

HOSPITAL PAYMENT IN GEORGIA: LESSONS TO SHARE

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A map of Georgia, Russia, Armenia, Azerbaijan, and Turkey. Georgia is highlighted in yellow. A blue text box is overlaid on the map, containing statistics. The map includes a compass rose, a scale bar, and latitude/longitude markers.

N Georgia

Area - 69,400 km²;

Population – 5.24 million;

Nominal GDP - 2,789 million USD;

Nominal GDP per Capita - 609 USD;

Inflation Rate - 10.9%.

Legacy of Soviet System

- 287 hospitals with nearly 23,500 hospital beds (4.48 beds per 1000 population) are serving the population of 5.24 million.
- Extremely high capacity relative to demand: *average occupancy rate of 32.7% in 1998.*
- Surplus of health care providers: 1.5 Physician per occupied bed in the capital city.

Problems Faced by the Government

- Limited public resources for hospital financing
- Deteriorating health infrastructure
- Underpaid medical personnel
- Widespread informal payments in the sector
- Financial access barriers for the population

Solutions Thought

- Rationalize hospital sector through decreasing excess capacity on the market.
- Use purchasing mechanisms (Selective Contracting) to target public subsidies and to support the rationalization.

Targets for Hospital Rationalization

- Decrease actual bed capacity in the Capital by 60%
- Decrease No. of hospitals in the Capital from 67 to 17.
- Decrease total hospital bed capacity in 6 major cities of the country by 66%

Process Used

- Hospital restructuring master-plan for the whole country was developed.
- Financial resources to implement the reforms were secured from the World Bank.
- Policy decisions were supported by effective purchasing mechanisms-*selective contracting* was piloted in the capital city.

Some Data from Tbilisi

Selective contracting applied to the city Network		
Program	# of Facility. in 1999	# of Facility. in 2002
Program for Vulnerable Population	42	16
Program for Children 0-15 years	21	2
Program for Obstetrical Care	9	4
Tb Program	5	1

Pilot for Selective Contracting

- Public purchaser - *State Medical Insurance Company (SMIC)* on a pilot bases choose only 3 of the 13 maternities in Tbilisi.
- While selecting the facilities following factors were considered:
 - Geographical distribution
 - Quality and volume of medical services
 - Level(s) of care offered to the public

Results 1

- Average utilization of contracted facilities increased by 20.4%
- Aggregate market share of 3 contracted facilities reached almost 70%.
- Tangible efficiency gains were observed:
 - Unit cost of producing obstetrical services decreased by 20%.
 - Unit cost of obstetrical bed day decreased by 15.6%
 - Average workload per occupied physician increased by 19%

Results 2

- Average income per doctor increased by almost 2.15 times
- Informal charges almost disappeared removing financial access barriers.
- Average utilization of non-contracted facilities decreased by 9.1%.

Way Forward

- Broaden selective contracting to other hospital facilities and other programs in the country.
- Move from DRG based reimbursement towards global budgets that was proposed for implementation in 2002.