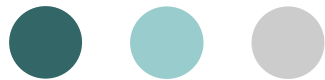

Third Party Payment (TPP) mechanism for cashless access in health microinsurance

Lessons learned on design and management

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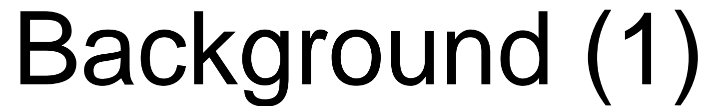
Outline

1. Background: scope and methodology of the study
2. Third Party Payment (TPP) mechanism: definition
3. TPP mechanism : pros and cons
4. Mapping of TPP claims model in health microinsurance and diversity
5. Success factors to set up a TPP
6. Specific challenges and practice-based solutions
7. Conclusion



- *Joint initiative*: ILO/MIIF, ILO/ STEP and the Microinsurance Network Working Group on Health Microinsurance
- *Objectives of the study:*
  - To assess the importance of TPP mechanism among existing health microinsurance schemes
  - To consolidate existing experience of TPP mechanism in health microinsurance
- *Scope of the study:*

  with a practice-based approach, the study focuses on lessons learned in terms of set-up and management of a TPP to provide a cashless access to insured persons in a sustainable way.

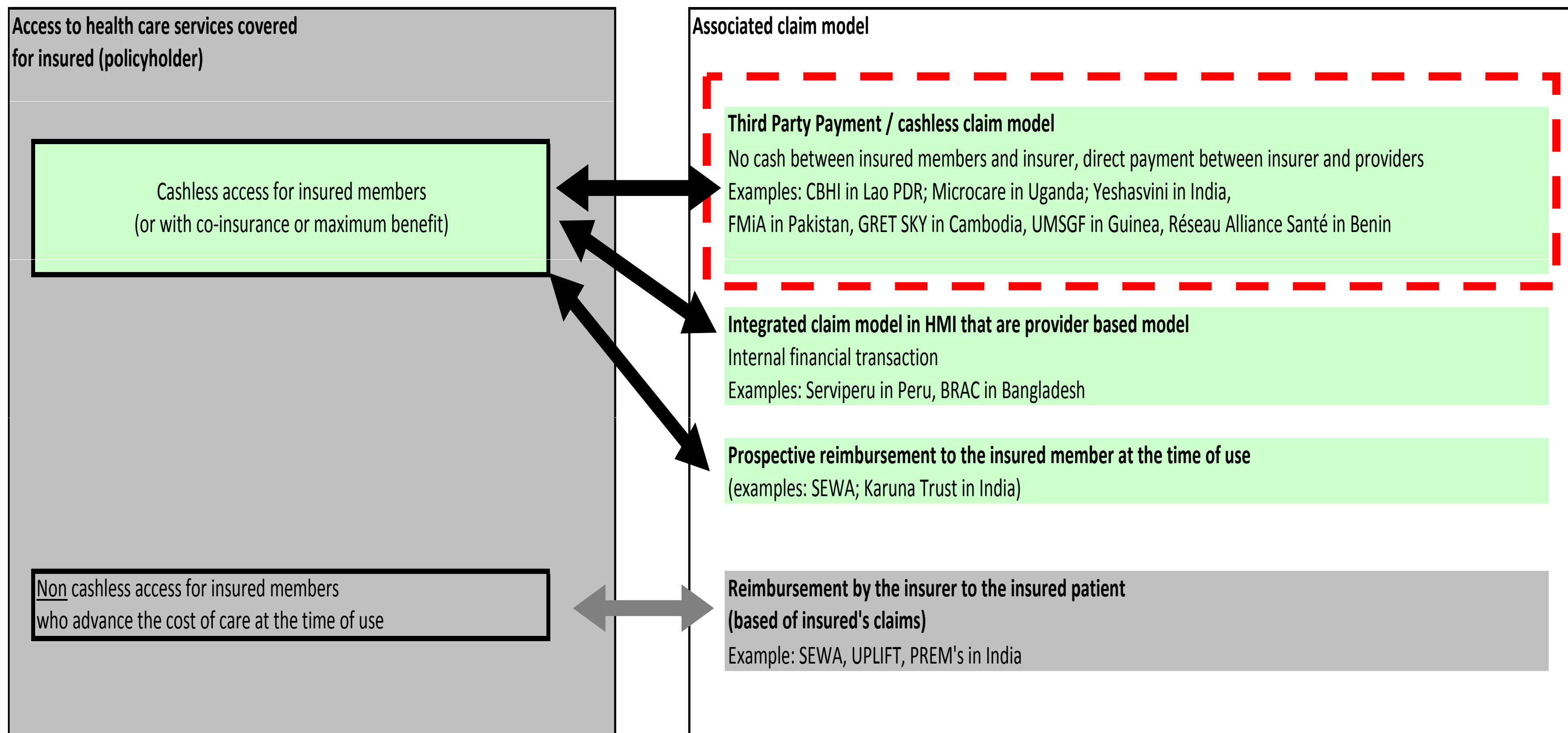
Background (2)

- Methodology of the study:
  - Literature review
  - Experts interviews (19 experts have been interviewed: 8 practitioners; 6 researchers and 5 consultants)
  - Internet survey on claims’ models (the answers of 80 health microinsurance schemes from 21 countries have been analysed)
  - Short case studies: 7 health microinsurance schemes have been selected to reflect both HMI schemes diversity and TPP diversity

Selected short case studies

	AFRICA		ASIA				LATIN AMERICA
Name of the HMI scheme	Microcare	UMSGF	Yeshasvini	CBHI	SKY / GRET	FMiA (Northern areas)	Solsalud (Zurich Bolivia and Bancosol)
Country	Uganda	Guinea	India	Lao PDR	Cambodia	Pakistan	Bolivia
Starting date	2000	1999	2003	2002	1998	2007	2006
Instutitional model	Commercial insurer	Network of mutuals	Cooperative	Community based health insurance	Community based health insurance	Partner-agent	Partner-agent
Urban / Rural	Rural and urban	Rural and urban	Rural and urban	Rural and urban	Rural	Rural and urban	Urban
Number of persons covered (end of 2008)	29 000	16 120	3 060 000	65 000	39 000	19 000	13 000

TPP in health microinsurance: definition (1)

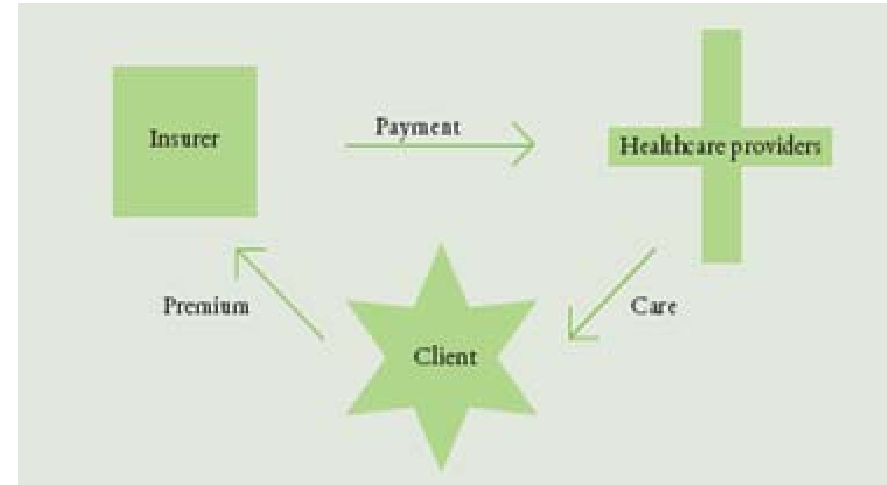


TPP in health microinsurance: definition (2)

Third party payment (TPP)
Source: ILO/STEP/ GIMI glossary
http://www.ilo.org/gimi/ShowIndexGlossary.do

With a third-party payment mechanism patients covered by a health microinsurance scheme are not required – at the time health services are consumed – to pay for health expenses covered by the scheme; they pay only a deductible or co-payment, if any.

The health microinsurance scheme (the third party) pays the health facility for the expenses it incurred on behalf of the patient.



Source: graph extracted from “Protecting the poor, a microinsurance compendium”, p 75.

Focus on vocabulary - Third Party Payment mechanism
Translation in French: *mécanisme de tiers payant*
Translation in Spanish: *mecanismo de pago de terceros*

Synonyms or related expressions also commonly used in the microinsurance industry:

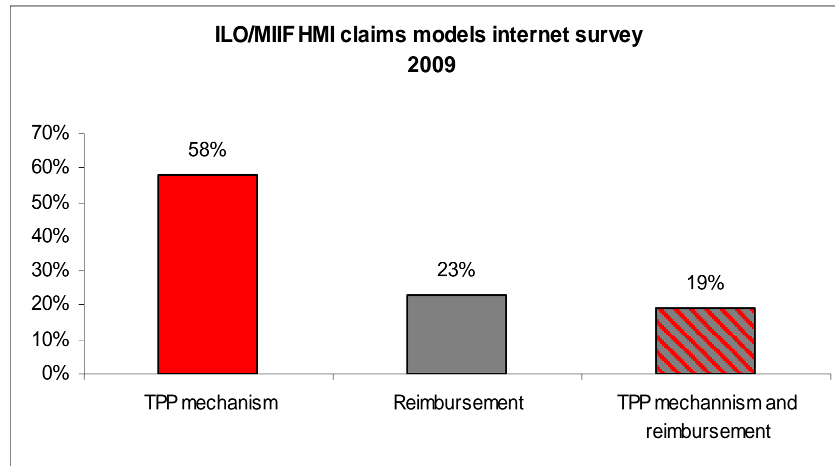
- cashless health microinsurance schemes;
- cashless claims arrangement;
- cashless system;
- cashless benefits.

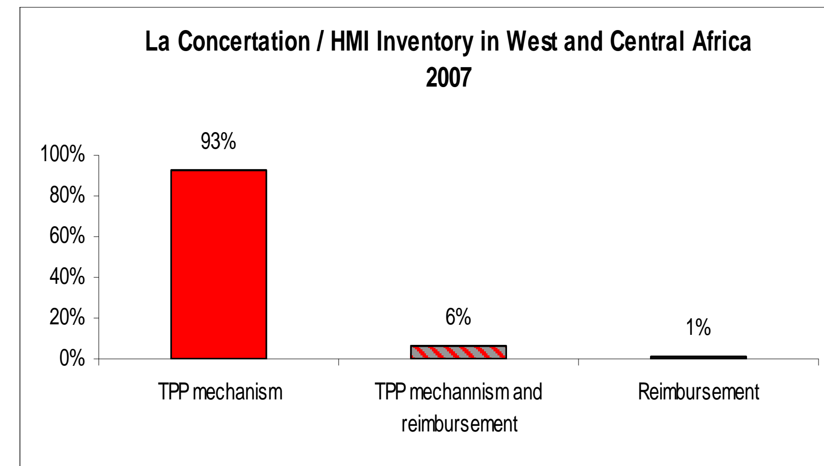
TPP in health microinsurance: pros and cons

	Advantages	Disadvantages
Insured	- May effectively enhance access to health care services - May reduce delay before seeking health care - Remove heavy paper work to submit claim	- May restrict the choice of providers
Insurers	- May increase the scheme's attractiveness and therefore the risk pool and its financial viability - May simplify claim management (monthly settlement versus case by case settlement) - Depending on the provider payment mechanism, may allow shifting a part or the entire financial risk on health care provider	- May increase moral hazard and risk of fraud from health care providers therefore cost of the scheme and threaten its viability - May encourage insured patients to over use services for patients
Health providers	- May increase utilisation of the facility (captive patients) and therefore generate additional revenue - May increase patients' solvency in the target area (limit number of patients leaving the hospital without paying) - Depending on the payment mechanism may generate stable flow of revenue - May stimulate quality of health care	- Depending on the payment mechanism, may entail a financial risk - May create an additional administrative burden associated with eligibility control and claim preparation - Increased control on its quality of care and accounting system

TPP in health microinsurance: mapping and diversity (1)

- *TPP is the preferred claim model* in health microinsurance schemes *with countries' specificity*.





TPP in health microinsurance: mapping and diversity (2)

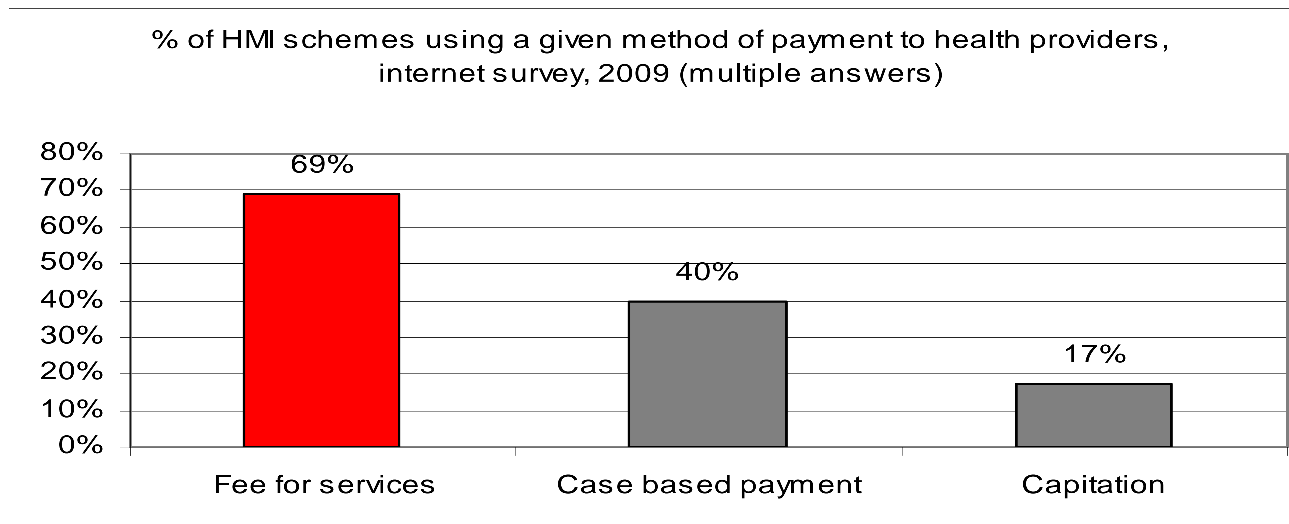
- The specific *diversity* of TPP is *linked to the different methods of payment* to pay health care providers

- Four types of TPP may be distinguished according to the four common methods of payment:
  - Retrospective payment on a fee-for-service basis
  - Retrospective payment per case (lump sum)
  - Retrospective payment per day or per diem
  - Prospective payment by capitation

Payments per case, per day and by capitation payment methods are regrouped under the category of Global payments.

TPP in health microinsurance: mapping and diversity (3)

- *Most of the schemes* with a TPP mechanism are using a *single method of payment* and 36% a mix of payment method with their contracted health care providers.
- The *majority* of the schemes with a TPP have negotiated to pay on a *fee-for-service basis*.



TPP in health microinsurance: mapping and diversity (4)

	AFRICA		ASIA				LATIN AMERICA
Name of the HMI scheme	Microcare	UMSGF	Yeshasvini	CBHI	SKY / GRET	FMiA (Northern areas)	Solsalud (Zurich Bolivia and Bancosol)
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Urban / Rural	Rural and urban	Rural and urban	Rural and urban	Rural and urban	Rural	Rural and urban	Urban
Number of persons covered (end of 2008)	29 000	16 120	3 060 000	65 000	39 000	19 000	13 000
Provider payment method	Fee for service with pre-negotiated rates	Case based payment + drugs	Case based payment	Capitation	Capitation and case based payment	Fee for service with pre-negotiated rates	Capitation payment to Provid/ Fee for services and case based payment for health care providers paid by Provid
Health services covered	Hospital and primary health care	Hospital and primary health care	Surgery	Hospital and primary health care	Hospital and primary health care	Hospital care + voucher for one consultation/member	Primary (drugs excluded) to tertiary care in selected private health providers
Co-insurance	Maximum benefit	Small deductible	Maximum benefit	None	None	Maximum benefit	Co-payment and maximum benefit (two different packages)
Claims administration outsourced to a TPA	No	No	Yes (Family Health Plan Limited)	No	No	No	Yes (Provid)

TPP in health microinsurance: success factors to set up a TPP

- According to experts interviewed, setting up a viable TPP will rely on the capacity of the HMI scheme to:
  - settle a win-win partnership and long term relationship with health care providers
  - set up a cost effective TPP administration process
    - Choosing the appropriate payment method to health care providers to contain costs
    - Gathering appropriate skills at affordable costs
- Beyond contextual pre conditions, experts underline that additional external factors will be of importance in the success of setting up a TPP

- *Capacity to settle a win-win partnership with health care providers*
  - Conduct a collaborative partnership process
  - Offer valid guarantee to health care providers

    Main guarantee offered by the schemes studied:
    - Sufficient pool of insured persons (in Microcare; FMiA, GRET-SKY)
    - Cash advance payment (in UMSGF and GRET-SKY)
    - Sophisticated tools to control for insured patient eligibility (Microcare, FMiA)
    - Reputation of the insurer (in FMiA with NJI Life insurer in Pakistan, in Provid in Bolivia with Zurich Bolivia)
    - Reputation of the TPA such as Health Family Plan Limited that is the first TPA regulated by the IRDA and that is already managing Mediclaim.
    - Endorsement of the first contract by the supporting NGO (GRET – SKY)

TPP in health microinsurance: success factors identified in case studies (2)

- *Capacity to set up a cost effective TPP claim process*
  - Negotiate the appropriate payment method to contain costs:

Method of payment	Advantages	Disadvantages	Accompanying measures
Fee-for-service	Contribute to quality of care Generally well accepted by health providers	Expose scheme to risk of over-consumption and over prescription Complicate management Require that HMI bear entire burden of risk.	Clinical review of invoices Pre authorization process Co-payments
Global payment	Reduces the risk of over-consumption and over prescription Simplifies management Allows the transfer of risk to health care providers	May lead to reduction in quality of health care May encourage risk selection Generally less easily accepted by health care providers	Quality control of heath care through regular audits Monitor attitudes of health care staff (risk selection) Appropriate information system to check and control for eligibility at providers premises

TPP in health microinsurance: success factors identified in case studies (3)

- *Capacity to set up a cost effective TPP claim process*
  - Negotiate the appropriate payment method to contain costs:
    - TPP with global payment have a greater potential for technical and administrative costs containment but are difficult to negotiate if not already applied by health care providers; Institutional support is usually needed to contract on a capitation basis (CBHI; SKY) as well as financial guarantee (SKY);
    - TPP with fee for service payment may be restricted to hospital care (FMiA) and associated with a list of pre negotiated list; if not restricted to hospital care, performing information system is a prerequisite (Microcare).

TPP in health microinsurance: success factors identified in case studies (4)

- *Capacity to set up a cost effective TPP claim process*
  - Gather appropriate skills at reasonable cost (human resources and technologies)
    - Strategies observed depend on institutional models and existing opportunities to outsource or not to an affordable and transparent Third Party Administrator;
    - Most of the schemes have built an internal claim process and most of them are not yet covering all their costs with the earned premium but plan to do so while scaling up;
    - The two schemes that have outsourced to a TPA seem to be in good position to limit administrative costs but such conditions may not be replicable (limited % of premium for Yeshasvini and capitation payment to the TPA for Bancosol/Zurich).

TPP in health microinsurance: specific challenges associated with TPP

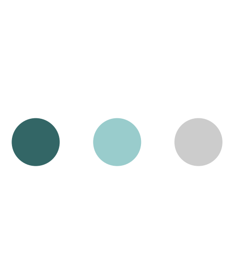
- According to experts interviewed, managing a HMI with a TPP mechanism is associated with the following specific challenges:
  - Increased importance of perceived quality of care
  - Increased risk of moral hazard and fraud
  - Critical need to pay providers on time
  - Increased flows of information

Level of exposure related to	Moral hazard on providers' side		Quality of care received by insured	
TPP associated with	General risk of moral hazard	Risk of missclassification	Risk of over servicing	Risk of under servicing
Fee for service	+++	-	+++	-
Case base payment	++	+++	++	+
Per day/per diem payment	++	++	-	++
Capitation payment	-	-	-	+++

- Practice based solutions identified in case studies to ensure that quality of care is maintained to a satisfactory level for insured members:
  - Liaison officer / patients' advocates/ check in desk system to welcome insured at health facilities 'level and ensure visit in case of hospitalisation;
  - Performance-based contractual arrangements with simple and measurable quality of care standards;
  - Clinical review of claims with specific management of suspicious claims with appropriate medical expertise in discussion with partner health facilities;
  - Regular audit on quality of health care at facilities level with appropriate medical expertise to ensure a sentinel effect on quality at the facility level;
  - 24/7 toll free help line when phone services are accessible to low income segments

TPP in health microinsurance: specific challenges and practice based solutions (2)

- Practice based solutions identified in case studies to limit fraud on insured' members side:
  - Insurance card with picture (except when national ID cards with picture are already in place)
  - Check in desk service/liaison officer to check for identity at the entrance of health facility in addition to health care providers' staff
  - TPP with retrospective payment:
    - Pre authorization process that can be faster with toll free line and fax machine (may be requested by health providers or insured persons)
  - TPP with prospective payment:
    - Accurate listing of eligible insured patients given to health care providers



TPP in health microinsurance: specific challenges and practice based solutions (3)

- Practice based solutions identified in case studies to limit moral hazard on providers' side:
  - Clinical review of suspicious claims with medical expertise
  - Gaps analysis with medical expertise for suspicious cases
  - All schemes are monitoring the following indicators:
    - Incidence risk (including a breakdown per major types of diseases of health care services)
    - Average cost of claims (including a breakdown per major types of health services)
    - Incurred claim ratio (Incurred claims/ earned premium)
    - Actual health care services utilisation costs/ total capitation for schemes in capitation

TPP in health microinsurance: specific challenges and practice based solutions (4)

- Practice based solutions identified in case studies to pay providers on time:
  - TPP with retrospective payment:
    - Clear organization of the claims administration team in order to spot check problematic claims for specific review by medical advisor and discussion with providers and ensure a fast settlement of valid claims ;
    - Clinical review by the medical advisor focussing on pre-identified problematic cases only;
    - Computerized system that integrate some filters to automatically control for prices and services covered;
  - TPP with prospective payment:
    - Timely collection of premium
    - Accurate registration database
    - Initial reserve given to health care providers
  - In all TPP:
    - Payments of providers preferably by wire transfers and/or cheques to avoid transport cost and time to reach all health care providers;
    - Decentralized computerized system to enter data directly after discharged at the facility level (check in desk system) or during registration.

TPP in health microinsurance: specific challenges and practice based solutions (5)

- Practice based solutions identified in case studies to manage the flow of information in a timely manner
  - When possible, directly collect data at health facility level when a liaison officer is in place at each health facilities and make sure that recording process avoid any double recording ;
  - Decentralize the computerized data entry process at least to the intermediate level where connectivity and electricity are available on a rather stable basis and keep a simple paper based system at first level of activity;
  - Maintain transparency in all information collection with regular feedback on analysis with health care providers through regular and planned meetings;
  - Use a tailored software with competent an affordable back up locally available;
  - Ensure appropriate training and capacity building for the MIS team and IT team at the HMI level;
  - Plan for appropriate archiving of registration and claims forms with the possibility to ask providers to send scanned claims when possible;
  - When possible share investment with other microinsurance or health equity fund implementers;
  - Mobilise donors' support for the development of the computerized information system.

Remaining challenges as conclusion

- Reinforcing the scalability of HMI with TPP:
  - Institutional and financial support to health systems in developing countries
  - Institutional support to contracting to ease and speed the contracting process
  - Financial support to existing HMI schemes to invest in appropriate information system
  - When TPA are already existing, appropriate regulation to ensure affordable and transparent TPA services dedicated to HMIs schemes