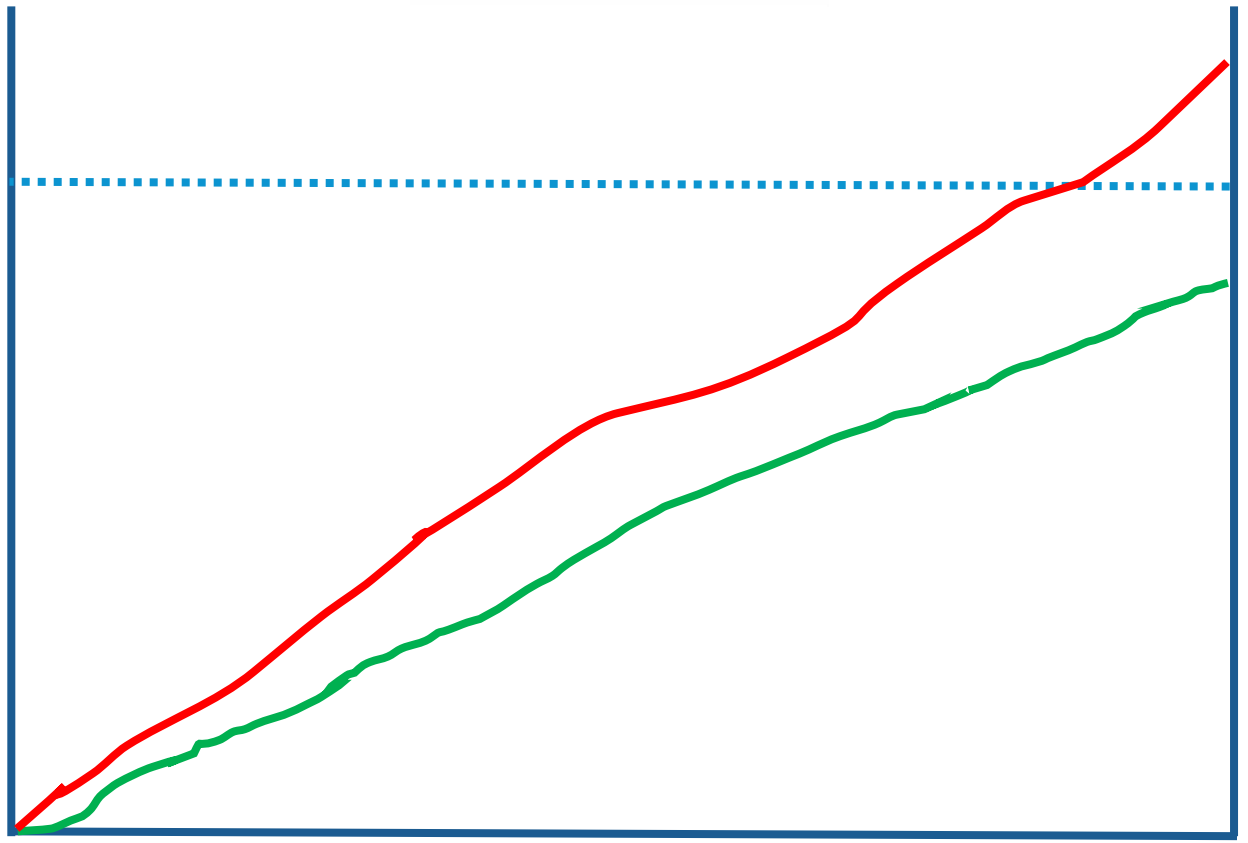

Employer
Employee
General taxes
Pooling fund
ADRES
ADMINISTRADORA DE LOS RECURSOS DEL SISTEMA
GENERAL DE SEGURIDAD SOCIAL EN SALUD

Sources of funding



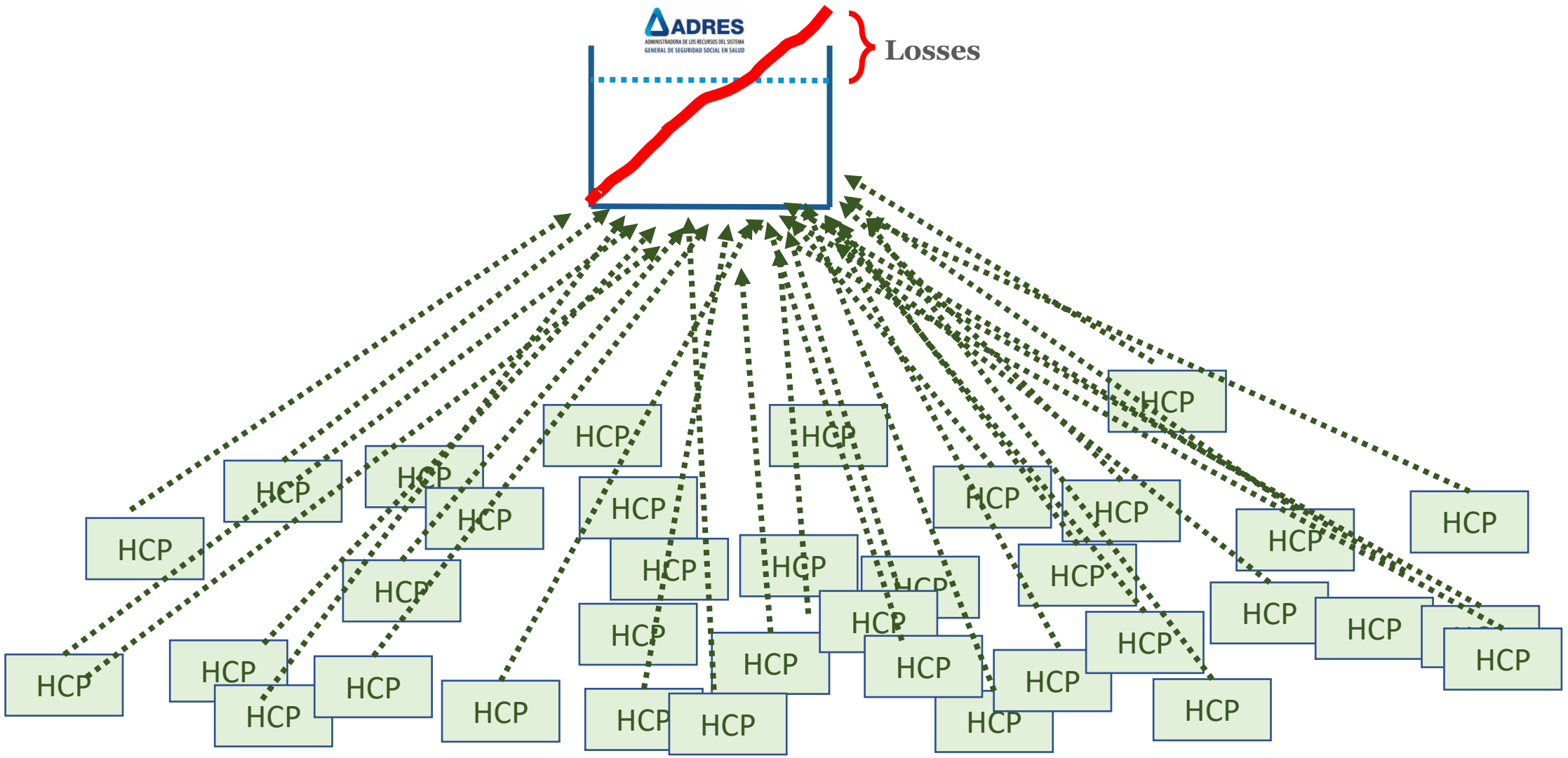
Hard Budget Constraint

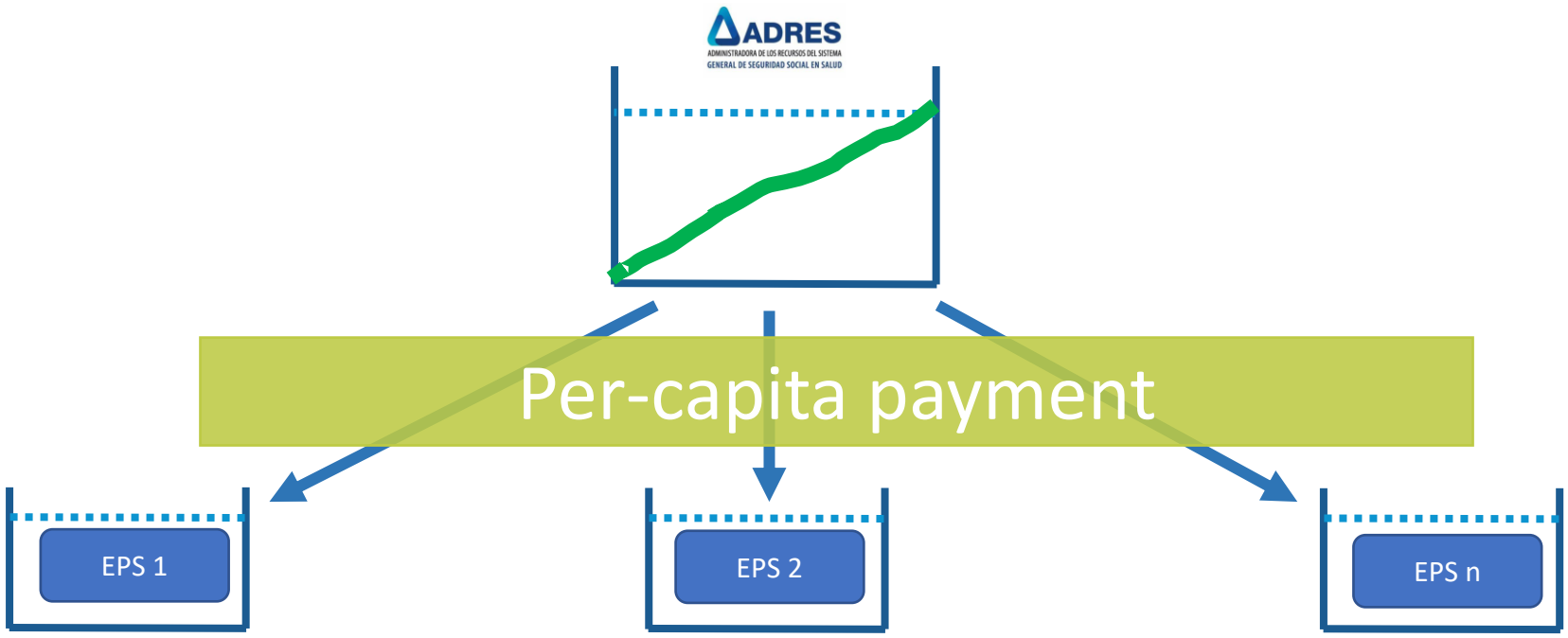
Real cost (ex-post)

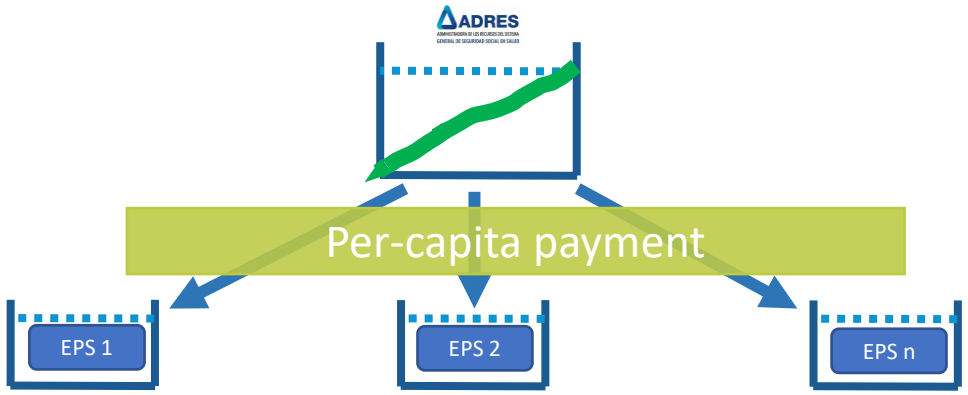


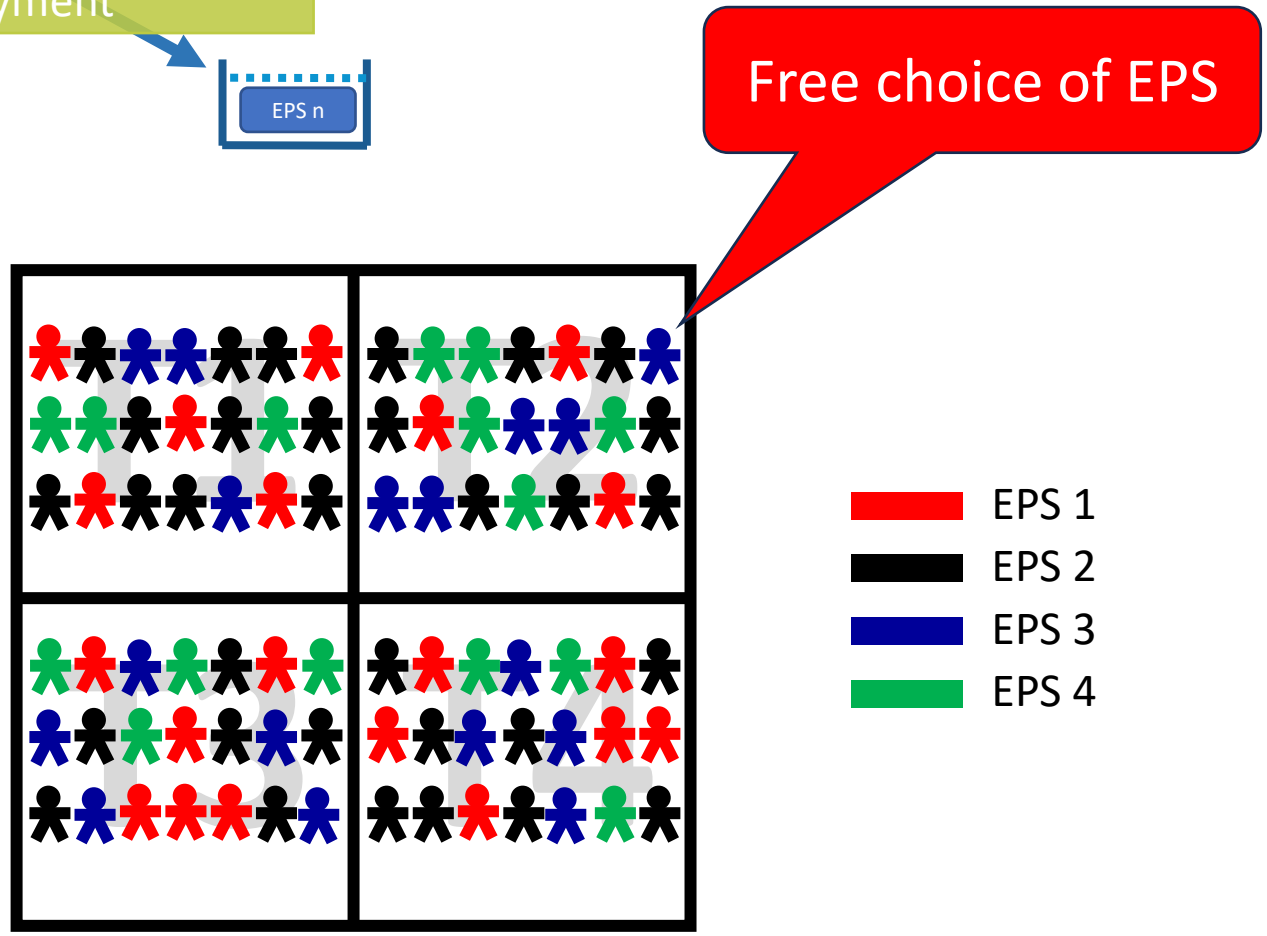
Real cost (ex-post)

¿Fee-for-service?

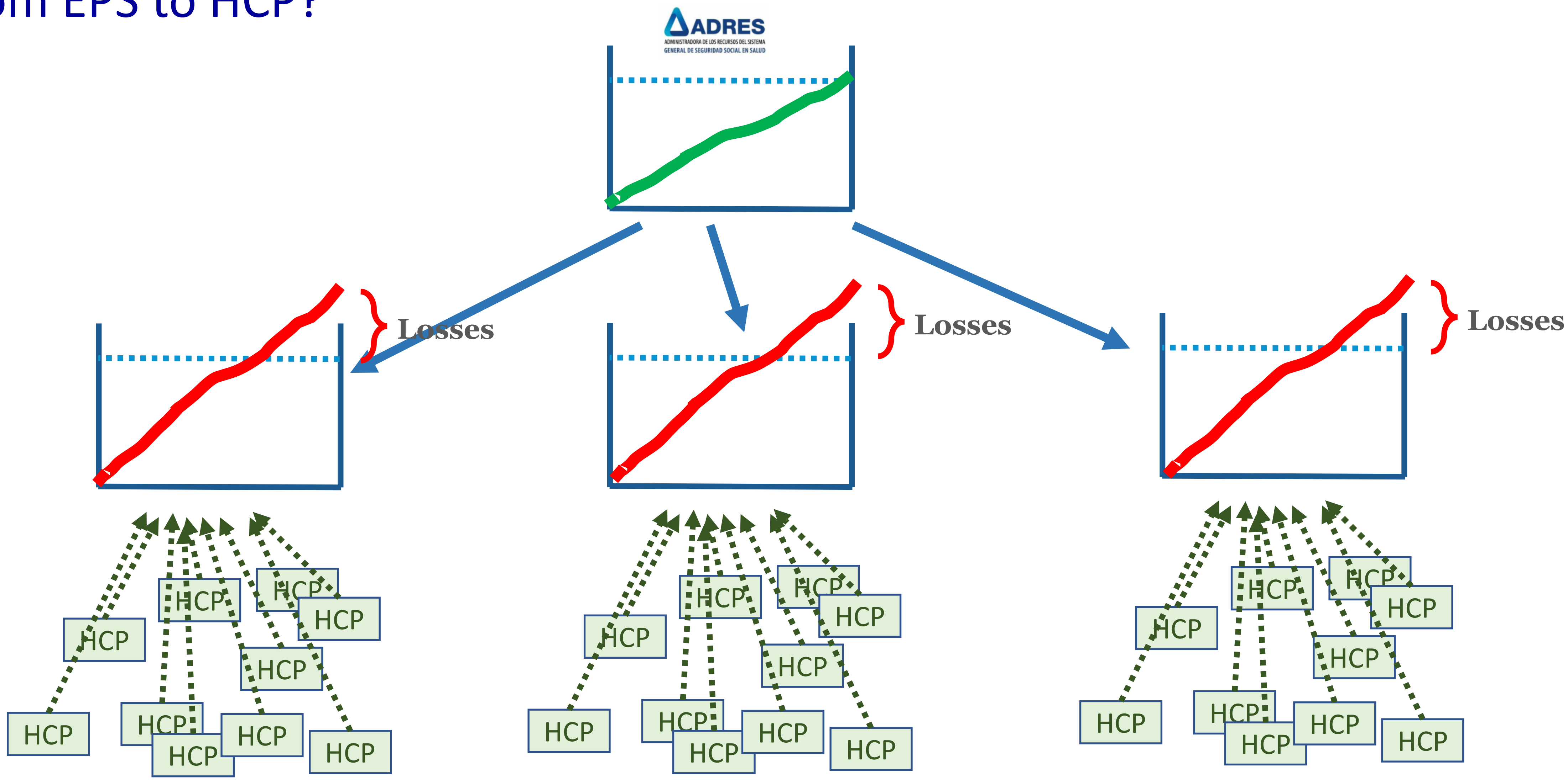



ADRES
ADMINISTRADORA DE LOS RECURSOS DEL SISTEMA
GENERAL DE SEGURIDAD SOCIAL EN SALUD
Per-capita payment
EPS 1
EPS 2
EPS n

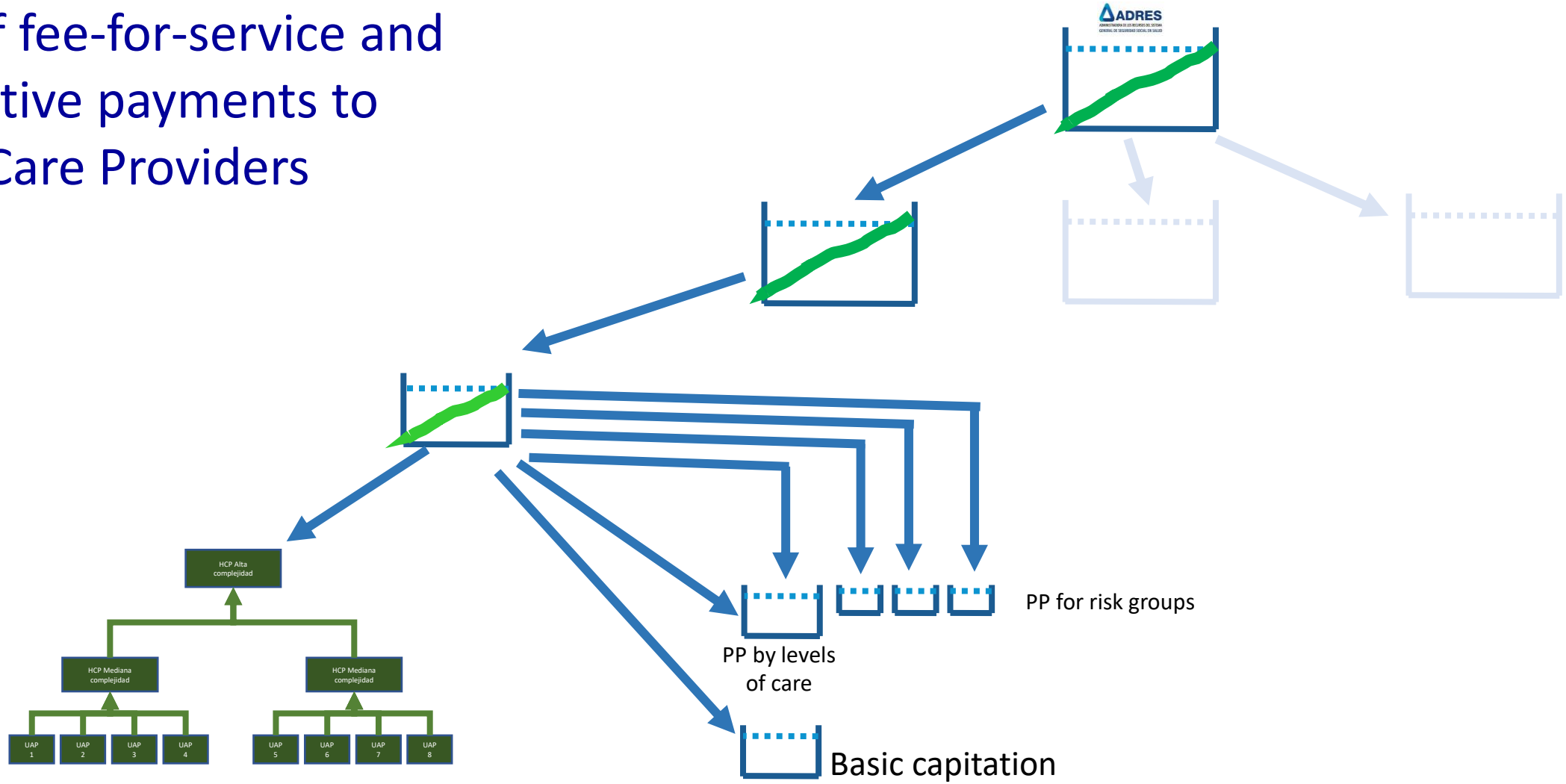

ADRES
Per-capita payment
EPS 1
EPS 2
EPS n


Free choice of EPS
EPS 1
EPS 2
EPS 3
EPS 4

¿Fee-for-service from EPS to HCP?



A mix of fee-for-service and prospective payments to Health Care Providers



What about uncovered benefits?

The Constitutional Court ordered the government to pay for uncovered benefits

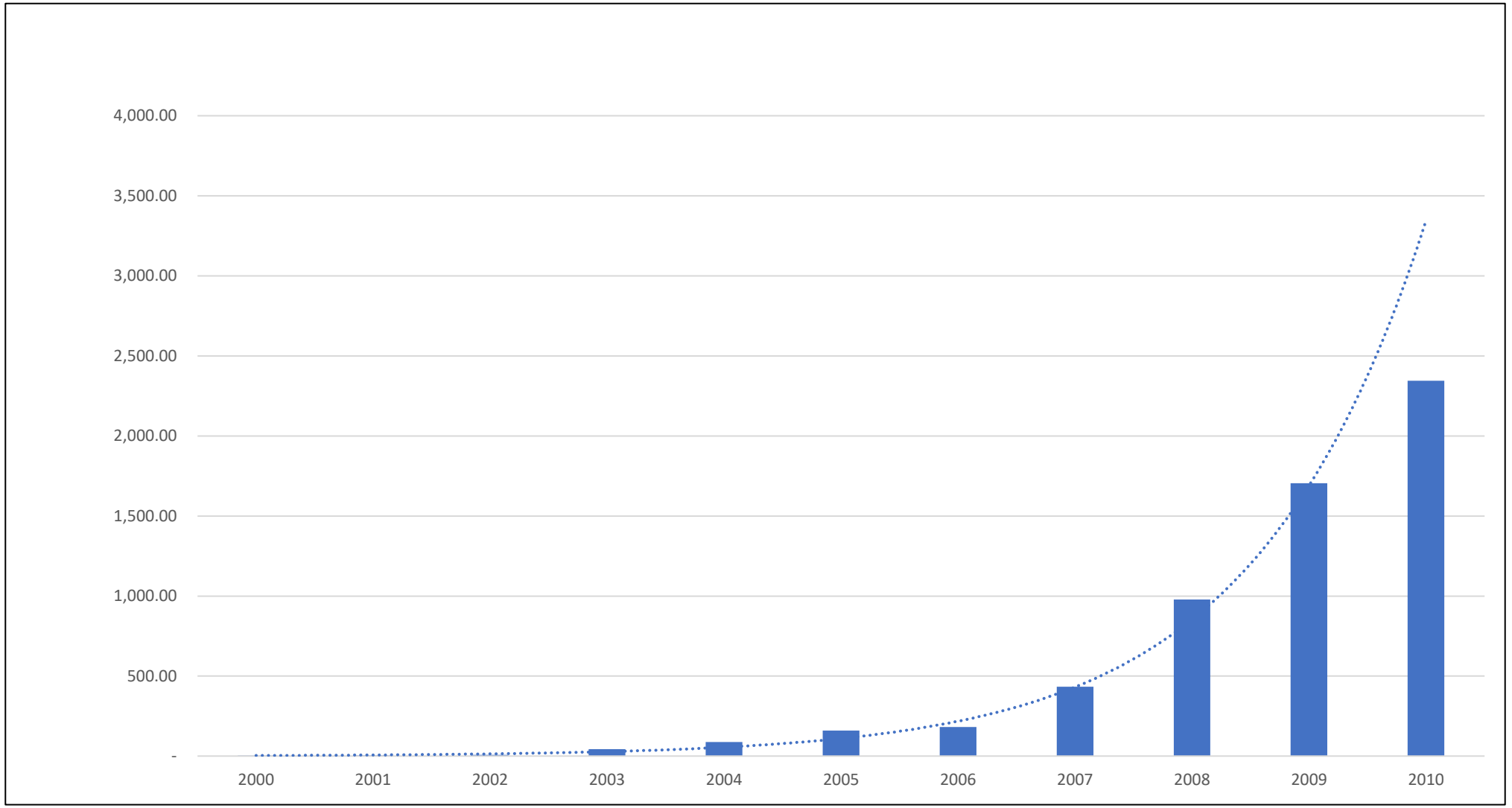
Uncovered benefits

Initially paid directly by the pooling fund on a fee-for-service basis.

It caused a runaway growth in expenditures, but after 2020 it was put under a semi-hard budget constraint

Benefits covered by the per-capita payment

TREND IN COUNTERBILLINGS FOR UNCOVERED BENEFITS



Overall growth of counterbillings for noncovered benefits, vs per-capita premium

Counterbillings for noncovered benefits

2007	$ 325.9 mm	847.8%
2018	$ 3,089 mm	

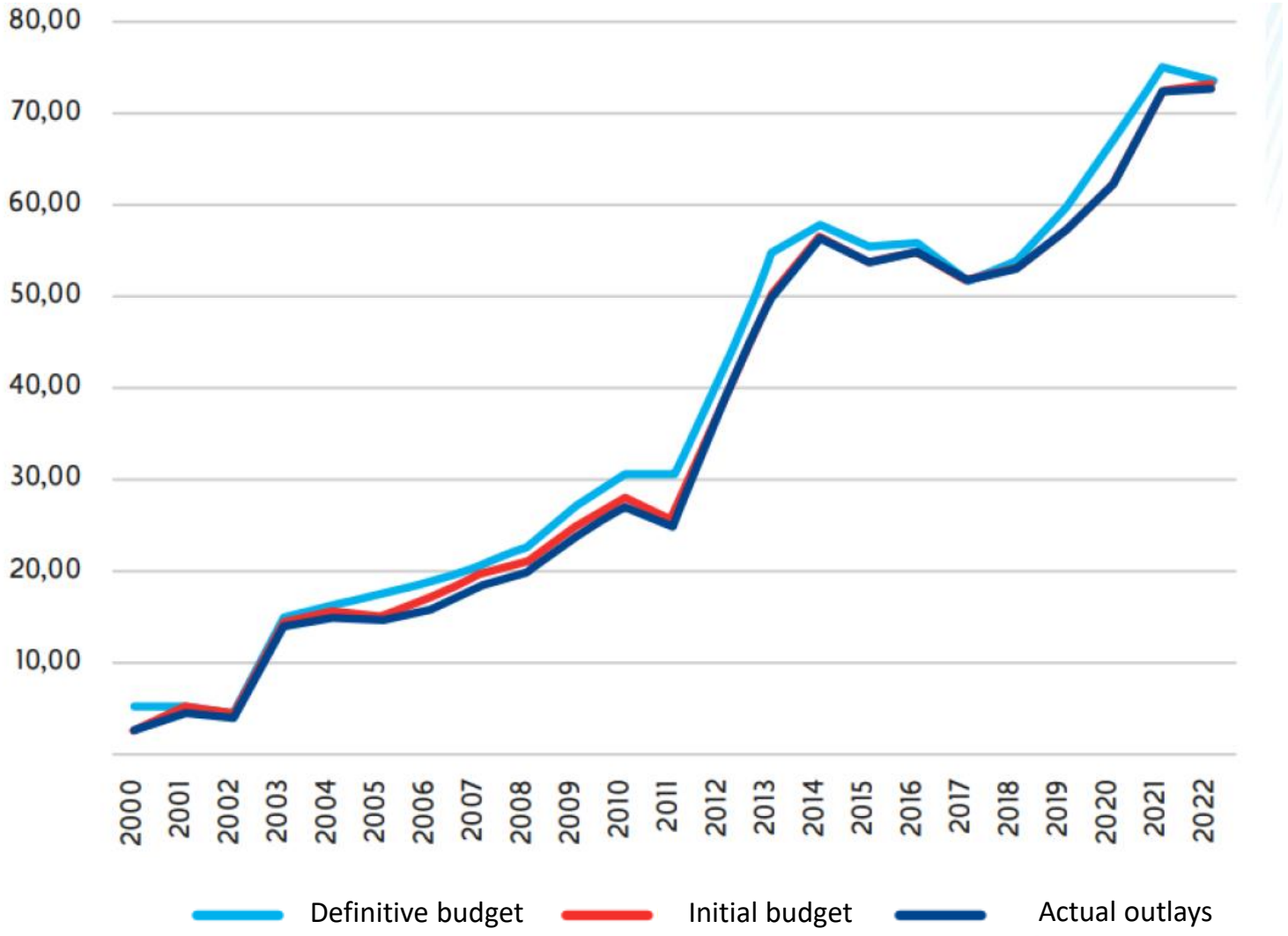
Per-capita premium

Contributory scheme

2007	$ 545,040	47.6%
2018	$ 804,463	

Subsidized scheme

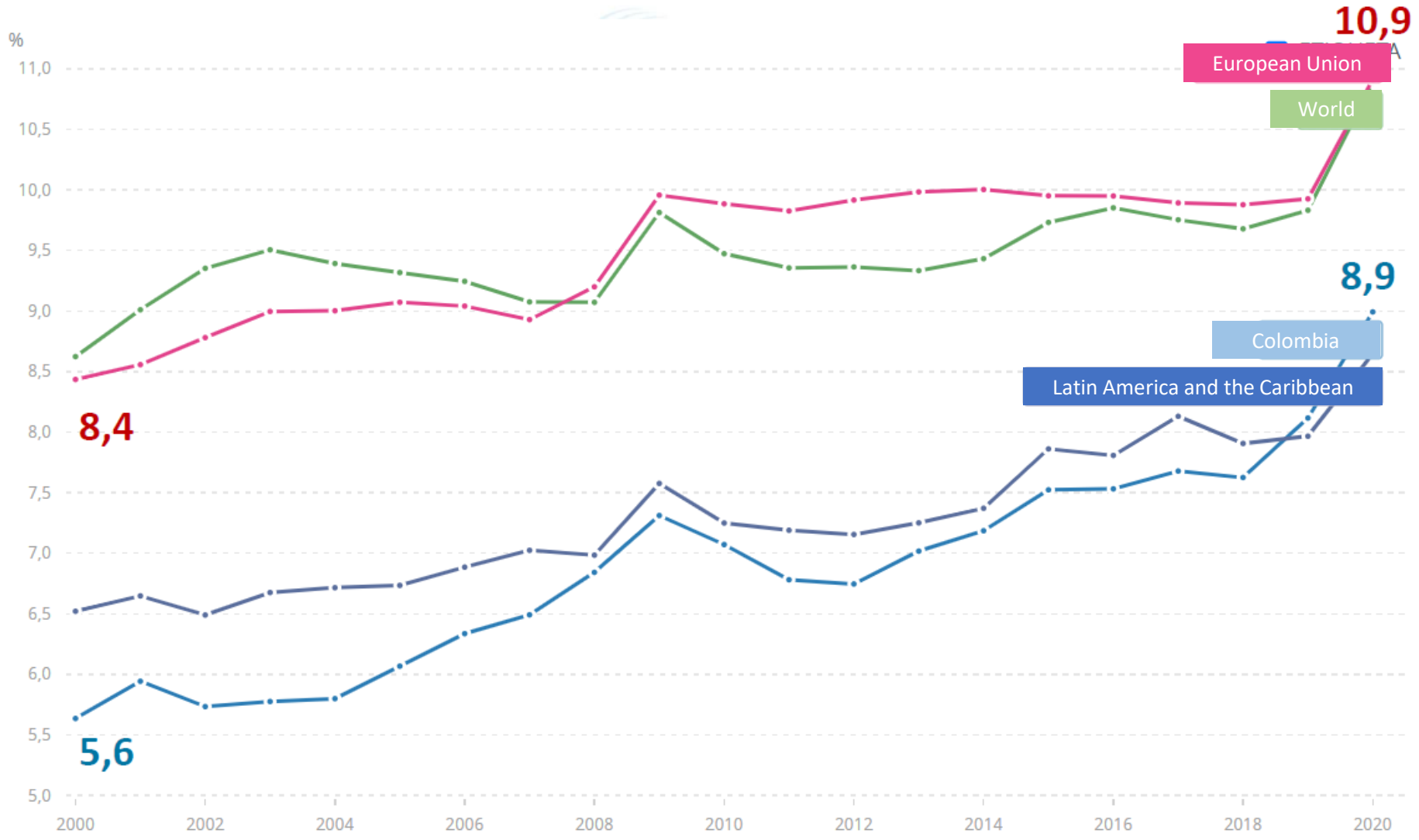
2007	$ 303,896	136.8%
2018	$ 719,690	

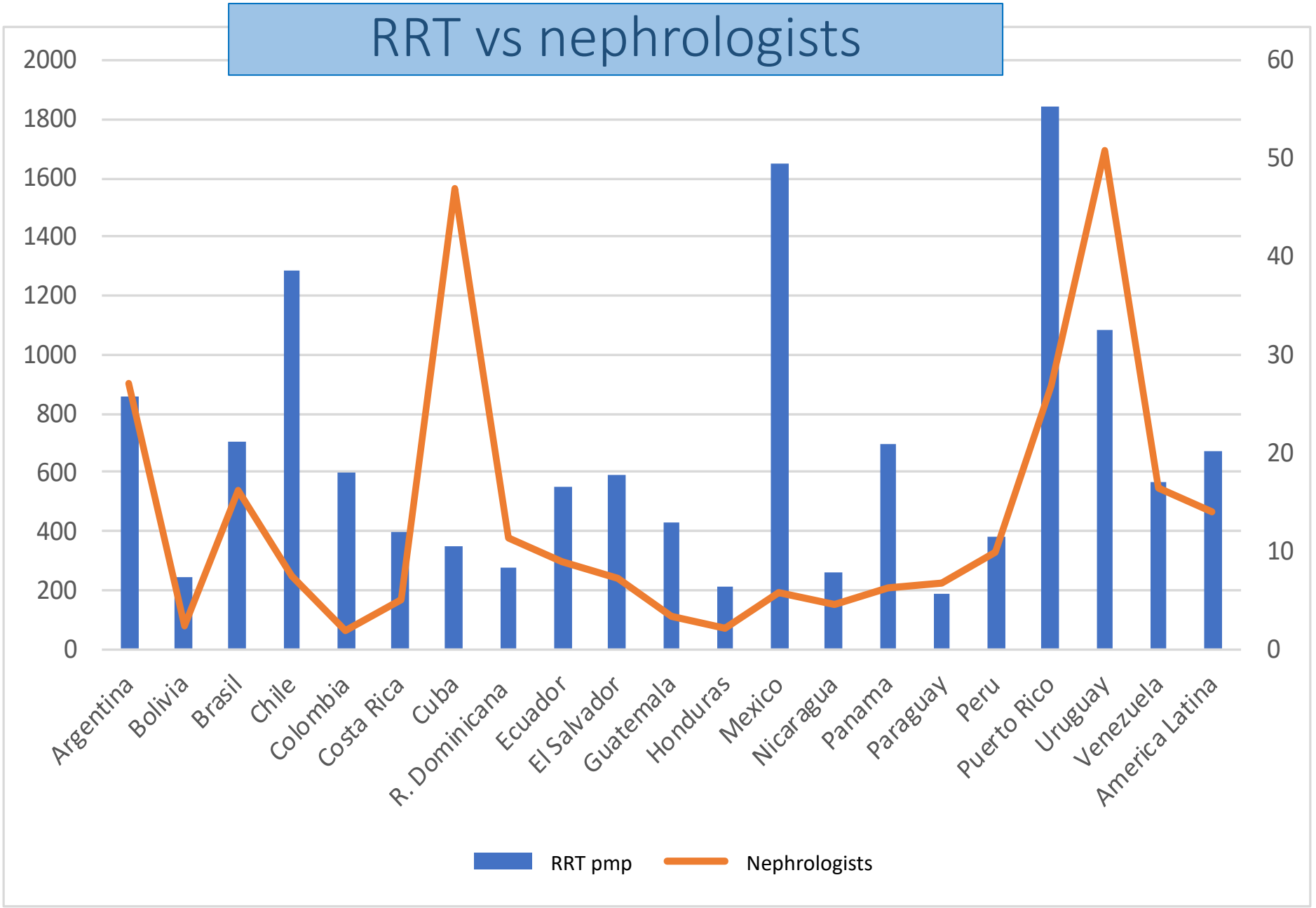


Overall budget allocations for social health insurance, from pooling fund to insurers, 2000 to 2022

Source: Brun M (2023) Fuentes de financiación, ingresos y gastos del SGSSS. Así Vamos en Salud.

Total health expenditures as a % of GDP





Fuente: Marqes SC (2017). Value-based health in renal care in Latin America. The Economist Intelligence Unit

CONCLUSIONS

- Managed competition has created strong incentives to reduce inefficiencies in the production of health care.
  - Managed care tools to reduce unwarranted variability in utilization.
  - Comprehensive programs for high-risk groups.
  - But mostly serving enrollees in urban centers.
- However, the Constitutional Court's approach to health care as a human right created a "bottomless pit" problem.
- Runaway growth in expenditures has created a "de facto" rationing.
- The health system is in a financial crisis, which has created the urge for a radical reform.