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Review of governance and administration models for the National Health Insurance System of Lao People Democratic Republic: Options for discussion

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Abbreviations and acronyms

CBHI	Community-Based Health Insurance
LFTU	Lao Federation of Trade Unions
LNCCI	Lao National Chamber of Commerce and Industry
LSSO	Lao Social Security Organization
MIS	Management Information System
MOF	Ministry of Finance
MOH	Ministry of Health
MLSW	Ministry of Labor and Social Welfare
NGO	non-governmental organization
NHI	National Health Insurance
NHIB	National Health Insurance Bureau

Executive summary

The Government of the Lao People's Democratic Republic aims to ensure equitable access to healthcare services for all and to protect households from catastrophic health expenditure, while moving towards achieving universal health coverage by 2025.

The social health protection system currently in place has evolved over time and through previous reforms. At present, formal sector workers who are registered with the Lao Social Security Office (LSSO) pay for health insurance coverage as part of their overall social security contributions. The Government has implemented various initiatives over the years to extend coverage to workers in the informal economy and their dependents. This led to the implementation of a state subsidy policy in 2017 that spurred a rapid increase in population coverage, which now stands at 94 per cent. Since 2019, the National Health Insurance Bureau (NHIB), a department within the Ministry of Health (MOH), has been administrating the National Health Insurance (NHI) scheme, including for workers in formal economy.

In the context of a review of the Law on Health Insurance (2019) and the Law on Social Security (2019), the National Assembly requested the MOH and the Ministry of Labour and Social Welfare (MLSW), which provides oversight to the LSSO, to analyse the current governance and administration of the NHI scheme and to consider alternative institutional models as potential options for consideration. This report analyses whether the current model of NHI governance and administration should be adapted to better support the Lao Government's objective of building a universal and sustainable health insurance system, and to consider if other institutional models would better address national priorities.

The national priorities, guiding principles and objectives of the NHI scheme are clearly articulated in the National Health Insurance Strategy 2021–2025. These are consistent across the documents that were reviewed. Guiding principles are as follows: financial sustainability; financial accountability, including planning and monitoring expenditures and financial reporting; operational efficiency by strengthening NHIB institutional capacity; and enhancing equity of access to health service by extending NHI coverage. In line with these principles, the strategic objectives consist of improving the legal and policy framework; strengthening financial independence, accountability and sustainability; strengthening NHIB capacity and operational effectiveness and efficiency; ensuring responsiveness of facilities and improving the quality of care; and raising awareness about the NHI and its entitlements.

The review of the current governance, administration and financial management of the NHI scheme, and how they align to the above objectives, presents a mixed picture. Governance structures are clearly and consistently established in laws and decrees. However, the processes that support the National Health Insurance Management Committee at the central level are not sufficient for the Committee or the NHIB to achieve their mandates. Moreover, the legislative framework does not provide for any external oversight of the NHIB, other than through the meetings of the Management Committee. This is an area for consideration, not just for the NHI scheme but for all social security schemes delivered by state agencies, such as the LSSO.

Regarding **financial management**, the NHIB has developed financial guidelines and applies established public financial management procedures. However, the NHIB's autonomy in relation to financial management is limited by its status as a department within the Ministry. The NHIB's legal status as a "on-budget entity" appears to add a significant number of steps to the public finance management process. This is reported to create significant delays in paying health facilities, which is compounded by data management largely being handled manually.

Regarding **administration**, a main challenge the NHIB is facing is a significant **data management and reporting** challenges, which impede the efficient administration of the scheme overall, particularly when it comes to making payments to healthcare providers. Given its complex operating environment, **strategic planning**,

including project and activity plans, should be a priority. It was indicated that the development of both human and ICT capacities, along with the development of more detailed regulations, are priorities of the MOH for the current period.[1]

While the review was not an in-depth assessment of NHIB's structure or business processes, it appears that the NHIB is not provided with the adequate financial resources, human resources, and processes and systems to effectively implement its mandate. Overall, while the Lao People's Democratic Republic has made great strides expanding health insurance coverage, attention must now be paid to making governance and administration more effective, efficient and fair for all NHI members.

On these findings, the report developed five initial options and recommends two of these options for further consideration by decision-makers. The five options are as follows:

1. **Enhanced status quo:** Governance and administrative structures remain the same but support processes and operational tools are significantly enhanced.
2. **Split model:** The LSSO and NHIB each administer separate health insurance schemes covering their respective members
3. **Single NHI scheme under the LSSO:** The LSSO administers a single health insurance scheme for the entire population of the Lao People's Democratic Republic.
4. **Single NHI scheme under a new independent entity:** A new entity is created to administer a single health insurance scheme for the entire population of the Lao People's Democratic Republic.
5. **Single NHI scheme under the NHIB:** The NHIB administers a single health insurance scheme for the entire population of the Lao People's Democratic Republic

Ultimately, Option 1 (Enhanced status quo) and Option 3 (Single NHI scheme under the LSSO) are recommended for further development and consideration by decision-makers. Possible consideration might also be given to Option 4 (Single NHI scheme under a new independent entity), but only as a long-term option, given that it is likely not feasible under current economic conditions.

A comprehensive analysis of detailed pros and cons associated with each option is provided in section 4 of this report. The main arguments for recommending or not recommending each option are summarized in the below table.

No.	Option	Conclusion	Main arguments
1	**Enhanced status quo**	Recommended for further consideration	Continuity in operation Limited investment required Risk pooling and collective financing
2	**Split model**	Not recommended	Duplications of functions leading to waste of limited resources Fragmentation of the social health protection system, preventing continuity in coverage when workers move in and out of formal employment
3	**Single NHI scheme under the LSSO**	Recommended for further consideration	Cost-efficiency in administration Purchaser–provider split Potential for risk pooling and collective financing

1 Meeting with the Minister of Health and MOH officials, 17 June 2024.

No.	Option	Conclusion	Main arguments
4	**Single NHI scheme under a new independent entity**	Not recommended as a short- or medium-term option	Would require investment costs for which budget is not currently available Set up efforts may divert efforts/resources needed to address current challenges on financing and quality of care
5	**Single NHI scheme under the NHIB**	Not recommended	Would require irrelevant duplication of functions for registration and contribution collection that the LSSO is currently undertaking (and would continue to undertake for other social security benefits)

Considering the current economic and fiscal situation of the country, it is not recommended to make drastic change in the governance of the NHI, but rather to prioritize short-term actions that are more likely to improve the management of the scheme, at a reasonable cost. As such, **it is recommended that the NHIB take the measures outlined under Option 1 (Enhanced status quo) to better engage the Management Committee**. Should the Government and social partners decide to modify the administration and governance of the NHI, a single NHI scheme, administrated by the LSSO, could be a medium-term option. A single NHI scheme, administrated by a new independent agency under the MOH or the Prime Minister's Office could also be considered as a long-term option.

Regardless of the model chosen, it is important to note the following:

- None of the options will address the NHI's current financial strain.
- None of the options will address the issue of lack of compliance among enterprises in regard to registration with and payment of contributions to the LSSO, or address the relatively low coverage of the formal sector by the LSSO.
- Modifications of the Law on Health Insurance, and possibly the Law on Social Security, will be required for all options (although minimal for Option 1).
- The MOH should retain the responsibility for NHI policy-setting, particularly for design parameters.
- The ultimate choice of the model to be used should be decided through social dialogue, after consultations with the social partners and other relevant stakeholders.

Regardless of the option chosen, a series of measures could be implemented to enhance the implementation of the NHI scheme. These are as follows:

- The Management Committee must play a greater role in providing clear direction and support for the implementation of the NHI. The Management Committee should meet more often, and other changes to the processes aimed at supporting the Committee should be implemented.
- The NHIB should develop a Strategic Plan, aligned to the National Health Insurance Strategy. The Plan must include the detailed activities and projects that will advance the priorities of the Strategy.
- The NHIB should undertake a review of business processes as a precursor to the development of ICT systems to support programme delivery.
- The Management Committee, or any successor entity, must support the NHIB to develop a data management strategy and guidelines and to develop a unique NHI ID linked to the LSSO and other government databases before beginning the analysis and design phase of ICT procurement.

- Financial resources are needed for the development of an advanced management information system (MIS) and for the review/development of operational procedures.
- The desired and acceptable level of risk pooling between LSSO members and NHI-subsidized members should be discussed with social partners, agreed upon and included in the law.
- The Ministry of Health, the NHIB and the Ministry of Finance should set out a plan to ensure that the process for making NHI allocations and moving funds to provinces is streamlined.

Introduction

The Lao People's Democratic Republic's 9th National Socio-Economic Development Plan (NSEDP) for 2021–2025 sets as a priority inclusive economic growth, benefiting all members of society, under the overall objective of graduating from least developed country status. Inclusiveness must be an integral part of growth to reduce the inequality gap and further reduce poverty. At the same time, continued economic growth means that the Government's fiscal capacity is expected to improve over the medium to long term, enabling a gradual expansion of social protection to the entire population.

The Lao Government is committed to gradually achieving universal coverage in social protection, considering available resources and the socio-economic context, and to working towards building a social protection floor that protects all Lao people from socioeconomic shocks, environmental disasters and vulnerabilities. In April 2020, the Government adopted the National Social Protection Strategy (NSPS), to expand on achievements and better address implementation gaps in social protection, as well as to prepare for responses to future challenges. The NSPS is directed by its vision, goals and strategic objectives, and is characterized by the different activities prescribed for its implementation. This strategy covers the three pillars of: (1) health insurance, (2) social security and (3) social welfare.

Regarding health insurance in particular, the Government made a strong commitment to provide social health protection for the entire population in its Health Sector Reform Strategy 2014–2025, and the updated Strategy for 2021–2030. Through this framework, the Government is aiming to ensure equitable access to healthcare services for all and to protect households from catastrophic health expenditure, while moving towards achieving universal health coverage by 2025.

Over the past few decades, the social health protection system in the Lao People's Democratic Republic has been gradually reformed and expanded. First, two schemes were initiated under the Ministry of Labour and Social Welfare (MLSW), one for the formal sector (including civil servants), and the other for enterprises' employees and their dependents. The compulsory plan for government officials was first launched in 1995 and revised in 2005. This scheme was managed by the State Authority for Social Security (SASS) with a view to providing social security benefits, including health benefits. In 2001, the Lao Social Security Organization (LSSO) was launched aiming to provide social security, including health benefits, to workers in the formal private economy (Lao People's Democratic Republic, MOH 2011). These two schemes are contributory, with contributions shared by employers and employees. Both the LSSO and SASS were established as semi-autonomous bodies under the MLSW. They were later merged under one umbrella and managed by the LSSO, under the oversight of the MLSW, as per the Law on the National Social Security System issued in 2018. However, the target population under this formal public and private employment scheme only accounts for around 20 per cent of the total population.

To extend coverage to those in informal employment and their dependents, the Government implemented various initiatives over the years:

- A voluntary health insurance scheme (Community-Based Health Insurance) was implemented under the oversight of the Ministry of Health (MOH) in 2002. This scheme was launched as a pilot and gradually extended in most provinces.
- In addition, the MOH introduced a health protection scheme for the poor and vulnerable known as the Health Equity Fund in 2004, mostly under the initiative of and with financial support from donors. This scheme not only provided healthcare benefits, but also other benefits such as daily food allowances and transportation fees for the poor when using health services.
- Additionally, in 2010 the Free Maternal, Neonatal and Child Health (FMNCH) policy was implemented

to provide free care for children under age five and free maternal care for pregnant woman, including delivery, ante-natal care and post-natal care. This was formalized as per Government Decree No. 273 on Subsidies for Delivery and Healthcare for Children under 5, issued in 2014.

At the end of 2017, the Ministry of Health shifted from a community-contribution approach to the provision of public subsidies by introducing the National Health Insurance (NHI) scheme. The public subsidies allowed for a rapid increase in population coverage, which reached up to 94.5 per cent as of 2023. This signaled the end of the CBHI approach, with the exception of Vientiane Capital,[2] where the NHI scheme system has not been rolled out. There the CBHI system has remained active to provide a voluntary option to access financial health protection. Through the expansion of the NHI scheme, the FMNCH scheme was also largely absorbed into the NHI. The FMNCH scheme does still operate in Vientiane Capital, but here too it falls under the management of the National Health Insurance Board (NHIB).

Building upon the initial period of implementation of the NHI scheme, the Law on Health Insurance No. 60/NA (2018) was promulgated on 25 January 2019. Along with this, the merging of the segmented social health protection schemes, first announced in 2012 by Prime Minister's Decree No. 470 (hereafter, "PM Decree 470"),[3] was further materialized. The Health Insurance Law is now implemented nationwide, under the oversight of the NHIB, which operates as a department of the MOH. In this new NHI model, the LSSO keeps the mandate of registering formal economy workers and their dependants, and collecting contributions accordingly. The NHIB oversees the reviewing of claims, payment to health facilities and the overall management and administration of the NHI scheme. As noted above, the lone exception is Vientiane Capital, where the subsidized NHI has not yet been implemented. Instead, the option is given to the 400,000 inhabitants of Vientiane Capital to either register with the LSSO if they fall under the scope of the Law on Social Security, or to register with the CBHI scheme. Extension of NHI coverage in Vientiane Capital is identified as a government priority.[4]

In the context of a review of the Law on Health Insurance (2019) and the Law on Social Security (2019), the National Assembly in 2024 requested the MOH and MLSW to analyse the current governance and administration of the NHI and to explore alternative institutional models. Following from that request, the purpose of this report is to analyse whether the current model of NHI governance and administration should be adapted to better support the Lao Government's objectives of building a universal and sustainable health insurance system, and to consider if other institutional models would be more amenable to addressing national priorities.

The report is structured in five parts. Part 1 details the analytic framework and methodology used to gather and structure information. Part 2 recalls the NHI principles and objectives, drawn from the legislation and relevant strategies and policies. Part 3 reviews existing NHI governance and administration structures and processes (without, as noted below, conducting a detailed review of NHIB business processes). Part 4 details the potential options for consideration, and outlines pros and cons for each option. Part 5 proposes recommendations for consideration, and offers conclusions while suggesting next steps.

2 Vientiane Capital refers to a province, including the capital city of Vientiane, which is divided into 11 districts with more than 400,000 inhabitants in total.

3 Prime Minister's Decree 470/PM on National Health Insurance Fund of 2012

4 The cost of such an expansion is estimated in the 2024 actuarial review of the NHI scheme commissioned by the ILO.

1. Analytic framework and methodology

1.1. Scope of analysis

The report considers the existing governance and administrative structures and processes of the NHI scheme, as well as potential changes, and develops options for discussion with government officials, social partners and other stakeholders.

The report is not an in-depth assessment of the current capacities, processes and systems in place. Rather, it provides an overview of the achievements, strengths and weaknesses of the administration and governance of the NHI scheme, building on existing knowledge in the literature and inputs from key stakeholders directly or indirectly involved in implementation. The suggested enhancements to the current model, as well as alternative options, are meant to feed into the discussion on changes that may be deemed necessary to achieve the objectives of the NHI scheme.

1.2. Analytical framework

Given the scope of the NHI scheme and the relative complexity of the governance and administrative issues facing the Government as a whole and the NHIB in particular, the review uses an analytic framework to organize and structure the information gathered through review of documents, online discussions and in person meetings in Vientiane during a mission that took place from 17–21 June 2024.

The development of NHI governance and administration options was guided by existing structures and processes across a range of functions, along with insights gathered from interviews and working sessions. Notably, input from all stakeholders was crucial in formulating recommendations that are both suitable and practical for the Lao context.

Regarding the **governance of the NHI system**, the review gathered information on the following elements:

- **Board and administration:** Legal clarity about the structure and role of the board that oversees the work of programme administration.
- **Policy-setting:** Responsibility for establishing scheme parameters such as population coverage, definition of benefit package and copayment levels, eligibility criteria, financing mechanisms, and claims payments to healthcare providers and individual members.
- **Strategic planning:** Responsibility for establishing priorities, identifying required resources and assigning accountability for activities.
- **Purchaser–provider split:** Ensuring the separation of functions to support efficiency and value in the system.
- **Data management:** Structuring how data is gathered, organized, and made accessible to ensure that delivery agencies and decision-makers have access to timely and accurate data to inform decisions.
- **Legal and regulatory compliance:** Adhering to all laws and regulations in programme management and delivery.

Regarding the **administration of the NHI system**, the review gathered information on these elements:

- **Registration:** This includes identity management and implementation of processes for people to register with the NHI system.
- **Revenues collection:** This includes collecting contributions and securing other sources of funding.
- **Claims management:** Having structures and processes: to receive and adjudicate claims from providers and individuals seeking reimbursement; for making payments in a timely and accurate way; and for negotiating and managing relations with healthcare providers.
- **Financial management:**
  - Financial planning: developing budgets, forecasts and strategies to ensure the financial sustainability of the health insurance system.
  - Reconciling revenue collection and payments; risk pooling; and risk management (assessing and mitigating financial risks associated with claims, investments and other factors).
  - Financial reporting: compiling and analysing financial data to produce reports for stakeholders, regulators and internal decision-making.
  - Compliance and regulatory reporting: ensuring adherence to financial regulations and reporting requirements imposed by relevant authorities.
  - Investment management and forecasting financial requirements.
- **Stakeholder engagement:** This includes communications plans and delivery channels, handling members inquiries and complaints, and assessments of members' levels of satisfaction with the system.

The governance and administration options were defined in collaboration with the NHIB and LSSO. The analysis of these options was done on the basis of the following considerations:

- Existing resources in the NHIB and LSSO (human, financial and systems), and prospects on future financial resources.
- Political acceptability within the Government and with the social partners.
- Avoiding duplication and supporting innovation and automation to control the cost of administration of the NHI scheme.
- Impact on provision of benefits and on members' satisfaction, and on the timeliness and accuracy of claim decisions and benefit payments.
- Impact on accountability and transparency.
- Impact on the overall social protection systems, since health benefits are often an entry point to the broader social security system, and continuity of coverage regardless of type and status of employment.
- Last, but not least, the impact on the longer-term goal of increasing the financial autonomy of the health insurance scheme(s). This goal becomes increasingly relevant given the economic crisis that is manifesting in the health insurance and healthcare systems.[5]

5 The impacts on members and patients are detailed in the discussion in below.

1.3. Methodology

The analysis was conducted in four phases.

Phase 1. Desk review of documents and online meetings

During this phase the consultant reviewed relevant background documents on the development and integration of the health insurance system in NHIB in 2019. Among others, these documents included the Law on Health Insurance (and the related PM Decree 470 (2012) that detailed the organization of the system), and the Law on Social Security (which provides a guarantee of health insurance coverage to those who contribute to the LSSO).

Phase 1 also included the review of the guiding policy documents, such as the National Social Protection Strategy (Vision 2030) and the Health Sector Reform Strategy (2014–25). During Phase 1, two preparatory calls were also held with NHIB and LSSO officials to discuss the scope of the work and the proposed process for the review and development of options.

Phase 2. Analysis of current governance and administration and development of options.

To some degree, this phase ran concurrently with Phase 1. During this phase the consultant analysed the current governance structures and processes, based on the document review and the online discussions.

During this phase an initial set of potential models was developed for discussion during the mission in Vientiane.

Phase 3. Mission in Vientiane to validate analysis and present potential options

The purpose of the mission in Vientiane, conducted from 17–21 June 2024, was to present, validate and add detailed and contextual information to the analysis of the current situation through discussions with government officials, social partners and other stakeholders.[6]

During this phase, the consultant met with NHIB and LSSO officials, the Minister of Health and the Vice-Minister of Labour and Social Welfare, and Ministry of Finance officials from the Fiscal Policy and Budget Management Departments. In addition, the mission team met with the Presidents of the Lao Federation of Trade Unions (LFTU) and the Lao National Chamber of Commerce and Industry (LNCCI), and with representatives of development partners working with the government agencies to improve the NHI system, in particular the World Health Organization (WHO) and the World Bank.

The mission allowed the team to gain a deeper understanding of the day-to-day operations of the NHI scheme, the allocations of responsibilities between the NHIB and LSSO, and the achievements but also the bottlenecks the scheme is currently facing to fulfill its mission. The mission was particularly instrumental to gathering knowledge on the views of those responsible for oversight of the scheme concerning how the system is functioning and its limitations, and to develop potential options for consideration that are suitable and practical in the Lao context.

Phase 4. Preparation of a report with recommendations

This phase included the drafting of the final report with two options for consideration by senior officials in NHIB and the LSSO, and ultimately by Ministers for decision.

A draft report was translated and provided for review, then finalized to address comments from the LSSO, the NHIB, the MOH as the supervising ministry and the Ministry of Finance (MOF) as the funding ministry, as well as from other stakeholders in the system.

6 A complete list of officials and stakeholders who met with the mission team is included as Annex 1.

2. National Health Insurance: Guiding principles and objectives

The review of NHI governance and administration must be framed by the principles and objectives set out in the governing law and related policies. This section presents a summary of those, as they are outlined in the Government's national strategies.

2.1. Legal and regulatory framework

The legal basis for the design and implementation of the NHI scheme is found in the Law on Health Insurance (2019). Article 4 notes the key role of the State to provide adequate financial resources; while article 5 sets out the basic principles to guide NHI development and implementation in the Lao People's Democratic Republic. According to the Law, implementation of the NHI scheme will:

- be in line with policy, direction, the Constitution, laws, and strategies and social economic development plans related to the health sector;
- ensure that the management of health insurance is practiced centrally, equally, fairly, with transparency and in a timely and accountable manner;
- ensure equitable and universal access to health services for health insurance members;
- be based on contributions to National Health Insurance;
- be based on fundraising, risk pooling, mutual assistance and sustainability;
- ensure financial balance and quality improvement of health facilities, including physicians and nurses; and
- be in line with international Conventions and treaties to which the Lao People's Democratic Republic is bound.

Although, strictly speaking, these provisions are not formulated as "principles per se", they reflect the important values of good governance, accountability, equity, solidarity and sustainability.

The Law on Social Security (2019) includes provisions about health insurance for civil servants and workers in formal sector establishments (and their dependent spouses and children) who have made contributions to the LSSO. The Law does set out the principles that are the basis for social security schemes, including health insurance, and calls for adequate funding from the Government. The Law also calls on the LSSO to monitor the provision of health insurance benefits to insured members.

PM Decree 470 (2012) is a key foundational document for the NHI. It places the NHI scheme within the social security system and guarantees access to health services for all members. Further, it defines the general principles to guide NHI development, as follows:

1. To contribute to the development of the National Health Insurance is the obligation of all people in the society.

2. To ensure risk pooling of health expenditures among insured members.
3. To ensure solidarity and equity for health service accessibility.
4. To ensure procedures are followed and the transparency and accountability of the transactions of the National Health Insurance.

The Decree also defines the NHI's revenue sources, essentially a combination of all the health schemes' funding. Notably, the Decree anticipates a reserve fund for NHI.

PM Decree 470 also defines the NHI governance structure and role at the central, provincial and district levels. Chapter 5 of the Decree lists the functions of the NHIB, while Chapter 6 sets out NHI financial management. Article 30 of the Decree may provide the NHIB with more financial autonomy than it actually has in practice; this is discussed below in section 3.3.2. Finally, Chapter 8 defines the conflict resolution process.

2.2. National strategies related to National Health Insurance

The **National Social Protection Strategy** (Vision 2030) sets out the NHI strategic objective as: "Strengthening health insurance schemes to be more systematic and effective in ensuring that everyone has access to health services." To achieve this, the strategy formulates five activities. Among these five activities, two specific objectives are particularly relevant to the governance and administration of the NHI (box 1). The first addresses NHI governance and data management (discussed below as a key requirement for improved governance and administration), and the second calls for increased budgets to support quality care and for transparency in budget management.

Notably, achieving both of these objective will depend on the NHIB's ability to acquire and manage data, both so it can produce the type of information required for management to properly understand and report on the state of the NHI scheme, and to provide funding agencies like the Ministry of Finance and the Treasury Department with evidence of the rigour put into determining the NHIB's budget requests.

▶ Box 1. National Social Protection Strategy: Selected activities relevant to NHI governance and administration*

Activity 1: Develop and implement a legal framework for universal health coverage.

- Develop and revise the National Social Health Insurance-related legislative and regulatory frameworks to address challenges and gaps that prevent the expansion of NHI coverage for all.
- Implementation, dissemination and enforcement of the law.
- Review the health insurance benefits package with the objective of ensuring adequate coverage and services.

Activity 2: Develop systems and build capacities of the National Health Insurance authority.

- Develop the capacity of the National Health Insurance authority at all levels.
- Develop an adequate and sustainable financial management system for the National Health Insurance.
- Develop and implement a unique and integrated monitoring and management information system for the efficient management of the NHI scheme at all levels.

Activity 5: Ensure sufficient and timely government budget allocation to health.

- Allocate sufficient and timely government budget as contributions to the fund, to support the contributions made by insured public employees to health insurance schemes.
- Mobilize internal and external resources to ensure healthcare for the poor.

* The other two activities are related to the provision of healthcare services, namely: Activity 3: Develop and comply with minimum standards for healthcare facilities; and Activity 4: Increase access to healthcare services in rural areas.

In summary, the NSPS prioritizes the following:

- Strengthening NHI and NHIB's legal and governance frameworks, developing capacity at all levels, and collecting NHIB data to improve NHI management and track access to services.
- Increasing national budget allocation to health insurance for better and improved healthcare services, including: improving transparency in budget management; ensuring the quality of basic services in hospitals and health centres, particularly in rural areas; promoting awareness-raising; and establishing a mechanism for providing feedback and comments.

The **National Health Insurance Strategy 2021–2025** sets out the NHI policy framework, and provides a realistic assessment of the challenges facing the development of the NHI scheme as they relate to the issues that have been identified as part of this review, namely:

- Institutional status, with purchaser and provider under a single institutional roof.
- Limited financial autonomy, and the need for changes to streamline the flow of funds and ease liquidity issues.
- Lack of financial sustainability, which points to the need for increased budget transfers.
- Operational issues, including the challenges related to issuing ID cards and the need for a strategy on the development of a management information system (MIS).

Overall, this current review largely echoes the assessment that is detailed in the Strategy.

Echoing these issues, the NHI Strategy outlines principles, objectives and governance structures to guide NHI implementation (box 2).

▶ Box 2. National Health Insurance Strategy 2021–2025: Principles, Strategic Objectives, and Governance

Guiding principles:

- Improving financial sustainability.
- Improving financial accountability, including planning and monitoring expenditures and financial reporting.
- Improving operational efficiency by strengthening NHIB institutional capacity.
- Enhancing equity of access to health service by extending NHI coverage.

Strategic objectives:

- Improve the legal and policy framework.
- Strengthen financial independence, accountability and sustainability.
- Strengthen NHIB capacity and operational effectiveness and efficiency.
- Ensure responsiveness of facilities and improve the quality of care.
- Raise awareness about NHI and its entitlements.

Governance:

- National Health Insurance Management Committee is to function as the governing body of the NHI scheme at the national level, and meets regularly (twice each year) to monitor implementation of the Strategy.
- The Committee is responsible for ensuring an annual review of progress on implementation of the Strategy.
- Committees at the provincial and district levels oversee operations in their respective areas.
- NHIB and its suboffices at those levels are responsible for collecting and compiling information and reporting to the central level regarding progress made and challenges encountered.

The **Health Financing Strategy 2021–2025** includes priority actions for the NHI scheme, including:

- increasing autonomy (separate budget and reserve fund) so as to move the NHIB in the direction of being a semi-autonomous agency;
- increasing enrollment compliance with the NSSF;
- adjusting the NHI budget to include essential services in the context of donor transition;
- the enforcement of copayment exemption for the poor and vulnerable;
- the alignment of provider payment mechanisms; and
- strengthening verification and payment under the NHIB.

Finally, the **National Health Sector Reform Strategy 2014–2025**, which has been updated to extend to 2030, targets the achievement of "Universal health coverage with an adequate service benefit package and appropriate financial protection for a vast majority of the population" in Phase III (2021–2025) (box 3).

▶ Box 3. National Health Sector Reform Strategy, Phase III: Achievement of universal health coverage (2021–2025) and programmes on health financing

- Continue the expansion of population coverage by the social health protection schemes, extend service benefit package and consolidate the different schemes.
- Consolidate social health protection schemes into a single pooled-fund scheme, with compulsory participation for all. It is expected that over 90 per cent of the population will be covered by the social health protection scheme.

- The service benefit packages offered by different schemes should be aligned with increased government subsidies to the scheme for informal sectors. The service package should include health promotion, preventive and clinical services with essential medicines, as well as rehabilitative interventions.
- Develop clear regulations for service providers payments with a set of carefully designed mixed-provider payment mechanisms.

Importantly, the National Health Sector Reform Strategy 2030 also identifies governance of the health sector as a priority, under its Priority Area 3: Governance, Management and Coordination. More specifically, it aims at the following related to improving governance:

- Use existing roles and responsibilities of the National Commission for Health Sector Reform at each level to guide, coordinate, monitor and support the implementation of the National Health Sector Reform Strategy.
- Strengthen the coordination mechanism of the Secretariat of the National Commission for Health Sector Reform by encouraging relevant ministries to participate in the reform work and establishing a technical group.
- Ensure the Secretariat develops guidelines and manuals related to the reform work and raises awareness at the provincial and district levels on the reform work through the implementation of the Health Sector Development Plan and the MOH's annual workplans.
- Improve the organizational structure of the MOH to be in line with the actual needs of the health sector and integrate projects with similar forms under a sub-programme to make implementation more effective.
- Develop a training plan on administrative management for district administrators.
- Complete the formulation of legislation for hospital autonomy and implement at central and subnational levels.
- Improve legislation and increase the capacity for inspection, provision of services and issuance of licenses to hospitals, clinics and medical professionals in the private sector.
- Develop and implement regulations on joint ventures with the private sector.

In summary, there is considerable consistency across law, policies and strategies regarding the vision, guiding principles and objectives for the NHI scheme. The governing laws and policies consistently set out clear and high expectations in relation to the NHI scheme and the NHIB's implementation of the scheme. However, while the legal and governance frameworks are in place, the actual operationalization of these frameworks seems to be confronted with challenges that impede, to some extent, the full realization of the right to health insurance for NHI members.

3. Review of current governance and administration

3.1. Governance[7]

3.1.1. Situation analysis

Following good practice,[8] the **current NHI governance structure** is detailed in the Law on Health Insurance (2019). Articles 44 to 51 specify the three layers in the structure, with NHI Fund Management Committees at the central, provincial and district levels. The Law details the roles and obligations of the Committees at each level, and clearly assigns to the Committee responsibility for implementation of NHI policies and plans, for monitoring the state of the NHI system, and for providing reports to the Government "on a regular basis".

Article 46 lists the members of the national-level Committee, as follows:

1. Minister of Health, as Chairman.
2. Deputy Minister of Finance, as Vice-Chairman.
3. Deputy Minister of Labour and Social Welfare, as Vice-Chairman.
4. Vice-President of the LFTU, as Vice-Chairman.
5. Deputy Minister of Health, as Vice-Chairman and standing member.
6. Vice-President of the LNCCI, as a member.
7. Directors-General of technical departments concerned, as members.
8. Director of the NHIB, as a member.

The member list suggests that primary oversight responsibility is assigned to the MOH. It also implies that the Government expects engagement from the MOF (Vice-Chair), given its role as a funding source for the NHI, and from the MLSW (Vice-Chair), given that about 1 million LSSO members participate in the NHI scheme. The tripartite nature of the Committee is clear given the participation of the LFTU and LNCCI.

Article 52 of the Law on Health Insurance provides that meetings of the national-level Committee will be held at least twice each year, and that extraordinary meetings can be held to discuss "necessary, important and urgent issues".

Article 53 identifies the NHIB as "an organization within the organizational structure of the Ministry of Health, having the role as logistic arms to the Ministry of Health and the National Health Insurance Management Committee at central level", with replica bureaus created at the provincial and district levels.

7 Given time and resource constraints, the review of governance is limited to the structures and processes of the Management Committee at the national level.

8 Set out, for instance, in the International Social Security Association (ISSA) Guidelines on Good Governance.

The Law does not provide for any external oversight of the NHIB, other than through the meetings of the Management Committee(s). This is an area for consideration, not just for the NHI scheme but for all social security schemes delivered by state agencies like the NHIB and LSSO. Box 4 elaborates on the role of an external regulator.

▶ Box 4. The role of a regulator in social protection

External supervision of social security schemes is an element of a rigorous system of governance. The primary role of most external regulators is to protect the interest of social security scheme members. They do this by issuing guidelines and standards that must be followed by organizations that are delivering social security schemes, and then monitoring compliance with those guidelines as well as compliance with legal instruments.

This supervision usually covers both financial management (and investments where relevant) to ensure the financial sustainability of the schemes being supervised, as well as covering operational issues, including ensuring that members are aware of scheme benefits.

Two recent cases provide instructive examples:

- Cambodia created the Social Security Regulator (SSR) in 2021. The law assigns the SSR the responsibility to: determine standards, rules and procedures for the investment of funds; monitor the financial status of the delivery agency; establish dispute resolution mechanisms for members; and ensure that schemes are delivered with transparency, accountability and financial sustainability.1 The SSR supervises the primary delivery agency, the National Social Security Fund.
- The United Republic of Tanzania created the Social Security Regulatory Authority (SSRA) in 2018 to regulate private pension plans. The law assigns the SSRA the responsibility to: issue guidelines for the effective performance of the social security sector; protect the interests of members; monitor performance; and advise the Minister on policy and operational matters, among other functions.

1 Cambodia, Law on Social Security (2019), article 11.

Policy-setting responsibility is vested in the MOH through the Management Committee, which is chaired by the Minister of Health. The overarching policy direction is to achieve universal health coverage, as mentioned above in relation to the Health Sector Reform Strategy and the National Social Protection Strategy. As an example of the leading role of the MOH in policy-setting, the Ministry is currently formulating several policy changes to be integrated into a revised Law on Health Insurance. These cover changes in the provider payment mechanisms and rates, an increase in copayment amounts and increasing financial autonomy for hospitals.

Regarding **financial management**, the NHIB has developed financial guidelines that are used as a regulatory basis for claim administration. The NHIB applies established public financial management procedures to submit funding requests to and receive disbursements from the Ministry of Finances. The NHIB's autonomy in relation to financial management is limited by its status as a department within the MOH. As a result, the NHIB operates within the MOH budget framework. The NHIB's legal status as a "on-budget entity" appears to add a significant number of steps to the public finance management process of receiving funds from the Treasury Department and disbursing those funds to the provinces and to healthcare providers. This is reported to create significant delays in paying health facilities, which is compounded by the current reliance on manual data management.

Given the NHIB's complex operating environment, **strategic planning**, including project and activity plans, should be a priority. The Minister of Health indicated that the development of both human and information and communication technology (ICT) capacities, along with development of more detailed regulations, are priorities for the current period.[9]

9 Meeting with the Minister of Health and MOH officials, 17 June 2024.

The NHIB is operating without an integrated MIS or a concerted **data management strategy**. For instance, reports on utilizations of healthcare services are provided to the NHIB by healthcare providers on separate Excel worksheets, requiring intensive manual data entry by the NHIB to produce an overall view of the state of the NHI system.

3.1.2. Discussion on NHI governance

Detailing governance structures in legislation is necessary – but not sufficient – to ensure good governance.

The processes that support Management Committee members in fulfilling their responsibilities, the frequency of the Committee's meetings, and the nature of deliberations and decisions are all crucial to ensuring that members are well-informed and engaged. This enables them to effectively participate in managing the NHI system and fulfill their mandate as outlined in the Law.

An informed and engaged Management Committee benefits the NHIB by helping to set priorities and support efforts to address operational challenges. Additionally, it is the responsibility of the Committee to understand these challenges and to advocate for the NHI system within the broader Government, ultimately for the benefit of NHI members who rely on health insurance and the healthcare system.

Stronger and more dynamic engagement of the NHIB with the Management Committee is an area of work that can possibly yield important results in enhancing the governance of the system, specifically in relation to improved accountability and more efficient issue resolution.

From discussions with NHIB and LSSO officials and with members of the national-level Management Committee, it seems clear that the Committee is not fully playing the role assigned to it by the legislation and PM Decree 470. In particularly, the social partners expressed concerns about their level of engagement with the Committee and the NHIB. Suggestions were made such as circulating meeting materials further in advance to allow for better preparation. It was also observed that the Management Committee meetings predominantly consist of the NHIB reporting on past activities, with only limited discussion of current operational challenges or of plans for addressing the systemic challenges faced by the NHI scheme. This reflects the lack of structured strategic planning capacity in the NHIB.

The review finds other elements of governance where the NHIB can be more structured and systematic in its implementation approach. Specifically, the lack of detailed and timebound project and activity plans to implement the NHI objectives set out in policy documents hinders the NHIB's ability to set priorities among the numerous administrative and financial challenges it faces. Any such plans must recognize the complex external environment and allocate clear responsibilities with a timeframe for implementation.

As detailed below, the NHIB also faces significant challenges with the state of its ICT infrastructure and its relative inability to produce quality data in a timely manner.

Finally, while Chapter 8 of PM Decree 470 sets the parameters for the resolution of disputes, there is no structured system that has be publicized and made available to members. During the mission, the team was told that reimbursement claims submitted to the NHIB take a long time to be processed, and that members have no other recourse other than to wait for a decision from the NHIB. Such issues would presumably be captured as part of the process review that is recommended below.

3.2. Administration[10]

3.2.1. Situation analysis

The Law on Health Insurance assigns to the NHIB the **responsibility for administration** of the NHI scheme. This implies that the NHIB is in charge of the main functions of the health insurance systems, which mainly include: claims review; payment to health facilities (and, on rare occasions, to members directly); management of members' grievances; financial management; monitoring and evaluation; research; capacity-building; and overall coordination and supervision of operations at the provincial and district levels.

Regarding **registration** in the NHI scheme, the LSSO has kept the mandate to register formal economy workers and their dependants, and to collect contributions accordingly. The LSSO also registers workers in self-employment or in the informal economy through the LSSO voluntary scheme, which provides health insurance coverage along with other social security cash benefits. The LSSO has established structures and processes that operate through registered establishments. The NHIB has yet to register subsidized members and distribute NHI ID cards to them, despite the provisions of the Law on Health Insurance. However, in July 2024 the NHIB did distribute NHI ID cards to households identified as vulnerable and poor using the social registry under the Ministry of Agriculture and Forestry.

The LSSO has also established systems for the **collection of contributions** from formal sector establishments and workers, while NHIB does not have any such systems in place other than the one used to collect contributions from CBHI members in Vientiane Capital. These individuals represent only about 30,000 of the more than 7.5 million members in the NHI system.

Both the NHIB and LSSO have some **claims management** capacity. While NHIB mostly rely on Excel files, the LSSO has systems and processes in place that are more advanced and allow it to manage larger volumes of member claims for the various benefit types that it administers. The NHIB has some capacity for individual claims management at the central level. The time required for the NHIB to adjudicate individual claims is not monitored or documented. Feedback from members to the LSSO suggests that the process is relatively lengthy. This is especially significant given that a recurring issue in all stakeholder interviews is that LSSO members are being required to make copayments when they should be exempt, as copayment exemptions are not uniformly recognized or applied across the country.

When it comes to **data management**, the LSSO's responsibilities are limited to managing and generating a monthly list of eligible members, and to share this list with the NHIB. Monitoring of utilizations and payments fall under the responsibility of the NHIB. The NHIB has the responsibility to prepare various coverage and financial reports that are shared with oversight and funding ministries, the LSSO and the Management Committee.

NHIB **stakeholder engagement** efforts, especially as they relate to individual NHI members, do not appear to be part of a structured annual communications plan.

3.2.2. Discussion on NHI administration

The NHIB is facing significant **data management and reporting** challenges, which impede the efficient administration of the scheme, particularly when it comes to making payments to healthcare providers. The NHIB is also responsible for preparing reports for oversight and funding ministries, the LSSO and the Management Committee. However, interviews conducted during the mission raised concerns about the NHIB's ability to produce quality data for itself and its stakeholders.

These data management challenges are mainly caused by the fact that data collection is almost entirely manual. Each month, each facility fills in Excel spreadsheets to report on utilization. These Excel spreadsheets are then consolidated at the district and provincial levels before being sent to the NHIB, which also receives reports

10 Note that the review is explicitly not an in depth assessment of NHIB administrative and operational processes.

directly from the central-level hospitals.[11] The lack of automation is in part a consequence of the lack of an NHI data management strategy, and the challenges are made worse by technical limitations including internet connectivity, system speed and data interoperability at subnational levels. This results in an extremely time-consuming process (consolidation and necessary back and forth across levels to fill in missing information or correct wrong data) and creates a significant risk of human errors in collecting and consolidating data.

There are several relevant examples of challenges the NHIB is facing in data management and reporting:

- Despite the provisions of the MOU signed between the NHIB and the LSSO, the NHIB does not provide the LSSO with health services utilization reports for LSSO members. This prevents the LSSO from being able to monitor its members' access to the health benefits they are contributing for. Consequently, this puts limits on the LSSO's ability to: take action in addressing members' complaints; effectively participate in policymaking; and report to the management board. Overall, this impacts the accountability of the LSSO towards members and employers.
- MOF officials noted that the NHIB has faced challenges in producing sufficient data to support budget requests to the MOF. Establishing a clear protocol for the required data is important, and developing this capability is essential.
- While the issue of delayed payment to healthcare providers has multiple causes, some of which are beyond the NHIB's control, the time-consuming consolidation of utilization data is a major cause of claim administration delays.
- The limited availability of comprehensive and sound data also limits the ability to conduct research (such as actuarial analyses, analysis of utilizations trends, and so on) and inform policymaking.
- Following the provisions of the MOU, the LSSO is meant to send LSSO membership lists to the NHIB each month for dissemination to healthcare providers. These lists are essential for informing health facilities about LSSO members' eligibility for a different benefit package and to exempt LSSO members from copayments. However, these lists are being sent directly to healthcare providers from the LSSO, bypassing the NHIB. The reason for this practice was not clarified during the mission. This issue seems to create a lack of controls over eligibility for the NHIB and adds an additional administrative burden for the LSSO.

The NHIB is currently developing a pilot e-claims system. This e-claim system carries high expectations among the NHIB and its stakeholders that it will significantly ease the data management burden, and in particular address the challenges mentioned above. Ideally, such initiatives will be located within a broader ICT development strategy that is aligned with an NHIB strategic plan.

3.3. Financing, financial management and autonomy

3.3.1. Situation analysis

The main sources of income for the NHI system consist of FOC budgetary allocations to the NHI scheme (subsidies for non-contributing members and to cover operational costs), along with health insurance contributions from members of the LSSO.[12] These revenues are complemented by copayments paid by users, with exemptions granted for the poor and LSSO contributing members. Contributions received from those in Vientiane Capital who are enrolled in the Community Based Health Insurance (CBHI) scheme also make up a small portion of the revenues. These revenues are mainly used to pay healthcare providers, through capitation and case-based payments.

11 There are 184 district level hospitals, 17 provincial hospitals and 5 central hospitals.

12 Other sources of income include: (i) health insurance contributions from members of the CBHI in Vientiane Capital; (ii) other income provided by the Law on Health Insurance, including grants from individuals and national and international organizations; and (iii) a share of the Tobacco Control Fund. However, there is no implementation mechanism in place.

Regarding NHIB financial autonomy, article 30 of PM Decree 470 states: "The National Health Insurance is a financial independent entity, which is allowed to have its own account through a banking system, managed centrally and followed up at the national treasury." Article 30 concludes that the procedures and practices to be followed will be done under the guidance of the Management Committee. In practice, however, the NHIB remains dependent on the MOH budgetary allocations process, which involves a time-consuming process to access to the Treasury allocations that are required to pay healthcare providers.

Discussions with the MOF revealed a disconnect in the understanding of the authority provided to the NHIB by article 30. While the MOF suggested that the process to request funds disbursement could be made simpler by the MOH, the MOH itself seems bound to official public financial procedures.

As part of its review of the Law on Health Insurance and PM Decree 470, the MOH is analysing options to increase the revenues of the healthcare providers through increased payment rates and copayment levels. The ILO's 2024 Actuarial Assessment of the Health Insurance System provides the most up-to-date and accurate view of current and future financial requirements resulting from those proposed changes (ILO 2024).

3.3.2. Discussion on NHI financing, financial management and autonomy

All those interviewed during the mission in Vientiane agreed that many of the challenges and issues faced by the NHI and healthcare delivery scheme relate to the lack of sufficient financing for health facilities. As noted, the MOH is developing policy options in response, including increasing the autonomy of hospitals. When analysing the options it will be important to ensure that the interests of NHI members and patients are taken properly into account.

Intertwined with these financial issues, administrative issues are eroding members' confidence in the NHI system, which poses specific challenges for the LSSO, as its members pay contributions from their wages for NHI protection. Discussions with LSSO officials revealed concerns that contributing members are being charged copayments from which they should be exempt. Some interviewees noted that establishments increasingly perceive LSSO membership as not providing good value for their health insurance contributions. LNCCI officials reported that concerns about the health insurance scheme, the quality of care and additional charges for care and medicines are frequently raised during information sessions aimed at encouraging establishments to register with the LSSO.

With regard to the financial autonomy of the NHIB, there is a disconnect between the MOF and NHIB regarding the correct interpretation of article 30 of PM Decree 470. The MOF indicates that article 30 provides the NHIB with the same level of financial autonomy as the LSSO, at least in relation to the disbursement of funds from the Treasury Department; at the same time the NHIB indicates that they have been unsuccessful in pursuing this financial autonomy, despite efforts over the years. Achieving this more autonomous status will not solve the underfunding situation, but it will enable a more streamlined process for the receipt and disbursement of funds through the NHIB.

The fact that the NHIB is a department within the MOH means that the Bureau must also conform to the Ministry's fiscal and budget management policies and requirements. This may also be contributing to delays in the disbursement of NHI funds at the provincial and district levels, with inevitable impacts on the quality and availability of treatments and medicines and service delivery, as well as prompting healthcare providers to charge patients for services that should be covered by the NHI.[13]

Effectively, the NHIB's placement within the MOH means that it has no financial autonomy, or related flexibility to maintain accounts. This is a detriment to the smooth financial operation of the NHI scheme, and is an issue that stands independent of the underfunding of the system overall.

13 As discussed below, this problem is particularly acute as it relates to LSSO members, whose contributions are, by law, supposed to exempt them from charges that they are currently being required to pay.

4. Options for consideration

During the review process, five potential options for the governance and administration of the NHI were developed for discussion. These options, which will be described below along with their pros and cons, are as follows:

1. **Enhanced status quo:** Governance and administrative structures remain the same, but support processes and operational tools are significantly enhanced.
2. **Split model:** The LSSO and NHIB each administer separate health insurance schemes covering only their respective members.
3. **Single NHI scheme under the LSSO:** The LSSO administers a single health insurance scheme for the entire population of the Lao People's Democratic Republic
4. **Single NHI scheme under a new independent entity:** A new entity is created to administer a single health insurance scheme for the entire population of the Lao People's Democratic Republic
5. **Single NHI scheme under the NHIB:** The NHIB administers a single health insurance scheme for the entire population of the Lao People's Democratic Republic

These options were initially presented to NHIB and LSSO officials and then to the scheme's oversight ministries (MOH, MLSW and MOF), the LFTU, the LNCCI and development partners collaborating with the Lao Government to advance the health insurance scheme.[14] These options were then discussed during a half-day workshop held with the NHIB, LSSO and development partners representatives on 21 June 2024. That discussion contributed to deepening the analysis of the options.

Regardless of the governance and administration model, several aspects of governance are constant across all five options. These common elements include:

- None of the options will address the current financial strain under which the NHI scheme is operating. While some suggested adjustments and improvements to the management processes and systems have the capacity to support the NHIB in relation to resources mobilization, these alone cannot address the financial deficit. The current financial allocations to the health sector and to the NHIB are largely insufficient to deliver benefit entitlements at the expected level of quality.
- None of the options will address the issue of lack of compliance among enterprises in regard to registration with and payment of contributions to the LSSO. Increased compliance and formalization of employment requires a whole-of-government approach, and close collaboration with the Ministry of Commerce and the tax authority in particular.
- Decision on the ultimate model should be decided through social dialogue, after consultations with the social partners and other relevant stakeholders. Decisions should consider political acceptability, technical feasibility, the level of investment required and the impact on coverage and financial protection.
- Modifications of the Law on Health Insurance, and possibly the Law on Social Security, will be required for all options (although minimal for Option 1).

14 These included the World Bank, Lao Red Cross, Swiss Red Cross, World Health Organization, and Korea Foundation for International Healthcare (KOFIH). All but the World Bank attended the workshop to discuss options, which was held on 21 June 2024.

Option 1 – Enhanced status quo

Description

Under this option, the NHIB remains the primary management entity for the NHI scheme, as a department of the MOH, with its main responsibilities including claims management, awareness-raising, addressing complaints and grievances, financial management and reporting. The LSSO continues to register workers in formal employment and voluntary members, as defined in the Law on Social Security, collect their social security contributions, and transfer the amount corresponding to health insurance benefits to the NHIB. The divisions of responsibilities, as planned under the Law on Health Insurance and the Law on Social Security, is maintained and the conditions of the MOU between the NHIB and LSSO continue to be implemented.

The various sources of income continue to be pooled under the NHIB to finance the overall healthcare costs of the health insurance schemes.

However, though governance structures remain the same, changes in planning and processes are made to support more effective governance and administration. These changes include the following suggestions:

The Management Committee at the central level adopts a new management approach, engaging more directly to support NHIB governance and operations, as follows:[15]

- The Committee meets more regularly, once per quarter at a minimum and more often as required.
- The Committee identifies priority activities and sets out approaches and timelines for officials in the ministries (MOH, MLSW, MOF) to develop and implement plans for Committee approval.
- The NHIB, LSSO, the social partners and the relevant development partners establish a Technical Working Group to identify and develop solutions for operational and data issues in the NHI system, which will be presented to the Management Committee. The mandate of the Health Financing Technical Working Group, already convened by the MOH Department of Planning and Finance, could be expanded to suit this purpose.
- The NHIB, as the secretariat of the Management Committee, assumes responsibility for actively supporting the Management Committee by:
  - Developing a Management Committee Charter and terms of reference.
  - Convening meetings of officials from Committee members' ministries, who would meet between the Committee meetings to discuss technical issues and prepare for future Committee meetings.
  - Creating forward agendas, linked to the government planning cycle, with standing items for discussion that reflect the Committee's priorities.

The NHIB prioritizes the production and dissemination of financial and operational reports, and disseminates these to the line ministries, particularly the MOF and the MLSW/LSSO. This is a necessary step to enhance accountability and trust among all of the stakeholders in the NHI system.

The NHIB engages and leads necessary management reforms that are identified as priorities for the effectiveness of the NHI scheme. Currently these would include the following:

- Briefing the Management Committee and seeking their support on the potential use of PM Decree 470 to pursue more budget autonomy and to undertake a revision of public finance management procedures and requirements, with the objective of expediting disbursements to service providers while the Law on Health Insurance is being revised.

15 It is important for the Committee (or its successor), the MOH, the NHIB and the NHI Secretariat to implement such changes no matter the Government's decision concerning potential structural and delivery system changes.

Option 1 – Enhanced status quo

- Identify needs for capacity-building on public finance management and systems development in view of the implementation of NHI fund autonomy, should it be granted through the revision of the Law on Health Insurance.
- Develop a data management strategy and set of guidelines, based on the structure of the e-claims system that is being implemented, and in line with the Digital Health Strategy, and seek support from the Management Committee to secure necessary budget for the development and rollout of an MIS that is fit for the mandate of the NHI scheme.

The NHIB undertakes a mapping of its operational processes and develops standard operating procedures. By defining the steps in the process and detailing "who does what", these standard operating procedures would be used to develop the functional requirements of the MIS design and to support NHI operations.[16]

Pros

This model requires minimal changes.

This model would not require legislative changes, unless the Government chooses to specify changes related to the Management Committee in the Law on Health Insurance and PM Decree 470 (such as a Charter).

Changes to Management Committee meetings and support structures will help the NHIB to set priorities and create plans to achieve them.

Better, more frequent engagement with ministries that are Committee members will enable structured, coordinated efforts to address operational challenges that threaten NHI members' confidence in the scheme.

Engagement with the MOF can lead to a streamlined process for accessing and disbursing NHI funds.

A greater role for the Management Committee will improve engagement with the social partners and other stakeholders.

Cons

This model does not address NHI financial sustainability issues, nor does it advance the autonomy of the NHI scheme.

There is still no purchaser–provider split, a fundamental aspect of strong governance of a health insurance scheme.

The NHIB's status as a department within the MOH limits its financial and human resources autonomy.

Ongoing and potentially growing resistance from LSSO members due to dissatisfaction with undue copayment charges and quality of service.

Financial resources are needed for:

- the development of an advanced MIS;
- the review/development of operational procedures; and
- the further development and implementation of financial guidelines

This option, at least as a short-term option, is recommended for further consideration.

Option 2 – Split model

Description

This option would return the administration of NHI to the pre-integration time. The LSSO administers the health insurance scheme for LSSO members only, including contracting and payment to healthcare providers. The NHIB administers the NHI scheme for all persons not covered by the LSSO, including contracting and payment to healthcare providers.

Effectively, two systems would operate in parallel.

Pros

There is increased clarity in governance, with the LSSO responsible for its contributing members and the NHIB responsible for all subsidized NHI members and for oversight of the CBHI in Vientiane Capital.

Given the LSSO's fund autonomy, healthcare providers receive timely payments with regards to healthcare services provided to LSSO members. The LSSO directly supervises healthcare providers' compliance with the no-copayment policy.

A purchaser–provider split would be in effect, but only for LSSO members, as the LSSO would negotiate the provision of healthcare services with providers.

Cons

This model would represent an acknowledgement of the failure of the integrated NHI scheme, only five years after its inception. It may erode the public's trust in the system and create resistance to future reforms.

While the division of responsibility would be clear, there would be two separate governance structures overseeing the public health insurance schemes , creating possible overlap and confusion.

Duplication of administration to deliver health insurance benefits increases administrative costs, which takes away resources needed to fund the healthcare benefits to members.

Two sets of negotiations with providers would be required, with the LSSO and NHIB both having reduced bargaining power because of the split in membership.

Coverage of workers in formal and informal employment remains separate, limiting the potential for greater pooling of risk and solidarity in financing. This may also limit continuity of coverage in an individual moves between formal and informal employment.

Transition time means that there will not be immediate focus on addressing the financial and operational issues facing the NHI scheme.

This option is NOT recommended for further consideration.

Option 3 – Single NHI scheme under the LSSO

Description

Under this option, NHI policy-setting remains under the MOH, but the implementation is transferred to the LSSO. The LSSO maintains its current status as an agency under the supervision of the MLSW.

The LSSO assumes responsibility for "end-to-end" administration of NHI for all members (contributory and non-contributory members). This includes registration and the collection of contributions from establishments and workers in the formal sector, as well as from the rest of the population that is now contributing (CBHI) or may in the future (informal sector workers) pay NHI contributions.

The LSSO would also become responsible for establishing and monitoring contracts with service providers, and for adjudication of claims from both service providers and individual members.

The LSSO is responsible for handling grievances and complaints, and for the operational and financial reporting to oversight ministries and stakeholders.

Effectively, this option envisions a transfer of NHIB human resources and other (non-policy) resources to the LSSO.

Funding is a mix of contributions, subsidies from the Government, returns on any investment funds, and other sources of income, as currently defined in the Law on Health Insurance.

Depending on the decision made concerning the acceptable level of risk and fund pooling, two sub-options are possible under LSSO management:

- Option 3.1: Single pool, all funds are fully merged.
- Option 3.2: Two distinct pools/funds where contributions from LSSO members are kept separate from treasury allocations made for the purpose of subsidies to the contributions

Pros

This model integrates health insurance with the other social security schemes. This brings opportunity for administrative efficiency, as all social security support functions could be merged under one institution (administration, finance, human resources management, legal advice, communication, and so on). This would lead to further integration of currently duplicated functions (in particular, grievances and complaints and awareness-raising)

A purchaser–provider split is in effect.

Depending on the fund arrangement (single fund or full merger), the potential for integration of schemes is maintained, promoting solidarity-based financing.

This model is operationally feasible:

- The LSSO has past experience in managing health insurance benefits, negotiating contracts with healthcare providers and ensuring claim administration.

Cons

This option would require changes to the Law on Health Insurance and Law on Social Security.

The transition would still require reviving the past expertise of the LSSO in administering health benefits (re-operationalization of the MIS, revision of existing standard operating procedures) and adjustment to the LSSO structure and organization (re-creating the health insurance section). Without rigorous planning, there is the potential for disruption in services.

The model would increase the LSSO client base from just over 1 million to over 7 million. Significant lead time and investment would be required.

While the LSSO has a functioning MIS, the lack of a unique health ID would pose a challenge to registering non-LSSO members.

The fact that the LSSO does not have regulatory control over healthcare providers weakens its negotiating position. The LSSO does not benefit from the same power the MOH has over health facilities to continue to provide services despite delayed payments.

Option 3 – Single NHI scheme under the LSSO

- The LSSO has established processes and procedures and an MIS.
- Social partners have greater familiarity and experience with the LSSO Board of Management.

The LSSO has some degree of financial autonomy already. This constitutes an advantage to access treasury allocations (subsidies), and hence brings opportunity to ease timely payments to providers, ultimately resulting in better access to benefits for all members.

The LSSO has the capacity to produce financial reports, which may reinforce trust and accountability among all stakeholders.

Benefit packages could be progressively harmonized, while maintaining incentives for members to contribute to the system.

While payment to providers may be eased thanks to the LSSO's financial autonomy, significant increases in treasury allocations are still required (as with all other options). The level of desirable financial and risk pooling would still have to be decided by the Government.

Should the Government decide to modify the current NHI governance and administration, this option could be given further consideration.

Option 4 – Single NHI scheme under a new independent entity

Description

A National Health Insurance administrative entity would be created by law and would take over all of the functions currently implemented by the NHIB.

The LSSO remains responsible for registering and collecting contributions and transferring those to the NHI entity.

- In Option 4.1, the new NHI administrative entity is placed under the Prime Minister's Office.
- In Option 4.2, the new NHI administrative entity is placed under the MOH.

Either sub-option involves severing the NHIB from the MOH and establishing it as an independent entity

Pros

Creation of an independent NHI administrative entity demonstrates government commitment to the full implementation and sustainability of the NHI scheme.

The purchaser–provider split is in effect.

If the new entity is placed under the Prime Minister's Office, the proximity to central agencies could be conducive to increased resource mobilization

The entity would gain in autonomy, particularly when it comes to financial management and human resources management.

A new entity could be well-positioned to start anew, develop a new reputation and rebuild trust among NHI members.

Cons

Creating a new administrative entity involves a significant investment at the outset – start up costs – both in developing the organizational structure, identifying human resources requirements, managing the transfer of staff from NHIB and recruiting new staff, office rental and set up, and overall equipment. The country's current economic situation may not be appropriate to such required investments.

Time would be needed to determine how such an entity would be established within the structures of the Lao Government, and the degree of financial and operational autonomy that the Government wants to grant to it.

Legal amendments will be needed. These changes are currently not captured in the existing draft of the health insurance law.

This model may create confusion among members regarding how the NHI scheme will function. To help manage the transition, an extensive communications campaign would be required.

The new entity would not have regulatory control over healthcare providers, and therefore may be disadvantaged in negotiating prices.

There is no guarantee that the new entity would be better positioned and equipped than the NHIB to address the immediate challenges facing the NHI scheme.

Should the Government decide to modify the current NHI governance and administration, this option could be given further consideration as a medium- to long-term model. However, this is not recommended in the short term, considering the current economic and fiscal situation of the Lao People's Democratic Republic.

Option 5 – Single NHI scheme under the NHIB

Description

The NHIB remains a department within the Ministry of Health.

The NHIB becomes responsible for "end-to-end" administration of NHI for all members (contributory and non-contributory members).

The NHIB assumes the responsibility for all functions, including registration and collection of contributions from establishments and workers **in the formal sector**. Other functions include (as is currently the case): establishing and monitoring contracts with service providers and processing claims; responsibility for grievance and complaints; and responsibility for operational and financial reporting to oversight ministries and stakeholders.

Effectively, this would involve a severing of the LSSO registration and contribution collection processes as they relate to the provision of health insurance, with these duties instead taken up by the NHIB. The LSSO would still register formal sector enterprises and workers for other social security benefits and collect contributions related to these benefits.

Funding is a mix of contributions, subsidies from the Government, returns on any investment funds, and other sources of income, as currently defined in the Law on Health Insurance.

Depending on the decision made concerning the acceptable level of risk and fund pooling, two sub-options are possible under NHIB management:

Option 5.1: Single pool, all funds are fully merged.

Option 5.2: Two distinct pools/funds where contributions from contributing members are kept separate from treasury allocations made for the purpose of subsidies to the contributions.

Pros	Cons
NHI policy is integrated with broader healthcare policies and regulations established by the MOH. Benefit packages could be further harmonized, while maintaining incentives for members to contribute to the system.	The MOH has previous experience in managing a CBHI scheme and hence in registering members and collecting contributions. However, it no longer has the structure and human resources in place to take on such administration. This model would require an influx of resources and expertise into NHIB to take on new functions of registration and contribution collection. The duplication of registration and contribution collection with the LSSO (for other social security branches) is inefficient and would be costly. Separating health insurance from other social security benefits available through the LSSO would impede the expansion and realization of comprehensive social security coverage.

This option is NOT recommended for further consideration.

5. Recommendations and conclusions

While the Lao People's Democratic Republic has made great strides in expanding health insurance coverage, priority must now be given to making governance and administration more effective, efficient and fair for all members protected by the NHI.

Considering the current economic and fiscal situation of the country, it is not recommended to make drastic changes in the governance of the NHI, but rather to prioritize short-term actions that are more likely to improve the management of the scheme, at a reasonable cost.

As such, **it is recommended that the NHIB take the measures outlined under Option 1 (Enhanced status quo) to better engage the Management Committee**. Indeed, the framework is already largely established by the Law on Health Insurance (2018) and by PM Decree 470. The Law clearly assigns responsibilities to the National Health Insurance Fund Management Committee at the central, provincial and district levels. However, the processes and structures required to support the Management Committee at the central level are not sufficient to allow the Management Committee to achieve the mandate assigned to it by the Law. No matter the options chosen for further consideration, a revitalized Management Committee is essential. The NHIB will need to create a governance environment where it can seek the Committee's guidance and support to address the numerous financial and operational challenges facing the Bureau. The Management Committee must play a greater role in providing clear direction and support for the implementation of the NHI, including necessary development and reforms, and to keep the NHIB accountable for the implementation of the Committee's decisions. The NHIB (or any successor NHI entity) must develop processes that support Committee members to play their roles effectively.

Regarding **administration**, while it was beyond the scope of this analysis to conduct an in-depth assessment of the NHIB's business processes and procedures,[17] it is clear that the NHIB is not provided with the adequate financial resources, human resources, and processes and systems to effectively implement its mandate. In particular, data management is a core challenge of the NHIB, as the Bureau is not properly equipped to generate the data required for management and reporting purposes. With the above in mind, the following recommendations concerning NHI administration are put forward:

- **A Strategic Plan, derived from the NHI Strategy, should be developed.** The Plan would include the activities and projects that will advance the priorities of the NHI Strategy and address operational issues and other challenges, clearly identifying timelines and responsibilities and the human, ICT and budget resources required.
- Regarding financial management, the NHIB should consider creating an independent NHI Fund outside of the National Treasury.
- It is recommended that the NHIB undertake **a review of business processes.** This should be a precursor to the development of ICT systems to support programme delivery.
- The Management Committee must support the NHIB to develop a **data management strategy and guidelines**, in line with the MOH's Digital Health Strategy, and to further develop the NHI ID before beginning the analysis and design phase of ICT procurement.
- Financial resources are needed for the development of an advanced MIS and for the review/development of operational procedures.

Based on the above analysis, the report concludes that the most feasible governance and administration (non-cumulative) options are as follows:

- An enhanced status quo, as a short-term option.
- Should the Government and social partners decide to modify the administration and governance of the NHI, then consideration should be given to:
  - A single NHI scheme, administrated by the LSSO, as a medium-term option.
  - A single NHI scheme, administrated by an independent agency under the MOH or the Prime Minister's Office, as a long-term option.

Should the Government decide to modify the governance and administration of the NHI, considering its overall responsibility for the healthcare system, **the MOH should retain the responsibility for NHI policy-setting**, particularly for design parameters, including the definition of benefit packages, the level of copayment, and eligibility conditions and contribution rates, as well as for regulating the operation of healthcare providers.

Regardless of the governance and administration model, **the desired and acceptable level of risk pooling between LSSO members and NHI-subsidized members should be discussed with core stakeholders, including social partners,** be agreed upon and be included in the law.

Any reform should continue to be informed by evidence and adopted through social dialogue.

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Annex 1.

List of key informants – Mission in Vientiane, 17–21 June 2024

Organization	Department	Name	Position
Ministry of Labour and Social Welfare	Cabinet Office	Mr Padeumphone Sonthani	Vice-Minister
	Lao Social Security Office	Dr Bouahome Phommachan	Deputy Director-General Accompanied by LSSO team
Ministry of Health	Cabinet Office	Dr Bounfeng Phommalaysith	Minister Accompanied by the directors of the: ▶ Cabinet; ▶ Department of Planning and Finance; ▶ Department of Health Care and Rehabilitation; ▶ National Health Insurance Bureau
	National Health Insurance Bureau	Dr Phouvang Suyavong	Director-General Accompanied by head of key NHIB division
Ministry of Finance	Department of Fiscal Year Budget	Ms Viengnakhone Chindavong	Deputy Director-General Accompanied by her team
	Department of State Budgeting	Ms Thongchanh Soulingphommy	Deputy Director General Accompanied by her team
Lao Federation of Trade Unions	n/a	Mr Leth Xayyaphone	President Accompanied by key directors from the Cabinet and Labour Protection

Organization	Department	Name	Position
Lao National Chamber of Commerce and Industry	n/a	Dr Xaybandith Raspone	Vice-President Accompanied by technical team
Development partners	WHO – Lao People's Democratic Republic	Ms Eunkyoung Kim; Ms Vanhpheng Sirimongkhoun	Technical team members
	World Bank – Lao People's Democratic Republic	Ms Emiko Masaki	Senior Health Economist
	Swiss Red Cross	Ms Binita Poudel	Country Manager
	Korea Foundation for International Healthcare (KOFIH)	Dr Sebastian Yoo	Medical Advisor

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