TWINNING PROJECT FICHE

1. Basic Information

1.1. **Programme**: Framework Programme in support of EU-Azerbaijan Agreements (CRIS number: ENPI/2013/024494)

1.2. **Twinning Number**: AZ/13/ENP/SO/02/16 (AZ/47)

1.3. **Title**: Support to implementation of the mandatory health insurance system in Azerbaijan

1.4. **Sector**: Social Protection

1.5. **Beneficiary Country**: Republic of Azerbaijan

2. Objectives

2.1. Overall Objective(s)

To facilitate the health system financing reform in Azerbaijan through introduction of the mandatory health insurance.

2.2. Project purpose

To strengthen the institutional capacity at the State Agency on Mandatory Health Insurance (SAHMI) to plan, execute and monitor healthcare spending in three elements: collection, accumulation of funds and purchasing of healthcare services

2.3. Contribution to National Development Plan/ C-operation agreement / Association Agreement / Action Plan

2.3.1. EU-Azerbaijan agenda

The European Union (EU), its Member States and the Republic of Azerbaijan concluded a Partnership and Co-operation Agreement (PCA) that came into force on 1 July 1999. Under Article 62 of PCA, "The Parties shall pay special attention to cooperation in the sphere of social protection which, inter alia, shall include cooperation in planning and implementing social protection reforms in the Republic of Azerbaijan. These reforms shall aim to develop in the Republic of Azerbaijan methods of protection intrinsic to market economies and shall comprise all forms of social protection".

PCA puts forward the cooperation in social development sphere and health in several other articles:

Article 43

Article stipulates that the "... **approximation of laws shall extend to** the following areas in particular: customs law, company law, banking law, company accounts and taxes, intellectual property, protection of workers at the workplace, financial services, rules on competition, public procurement, **protection of health and life of humans**, animals and plants, the environment and legislation regarding the exploitation and utilization of natural resources, consumer protection, indirect taxation, technical rules and standards, nuclear laws and regulations and transport."

Article 44

"Policies and other measures will be designed to bring about **economic and social reforms** and restructuring of the economic and trading systems in the Republic of Azerbaijan and will be guided by the requirements of **sustainability and harmonious social development**; they will also fully incorporate environmental considerations."

Furthermore, "...cooperation will concentrate, in particular, on **economic and social development, human resources development**, support for enterprises (including privatization, investment and development of financial services), agriculture and food, energy, transport, tourism, environmental protection, regional cooperation and monetary policy.

After its enlargement in May 2004, the EU faced a new geopolitical situation and adopted the European **Neighbourhood Policy (ENP)**[1], which is a new framework for the relations with its neighbours. The ENP aims to go beyond the existing Partnership and Co-operation Agreements to offer neighbouring countries the prospect of an increasingly closer relationship with the EU with the

[1] http://eeas.europa.eu/enp/index_en.htm

overall goal of fostering the political and economic reform processes, promoting closer economic integration as well as legal and technical approximation and sustainable development.

The central element of the ENP is a bilateral **Action Plan (AP)**[2] which clearly sets out policy targets and benchmarks through which progress with an individual neighbouring country can be assessed over several years. AP defines a considerable number of priority areas for trade and market-related regulatory reforms, in particular trade facilitation issues including customs legislation and procedures, technical regulations, standards and conformity assessment, sanitary and phytosanitary (SPS) issues, consumer protection, right of establishment and company law, financial services and markets, taxation, competition policy, enterprise and SME policy, intellectual and industrial property rights, public procurement and statistics.

The EU-Azerbaijan ENP Action Plan of 14 November 2006 sets out the following priority to be pursued (priority area 6 and article 4.4.):

- "*Continue the reform of the health sector; improve quality coverage and efficiency and establish effective management systems;*
- "*reform the social security system, notably to improve targeting and effectiveness of social protection measures and social assistance*"; and
- "*promote exchanges of experiences, dialogue and cooperation on matters of social security, notably on issues such as the reforms of the pension system and of the social insurance*".

Taking into account that the social health insurance makes a part and parcel of modern social security system, the introduction of mandatory health insurance makes part of the EU-Azerbaijan Action Plan.

Further, the Action Plan (General objectives and actions, article 4.7.2) emphasizes the importance of continuing the health reforms notably for improving access and affordability for the entire population as well enhancing the organization, quality and efficiency of the sector and its institutions; increase the share of primary health care services and of prevention and health promotion activities in the total health care budget; implement a sustainable health care financing strategy.

As also indicated in the EU-Azerbaijan ENP Action Plan, co-operation tools, like Twinning, TAIEX and SIGMA play an essential role in the achievement of the Action Plan priorities. In particular, the Twinning instrument, which provides for direct co-operation between EU and Azerbaijani public bodies to support institution building activities, has proved to be particularly efficient in policy areas where the expertise required by the beneficiary country exists mainly in the public sector.

2.3.2. Governmental policy and strategy

Legislation and strategic documents related to the project

The reforms in the field of the proposed project are stated in:

- DEVELOPMENT CONCEPT "AZERBAIJAN – 2020: THE VISION OF THE FUTURE"

The Concept approved by the Decree of the President of the Republic of Azerbaijan dated 29 December, 2012 highlights the medical social health insurance as one of the main priorities for the country development in its paragraph 7 "The development of human capital and the establishment of an effective social security system".

Thus, the "...concept prioritizes the provision of **high quality health and education services** to the population and the availability of these services to various social groups, including low-income families and poor citizens as a strategic line".

7.1 The main tasks in the sphere of the population's health and the health care system

[2] http://pao.az/en/newsfeeds/list-all-news-feed-categories/digital-library/other-related-eu-documents/74-euazerbaijan-action-plan/file

"Mandatory health insurance and on its basis, conditions will be created to improve the quality of medical aid, protect patients' rights and improve control mechanisms. As a result of reforms in the health system, medicine oriented towards in-patient aid will be replaced with medicine where first medical sanitary aid is dominant and relevant conditions will be created for expanding the practice of family doctors. At the same time, active and purposeful work will be carried out to improve out-patient and clinical services."

7.3 The improvement of the social security system

Social allowances will be unified and measures to increase their amount will continue. The system of allowances given to families with children will be improved. **Rules of identifying families' need for social aid in order to establish a modern social security system and to reduce poverty will be improved** and the level of the needs criteria will constantly increase in order to bring it in line with minimum living standards. The effectiveness of social aid will be increased through the use of modern social technologies, and along with the existing targeted state social aid system, active social aid programmes (self-support, preferential social crediting) will be applied."

- Concept for Health Financing Reform and Introduction of Mandatory Health Insurance

The Concept was approved by the Decree of the President of the Republic of Azerbaijan on 10 January, 2008. (see Annex 3). The Concept identified the following main goals for health financing reform in the country:

- to create new economic principles for financing the health care system and improving population access to health care;
- to increase the quality of health care services through the more efficient use of public funds allocated to the health sector; and
- to improve population health and increase average life expectancy.

According to the Concept, the government is responsible for the free provision of services included in a state-guaranteed benefit package, while all other services have to be covered by citizens themselves.

- Action plan for the implementation of the Concept for Health Financing Reform and Introduction of Mandatory Health Insurance for 2008-2012

The Action Plan was approved on 11 August, 2008 by the Cabinet of Ministers of the Republic of Azerbaijan (see Annex 4). However this action plan has never been implemented.

- New Concept and new Action Plan (under development)

Based on the main goals described in the 2008 Concept, the introduction of the mandatory health insurance system in Azerbaijan aims to achieve mobilizing funds for health care services in an effective and efficient manner, increasing efficiency of health care providers through introducing new payment mechanisms and improving access to and quality of health care services. These aims will be achieved through building the capacity of SAMHI, improving legislative basis, developing key regulatory documents and conducting institutional reforms. The Twinning project will support the country to introduce and implement healthcare financing reforms. New Concept and new Action Plan will include following steps:

Step one (3 years):

- Analysis and adaptation of legislation (1-2)
- Primary health care reform – revitalizing family medicine programs (1) and making providers more autonomous (2)

- Initial definition of Basic benefits package
- Definition of prices of health care services
- Development of health information technology and data exchange with other entities
- Automatization of the public hospitals for using their financial and other resources efficiently
- Development of models for contracting of the health care providers
- Introduction of capitation based payment to primary health care services and global budgets for inpatient services with manageable performance bonuses
- Continuing professional development

Step two (5 years):

- Development of primary health care reform
- Developing and refining of basket of Basic benefits package
- Revision of prices of health care services
- Preparation of the new financing model for public hospitals within global budget
- Introduction of the e-health
- Further development of health technology assessment capacity
- Continuing professional development.

Existing legislation

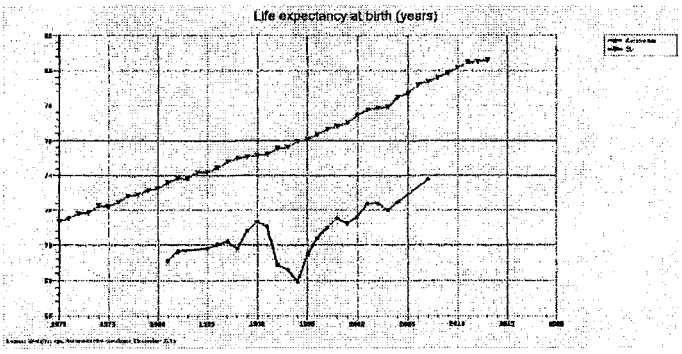
There is substantial legal framework existing in Azerbaijan in the field of mandatory health insurance developed during 1999-2008. The main laws and by-laws adopted to regulate the sector are:

- "Law on Health insurance" of the Republic of Azerbaijan dated 28th October 1999 is presented in Annex 2 (only articles related to the Mandatory Health Insurance);
- Order of the President of the Republic of Azerbaijan on "Establishing the State Agency on Mandatory Health Insurance under the Cabinet of Ministers of the Republic of Azerbaijan" dated 27th December 2007;
- Order of the President of the Republic of Azerbaijan on "Concept for Health Financing Reform and Introduction of Mandatory Health Insurance" dated 10th January 2008;
- Decision of the Cabinet of Ministers of the Republic of Azerbaijan on "Action plan for the implementation of the Concept for Health Financing Reform and Introduction of Mandatory Health Insurance for 2008-2012" dated 11th August 2008;
- Decree of the President of the Republic of Azerbaijan on "Approval of the Statute of the State Agency on Mandatory Health Insurance under the Republic of Azerbaijan and its structure" dated 15thFebruary 2016. (see Annexes 5 and 6).

3. Description

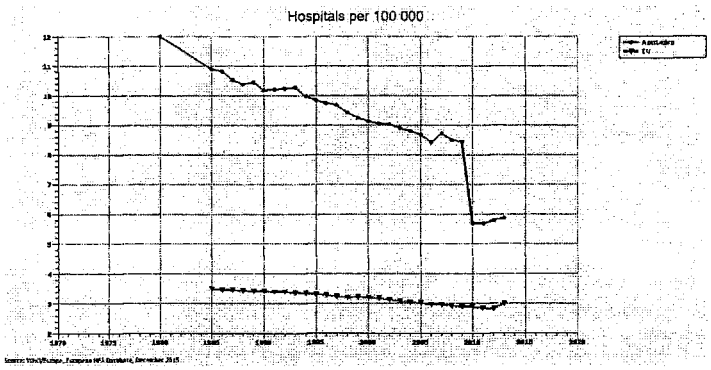
3.1. Background and justification

3.1.1. Current situation in the health care



In 2012 Average Life Expectancy at Birth in Azerbaijan was 71.9 years (68.9 years for men and 75.2 years for women), which is low compared to European averages. Mortality by cause of death is dominated by non-communicable diseases (NCDs) such as cardio- and cerebrovascular disease, cancer, metabolic diseases, etc. and has remained unchanged in recent years. In 2014, Coronary Heart Disease was the leading cause (37%), followed by stroke (17%) and liver disease in the third place (3,8%).Those alarming figures show that the vast majority of citizens are excessively exposed to risk factors such as smoking, excess drinking, unhealthy diets, lack of physical exercise, etc. Almost half of adult men for example smoke regularly(13th place in the World ranking), compared to about 25% in Western Europe (International evidence shows that 25% of smokers will lose on average about 20 years of Life Expectancy at Birth compared to non-smokers).

Azerbaijan inherited an extensive and highly centralized Semashko system at independence, and many of its key features have been retained. The formal structure of the health system is highly centralized and hierarchical and most decisions about key health policy initiatives are made at the national level. The Ministry of Health formally has ultimate responsibility for the management of the health system, but it has limited means to influence health care providers at the local level as they are financially dependent on the local district health authorities or the village authorities for smaller rural services. The district authorities and the administration of the central district hospital have direct managerial responsibilities for health providers in their area. There is also considerable parallel health service provision outside the influence of the Ministry of Health, as providers are subordinated to and financed through other line ministries or state enterprises (namely Defence, Internal Affairs, Customs, SOCAR etc.). Employees and retirees of these other Ministries receive health care from these facilities but generally also use on an ad hoc bases mainstream government facilities for other needs. The private sector is licensed by the Ministry of Economy mainly based on the opinion of the Ministry of Health but is otherwise completely independent, and private service provision is a growing feature of the system.



This has resulted in the exorbitant numbers of hospitals (district hospitals, single-disease -TB, STD, etc. hospitals, dispensaries and rural hospitals) in the public sector -many more in per capita terms than the EU. Very few are able to provide complex care (e.g. modern cardiac surgery or cancer treatment). In addition, Azerbaijan has a network of Primary Care facilities organized via catchment areas. PHC centres are staffed by physicians and nurses (in rural areas, by feldshers and/or midwives) who provide limited services. As a consequence, most patients bypass PHC to seek care directly from specialists.

The health system in Azerbaijan is financed through a combination of tax revenues and out of pocket payments. Funding for services provided at the local level are channelled through the district authorities, while the Ministry of Health is responsible for the financing of national-level providers and the Sanitary-Epidemiological Service. Parallel services provided through other ministries cover a small percentage of the population. Private providers are an increasingly significant part of the system but there virtually are no significant private health insurances. Private medical facilities and privately practicing physicians receive their financing mostly through direct payments from the population.

In 2013, total health expenditure (THE) was around 5.6% of the GDP. This percentage translates in per capita health expenditure equal to US$ 437 in 2013, significantly lower than the US$ 3,340 of the EU average - which also includes Czech Republic with US$ 1.432, Poland with US$ 854, Bulgaria with US$ 516 and Romania with US$ 420. Expenditure from public sources only covers 29% of the total services people use/need.

Furthermore, expenses of health facilities are dominated by fixed costs (salaries, for example, account for some 74% of the total), leaving very little space for actual service provision - that is, treating patients, buying medical supplies and consumables, etc.

Private expenditures on health (in 2013, 71% of THE) were among the highest within EU and Eastern European countries, but the vast majority of these private expenses were paid directly to providers, without any pooling that could have ensured cross subsidisation and joint financial protection.

Health service institutions face other constraints as well. Their public financing comes from the budgets assigned to them based on specific norms/ formulae, mostly based on the inputs - doctors, beds, etc. In addition, budgets are "itemized" according to a rigid economic classification. Facilities have no freedom to transfer funds from one budget line to another and assign resources to their respective service provision activities (e.g. prioritize personnel versus utilities, surgery versus internal medicine or equipment versus consumables). Instead they must spend all funds and do so exactly as allocated. For managers, thus, keeping hospital infrastructure inflated and hospital stays prolonged pays more than behaving rationally and saving, or re-profiling spending patterns.

3.1.2. Problems (direct and indirect) to be addressed

The economic growth in Azerbaijan during recent years has allowed achieving some significant results in the healthcare system and development of public health. Every year a great volume of investment is made in this area. The budget allocated to health was increased by more than 10 times over the last 10 years. During this period, more than 500 medical centres were constructed or repaired, the majority of it has been carried out in regions of the republic, majority of medical facilities are equipped with modern equipment.

Continuation of the reforms in the healthcare, provision of the population with quality and affordable medical care constitutes a special part in «***Azerbaijan 2020: The vision of the future"*** Development Concept. The concept includes construction of new medical facilities, repair and reconstruction of existing ones, their provision with advanced and modern medical equipment, and planned health care reform.

Government health expenditure in Azerbaijan as a share of gross domestic product (GDP) was only around 1% in 2015, which is low relative to other countries in the WHO European region. The main sources of funding for health care in Azerbaijan are out of pocket payments (66.9% in 2015) and general government expenditure (30.0% in 2015). The role of voluntary health insurance (2.9% in 2015) and donor funding (0.2% in 2015) is small.

In 2015, the share of budgetary allocations for health controlled by the Ministry of Health represented around 52.1% of all expenditure. The remaining went to the 65 local government

administrations, which fund state facilities within their district boundaries as well as the health care organizations belonging to the other government bodies.

Public health care facilities receive input-based payments based on the number of beds or staff through prospective fixed line-item budgets. Consequently, a hospital will get paid regardless of whether it has no patients or is fully occupied. Moreover, underspending is penalized through reductions in allocations for the next year because the budgeting process is based on historic expenditures. The payment mechanism does not provide any incentives for hospital administrators to reduce costs to improve efficiency and there is no mechanism under current payment arrangements to reward better performing facilities.

In this regards, one of the most important directions of the reforms of the health care system represents the **introduction of mandatory health insurance** among the population. Despite the existence of the legislative framework described above the effective works of the State Agency on Mandatory Health Insurance has started in October 2015 with nomination of the Director of the Agency. To this end, in recent years, international practices were studied, legislation base is being prepared.

According to the system of mandatory health insurance contributions for some 'social' groups (i.e. pensioners, children, the unemployed etc.) are intended to be covered by state. As a result, health insurance services will cover almost all strata of the population.

3.1.3. Related gaps and needs

Legal needs (Primary and Secondary legislation)

In 2016 the Cabinet of Ministers is planning to renew its efforts in health financing reform and introduction of mandatory health insurance. Azerbaijan would need to focus on improving the legal framework for the development of the insurance system. In this regards it is necessary to analyze the best European practices in this field, upgrade the Concept for Health Financing Reform and Introduction of Mandatory Health Insurance and raise awareness of large public about the necessity of this reform.

Institutional needs

Current reform projects are designed to develop a national health financing reform framework and to pilot new financing and management mechanisms. The health financing reform concept covers pooling, new provider payment mechanisms, expanding provider autonomy and the defining of a basic benefits package.

In this regard the following support is necessary for institutional development of national health financing reform framework:

- Development of comprehensive model for Mandatory Health Insurance based on best EU practices (insurance for working population, universal coverage for low-income and self-employed population, people involved in family business);
- Development of incentive measures for voluntary coverage for informal sector workers along with coverage for primary health care services, emergency services for this category of population;
- Fixing the different level of health coverage (basic, intermediary, full coverage);
- Definition of nomenclature of medical acts and their price list;
- Definition of eligibility criteria and condition of access for different type of population;
- Development of mechanisms of payment of the health service providers;
- Building up an IT system for data collection, processing, analysis and communication that does provide high quality reliable information for operational control, as well as for the long and medium term strategic planning;

- Development of comprehensive quality control and quality assurance mechanisms for effective monitoring, error and waste reduction, and system improvement;
- Development of human resources strategy for the State Agency on Mandatory Health Insurance;
- Development of continuous education programme for the newly recruited staffs; and
- Training of the staffs of the State Agency on Mandatory Health Insurance and other partner organizations (Ministry of Health, health service providers, local authorities etc.).

3.2. Linked activities

3.2.1. Other related EU activities

"Support to the Government of Azerbaijan in implementation of health financing reform and introduction of mandatory health insurance based on European best practices" SOCIEUX project (April 2016 – on-going).

Technical assistance by SOCIEUX helps Azerbaijan to create necessary conditions for introduction of mandatory health insurance and for the implementation of the health financing reform. First expert mission within SOCIEUX project took place in April 2016 during which DRG, capitation and other methods of payment as well as some basic proposals for MHI model were discussed. The next mission carried out in October 2016 which was devoted to technical support for developing healthcare providers' performance assessment and monitoring the implementation of the new financing system.

The Twinning project should rely on the main finding of this program.

3.2.2. Related international initiatives

WB Health Sector Reform Project (2006 – 2012) for Azerbaijan has aimed to improve overall health system stewardship and financing, and enhance equitable access to, and technical and perceived quality of essential healthcare services, in the selected districts in a fiscally responsible and sustainable manner with a view to improving health outcomes.

As a result of the project, the government implemented the National Master Plan for rationalizing health care network and health care workforce across the country, improved health care infrastructure in the selected five pilot regions, developed key policy documents covering recommended reforms across most parts of the health care system, improved the under-/post-graduate medical education, certification of health care professionals, and initial assessments of health care financing system and introduction of the mandatory health insurance in Azerbaijan.

The analyses of the existing documents and studies conducted show that the overall reform directions are the same. Therefore, the activities of this Twinning project are aligned with job implemented. The proposal includes the inputs from the WB project team working at MHI Agency now.

The Twinning project should base on the main results of the WB Project.

3.3. Results

The following results are expected to be achieved by the end of the project:

Result 1: Legal and institutional framework for the introduction of Mandatory Health Insurance is developed

Description

Legal framework for the introduction of Mandatory Health Insurance and health financing reform is reviewed, necessary recommendation for existing legislation in line with best EU practices are

formulated, the drafts of proposed primary (if needed) and secondary legislation is developed (foundational documents that define the architecture of the mandatory health insurance scheme and enable its operationalization; design insurance contributions and cost-sharing policies; definition of nomenclature of medical services and their price list; definition of eligibility criteria and condition of access for different type of population).

Institutional framework for the introduction of Mandatory Health Insurance and health financing reform is established (organizational structure of SAMHI, collection of insurance contributions).

Key output indicator(s)

i. Report with recommendations on organizational structure of SAMHI, job description for the staff and job profiles;
ii. Methodology for development of the Basic Benefit Package;
iii. Process of determining the status of the insured person and registration of the insured persons;
iv. Action plan to pilot and implement the mandatory health insurance;
v. Insurance contributions and cost-sharing policies; penalty provisions for individual's or employer's failure to pay premiums;
vi. Grievance redressal mechanisms;
vii. Review of existing legislative acts;
viii. Drafts new laws and amendments (if necessary);
ix. Training for at least 15 staff members of the MoH/SAMHI/selected service providers in the concepts of Basic Benefit Package including up to 5 future trainers.

Result 2: Financial management framework for the introduction of Mandatory Health Insurance is developed

Description

Financial management framework for the introduction of Mandatory Health Insurance will include development of SAMHI budgeting and revenue project arrangements and development of the mechanisms of payment of the health service providers.

Key output indicator(s)

i. Methodological instructions for developing the annual financial plans;
ii. Actuarial analyses of costs of the basic benefit package;
iii. Pay-for-performance systems, quality assurance, accreditation and payment mechanisms to providers;
iv. Contracting methodology, including performance indicators, quality indicators, contract monitoring and payment terms;
v. Testing of contracts and new payment arrangements in 2 pilot regions.

Result 3: Information technology framework for the introduction of Mandatory Health Insurance is developed

Description

Information technology (IT) framework for the introduction of Mandatory Health Insurance will include development of the IT architecture and development of technical standards and appropriate legislative acts. IT hardware and software procurement is not a part of this project.

Key output indicator(s)

i. Legislative and normative framework related to the IT architecture standards, technical standards and relevant legislative acts, in particular, regarding information management and use of IT in the health sector;

ii. Security requirements for handling, use and protection of data in the information system of health insurance;
iii. Standardized reporting and data collection system in health facilities to collect on an individual and facility level the necessary data on utilization, cost, revenues and quality of care;
iv. Detailed plan for developing the needed information system capacity in SAMHI and the pilot regions;
v. First set of monitoring and evaluation indicators.

3.4. Activities

In order to meet the specific mandatory results of this project, the partners may agree on alternative or complementary activities and outputs to those identified in this section.

Project kick-off event

A meeting aiming at presenting the Twinning project to the main stakeholders shall take place at the beginning of the project implementation.

Quarterly meetings of the Steering Committee

The SC meetings to be chaired by the MS PL and BC PL shall be organised every three months to review main achievements all activities carried out during the previous quarter the project achievements discussed and plan of activities for the next quarter discussed.

Project closing event

A conference shall present the main results achieved during the project implementation and shall be organised before the conclusion of the project.

Activities related to Result 1:

Activity 1.1. Develop foundational documents that define the architecture of the mandatory health insurance scheme and enable its operationalization (SAMHI Organigram and strategic staff positions; Financial Management Regulation; define the process of determining the status of the insured person and registration of the insured persons; design insurance contributions and cost-sharing policies; penalty provisions for individual's or employer's failure to pay premiums; and establish grievance redressal mechanisms);

Activity 1.2. Develop methodology for strategic and operational planning for defining the composition of the Basic Benefit Package that draws on best international practice, including risk assessments (consider costs, cost-effectiveness), and monitoring and control of progress against strategic objectives;

Activity 1.3 Facilitate preparatory work required to implement a basic outpatient drug benefit (establishment of the procedures for inclusion of drugs and consumables in the positive list covered by SAMHI; establishment of the procedures for drugs prescribing; establishment of the procedures for issuing of drugs covered by SAMHI);

Activity 1.4 Explore and recommend common approaches to be used to address high cost services, drugs and consumables;

Activity 1.5 Develop Action plan for piloting and implementation of the mandatory health insurance;

Activity 1.6 Train the MoH/SAMHI/selected service providers' staff in the concepts of Basic Benefit Package development including at least 5 future trainers (ToT); develop training curricula and other materials;

Activity 1.7 Organize Study visit of a group of 5 representatives of the MoH/SAMHI/selected service providers' staff to study the EU health care regulatory framework and a sample of EU Member States' health care system;

Activity 1.8 Organize regular information meetings and awareness raising visibility initiatives to render the reform of the health care system visible motivate the health care professionals and inform the public;

Activity 1.9 Organize International conference/seminar (100 participants) on the health care reforms (implementation of the mandatory health insurance, development of Basic Benefit Package, provider payment systems, eHealth) and the system of a sample of EU Member State.

Activities related to Result 2:

Activity 2.1 Develop methodological instructions for developing the annual financial plans;

Activity 2.2 Develop budgeting and revenue project arrangements. Support to the introduction of Results Based Budgeting (RBB) for the SAMHI;

Activity 2.3 Identify key gaps that remain before premium collection can begin, and key steps that should be completed before premium collection should begin;

Activity 2.4 Recommend the nature of funds allocations and flows, expenditure tracking, accounting and reporting;

Activity 2.5 Propose functions and funding to be added to the MHIF on an incremental basis. Recommend options for incremental approaches;

Activity 2.6 Facilitate introduction and testing of cost accounting mechanisms in pilot regions at case level;

Activity 2.7 Support the SAMHI in actuarial analyses of costs of the basic benefit package and estimation of taxation level of MHI contributions;

Activity 2.8 Review the existing data collection and reporting process in health care institutions; the flow of funds; identify changes needed to move from input-based payment to prospective payment, as well as opportunity for and constraints to changes;

Activity 2.9 Propose the optimum service delivery configuration to be incentivized through the SAMHI in order to improve efficiency and quality of services;

Activity 2.10 Develop performance based contracting methodology for SAMHI based on best European practice, including performance indicators and quality indicators;

Activity 2.11 Define standard operating procedures for the implementation of performance based contracting, including contract performance monitoring, performance verification, payments, sanctions, grievance redress and contract renewal and modification;

Activity 2.12 Train the MoH/SAMHI/selected service providers' staff in the concepts of contracting of service providers, monitoring contract performance, identifying problems/issues, performance-based payments, and costing, including at least 5 future trainers (ToT); develop training curricula and other materials;

Activity 2.13 Organize Study visit of a group of 5 representatives of the MoH/SAMHI/selected service providers' staff to study a sample of EU Member States' provider payment system.

Activities related to Result 3:

Activity 3.1 Analyse the legislative and normative framework related to the architecture standards, technical standards and relevant legislative acts, in particular, regarding information management and use of IT in the health sector, and familiarize with the current eHealth and general ICT technical standards;

Activity 3.2 Study the quality requirements to eHealth architecture standards, technical standards and respective normative acts approved by the international eHealth SDOs (standard development organizations) and SMOs (standards maintenance organizations) for the purpose of applicability to Azerbaijan context;

Activity 3.3 Provide advice and conceptual design of technical eHealth architecture, based on global best practices and implementations, including definitions for business architecture, applications architecture, informational and technological architecture;

Activity 3.4 Provide advice on achievement of eHealth systems interoperability (including advices to common data model through functional, semantic, organizational, technological, and legislative interoperability of all eHealth systems in Azerbaijan. Prepare the road map (plan) for long-term process of interoperability achievement;

Activity 3.5 Assist in the establishment of a central electronic patient registry (EPR). This would be the new information system for collecting, registering, storing, updating, using and disseminating information about individual patients and the medical care they received;

Activity 3.6 Determine the security requirements for handling, use and protection of data in the information system of health care and health insurance which all authorized users of the system are obliged to apply;

Activity 3.7 Develop and implement a standardized reporting and data collection system in health facilities to collect on an individual and facility level the necessary data on utilization, cost, revenues and quality of care;

Activity 3.8 Review existing IT equipment in SAMHI and pilot health facilities. Provide recommendations for hardware and software needs to be secured for SAMHI and pilot health facilities;

Activity 3.9 Develop Action plan for the development of the SAMHI IT system;

Activity 3.10 Develop recommendations for long-term capacity building, financing and maintenance projections for ensuring the sustainability of implemented IT systems or interventions;

Activity 3.11 Train the MoH/SAMHI/selected service providers' IT specialists in the concepts of eHealth development including at least 3 future trainers (ToT); develop training curricula and other materials;

Activity 3.12 Organize Study visit of a group of 5 IT specialists of the MoH/SAMHI/selected service providers' staff to study the EU eHealth regulatory framework and a sample of EU Member States' eHealth system;

Note: The various activities, benchmarks, schedules and means of verification may be subject to revision during the preparation of the contract between the Twinning Institutions.

3.5. Means/ Input from the MS Partner Administration

The MS partner administration is expected to provide the Project Leader (MS PL) and the Resident Twinning Advisor (RTA) as well as a team of short term experts to support them in the implementation of the project activities.

The MS Project Leader should be a high-ranking civil servant or equivalent staff commensurate with the requirement for an operational dialogue and backing at political level.

The MS PL is the key link between the partners, acting at an overall operational and strategic level. The MS PL is complemented by the RTA. The RTA is seconded and resides in the BC. He/she co-operates day-to-day with the BC partners and coordinates the input of the MS short-term experts (STEs). STEs will work in Azerbaijan on the basis of specific Terms of Reference (ToR) which will be designed by the RTA for each mission together with the Beneficiary.

It has proved to be an advantage for the project implementation in previous Twinning projects when the MS has designated a senior STE to be responsible for each mandatory result/component of the project (i.e. a component leader) and to liaise with the respective component leader to be nominated by the Beneficiary Administration (BA). The BA will nominate counterparts to these key roles (see section 6.2).

The required MS experts must either be civil/public servants of the relevant MS administration or be permanent staff of authorized mandated bodies. All the experts must comply with the requirements set in the Twinning Manual.

The nature of the work for technical assistance abroad requests strong initiative, good analytical, interpersonal and language skills. All experts shall possess these qualities.

The RTA should be assisted by a full time project assistant for providing translation and interpretation services on a daily basis and for performing general project duties. The cost of the RTA assistant will be funded by the project. The recruitment procedure may be launched before the signature of the Twinning Contract but the RTA assistant may not start to work and corresponding costs will not be eligible before the start of the Twinning contract.

A full-time interpreter/translator may also be recruited in Azerbaijan and funded by the project. (S)he will perform most of the required interpretation/translation services. Whenever required and needed on a clear justified request, e.g. for simultaneous interpretation during seminars and workshops, additional interpretation may be procured and funded by the project. (S)he will provide day-to-day interpretation/translation to the RTA and project experts during meetings.

The RTA is supported in his or her MS administration for logistics, accounting and administrative tasks.

3.5.1. Profile and tasks of the Project Leader (PL)

The Project Leader (PL) from the MS should be a high-ranking civil servant or an equivalent senior manager in a MS national body with sufficient work experience in the field relevant to the project. The PL will supervise and coordinate the overall thrust of the project.

The PL will supervise and coordinate the overall thrust of the project. (S)he will direct the project and will ensure that all the required strategic support and operational input from management and staff of the MS side are available. Together with the Beneficiary PL, (s)he will organize the Project Steering Committee (PSC) meetings. **The MS PL would continue to work in her/his MS administration but should devote a minimum of three working days per month to the project in Azerbaijan with an on-site visit to Azerbaijan at least every three months to participate in the project SC meetings.**

Profile:

Qualification and skills:

- A university degree in public administration, public health or other relevant discipline;
- Experience in the national implementation of health care reforms;

- Good command of written and spoken English.

General professional experience:

- At least 10 years of professional experience in the Health Insurance;
- Experience in project management.

Specific professional experience:

- Broad knowledge of current EU-policies, existing structures and methods in the sector;
- Experience in Human Resources Management (HRM) and Training;
- Specific experience in the management of the implementation of international programs (including EU-funded projects) would be an asset.

Tasks:

- Liaising with the BC Administration at the political level;
- Overall co-ordination, guidance and monitoring;
- Ensuring the direction of the project work;
- Ensuring the achievement on time of the mandatory project results;
- Ensuring the availability on time of MS-Short Term Experts and other MS resources;
- Executing other administrative tasks.

3.5.2. Profile and tasks of the Resident Twinning Advisor (RTA)

The Resident Twinning Advisor (RTA) seconded from the EU MS should have at **least five years' work experience as a staff member in a MS** relevant state body at central level, working directly in the field of health insurance. A network of functional contacts with related EU and Member State institutions will also be an asset. The RTA will be in charge of the day-to-day implementation of the Twinning project in Azerbaijan. (S)he should co-ordinate the implementation of activities according to a predetermined work plan and liaise with the RTA counterpart in Azerbaijan. **(S)he will reside for the entire implementation period of 24 consecutive months in Azerbaijan and work full-time for the project.** The RTA is expected to be actively involved in the implementation of all activities. (S)he should co-ordinate the project and have a certain level of understanding of all the components.

Profile:

Qualification and skills:

- University degree in health economics or public health or other relevant discipline;
- Familiarity with international best practices in health financing and strategic purchasing of health services;
- Good command of written and spoken English.

General Professional Experience:

- At least 10 years' of practical experience in health systems financing, health insurance, and strategic purchasing of health services;
- Experience in results-based provider's payment, including at least case-mixed, capitation and fee-for-service payment methods;
- Experience in managing teams of experts;
- Experience in developing, co-coordinating and conducting training programmes.

Specific Professional experience:

- Familiarity with EU affairs in general and current EU-policies, existing structures and methods in the healthcare sector in particular;
- Good knowledge of the institutional environment relating to the implementation and enforcement of the EU legislation related to the healthcare would be an asset;
- Experience in working in a different cultural environment would be an asset.

Tasks:

- Day-to-day coordination and implementation of the project activities in Azerbaijan;
- Preparation of Terms of Reference (ToR) for STEs' missions;
- Managing inputs of short-term experts;
- Substantial provision of own expertise;
- Ensuring the coherence and the continuity of the inputs and the on-going progress;
- Assessing continuously the Twinning-project at all stages and comparing actual progress with the specified benchmarks and time-frame;
- Guaranteeing smooth implementation of the different activities;
- Liaising with the BC Project Leader and RTA Counterpart on regular basis;
- Liaising with the EU Delegation and the PAO of Azerbaijan;
- Preparing interim, quarterly and final reports;
- Reporting to the MS-Project Leader.

3.5.3. Profile and tasks of the short-term experts (STEs)

All required EU institutional and technical expertise will be covered by the short-term experts. The short-term experts should have good experience in the relevant subject matter. The STEs should be civil servants or staff members of the selected MS institution(s). They should have worked in the required fields for not less than 3 years and have the appropriate qualifications (University degree in health economics, public health, law, IT, or other relevant discipline) and the necessary professional skills to implement the above mentioned activities.

There should be a pool of short-term experts to ensure the smooth implementation of the project. The STEs should be identified by the Project Leader/RTA and will be agreed with the Beneficiary Administration during the negotiation phase of the Twinning contract.

General requirements on STEs are the following:

- University degree in a relevant discipline or at least 5 years of equivalent work experience;
- Good interpersonal and communication skills;
- Computer literacy;
- Excellent command of written and spoken English;

Indicative fields of experience for the key short-term experts:

- Drafting, monitoring & evaluation of health insurance laws and bylaws;
- Actuarial analysis in the field of health insurance;
- Clinical data coding (disease and procedures classification systems);
- Costing methodology and health services pricing;
- Performance-based health budgeting, planning and monitoring, cost analysis;
- Contract design and legal requirements for health provider contracting;

- Development of health information systems;
- Others (to be defined in the proposal and/or during the contracting phase).

STEs' main tasks:

- Provision of their specific expertise;
- Know-how transfer according to the ToR prepared by the RTA and BA;
- Reporting on their missions;

In addition to their missions in Azerbaijan, the STEs are expected to contribute actively in developing programmes for the study visits proposed in the project.

3.6. Reporting and monitoring

The MS Project Leader must draw up Interim Quarterly Reports and a Final Report. (S)he will be responsible for submitting them to the relevant authority. For templates and requirements to reporting and monitoring, see the Twinning Manual.

Project Steering Committee (PSC)

The PSC will be convened at least every three months. The PSC will be chaired jointly by the MS PL and the BC PL. The PSC composition will be defined in the Working Plan according to requirements set in the Common Twinning Manual. Representatives from the PAO of the Republic of Azerbaijan and the EU Delegation, the RTA counterpart and BC PL as well as the RTA, MS PL and BC component leaders will participate in the PSC meetings. Observers from other institutions may be involved from time to time in cross-cutting issues. Representatives from other administrations or short term experts, may also be invited if necessary. The PSC will follow the achievement of the project results and the timely implementation of the project activities in order to identify and rectify any problems that may arise in the course of the implementation of the project.

The secretarial support of the PSC will be provided by the RTA and RTA Assistant, who will prepare the agenda of the meetings, the documents to be discussed as well as the minutes of the meetings.

The working language of the Project implementation will be English. Translation and interpretation will be provided where necessary and where permitted in the provisions of the Twinning Manual.

4. Institutional Framework

4.1. Responsible authority for the implementation of the Mandatory Health Insurance

The State Agency for Mandatory Health Insurance (SAMHI) under the Cabinet of Ministers of the Republic of Azerbaijan is the central counterpart and beneficiary of the Twinning Project. However the project will extend assistance to other institutions, as specified in this fiche.

4.2. Other Azerbaijani stakeholders for the implementation of the Mandatory Health Insurance

Ministry of Health

Ministry of Finance

Financial Markets Supervision Chamber

4.3. Organisation of the Beneficiary Administration (BA)

In December 2007 the President has signed a Decree establishing the State Agency for Mandatory Health Insurance (SAMHI) under the Cabinet of Ministers. This decision was taken in order to ensure a real provider-purchaser split in the health care sector where the vast majority of health facilities are still state-owned.

Corresponding Functions in the Statute

The *activities* of the Agency are the following:

- to participate in development of a national policy in the area of mandatory health insurance and provide the conduction of this policy;
- to provide the development of the mandatory health insurance;
- to take measures to increase the quality and efficiency of medical services with the purpose of creating equal conditions for population in usage of medical services and to make them accessible, thereby protecting and improving the health of the population.

The main *duties* of the Agency are the following:

- to participate in the implementation of appropriate state programs, strategies and development conceptions on mandatory health insurance;
- to take measures to improve the quality of medical services provided to the population within the framework of mandatory health insurance program;
- to conclude the contracts with medical organizations for providing medical aid to insureds in accordance with the mandatory health insurance program;
- the conclude a mandatory health insurance contract with those having the insurance interest and applying for insurance of mandatory health risks;
- to supervise the conformity of the volume, terms, quality and price of prophylaxis, therapy and rehabilitation services provided to insureds within the basic package with terms of the contract signed between parties;
- to issue the health insurance certificate to insured person as of the effective date of the contract;
- to conduct the payment of the fee for the services provided by medical establishments within the benefit package in a manner and timeframe stipulated by the contract;
- to organize the trainings for the specialists engaged in the sphere of mandatory health insurance;
- to protect the interest of the insured;

- to collect the means allocated from state budget, non-budget financial means, mandatory health insurance premiums and other financial means including those from different sources not prohibited by the legislation in itself and provide the efficient disposal of these financial resources;
- to organize the information database of insured persons on mandatory health insurance.

The Agency has following main rights:

- to prepare proposals to be agreed with Ministry of Health of the Republic of Azerbaijan and Ministry of Finance of the Republic of Azerbaijan on structure of benefit package and its improvement on the basis of results of researches on assessment of the value of medical services;
- to select the medical organization to provide medical aid and services on health insurance contracts;
- to sue in case of a dispute concerning a claim for damages by medical organization/medical worker against an insured person;
- to participate in the accreditation of medical organizations;
- to pay partially the costs of medical services in the cases of infringement of the provisions of the contract by medical organizations;
- except from the cases of damage caused by the insured person him/herself, to sue for the incurred costs for medical aid provided to insured person from physical person or legal entities held liable for the damage to the health of the citizen;
- to conduct the monitoring of volume and quality of medical services provided to insured persons.

4.3.1. Functions, Departments and Staff

To carry out its functions, the SAMHI is structured in a Central Administration consisting of 6 departments (see Annex 6). 3 key departments at the SAMHI will be the main beneficiaries of the aforesaid project (other departments will also be in-direct beneficiaries upon request):

- Monitoring, Analysis & IT Department;
- Mandatory Health Insurance Department;
- Legal Department.

The State Agency of Mandatory Health Insurance has a capacity of 189 possible vacancies which was determined by Decision of the Cabinet of Ministers dated at 18 March 2016, whereas 79 and 110 of them will be situated in Baku and regions respectively. At this moment, SAMHI under the Cabinet of Ministers, fully operates its activity with total 30 employees at the office located in Baku. Either, the Agency is constantly looking for the new qualified candidates in order to get them involved into its operations. HR Department of Agency is effectively conducting the recruitment process with predetermined criteria such as relevant experience, language and technical skills and etc. set for candidates to be enrolled. Considering the launch of pilot project at the end of the year, Agency will reach the limit determined by Decision of the Cabinet of Ministers in order to enlarge its operations and provide qualitative services.

4.3.2. Infrastructure and technical resources

SAMHI has head office in Baku and it will open a regional office in Mingachevir which will be one of pilots and will be close (20-30 minutes by car) to the other pilot region (Yevlakh).

5. Budget

The maximum budget allocated to this Twinning project is € 1,100,000

The Azerbaijani beneficiary administration will provide the RTA and other MS experts with office space in Baku, equipment (computers, printer, telephone and internet access) and other provisions as stated in the Common Twinning Manual.

6. Implementation Arrangements

6.1. Implementing Agency responsible for tendering, contracting and accounting (EUD)

The Implementing Agency responsible for tendering, contracting and accounting is the European Commission represented by **the Delegation of the European Union to the Republic of Azerbaijan**. Its contact details are:

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th Floor, 90A, Nizami street

AZ 1010 Baku, Republic of Azerbaijan

Tel: +994 12 497 20 63 (ext. 853)

Fax: +994 12 497 20 69

Website: http://eeas.europa.eu/delegations/azerbaijan

6.2. Main counterpart in the BC

The Programme Administration Office in Azerbaijan (PAO) will support the twinning project implementation process. The person in charge of this project at the PAO is:

Mr. Ruslan RUSTAMLI, Director of PAO

Head of the Department on Cooperation with International organizations

Ministry of Economy of the Republic of Azerbaijan

6th floor, Government House, 84 Uzeyir Hajibayli str.

Baku, AZ 1000, Republic of Azerbaijan

Tel.: (+994 12) 493 88 67 (ext. 2115)

Fax: (+994 12) 598 85 19

E-mail: ruslan.rustamli@economy.gov.az

Website: http://pao.az

Ms Gunel Quliyeva, PAO Project Manager
Leading adviser, Department on Cooperation with International Organizations
Ministry of Economy of the Republic of Azerbaijan
6th floor, Government House, 84 Uzeyir Hajibayli str.
Baku, AZ 1000, Republic of Azerbaijan
Tel.: (+994 12) 493 88 67 (ext. 2367)
Fax: (+994 12) 598 07 86
E-mail: Qunel.quliyeva@economy.gov.az
Website: http://pao.az

Beneficiary Administration – State Agency for Mandatory Health Insurance (SAMHI) under the Cabinet of Ministers of the Republic of Azerbaijan

The Beneficiary Administration has nominated its main counterparts to the MS PL and RTA:

Project Leader –

Ms. Aysel Ibayeva
Head of Legal Department

93, Z. Aliyeva str., Baku, Azerbaijan, AZ1000

Tel.: (+99450) 625 07 78

E-mail: aibayeva@its.gov.az

RTA counterpart –

Mr. Isa Aliyev
Head of Monitoring, Analysis and IT Department

93, Z. Aliyeva str., Baku, Azerbaijan, AZ 1000

Tel.: (+99450) 633 89 36

E-mail: aliyev.isa@gmail.com

During the contracting phase of the project, the beneficiary administration will nominate leaders for each of the results/components.

6.3. Contracts

One Twinning contract is foreseen for this project.

7. Implementation Schedule

7.1.	Launching of the call for proposals:	November 2016
7.2.	Start of project activities:	May 2017
7.3.	Work plan duration:	24 months

8. Sustainability

The Twinning project will have to seek sustainable solutions and approaches based on the adoption of best practices and thus prepare the grounds for Azerbaijani enhanced compliance with the selected EU Acquis and specifically best European practices in the field of accreditation of conformity assessment bodies.

Sustainability is highly dependent of the commitment of the Beneficiary Administration. Therefore the nomination of a responsible person within the Beneficiary Administration, for each component of the Twinning project, is highly recommended. This person will coordinate and promote the activities during the implementation of the project. The "**component leader**" will then ensure, for her/his component that the actions and work of the SAMHI are in line with the results of the project after its completion.

Besides, in the final report, twinning partners will include specific recommendations and strategies for consolidating and safeguarding the achievement of mandatory results in the beneficiary administration.

To ensure sustainability, Beneficiary Administrations should be provided with the training materials (all handovers) in both languages, English and Azerbaijani. That means that a budget for the translation of Guidelines, Handbooks, Glossaries, Methodology Manuals, etc. developed within the project should be foreseen.

9. Crosscutting Issues

9.1. Equal opportunity

The proposed project will comply with EU equal opportunity policies. Equal treatment of women and men in project implementation at all levels will be one of the most important principles in the project management and implementation. The beneficiaries are already equal opportunity employers. In particular, great attention will be given to the equality principle in the training of personnel and the recruitment of the STEs. Of course, appropriate professional qualifications and experience will be the main decisive factors in personnel recruitment and evaluation but, subject to that, both women and men will have identical prospects.

9.2. Environment

The principle of implementation of this Twinning project is based on a paperless work environment. This means, in particular, minimizing paper use during project implementation by the maximum feasible use of e-mails and, if available, project web-site and/or project electronic data base for co-operation between partners. Documents are automatically saved in electronic format.

10. Conditionality and Sequencing

There is no conditionality for the project as the BA has shown strong ownership in the development of this project.

List of the abbreviations

AP	Action Plan
BA	Beneficiary Administration
BC	Beneficiary Country
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
HR	Human Resources
HRM	Human Resources Management
MHI	Mandatory Health Insurance
MS	Member State
MS PL	Member State Project Leader
PAO	Programme Administration Office
PCA	Partnership and Cooperation Agreement
RTA	Resident Twinning Adviser
SAMHI	State Agency for Mandatory Health Insurance
SC	Steering Committee
SIGMA	Support for Improvement in Governance and Management initiative
SOCIEUX	Social Protection European Union Expertise in Development Cooperation
STE	Short Term Expert
TAIEX	Technical Assistance Information Exchange Office
ToR	Terms of Reference
ToT	Training of Trainers

ANNEXE 1: Logical Framework Matrix*

Support in implementation of the mandatory health insurance system in Azerbaijan	Programme name and number: Framework Programme in support of EU-Azerbaijan Agreements **(ENPI/2013/024494)**	AZ/13/ENP/SO/02/16 (AZ/47)
State Agency for Mandatory Health Insurance of the Republic of Azerbaijan	Contracting period expires: **Total budget: 1,100,000 EUR**	Disbursement period expires:

	Objectively Verifiable Indicators	**Sources of Verification**	**Assumptions**
Overall objective:			
• To facilitate the health system financing reform in Azerbaijan through introduction of the mandatory health insurance	• Positive assessment of the health insurance reform by local and international organizations.	• EU ENP Progress Report; • World Bank reports on country's progress; • World Health Organization annual reports; • Annual SAMHI reports.	
Project purpose:			
• To strengthen the institutional capacity at the State Agency on Mandatory Health Insurance (SAHMI), to plan, execute and monitor healthcare spending in three elements: collection, accumulation of	• Mandatory health insurance system is ready for nationwide implementation.	• EU ENP Progress Report; • Decisions by the Government of the	• The Government maintains its political will to implement mandatory health insurance; • The SAMHI and other

funds and purchasing of healthcare services.		Republic of Azerbaijan; • Decisions of the SAMHI; • Project Interim Reports; • Project Final report.	stakeholders remain committed to mandatory health insurance implementation; • Adequate financial resources are allocated to ensure solid backing of the mandatory health insurance implementation.
Mandatory Results:			
1. Legal and institutional framework for the introduction of Mandatory Health Insurance is developed	• Foundational documents that define the architecture of the mandatory health insurance scheme and enable its operationalization developed; • Recommendations on organizational structure of SAMHI, job description for the staff and job profiles developed; • Methodology for development of the Basic Benefit Package prepared; • Process of determining the status of the insured person and registration of the insured persons is in place and functional; • Action plan to pilot and implement the mandatory health insurance prepared; • Insurance contributions and cost-sharing policies; penalty provisions for individual's or employer's failure	• New SAMHI organogram and strategic staff positions; • Methodology for development of the Basic Benefit Package; • Action plan; • Recommended texts of revised laws, decrees & bylaws.	• The Government maintains its political will to implement mandatory health insurance; • The SAMHI and other stakeholders remain committed to mandatory health insurance implementation; • Adequate financial resources are allocated to ensure solid backing of the mandatory health insurance implementation.

	to pay premiums developed; • Draft amendment proposals for the legal acts developed; • Training for at least 15 staff members of the MoH/SAMHI/selected service providers in the concepts of Basic Benefit Package is implemented and at least 5 future trainers are trained.		
2: Financial management framework for the introduction of Mandatory Health Insurance is developed	• Methodological instructions for developing the annual financial plans prepared; • SAMHI is ready for the introduction of Results Based Budgeting; • SAMHI is able to apply actuarial analyses of costs of the basic benefit package; • Optimum service delivery configuration proposed in order to improve efficiency and quality of services in SAMHI; • Performance based contracting methodology for SAMHI developed including performance indicators and quality indicators; • Standard operating procedures for the implementation of performance based contracting defined;	• Methodological instructions for developing the annual financial plans; • Performance based contracting methodology, including performance indicators, quality indicators, contract monitoring and payment terms; • Scoping documents for the pilot project; • Quality Report on the results of the pilot project.	• The Government maintains its political will to implement mandatory health insurance; • The SAMHI and other stakeholders remain committed to mandatory health insurance implementation; • Adequate financial resources are allocated to ensure solid backing of the mandatory health insurance implementation.

	• Contracts and new payment arrangements is tested in 2 pilot regions and the results disseminated; Training the MoH/SAMHI/selected service providers' staff is implemented and at least 5 future trainers are trained.		
3: Information technology framework for the introduction of Mandatory Health Insurance is developed	• Legislative and normative framework related to the IT architecture standards, technical standards and relevant legislative acts, in particular, regarding information management and use of IT in the health sector is in place; • Security requirements for handling, use and protection of data in the information system of health insurance prepared; • Standardized reporting and data collection system in health facilities to collect on an individual and facility level the necessary data on utilization, cost, revenues and quality of care is in place and functional; • Detailed action plan for developing the needed information system capacity in SAMHI and the pilot regions prepared; • First set of monitoring and evaluation indicators are ready for use;	• List of needed revisions of the legal & normative framework; • Recommended texts of revised laws, decrees & bylaws • Document on requirements for handling, use and protection of data in the information system of health insurance; • Standards for reporting and data collection system in health facilities; • Plan for developing the needed information system capacity in SAMHI and the pilot	• The Government maintains its political will to implement mandatory health insurance; • The SAMHI and other stakeholders remain committed to mandatory health insurance implementation; • Adequate financial resources are allocated to ensure solid backing of the mandatory health insurance implementation.

	• Training the MoH/SAMHI/selected service providers' IT specialists in the concepts of eHealth development is implemented and at least 3 future trainers are trained; • A central electronic patient registry established.	regions.	

	Means	**Costs**	
Visibility actions			
0.1. Kick-off meeting			
0.2. Quarterly meetings of the Steering Committee			
0.3. Final conference			
Activities to achieve result 1: Legal and institutional framework for the introduction of Mandatory Health Insurance is developed			
1.1. Develop foundational documents that define the architecture of the mandatory health insurance scheme and enable its operationalization (SAMHI Organigram and strategic staff positions; Financial Management Regulation; define the process of determining the status of the insured person and registration of the insured persons; design insurance contributions and cost-sharing policies; penalty provisions for individual's or employer's failure to pay premiums; and establish grievance redressal mechanisms)	RTA; STEs		

1.2. Develop methodology for strategic and operational planning for defining the composition of the Basic Benefit Package that draws on best international practice, including risk assessments (consider costs, cost-effectiveness), and monitoring and control of progress against strategic objectives	RTA; STEs		
1.3 Support preparatory work required to implement a basic outpatient drug benefit (establishment of the procedures for inclusion of drugs and consumables in the positive list covered by SAMHI; establishment of the procedures for drugs prescribing; establishment of the procedures for issuing of drugs covered by SAMHI)	RTA; STEs		
1.4 Explore and recommend common approaches to be used to address high cost services, drugs and consumables	RTA; STEs		
1.5 Develop Action plan for piloting and implementation of the mandatory health insurance	RTA; STEs		
1.6 Train the MoH/SAMHI/selected service providers' staff in the concepts of Basic Benefit Package development including at least 5 future trainers (ToT); develop training curricula and other materials	RTA; STEs		

1.7 Organize Study visit of a group of 5 representatives of the MoH/SAMHI/selected service providers' staff to study the EU health care regulatory framework and a sample of EU Member States' health care system	RTA; STEs		
1.8 Organize regular information meetings and awareness raising visibility initiatives to render the reform of the health care system visible, motivate the health care professionals and inform the public	RTA; STEs		
1.9 Organize International conference / seminar (100 participants) on the health care reforms (implementation of the mandatory health insurance, development of Basic Benefit Package, provider payment systems, eHealth) and the system of a sample of EU Member State	RTA; STEs		
Activities to achieve result 2: Financial management framework for the introduction of Mandatory Health Insurance is developed			
2.1 Develop methodological instructions for developing the annual financial plans	RTA; STEs		
2.2 Develop budgeting and revenue project arrangements. Support to the introduction of Results Based Budgeting (RBB) for the SAMHI	RTA; STEs		
2.3 Identify key gaps that remain before premium collection can begin, and key steps that should be completed before premium collection should begin	RTA; STEs		

2.4 Recommend the nature of funds allocations and flows, expenditure tracking, accounting and reporting	RTA; STEs		
2.5 Propose functions and funding to be added to the MHIF on an incremental basis. Recommend options for incremental approaches	RTA; STEs		
2.6 Support introduction and testing of cost accounting mechanisms in pilot regions at case level	RTA; STEs		
2.7 Support the SAMHI in actuarial analyses of costs of the basic benefit package and estimation of taxation level of MHI contributions	RTA; STEs		
2.8 Review the existing data collection and reporting process in health care institutions; the flow of funds; identify changes needed to move from input-based payment to prospective payment, as well as opportunity for and constraints to changes	RTA; STEs		
2.9 Propose the optimum service delivery configuration to be incentivized through the SAMHI in order to improve efficiency and quality of services	RTA; STEs		
2.10 Review performance based contracts from other countries. Develop performance based contracting methodology for SAMHI, including performance indicators and quality indicators	RTA; STEs		

2.11 Define standard operating procedures for the implementation of performance based contracting, including contract performance monitoring, performance verification, payments, sanctions, grievance redress and contract renewal and modification	RTA; STEs		
2.12 Train the MoH/SAMHI/selected service providers' staff in the concepts of contracting of service providers, monitoring contract performance, identifying problems/issues, performance-based payments, and costing, including at least 5 future trainers (ToT); develop training curricula and other materials	RTA; STEs		
2.13 Organize Study visit of a group of 5 representatives of the MoH/SAMHI/selected service providers' staff to study a sample of EU Member States' provider payment system	RTA; STEs		
Activities to achieve result 3: Information technology framework for the introduction of Mandatory Health Insurance is developed			
3.1 Analyse the legislative and normative framework related to the architecture standards, technical standards and relevant legislative acts, in particular, regarding information management and use of IT in the health sector, and familiarize with the current eHealth and general ICT technical standards	RTA; STEs		

3.2 Study the quality requirements to eHealth architecture standards, technical standards and respective normative acts approved by the international eHealth SDOs (standard development organizations) and SMOs (standards maintenance organizations) for the purpose of applicability to Azerbaijan context	RTA; STEs		
3.3 Provide advice and conceptual design of technical eHealth architecture, based on global best practices and implementations, including definitions for business architecture, applications architecture, informational and technological architecture	RTA; STEs		
3.4 Provide advice on achievement of eHealth systems interoperability (including advices to common data model through functional, semantic, organizational, technological, and legislative interoperability of all eHealth systems in Azerbaijan. Prepare the road map (plan) for long-term process of interoperability achievement	RTA; STEs		
3.5 Assist in the establishment of a central electronic patient registry (EPR). This would be the new information system for collecting, registering, storing, updating, using and disseminating information about individual patients and the medical care they received	RTA; STEs		

3.6 Determine the security requirements for handling, use and protection of data in the information system of health care and health insurance which all authorized users of the system are obliged to apply	RTA; STEs		
3.7 Develop and implement a standardized reporting and data collection system in health facilities to collect on an individual and facility level the necessary data on utilization, cost, revenues and quality of care	RTA; STEs		
3.8 Review existing IT equipment in SAMHI and pilot health facilities. Provide recommendations for hardware and software needs to be secured for SAMHI and pilot health facilities	RTA; STEs		
3.9 Develop Action plan for the development of the SAMHI IT system	RTA; STEs		
3.10 Develop recommendations for long-term capacity building, financing and maintenance projections for ensuring the sustainability of implemented IT systems or interventions	RTA; STEs		
3.11 Train the MoH/SAMHI/selected service providers' IT specialists in the concepts of eHealth development including at least 3 future trainers (ToT); develop training curricula and other materials	RTA; STEs		

3.12 Organize Study visit of a group of 5 IT specialists of the the MoH/SAMHI/selected service providers' staff to study the EU eHealth regulatory framework and a sample of EU Member States' eHealth system	RTA; STEs		

* - *This Logical Framework Matrix is tentative. The Twinning partners shall revise the content of the Logical Framework Matrix, mainly measurable indicators / benchmarks basis of commonly agreed activities and outputs during the drafting of the work plan for this project*

ANNEX 2: "Law on Health insurance" of the Republic of Azerbaijan (28th October 1999)

Law on Health Insurance

Article 1. Health insurance and its forms

Mandatory health insurance guarantees that public gets medical services and medicines in accordance with mandatory health insurance policy.

Article 3. Subjects of health insurance

Subjects of health insurance are the insured, insured persons, health insurance companies, medical institutions and private practitioners.

For the purposes of mandatory health insurance, the insured are the following:

- government authorities (with regard to unemployed citizens);
- legal entities and entrepreneurs (with regard to employed citizens).

For the purposes of health insurance, medical institutions include duly licensed legal entities providing various medical services.

Article 4. Health insurance contract

Health insurance works under contracts signed between its subjects.

Health insurance contract is a written agreement between an insured and insurance company regulating provision and funding of medical services for an insured person, and protecting his/her other interests.

Health insurance contract becomes valid once the insurance fee is paid.

Form of a health insurance contract and requirements for its signing are set by a competent government authority.

Rules on types of health insurance and categories of people exempt from mandatory health insurance are set by a competent government authority.

Article 5. Health insurance certificate

Health insurance certificate is a document guaranteeing that insured persons duly get medical services in Azerbaijan and certain foreign countries.

Citizens covered by health insurance contracts have health insurance certificates.

Insured person needs to keep his/her health insurance certificate and present it to medical institutions when visiting them.

Form of a health insurance certificate and requirements for its application are set by a competent government authority.

Article 6. Rights and obligations of an insured

Obligations of an insured are the following:

- duly signing health insurance contracts;
- duly paying insurance fees;
- informing medical institutions about insured persons' health condition;

Health insurance contracts may impose other obligations on the insured.

Article 7. Rights of insured persons

Rights of insured persons include, without limitation, the following:

- duly getting medical services in Azerbaijan;
- availing themselves of medical services in accordance with mandatory health insurance contracts.

Article 8. Health insurance of foreigners and stateless persons permanently residing in Azerbaijan

Stateless persons permanently residing in Azerbaijan have the same rights and obligations as Azerbaijani citizens do.

Unless international treaties that Azerbaijan is signatory to provide otherwise, foreigners permanently residing in Azerbaijan have the same rights and obligations as Azerbaijani citizens do.

Article 9. Funding of mandatory health insurance

Funding sources of mandatory health insurance are the government budget, insurance fees paid by the insured, fines for delayed or non-paid mandatory insurance fees, other sources not prohibited by the legislation.

Funding of mandatory health insurance, keeping and usage of mandatory health insurance fees are controlled by a competent government authority.

Article 10. Mandatory health insurance fees

Regarding mandatory health insurance, fixed insurance fees for employed citizens must be duly paid by the insured.

Regarding mandatory health insurance, fixed insurance fees for unemployed pensioners, temporarily unemployed (due to liquidation of employer) people, disabled people, children, students and public/government employees must be duly paid by government authorities.

Article 11. Mandatory health insurance programme

Mandatory health insurance programme sets the terms/conditions, type and basic benefit package of medical services and is approved by a competent government authority. The goal of this programme is that citizens get medical services of fixed scope and quality.

Article 12. Health insurance body

Mandatory health insurance body is a government authority established by a competent government authority to implement mandatory health insurance.

Article 14. Rights and obligations of medical institutions, and private practitioners

Duly licensed medical institutions and private practitioners may provide medical services under health insurance.

Private medical institutions and private practitioners may take part in mandatory health insurance through legal selection. Contracts with private medical institutions and private practitioners taking part in mandatory health insurance are signed by government authorities and health insurance companies.

Medical institutions taking part in mandatory health insurance may also provide medical services uncovered by health insurance.

Private medical institutions and private practitioners taking part in mandatory health insurance must:

- provide medical services to insured persons in accordance with health insurance contracts;
- inform health insurance companies about complications caused (or to be caused) by insured persons' illnesses or insured persons' faulty actions;
- keep confidential the information about insured persons' health conditions and private lives.

Medical institutions and private practitioners taking part in mandatory health insurance may not charge insured persons extra service fees for medical services specified in health insurance contracts.

Private medical institutions and private practitioners (not taking part in mandatory health insurance) providing emergency services must be paid just for the service that are in line with mandatory health insurance.

A r t i c l e 15. Rates for medical services under health insurance

Rates for medical services under mandatory health insurance are set by a competent government authority.

ANNEX 3: Decree of the President of the Republic of Azerbaijan on "Concept for Health Financing Reform and Introduction of Mandatory Health Insurance"

Concept for Health system financing reform and introduction of mandatory health insurance in the Republic of Azerbaijan

Protection of the health of the population, improvement of the quality of medical service in the Republic of Azerbaijan is always in the centre of attention of the state as on the main directions of conducted socio-economic policy.

In recent years high economic development in the economy of the country caused increase the state costs in a high degree directed to the field of health. Several important state programs are accepted in the direction of protection of health of population in the result of reforms conducted in the field of health, it is achieved to improve the financial-technical base of medical organizations.

Aside with above mentioned, it is impossible to reach to wished level the quality of the medical services provided to population without improving the existing financing mechanisms of health system.

For this cause, the necessity of deepen the reformations in health system, structuring the financing in new bases is raised and existing situation conditioned the accepting of this Concept.

I. Current situation and problems in the field of Health

Notwithstanding the fast development observing in the economy of the Republic of Azerbaijan in recent years created the condition for increasing the budget means in a high degree directed to the health sector, the improvement of quality indicators in this field in basic form is not achieved and new health model serving to the strengthening of the health of population is not created.

From 1992 to 2003 the indications of births decreased to low level, but in recent years this process started to improvement.

Notwithstanding to the relative stability level of death indicators, in different years the increasing cases are noted in death indicators.

The general illness indicator of the population of the Republic did not change in a necessary degree from 1992 up to date and about 18 thousand illness cases were noted per each 100 thousand person.

According to the information for 2006, the indicator of the provision of population with beds in medical organizations in the Republic was 813 beds per each 100 thousand person this is more than the indicator existing in developed European countries (631).

The number of doctors is about 365 people per each 100 thousand person by being more than 30 thousand people. This is in compliance with the average indicator (352) being in European countries. Aside with this, the law quality and volume of first medical-sanitary aid provided to

the population remains as a problem. The analyses show that this is related to discrepancy raised between services of stationary and ambulatory-clinic first, between the numbers of general and narrow- profiled doctors. So, the state medical organizations providing first medical aid currently are not completed in full with qualified doctors.

In recent years, all trouble of first medical aid is charged on the stationary service. The majority of high-qualified doctors in stationeries and application of modern diagnostic methods created the opportunity to provide more ambulatory medical service to the population for majority of stationary doctors practically.

From other side, because of financial-technical base do not meet the modern requirements yet, shortage of necessary medical equipment, shortage of necessary level of unpaid medical aid provision create obstacles for getting qualified stationary medical service of population in remote residential points. Financing of this field is based to methods inherited from previous system, quantity indicators and the fund of bed for the first time and the numbers of workers.

The issues of increasing the specialty and profession of the personnel in health systems also remained of the attraction in the result of this the number of medical works are very increased.

In the result of occupation more than 20 percentage of the territory of our Republic, the migration and unregulated replacement of the population deepened the existing problem in the sphere of medical sanitary aid of the population. One of the problems is the strengthening of flow of population from regions to capital for getting medical service.

Thus, above mentioned problems caused to deterioration of medical infrastructure, increasing of the value of medical service and arising the financial troubles in the usage of that service, the low level of its quality.

II. Main goals and principles of health system financing reform

Main goals of health system financing reform are followings:

- structuring the health system financing in new economic principles and increasing the opportunities of population to use medical services;

- increasing the level of medical service by more efficient use of government means allocated to health sector;

- improvement the health of population and increasing the average life-long.

The principles are considered to be conducted on following principles to achieve the above mentioned indicated goals:

- to provide unpaid medical service including base (main services) envelope of all citizens;

- implementation of the enriched right to protect the health guaranteed by the Constitution of the Republic of Azerbaijan;

- to create the necessary condition for legal entities and physical persons providing medical service regardless of the type of property.

1. Structuring new economical bases of health system financing

Increasing in a significant degree the costs of governmental health and big investments is one of the main requirements to achieve the improvement of the quality of governmental health services. To achieve the increasing the favourability of sage from state means divided for health, it is very important to conduct the basic reformation in this field. The improvement of financing mechanism of the health and application of mandatory health insurance are main directions of medical reforms. Application of mandatory health insurance and creating the new management methods in this field is one of the most real ways for eliminating recent problems in the financing system of health in the republic of Azerbaijan. The mandatory health insurance will give opportunity to create an additional income source for medical system, it will result with the favourable usage of costs by generalizing the medical resources in itself and the opportunities of citizens to use from medical services of better quality will increase.

Introduction of mandatory health insurance system will formalize the relations new for the quality in the field of medical services. Thus, regardless from the type of the property the medical services including to indicative envelope submitted to citizens of medical organization will be paid by mandatory health insurance.

The source of formation of mandatory health insurance means will be means of the budget of the Republic of Azerbaijan, mandatory health insurance premiums and other incomes not prohibited by the legislation.

To be the buyer of medical services financed by state of State Agency on Mandatory Health Insurance under the Cabinet of Ministers of the Republic of Azerbaijan established by the Order No. 2592 dated on December 27, 2007 of the President of the Republic of Azerbaijan, to generalize all deductions in this body for financing of medical prophylaxis and rehabilitation is considered here. The relations of Agency with medical prophylaxis and rehabilitation organization will be structured on the basis of contracts.

In general, application of mandatory health insurance will help to followings:

- establishment of new source of financing of the health and mobilization of new resources for health system;

- better planning the policy of health, generalizing in unite organization of them to use more favourable from the funds of health;

- regulation in health system. Providing services and dividing of purchasing function;

- Providing of transparency of the system.

2. Efficient use of government means allocated for health system

The necessary condition to achieve any significant change in getting by the population medical services of good quality is efficient use of government means for health sector.

Changing of existing mechanism of the management of governmental means allocated for health, creating the new economic principles of financing is prerequisite for application of mandatory health insurance and at the same time is an important step in the direction of usage in a more favourable form of governmental means divided for health.

The means divided for certain purposes should be directed to the execution of duties and activity types based on the concrete results, so that is also is important to define the indicative envelope in the optimal level.

The medical service provide to the population will contain two parts conditionally. First, services issued state guarantee and services submitted to the population unpaid conditions (services included t the indicative envelope). Second other medical services as an additional to these services.

The services including to the indicative envelope surrounding first medical-sanitary, immediate and emergency services and the services of the specialists of certain profiles will be financed on the account of state budget and mandatory health insurance fees. The financing of additional services will be financed on the account of means of population, means of voluntary medical insurance and different financial aids. These parts are considered to act in mutually integrated form in the future.

According to the means including to state costs divided to health and from mandatory health insurance, the issues as obtaining by different sections of main medical services by defining the indicative envelope will find its resolution. This envelope will contain all first and prophylaxis services, public health events and other services.

The governmental means directed to health are considered to be divided good in case if these costs are related with medical needs of the population. The reformations will be held consider the application division principle of medical costs per each person by taking into consideration of the specific characteristics of ills – demographic, epidemiological, socio-economic and other appropriate factors. Then the resources will be divided appropriate to the number of population by taking into consideration the value of services provided to population living in remote territories.

The new mechanism of financing of health is considered to be applied in medical organizations of pilot regions. The changed structure of indicative envelope will be determined on the basis of researches on assessment of the value of medical services and the results of testing of indicative envelope in pilot regions.

Making favourable the network of existing health organizations and working out the program considering the direction of investments to health sector in parallel with capital improvement of the activity of infrastructure is also necessary. This Concept will provide the definition of targets for government investments will be divided for modernizing of medical organizations on all of the country and will surround the planning of making favorable the health infrastructure.

III. Voluntary medical insurance

Aside with mandatory health insurance, the medical insurance can be held in voluntary form. Voluntary medical insured person obtains the right of additional medical aid on the basis of voluntary medical insurance contract aside with medical aid defined in mandatory health insurance program. Physical entities and legal entities expressing their interest can participate as insurers in voluntary medical insurance. The amount of insurance fee in insurance of this type is defined by the agreement of parties according to the program of voluntary medical insurance and the tariffs for medical services are defined on the basis of agreement between insurance company

and medical organization providing these services (or the person engaged in private medical practice).

IV. Socio - economic results of health reformation

The health reformations should give a guarantee to the establishment of equal conditions to obtain medical services for the population, protection of health of population, increasing the quality of medical services, structuring the health meeting to the modern standards in Azerbaijan. Structuring of financing mechanisms of health with new bases will create opportunity for usage of government means by more useful form.

ANNEX 4: Decision of the Cabinet of Ministers of the Republic of Azerbaijan on "Action plan for the implementation of the Concept for Health Financing Reform and Introduction of Mandatory Health Insurance for 2008-2012" dated 11th August 2008;

Action plan for the implementation of the Concept for Health Financing Reform and Introduction of Mandatory Health Insurance for 2008-2012

No.	Activity	Executive bodies	Execution period (year)
1. Assessment of existing situation of health system financing			
1.1.	Caring out the monitoring of existing condition of health system financing (financing of first medical aid, financing of stationeries, the condition of financial-technical condition of health and etc.)	Ministry of Health, Ministry of Finance	2008
1.2.	Assessment of existing salary system (factors defining the salary, the level of average monthly salary, the effect of salary to the stimulation of the result of labor and etc.)	Ministry of Health, Ministry of Finance, Ministry of Labour and Social Protection of Population	2008
1.3.	Defining the problems in existing financing systems of the health.	Ministry of Health, Ministry of Finance	2008
2. Normative-legal regulation of reform process of health financing system			
2.1.	Completing the execution of plans considered by the Decree No.693 dated on December 27, 2007 "On application of Law No. 503-IIIQD dated on December 07, 2007 of the republic of Azerbaijan "On additions and amendments to some legislative acts of the Republic of Azerbaijan" and "On application of Law of the Republic of Azerbaijan "On Health Insurance" No.241 dated on December 30, 1999 of the president of the Republic of Azerbaijan	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health, Ministry of Finance, Ministry of Justice	2008-2009
2.2.	Carrying out the monitoring of legislative acts regulating the financing of health, preparations the suggestion on their improvement	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health, Ministry of Justice	2008-2009

No.	Activity	Executive bodies	Execution period (year)
2.3.	Defining the requirement and specifications, also the tariffs for selecting the suppliers of medical services (regardless of the type of property), compensation of the expenses, preparation of rules regulating to obtain the services including to indicative envelope surrounding the regulating issues of the rights of subjects of mandatory health insurance	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health, Ministry of Finance, Ministry of Justice	2008-2009
2.4.	Preparation of the projects of normative legal acts providing the conduction of concept of reform of financing system of health care	Ministry of Health, Ministry of Finance, State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Justice	2008-2010
2.5.	Preparation of normative documents providing the future development and improvement of voluntary health insurance	Ministry of Health, Ministry of Finance, Ministry of Justice	2008-2010
3. Application of best international experience and capacity development of the State Agency on Mandatory Health Insurance under the Cabinet of Ministers			
3.1.	Executing the actions for studying of the best international experience in this filed and application in the Republic of Azerbaijan by involving the experts of World Bank in the frame of Financing Transaction between Azerbaijan republic and International Development Association (Project of Reforms of Health Sector)	Ministry of Health, Ministry of Finance, State Agency on Mandatory Health Insurance under the Cabinet of Ministers	2008-2012
3.2.	Executing the actions on strengthening institutionally of State Agency on Mandatory Health Insurance under the Cabinet of Ministers	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health	2008-2009
3.3.	Preparation of draft budget of State Agency on Mandatory Health Insurance under the Cabinet of Ministers and submitting for approval in an appropriate right	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Finance	Each year
4. Improvement of health system financing			

No.	Activity	Executive bodies	Execution period (year)
4.1.	Working out a new financing system of suppliers of medical service to provide the services including to indicative envelope and testing it in pilot regions	Ministry of Health, State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Finance	2008- 2009
4.2.	Defining the specified structure of indicative envelope on the basis of results of researches on assessment of the value of medical services and testing the indicative envelope in pilot regions.	Ministry of Health, State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Finance	2009-2010
4.3.	On the basis of experience obtained in pilot regions, execution the plans on improvement and regularly enlargement of procedures obtaining the services including to indicative envelope and new financing methods	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health	2009 – 2011
4.4.	Carrying out appropriate works with insurers y the purpose of creating the opportunity obtaining by voluntary health insurance by population of services not including to the indicative envelope	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Finance, Ministry of Health	2009-2012
4.5.	Preparation of suggestions on services including to indicative envelope for the next year	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health, Ministry of Finance,	Each year
5. Teaching and enlightenment			
5.1.	Preparation of appropriate programs on training of leaders of medical service suppliers in the field of organization of mandatory health insurance work (regardless of the types of property)	Ministry of Health, State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Education	2008-2009
5.2.	Organization the work of increasing the qualification and professionalism of personnel in health system in the level of modern requirements.	Ministry of Health	2008-2012
5.3.	Conduction of appropriate trainings for the workers of suppliers of medical service (regardless of the types of property)	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health	2008-2012

No.	Activity	Executive bodies	Execution period (year)
5.4.	Conduction of appropriate trainings for the employees of State Agency on Mandatory Health under the Cabinet of Ministers	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health	2008-2012
5.5.	Preparation of suggestions related to formation of information bank providing the application of new financing system inside of mandatory health insurance and establishment of suite information system on health	Ministry of Health, State Agency on Mandatory Health Insurance under the Cabinet of Ministers	2009 - 2010
5.6.	Enlighten of the population on services including to reforms conducted in health system of population and including the indicative envelope	Ministry of Health, State Agency on Mandatory Health Insurance under the Cabinet of Ministers	Regulary
6. Monitoring and assessment			
6.1.	Execution of actions and conduction of monitoring for more improvement of financing methods of medical service suppliers and the procedures of obtaining services including to the indicative envelope, quality of medical services	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health	2008-2012
6.2.	Assessment of existing changes in the usage opportunities of population from medical services	State Agency on Mandatory Health Insurance under the Cabinet of Ministers, Ministry of Health	2012

ANNEX 5: Decree of the President of the Republic of Azerbaijan on "Approval of the Statute of the State Agency on Mandatory Health Insurance under the Republic of Azerbaijan and its structure" dated 15th February 2016.

Statute of the State Agency on Mandatory Health Insurance under the Republic of Azerbaijan and its structure

1. General provisions

1.1. State Agency on Mandatory health Insurance under the Cabinet of Ministers of the Republic of Azerbaijan (hereinafter – Agency) is executive body providing the application of mandatory health insurance, generalizing all means in itself for financing of medical services in the frame of indicative (main services) envelope, financed by the government, being the buyer of medical services and providing the necessary costs related to this.

1.2. In its activity the Agency guided on the Constitution of the Republic of Azerbaijan, the laws of the Republic of Azerbaijan, decrees and orders of the President the Republic of Azerbaijan, international treaties joined by the Republic of Azerbaijan and this Regulation.

1.3. The Agency acts in mutual relation with related governmental, local self-administrative authorities and non-governmental organizations while implementing its duties and conducting its rights.

1.4. The Agency has individual balance, state property being in its order according to legislation, accounts of treasure, seal in which there is description of state emblem of the Republic of Azerbaijan and its name, appropriate stamps and blanks.

1.5. The maintenance expenses and activity of the Agency is financed on the account of means of state budget of the Republic of Azerbaijan, mandatory health insurance fees, fine, forfeit applied in cases of infringement the rights of payment of mandatory health insurance fees and on the sources being not contradictory with the legislation. The means remaining in the account of the Agency for the end of the financial year is directed to financing of expenses of the next year.

1.6. The Agency is situated in Baku city.

2. Action directions of the Agency

2.1. Action directions of the Agency are followings:

2.1.1. to participate in formation of unite state policy in the area of mandatory health insurance and provide the conduction of this policy;

2.1.2.taking measures in the direction of increasing the quality and favourability of medical services by the purpose of creating equal conditions for population in usage of medical services, making them accessible, by protection and improvement of the health of population.

2.1.3. To act in other directions defined by legislation.

3. Duties of the Agency

3.1. According to the defined action directions by this Regulation the duties of the Agency are the followings:

3.1.1. to participate in preparation of appropriate programs on mandatory health insurance, actions on directions of the strategy of mandatory health insurance and to participate in their conduction;

3.1.2. to take a measures in the direction of improvement of the quality of medical service provided to the population in the frame of mandatory health insurance program;

3.1.3. to conclude the contracts with medical organizations acting in an appropriate right by the legislation for provision of medical aid according to the medical insurance program to medically insured persons;

3.1.4. to conduct mandatory health insurance contract with the person appealing to insure the appropriate risks on mandatory health insurance and having the insurance interest;

3.1.5. to supervise the accordance of prophylaxis, the volume, term, quality and price of therapy and rehabilitation aid with the provisions of the contract conducted with parties provided in the frame of indicative envelope to insured persons;

3.1.6. to issue the medical insurance certificate to insured person from the moment of coming into force of the medical insurance contract;

3.1.7. prepare the project of budget of the Agency and provide the execution of approved budget;

3.1.8. to provide the payment in considered right and period in the contract the medical service fee indicated in the volume including to the indicative envelope by the medical organizations;

3.1.9. to submit the tariff of treatment-prophylaxis and other medical services on mandatory health insurance by agreement with appropriate governmental bodies to the appropriate bodies;

3.1.10. to organize the trainings for the specialists engaged in the sphere of mandatory health insurance;

3.1.11. to protect the interest of the insured person;

3.1.12. to generalize the means allocated from state budgets, fees of mandatory health insurance and other financial means including from other sources not prohibited by the legislation in itself and ensure the efficient use of them;

3.1.13. to organize the information bank of insured persons on mandatory health insurance;

3.1.14. to conduct methodical activity on provision of the activity of mandatory health insurance;

3.1.15. to provide the conduction of international treaties joined by the Republic of Azerbaijan;

3.1.16. to take measures for protection of state secret and privacy regime according to the legislation, also to provide the security according to the action directions;

3.1.17. to organize the conduction of accounting record according to the legislation, assembling, generalizing, defining precisely and delivering to the appropriate governmental body of the report information;

3.1.18. to review including application and complaints related to action directions of the Agency and to take measures defined by the legislation;

3.1.19. to provide the informing of the population on its activity.

4. Rights of the Agency

4.1. Agency has following rights:

4.1.1. to prepare suggestions by agreeing with Ministry of Health of the Republic of Azerbaijan and Ministry of Finance of the Republic of Azerbaijan on structure of indicative envelope and its improvement on the basis of results of researches on assessment of the value of medical services;

4.1.2. to select the medical organization to provide medical aid and services on medical insurance contracts;

4.1.3. to appeal to court in an appropriate right by the legislation to compensate the damage caused to insured person for the guilt of medical organization and (or) medical worker;

4.1.4. to participate in the accreditation of medical organizations;

4.1.5. to pay partially the costs incurred to medical services in the cases of infringement of the provisions of the contract by medical organizations;

4.1.6. except from the cases of damage caused by the insured person, to demand the payment of incurred costs for provided medical aid to insured person in an appropriate right by the legislation from physical or legal entities being the defendant for the loss caused to the health of the citizen;

4.1.7. to conduct the monitoring of volume and quality of medical services provided to insured persons;

4.1.8. to supervise the reasonableness of the amount paid to medical organizations for provided medical services;

4.1.9. to prepare the projects of normative legal acts related to the field of mandatory health insurance and to participate in their preparation;

4.1.10. to give a requisition on necessary information (documents) to governmental and local-self-administration bodies on mandatory health insurance, to physical and legal entities and to receive the necessary information from them;

4.1.11. to involve the independent experts and specialists to its activity by the appropriate right with the legislation;

4.1.12. to issue special bulletins and other editions on mandatory health insurance in the circle of means considered for these purposes in an appropriate right by the legislation;

4.1.13. to conduct the rights on state property being under its order by the appropriate right by the legislation of the Republic of Azerbaijan.

5. Organization of the Agency

5.1. The structure of the Agency is defined by the President of the Republic of Azerbaijan, the limit of the number of the workers are defined by the Cabinet of Ministers of the Republic of Azerbaijan.

The norms of payment of labour and other guarantees of the labour of the director of Agency, his deputies and other employees of Apparatus is considered equal to norms of payment of labour and other guarantees of the chiefs of central executive bodies of the Republic of Azerbaijan, deputy chiefs and employees.

5.2. The director appointed to the position and disappointed from the hold position by the President of the Republic of Azerbaijan manages the activity of the Agency. The director is individually responsible for implementation of charged duties and conduction of functions.

5.3. The director of the Agency has 2 (two) deputies appointed and disappointed from the position by the President of the Republic of Azerbaijan.

5.4. Director:

5.4.1. Organizes the activity of the Agency and conducts its management;

5.4.2 issues orders and decrees being compulsory for execution, conducts the supervision to their execution, organizes the execution of normative legal and non-normative legal acts;

5.4.2 conducts the division of duties, defines the authorities on state, personnel, financial and other issues of them, also other officials of the Agency and provides the mutual activity;

5.4.3. approves the structure of regional divisions, state table and the cost estimates inside of divided budget loans of the apparatus of Agency inside the defined structure, salary fund and the limit of the number of workers;

5.4.4. gives orders on the financial means and property of Agency in a defined right by the legislation;

5.4.5. appoints and disappoints in an appropriate right to the legislation the employees' of the apparatus of the Agency and regional divisions, takes incentive and disciplinary measures about them;

5.4.6. issues orders and decrees which executions are compulsory on the activity of bodies of the apparatus of the Agency, also under the its subordination according to the legislation, conducts the supervision to their execution, organizes the execution of normative-legal and non-normative legal acts;

5.4.7. cancels the decisions of officials of the Agency being contradictory with the legislation;

5.4.8. Represents the Agency.

5.5. The supervision on the activity of the Agency is held in an appropriate right considered by current legislation.

5.6. Agency submits the quarterly and annual reports on financial activity and on expenditure of including funds to the Cabinet of Ministers of the Republic of Azerbaijan, to the Ministry of Health of the Republic of Azerbaijan and to the Ministry of Finance of the Republic of Azerbaijan in an appropriate right.

ANNEX 6: State Agency for Mandatory Health Insurance (SAMHI) organigram