

WASEELA-E-SEHET—HEALTH INSURANCE PROGRAM
PROPOSED STRATEGIC FRAMEWORK AND IMPLEMENTATION PLAN FOR
EXPANSION IN TWO PHASES TO 15 ADDITIONAL DISTRICTS

1. The purpose of this document is to seek the support of the Board of the Benazir Income Support Program (BISP) for a strategic framework to expand the Waseela-e-Sehet (WES) Faisalabad pilot to 15 additional districts over the next five years and to all BISP beneficiary families over the longer term. The pilot, with support from the Asian Development Bank (ADB) will help implement gradual improvements of WES to prevent impoverishment and income loss by supporting poor families against catastrophic and large neonatal health expenditure.

2. WES hereby seeks the approval of the BISP Board for the proposed organization structure and staffing of WES to support the implementation of the WES strategic framework and implementation plan. The approval of the revised organization structure and additional WES staffing is an effectiveness condition of the ADB-funded project.

3. The phased expansion of WES will require organizational strengthening. Each pilot district will require the posting of one Assistant Director to assist in the implementation of WES in the district. By July 2014, five assistant directors will be posted in the five pilot districts. The five assistant directors will support two districts each during the second phase expanding coverage to 10 additional pilot districts, starting in October 2016. In WES headquarters, the appointment of a deputy director (insurance) and a deputy director (monitoring and evaluation) will be required as of October 2016.

A. Background

4. In April 2012, BISP launched WES on a pilot basis to provide protection against catastrophic health expenditure to registered beneficiary families in Faisalabad District, Punjab Province through the State Life Insurance Corporation (SLIC). The insurance package covers full hospitalization for all age groups, with a maximum benefit cap of PRs25,000 per family annually. The package covers pre-existing conditions as well as hospitalization for maternity and child health. So far, 37,575 families have been insured and have been provided access to empaneled private hospitals on a cashless and paperless basis. Forty percent of expenditures were maternity-related.

5. The vision and overarching objective for WES is the achievement of national coverage of all BISP income support beneficiaries as soon as is practical. The WES pilot should be expanded nationally in a phased manner within the limits of available financing and in step with the expanding capacities of the insurance industry and the private and public providers of hospital care. The impact of WES will be measured by increased utilization of hospital services by BISP beneficiaries and their protection from the risk of bearing catastrophic health costs.

6. The medium term expansion plan will be divided into two phases. Phase 1 will be termed the Pilot Expansion and Refinement Phase and will incorporate five additional districts while extending the Faisalabad pilot for three years. The districts to be included (Badin, Nowshera, Quetta, Gilgit, and Muzaffarabad AJK) provide for equitable representation of the provinces of Pakistan. Phase 1 will be designed and launched in 2014 and continue for the full project period. Phase 2 will extend WES to 10 additional districts, bringing the total districts under implementation to 16. It will be launched in 2016. Design work on a potential Phase 3 will commence in 2018.

7. The Phase 1 design will incorporate most of the elements of the Faisalabad pilot, including the crucial feature of recovering unused premium at periodic intervals and adding a transport allowance to encourage utilization. The Faisalabad pilot includes the accumulation of

unused premium in a Recovery Fund, which is disbursed at the end of three years on the basis of 95% to WES and 5% to SLIC. Phase 2 will mark a shift to the full insurance model”, through which WES will tender for insurance company participation through bids on premium amount, without premium recovery. The design choices for Phases 1 and 2 as well as pending issues for the Design Team are summarized in the table below:

Design Element	Phase 1 Design	Phase 2 Design	Pending for Design Team
1. Government Platform (national, provincial, or integrated)	Integrated with MOUs	Integrated with MOUs	MOU content
2. Micro Health Insurance Model	Insurance model Operated by SLIC	Insurance model - operated by insurance company selected on basis of tender	Develop and standardize tender documents and terms, possible role for Third Party Administrators for Phase 2 may be considered
3. Reserve Fund management	Current Faisalabad recovery fund (95%-5% split of Reserve Fund)	No recovery fund	Develop actuarial estimates and projections of economic premium
4. Risk Assignment	Insurer	Insurer/ Reinsurer	Explore reinsurance arrangements
5. Premium amount	PRs1800	Competitively determined	
6. Premium financing	BISP	BISP and ADB (depending on results of Mid Term Review)	Potential Phase 2 premium copayment from beneficiary or from provincial governments
7. Benefits	PRs25,000 cap, inpatient services, transport allowance	Same as Phase 1 but with options to adjust caps and prices due to inflation.	Potential enhancements for Phase 2 (maternity vouchers, some OPD services, higher cap), and portability arrangements
8. Provider payment basis	Medical output packages (not fee for service)	Same as Phase 1	Potential revisions to covered services and reference prices for Phase 1 and 2
9. Hospital empanelment	Responsibility of insurer, based on Pilot, but with GIZ compliance monitoring of hospitals	Same as Phase 1	Possible changes to empanelment standards (Phase 2) in response to compliance monitoring results, possible inclusion of

Design Element	Phase 1 Design	Phase 2 Design	Pending for Design Team
			public hospitals if provinces ready.
10. Cost control	Insurer manned gateway at hospitals to control inappropriate utilization	Same as Phase 1	Tender may specify improved and less expensive gateway model if utilization remains low
11. IT integration	Same as Faisalabad Pilot (SLIC system) with shift over to new system step by step	All insurers to use new national IT system	Contract provisions on IT use by insurers and hospitals
12. BISP direct management	Same as Pilot (contract with insurer, enrollment, communications, finance) enhanced M&E call center	Same as Phase 1, but add competitive tender and IT roll out to insurers and hospitals	Institutional upgrades for WES for Phase 1 and 2

ADB = Asian Development Bank, BSP = Benazir Income Support Program, IT = information technology, M&E = monitoring and evaluation, MOU = memorandum of understanding, OPD = out-patient service delivery, SLIC = State Life Insurance Corporation, WES = Waseela-e-Sehet.

Source: Asian Development Bank.

8. Phase 1 and Phase 2 expansion will proceed with technical support from GIZ and resources from the ADB for substantial technical and operational inputs (see Annex A). At the center of the expansion plan are the MOUs to be signed with provincial authorities to ensure a full and effective provincial partnership with WES. The MOUs will be flexible in regard to provincial role, so as to respond to provincial interests and capacities. WES will invite provincial co-financing of cost elements, and share branding of the initiative in response.

9. Another key element of the expansion is the introduction of a national IT platform to integrate all micro health insurance activity within one system, incorporating hospitals, insurers, beneficiaries and WES itself. Smart card capacities (in cooperation with NADRA) will be an important element of the IT system, to allow for biometric identification of beneficiaries and immediate information on benefits and balances. This will be supported under the ADB project.

10. As districts are added to the scheme, communication campaigns will be launched by BISP in each in collaboration with the insurance company. The substantial communication costs will be supported by the ADB project. BISP offices at the Tehsil level will coordinate enrollment of BISP beneficiaries in the WES scheme. The insurance company will empanel hospitals and negotiate prices and packages with each.

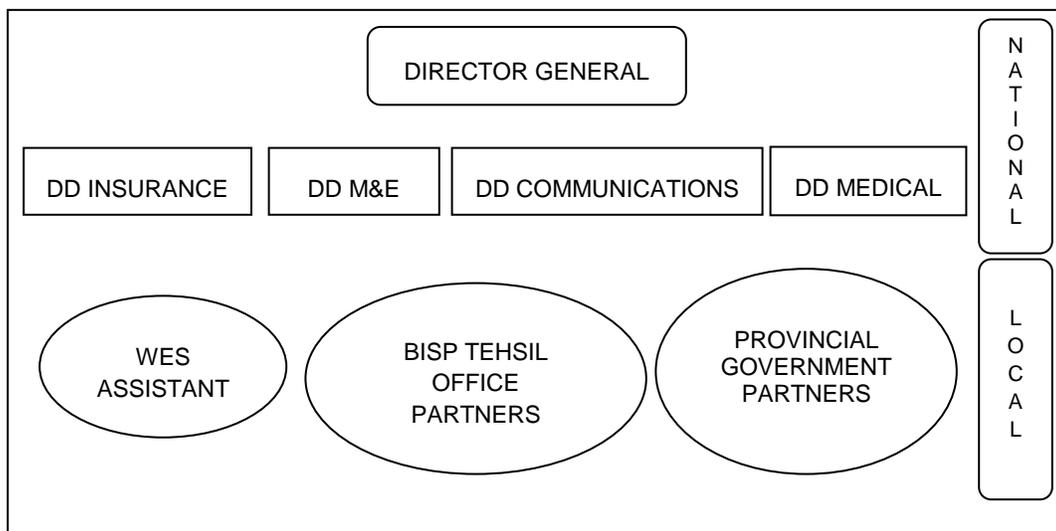
11. GIZ will provide technical support concentrated at the design stages, but will also finance some ongoing activity such as hospital empanelment compliance and beneficiary satisfaction through spot checks. GIZ will also provide stewardship support through the convening of an advisory Technical Working Group, whose functions and membership will extend to collaboration with other schemes and their harmonization over time.

12. M&E will assume much higher importance during the expansion. A formal evaluation of both phases, supported by the ADB project, will begin with a baseline survey of Phase 1 districts and include at least two follow up surveys to measure scientifically the relative impact of WES on inpatient care utilization and protection from health shocks. Results of the evaluation

will be available for the design of Phase 2. GIZ will engage a spot check team to monitor admission and discharge practices, payment of the transport allowance, and overall client satisfaction. With ADB project support, BISP will engage a firm to perform technical audits of each Phase, including the performance of WES, the insurers, BISP Tehsil offices and the empanelled hospitals. The new IT platform will allow for more timely and accessible reporting on implementation of the scheme.

B. Organization Structure and Staffing of WES

13. WES will expand modestly, in keeping with its management model of contracting out most activities and functions, excluding direct management. By the beginning of Phase 2, the WES Organogram, showing its management team and major partners, will follow the diagram shown below. The insurance company(ies), its empanelled hospitals and its enrolled beneficiaries will be financed, monitored and managed from the structure shown in the organogram below.



BISP = Benzair Income Support Program, DD = deputy director, WES = Waseela-e-Sehet.

14. Institutional strengthening of WES will include a provincial team of five assistant directors to guide the expansion in Phase 1 districts (and who will shift to Phase 2 districts) plus long term consultants in two key areas. In Phase 1, externally recruited long term consultants will support WES in M&E and Insurance Management (both funded by the ADB project). For Phase 2, the WES seeks Board approval for the appointment of two Deputy Directors to overlap with the consultants for a limited time and then take over from them their responsibilities for M&E and Insurance Management.

15. The five Assistant Directors will have a tertiary qualification and experience in social and health project implementation. They will be posted to the five expansion districts and will be involved in the full cycle of expansion in their respective districts, serving as the focal point and coordinator for a range of expansion and implementation activities, including:

- assisting the Tehsil offices with enrollment of BISP beneficiaries into WES;
- providing support to the contracted communications team particularly in regard to identifying and arranging suitable locations for outreach and distribution of pamphlets and posters;

Outputs/Activities	2013			2014				2015				2016				2017				2018				2019	
	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2
new districts (WES)																									
(iii) Communications campaigns in 10 districts (WES)																									
(iv) implementation of Phase 2 Expansion in 10 districts and continue in Phase 1 Districts																									
(v) Phase 3 design team begins work																									
2.4 Capacity Building for Stakeholders																									
(i) Training activities launched and continued Phase 1 and 2 (GIZ)																									
(ii) DDGs for M&E and Insurance join WES for Phase 2 (BISP)																									
(iii) Assistant Directors recruited and deployed																									

ADB = Asian Development Bank, BISP = Benazir Income Support Program, DDG = deputy director general, M&E = monitoring and evaluation, MIS = management information system, MOU = memorandum of understanding, WES = Waseela-e-Sehet. Source: Asian Development Bank.

D. Expansion Budget and Financing Plan

18. The expansion budget for Phase 1 and 2 is summarized as follows, with a detailed table in Annex A for reference. Donor support to the non-premium incremental costs of the expansion is significant. Over the five year ADB Social Protection Development Project (Dec 2013 to Dec 2018) the ADB will provide up to \$7.5 million, depending on the final cost of the IT system. Its costs are currently budgeted high to cover all technical options at \$3.9 million, but this is expected to come down as design options are narrowed. The GIZ will provide in kind support equal to approximately US\$ 1.1 million. Total donor support is therefore up to \$8.6 million for non premium expansion costs.

19. Support for premium costs will be provided by ADB in two forms. In Phase 1, the ADB Social Protection Development Project (SPDP) will finance the full costs of a transport allowance of PRs300 per discharged inpatient, for an estimated total cost of \$123,659. In Phase 2, ADB will finance a portion of premium costs for all districts depending on the outcome of the mid-term review of progress under Phase 1. Progress will be evaluated based on the expansion program indicators and targets, as summarized above. Evaluation results, technical audit results, and spot check results will figure into the mid-term review discussions. A sum of \$40 million has been set aside within the SPDP to finance expansion premium costs under WES and training costs under the Waseela-E-Rozgar program.

20. Incremental non-premium costs to be financed by BISP are estimated at \$1.2 million over the five year period. The single largest cost is the support from BISP Tehsil offices, which will handle all WES enrollment tasks, as they are now doing in Faisalabad for year 2 of the pilot. The enrollment costs are concentrated at the launch of Phase 1 and 2, and are based on 5% of total premium costs for the year. Actual incremental budget costs could be much lower

depending on workloads in Tehsil offices. Other costs are expected to be absorbed within normal BISP budgets, such as legal and communications services of an advisory nature. The incremental non-premium costs are shown in the table below.

Total Non-Premium Incremental Costs for BISP
(in \$)

Category	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	Totals
Enrollment and card distribution	187,200		457,200			644,400
BISP Call Center	6,000	6,000	6,000	12,000	12,000	42,000
DD for M&E			14,000	28,000	28,000	70,000
DD for Insurance			14,000	28,000	28,000	70,000
Assistant Directors	75,000	75,000	75,000	75,000	75,000	375,000
Totals	268,200	81,000	566,200	143,000	143,000	1,201,400

BISP = Benazir Income Support Program, DD = deputy director, M&E = monitoring and evaluation.

Source: Asian Development Bank.

21. The total incremental *premium* costs to BISP will depend on the level of support provided by the ADB SPDP in Phase 2 after the mid-term review. The number of beneficiaries rises sharply in Phase 2 as 10 new districts are added, and total premium costs rise proportionately. Based on ADB estimates of hospital utilization, WES enrollment rates, premium amount per family assumptions, recovery of unused premium from SLIC in Phase 1, shift to an insurance model in Phase 2 with no premium recovery, and expansion to all 16 districts, the total premium cost to BISP would be no higher than \$34 million including the current fiscal year and extending 6 months past the close of the SPDP in December 2018. Phase 2 premiums amount to just over \$30 million. ADB has given no indication of the proportion of premium they would be prepared to support in Phase 2.

E. Midterm Review of WES

22. The indicators and targets for the midterm review and project completion are presented in the table below.

Indicator	Baseline Value (2013)	Target Value Midterm (Q3 2016)	Target Value Project Completion (Q4 2018)
Outcome:			
Utilization of WES for inpatient services	0.39% of WES beneficiaries	0.97% of WES beneficiaries	1.37% of WES beneficiaries
Output:			
Enrollment of female head and their Families in WES	37,525	293,234	786,423
Admissions of WES registered family beneficiaries	928	18,512	69,865
Admission for delivery	128	2,553	7,558

WES = Waseela-e-Sehet.

Source: Asian Development Bank.

23. Access to the Performance Allocation will be based on a variety of considerations, including performance against the above targets. Other issues to be considered will include the following goals:

- a. Did WES implement agreed activities, including engagement of firm to conduct evaluation and of firms to conduct communication campaigns and technical audits?
- b. Did WES deploy Assistant Directors in a timely way in expansion districts?
- c. Did WES engage local consultants for insurance and MIS as agreed?
- d. Were MOUs signed with participating provinces and are MOUs likely to be revised/signed with Phase 2 district provinces?

24. In addition, the impact evaluation study for Phase 1 will be completed before midterm review.

25. The midterm review team will prepare an assessment of performance of WES based on achievement of quantitative targets and qualitative goals, as listed above. The assessment will conclude with a summary rating of performance on a high/medium/low continuum.

Annex A: Detailed Expansion Costs and Financing Tables 2014–2018 (in PRs)

	2013–2014		2014–2015		2015–2016		2016–2017		2017–2018		2018–2019	
	BISP	Donor	BISP	Donor	BISP	Donor	BISP	Donor	BISP	Donor	BISP	Donor
Premiums & Fees (net of reflows in Phase 1)	39,237,058		103,928,287		139,272,814		853,992,754	TBD	1,196,081,807	TBD	1,258,277,518	TBD
Transport Allowance (ADB)				2,940,150		5,553,539		3,872,302				
Stewardship												
Technical Coordinator GIZ				2,000,000		2,000,000		2,000,000		2,000,000		2,000,000
Technical Working Group GIZ				500,000		500,000		500,000		500,000		500,000
Design Phase 1 and 2												
Insurance Design Expert (ADB)				14,700,000		13,200,000		23,200,000		12,600,000		21,200,000
Actuary, Empanelment, MCH, Institutional Experts, Provincial Coordinator and costs (GIZ)				24,100,000		4,000,000		27,100,000				
Implementation Support												
Communication Campaign (ADB)				18,000,000		12,000,000		6,000,000		33,000,000		23,000,000
Enrollment and orientation			18,720,000						45,720,000			
BISP Call Center enhancements			600,000		600,000		1,200,000		1,200,000		1,200,000	
IT National System												
Design options, specs, TOR (ADB)		1,000,000										
Design, develop, install, operationalize, maintain (ADB)				166,551,995		113,229,507		110,512,728				
Monitoring and Evaluation												
Spot Checks hospitals and patients (GIZ)				1,500,000		1,500,000		1,500,000		1,500,000		1,500,000
Impact Evaluation (ADB)			1,000,000	40,000,000			1,000,000	40,000,000			1,000,000	20,000,000
Technical Audits (ADB)								12,880,000		25,000,000		

	2013–2014		2014–2015		2015–2016		2016–2017		2017–2018		2018–2019	
	BISP	Donor	BISP	Donor	BISP	Donor	BISP	Donor	BISP	Donor	BISP	Donor
Assessment Report WES		1,500,000										
Focus Group Report (ADB)		1,000,000										
HR & Capacity Building												
New Staff (DD's and AD's)			7,500,000		7,500,000		10,300,000		13,100,000		13,100,000	
LT technical managers for M&E and Insurance consultants (ADB)				13,200,000		13,200,000		13,200,000				
Training, workshops, conferences (GIZ)				7,500,000		7,500,000		7,500,000		7,500,000		7,500,000
Grand Totals	39,237,058	3,500,000	131,748,287	290,992,145	147,372,814	172,683,046	866,492,754	248,265,031	1,256,101,807	82,100,000	1,273,577,518	75,700,000

AD = additional director, ADB = Asian Development Bank, BISP = Benazir Income Support Program, DD = deputy director, IT = information technology, TOR = terms of reference, WES = Waseela-e-Sehet.
Source: Asian Development Bank.