HEALTHCARE FINANCING AND REIMBURSEMENT
A GLOBAL REVIEW OF MAJOR TOPICS AND TRENDS

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LAWS AND REGULATIONS ON HEALTHCARE FINANCING AND REIMBURSEMENT

1. Please provide a bird's eye view on the healthcare economy, indicating, in general terms, the role of the government (public healthcare) and private actors (private healthcare).

The Colombian Government ensures access to healthcare services that promote healthy lifestyles and aid in illness recovery based on universality, solidarity and efficiency. Services are provided by government entities or private insurers and providers.

The General Social Security Health System (Sistema General de Seguridad Social en Salud or SGSSS) is structured as follows:

- regulation and supervision: managed by the Ministry of Health and Social Protection (Ministerio de Salud y Proteción Social or MSPS) and the National Health Superintendency (Superintendencia Nacional de Salud or SNS);
- health-promoting entities (Entidades Promotoras de Salud or EPSs): public or private entities that provide health insurance and manage SGSSS resources; and
- healthcare provider institutions (Instituciones Prestadoras de Salud or IPS): include hospitals and clinics that deliver direct patient care.

EPSs, both public and private, offer health insurance and must establish a network of IPSs. IPSs, which can be government-owned or private, provide direct health services. Patients can choose any IPS within their EPS network, typically selecting the one closest to their residence. The MSPS also oversees the Administrator of the Resources of the Social Security Health System (Administradora de los Recursos del Sistema General de Seguridad Social en Salud or ADRES), which compensates EPSs and covers non-Health Benefits Plan (Plan de Beneficios en Salud or PBS) medicines and procedures

2. Please provide a high-level overview of the legal framework regarding healthcare financing and reimbursement.

Law 100 of 1993 is the cornerstone of Colombia's health system and established the SGSSS. It defines the financing, delivery and reimbursement of health services. This law created the framework for EPSs, IPSs and the Unified Health System, outlining the roles of the Ministry of Health and the National Superintendence of Health.

It also introduced the contributive regime for formal sector workers and employers, and the subsidised regime for low-income populations. Subsequent laws, such as Law 1122 of 2007 and Law 1438 of 2011, have refined and expanded the system, focusing on service quality, financing and insurance.

3. What are the key regulators and supervisory bodies regarding healthcare financing and reimbursement?

Several government entities regulate and supervise Colombia's health financing and reimbursement system:

- Ministry of Health and Social Protection: formulates and coordinates health policies, establishes guidelines for the SGSSS, defines the PBS, supervises health coverage compliance, and regulates financing for contributory and subsidised systems; and
- National Superintendence of Health (SuperSalud): supervises, controls and oversees the SGSSS, ensures compliance with health service laws and regulations, monitors the behaviour of EPSs and IPSs, oversees contracts between EPSs and service providers, and protects users' rights.

4. Has there been a change to healthcare financing and reimbursement as a consequence of the Covid-19 pandemic?

Yes. During Colombia's Covid-19 pandemic, significant changes were made to health financing and reimbursement:

- extraordinary resources: increased health spending for medical equipment, protective supplies and hospital infrastructure;
- uninsured care programmes: National Vaccination Plan and other programmes for those not covered by the health system;
- Emergency Mitigation Fund (Fondo de Atención de Emergencia or FOME): created to finance health activities, care for Covid-19 patients, and purchase vaccines and treatments;
- health budget adjustments: resources were redirected to address the emergency, affecting non-emergency programmes;
- increased payments to hospitals: higher payments to IPSs to ensure they could meet the demand for hospital care and intensive services;
- rapid financing mechanisms: expedited payments to healthcare providers and eased administrative processes for service reimbursement;
- accelerated procurement: faster procedures for purchasing essential medical supplies; and
- coverage and reimbursement exceptions: the policy was modified to facilitate access to health services and more effectively cover Covid-19 treatments.

5. Who has access to the healthcare system as a patient on the one side and as a medical service provider/supplier of medical goods on the other side? What are the conditions of admission?

The Colombian health system guarantees access to medical care for all citizens and

residents, regardless of economic status or nationality, based on universality and solidarity principles. Access depends on residence, affiliation regime and urgency. Healthcare providers must meet certain requirements for public financing and reimbursement.

Patient access

- Age: All individuals, regardless of age, can access the health system through the contributory (workers and dependents) or subsidised regime (vulnerable populations); minors receive free medical care;
- nationality: Colombians, resident aliens and non-resident aliens can access health services, but access modes vary; non-residents generally pay for services unless it's an emergency;
- residence: residents may join the subsidised or contributory regime based on their economic situation; non-residents pay for services unless it's an emergency; and
- membership: individuals join the system through the contributory or subsidised regime, which is determined by the Sistema de Selección de Beneficiarios Para Programas Sociales (SISBÉN) classification.

Access to medicines

This is regulated by the PBS and covers essential medicines. Coverage and costs vary by regime.

Healthcare providers' access to public funds

Providers (hospitals, clinics and physicians) can access public funds and reimbursements if accredited with and contracted to the public health system or regimes. They must be registered in the Special Registry of Health Service Providers (Registro Especial de Prestadores de Servicios de Salud or REPS) and linked to an EPS. Payment systems include capitated fees or per service rendered.

Reimbursements by insurers

EPSs finance affiliates' medical care and reimburse providers per agreements. Payments are more agile in the contributory regime, but may face delays in the subsidised regime due to limited resources.

Special cases

- Residents abroad: Colombians abroad can receive medical care in Colombia but must affiliate with an EPS for regular access; there is no direct reimbursement for treatment abroad, except in exceptional cases; and
- non-residents: entitled to emergency care, with costs borne by the patient; emergencies must be attended to without prior payment.

HEALTH INSURANCE FINANCING AND COVERAGE

6. How are health insurance carriers financed? How are premiums determined?

In Colombia, EPSs are financed through the contributory and subsidised regimes of the SGSSS, which aims to ensure universal and equitable access to health services.

Mandatory and optional insurance

Mandatory insurance

- Contributory regime: for formal workers and dependents, financed by contributions from workers (four per cent) and employers (8.5 per cent); independent workers contribute 12.5 per cent of their income; and
- subsidised regime: for economically vulnerable individuals, fully financed by the state; beneficiaries are identified by their SISBÉN classification.

Optional insurance

This includes voluntary supplementary or private policies offering additional coverage and services, such as specialised medicine and international coverage.

Determination of premiums

- Contributory regime: contributions are a percentage of income, ensuring those with higher incomes contribute more; minimum contributions are based on the legal monthly minimum wage;
- subsidised regime: no premiums are paid by beneficiaries; the state covers all costs; and
- private insurance: premiums are based on age, gender, health status and desired coverage.

Government intervention

The government regulates premiums in the contributory and subsidised regimes, setting contribution percentages and access conditions. The Colombian Financial Superintendency supervises private insurers to ensure transparency and prevent discrimination.

7. How is the coverage of medical services by health insurance carriers regulated? Are there differences in coverage for in-person medical appointments and telemedicine appointments?

In Colombia, EPS must follow the SGSSS regulations to ensure universal and equitable access to quality medical care. The government plays a crucial role in defining coverage, which includes face-to-face and telemedicine consultations, as well as special cases like orphan drugs and off-label drug use.

Insurers' freedom to define coverage

- Limited freedom: EPSs must adhere to government regulations and cannot arbitrarily decide coverage;
- PBS: EPSs must offer at least the basic services defined in the PBS, including general and specialised care, hospitalisation, surgery and essential medicines; and
- supplemental plans: EPSs can offer coverage beyond the PBS for specific treatments, high-cost drugs, or access to certain clinics or hospitals.

Government involvement

- Regulation: Through Law 100 of 1993 and subsequent amendments, the government defines and updates the PBS and regulates coverage conditions for various types of care; and
- universal policies: ensure access to necessary services for the entire population, especially the most vulnerable.

Special cases

- Telemedicine: EPSs must include telemedicine services in the PBS, meeting technical and quality standards; coverage may vary based on the type of care required.
- orphan drugs: regulated by the government and included in the PBS, when necessary for treating rare diseases, based on medical necessity and cost-effectiveness; and
- off-label drug use: EPSs may cover off-label drug use if prescribed by a physician and supported by evidence-based medicine or scientific studies, subject to government evaluations.

HOSPITAL SECTOR

8. How are services provided by hospitals in the stationary (inpatient) and ambulatory (outpatient) settings financed and reimbursed?

In Colombia, hospital services are financed and reimbursed through the SGSSS, with models varying by service type (inpatient or outpatient) and affiliation regime (contributory or subsidised).

Financing and reimbursement

- Inpatient services: financed by EPS through capitated payment, bundled payment or fixed prices per diagnosis; hospitals receive a fixed payment based on the diagnosis or procedure, regardless of hospitalisation length or services provided; and
- outpatient services: covered by EPS under fee-for-service or capitated fees; EPS reimburses hospitals or clinics for each service performed, with some payments fixed for preventive or follow-up care.

Payment models

- Bundled payment: fixed payment based on treatment category, promoting efficiency and coordination, but potentially reducing care quality if not managed well.
- fee-for-service: this method of reimbursement for each service performed is easy to manage, but may lead to unnecessary procedures and a lack of service coordination.

Criticism and alternatives

- Criticism of fee-for-service: incentivises overutilisation, lacks efficiency and does not promote preventive care or coordination; and
- alternative models: capitated payment models encourage efficient care management and prevention; some EPS combines bundled payments with quality care incentives.

Government contribution

- Subsidised regime: the government finances healthcare for vulnerable populations, including hospital and outpatient services;
- contributory regime: workers and employers finance healthcare, with government contributions ensuring sufficient resources; and
- high-cost treatments: the government funds high-cost drugs and specialised treatments not covered by the PBS through specific programmes.

9. How are the prices of such services determined? How is economic efficiency controlled?

In Colombia, inpatient and outpatient health service pricing is regulated by government-defined tariffs, negotiations between insurers and hospitals, and economic efficiency criteria to ensure system sustainability.

Pricing of health services

- Government-set prices: the Ministry of Health and National Health Superintendency define rates for basic services covered by the PBS; prices are based on diagnostic categories, procedures, care types, and other factors like treatment complexity and technology used; and
- negotiations: EPSs and hospitals negotiate prices for services not fully defined by regulation, including high-cost or specialised treatments.

Role of associations

- Insurance associations (eg, ACEMI): represent EPSs in fee discussions, seeking favourable agreements for financing and reimbursement; and
- hospital associations (eg, ACHC): represent healthcare providers in tariff negotiations and advocate for better working conditions and financing.

Definition of rates

- PBS rates: these are set by the government based on standard care costs, reviewed periodically, and adjusted for system needs and inflation;
- additional fees: negotiated between EPSs and hospitals for services not covered by the PBS, such as rare disease treatments or high-cost drugs; and
- fee-for-procedure: specific payments for each service, adjusted for treatment complexity and resource costs.

Economic efficiency control

- National Superintendency of Health: this agency ensures transparency and compliance with regulations, conducts audits and sanctions price abuses; and
- Drug and Treatment Cost Regulation: the National Commission on Drug and Medical Device Prices sets profit margins and ensures drug accessibility.

HEALTHCARE PROVIDERS IN PRIVATE PRACTICE

10. How are services provided by physicians, therapists, laboratories and other service

providers financed and reimbursed?

In Colombia, healthcare providers' financing and reimbursement are regulated through the SGSSS, which includes contributory and subsidised regimes. Key aspects include the following.

Fixed prices or tariffs

Single tariff

Single tariffs are standard prices for various medical services, from general consultations to specialised procedures, set by the Ministry of Health and Social Protection. These apply to public and private hospitals within the authorised network.

Individualised prices

Complex treatments

Complex treatments include high-cost diseases, like oncology or rare diseases, which may have individualised costs based on the complexity and technology required. These prices can be negotiated between healthcare providers and EPSs, though legislation aims to regulate these costs to prevent abuses.

Government contribution/financing

- Contributory regime: financed by contributions from workers and employers, managed by EPS; and
- subsidised regime: financed by the state for those unable to pay, covering costs through the Capitation Payment Unit (Unidad de Pago por Capitación or UPC).

11. How are the prices of such services determined? How is economic efficiency controlled?

In Colombia, the health services pricing system and economic efficiency control are regulated within the SGSSS.

Pricing of services

- Government-set prices: The Ministry of Health and Social Protection sets tariffs for various health services, ensuring equity and preventing abuse. These prices apply to both public and private providers within the SGSSS.
- Negotiations: EPSs negotiate prices with service providers for complex treatments not fully covered by government tariffs.
- Free pricing: Private providers can set prices for services not included in the Mandatory Health Plan (Plan Obligatorio de Salud or POS), but these must comply with legislation and not be abusive.

Control of economic efficiency

- Capitation Payment System (using UPC): EPSs receive a fixed amount per member to

cover health services, incentivising efficient resource management; and
- National Health Superintendency: audits and supervises EPSs and providers to ensure compliance with regulations and prevent misuse of resources.

Role of associations
- Insurer associations (EPS): influence price negotiations and participate in health policy creation; and
- provider associations: negotiate prices, defend provider interests and develop quality standards.

Definition of rates

Rates are based on medical supply costs, service complexity and geographic location. These are published in the Ministry of Health's Integrated Information Management System (Sistema Integrado de Gestión Institucional or SIGI) and regularly updated. Public system providers must adhere to these tariffs, while private prices must comply with regulations.

PHARMACEUTICALS AND MEDICAL DEVICES

12. How are pharmaceuticals and medical devices financed and reimbursed?

In Colombia, the financing and reimbursement of pharmaceuticals and medical devices are regulated by the SGSSS, which has both a public and private approach. Below, we highlight some important aspects.

Coverage by public/mandatory health insurance and/or government funding

- Public health insurance: As mentioned above, in Colombia, the health system is divided into two main regimes:
  - Contributory regime: This regime is intended for formal workers and their families and is financed mainly through contributions from employees and employers. It covers essential drugs and medical devices, as determined by the PBS and POS.
  - Subsidised regime: This is aimed at the most vulnerable population, who do not have access to the resources to finance their own insurance. The government finances this regime and covers essential pharmaceuticals and medical devices, although coverage may be more limited than the contributory regime.
- Government subsidies and financing: The government also finances drugs and medical devices through special programmes for diseases not covered by the PBS, such as certain high-cost treatments.

Coverage by private/voluntary health insurance and/or payment by patients

- Private insurance: Individuals may opt for private health insurance that usually offers broader coverage and may cover additional pharmaceuticals and medical devices not covered by the public system. However, the costs of these private insurances can be high depending on the plan contracted.

- Direct payment by patients: If a drug or device is not covered by insurance (either public or private), patients may choose to pay directly for it. This is common for high-cost treatments, non-essential drugs or specialised medical devices.

Special cases such as orphan drugs or early access products

- Orphan drugs: Colombia has a regulatory framework that facilitates access to orphan drugs intended to treat rare or infrequent diseases. The government may finance certain orphan drugs when unavailable in the PBS. In addition, patients can access them through special programmes, sometimes funded by the government or through agreements with the pharmaceutical industry.
- Early access to products: Mechanisms for early access to drugs and medical devices that are not yet fully approved, but are considered crucial for treating serious or highly complex diseases, exist. This access can be facilitated under special conditions approved by Colombian health authorities, such as the National Institute for Drug and Food Surveillance (Instituto Nacional de Vigilancia de Medicamentos y Alimentos or INVIMA).

13. How are the prices of pharmaceuticals and medical devices determined? How is economic efficiency controlled?

In Colombia, the pricing of pharmaceuticals and medical devices is regulated by the state to ensure economic efficiency.

Pricing

- Government-Set prices: The Ministry of Health and Social Protection negotiates high-cost drugs and may set prices for medical devices, especially those impacting public spending.
- Control mechanisms: The state can establish maximum prices to prevent excessive costs and ensure system sustainability.

Pricing criteria

- Health technology assessments: These are evaluations of cost-effectiveness, public health impact, and cost-benefit to determine prices and prioritise inclusion in the PBS.
- International price comparisons: Prices in other countries are considered to prevent higher costs in Colombia, promoting competitiveness and accessibility.

Control of economic efficiency

- Ongoing monitoring and regulation: Agencies like the Ministry of Health, INVIMA and the National Superintendency of Health conduct audits and reviews to ensure fair prices and sustainable drug spending.
- Costs and effectiveness: Analysing treatment costs versus health benefits promotes economic efficiency, avoiding unnecessary spending on less effective treatments.

LITIGATION INVOLVING HEALTHCARE FINANCING AND REIMBURSEMENT

14. Please provide a high-level overview of major litigation topics and landmark cases

regarding healthcare financing and reimbursement.

Key litigation issues in Colombia's healthcare financing and reimbursement involve patient access to treatments not covered by the PBS, the financial viability of hospitals in crisis and access to orphan drugs or early access products. Courts balance the right to health and life with budget constraints.

Limits to public health financing

- Cost-effectiveness: There are debates on financing high-cost treatments when cost-effectiveness is not justified. Courts often rule in favour of patients, prioritising health over budget constraints.
- Expensive treatments: In lawsuits for financing high-cost treatments not covered by the PBS, courts frequently side with patients.

Emergency financing for hospitals

- Financial crises: Hospitals in financial distress sue for state support due to payment delays by public health insurers.
- Court orders: Courts order urgent payments to prevent the closure of essential services, especially in rural or low-resource areas.

Access to orphan drugs and early access products

- Orphan drugs: Litigation occurs for access to drugs for rare diseases not covered by the PBS. Courts often favour patients, emphasising the right to health and life.
- Early access products: These are cases involving treatments for serious diseases not yet fully approved by health authorities. Courts sometimes allow access before formal approval when no alternatives are available.

RECENT DEVELOPMENTS AND TRENDS

15. What are the recent developments and trends for the next few years? Please outline any unresolved issues, proposed changes or trends for healthcare financing and reimbursement, and briefly indicate how these may foreseeably affect the medical sector in the near future.

In the coming years, Colombia's health sector will face several key challenges, such as the financial sustainability of the health system, the expansion of coverage, the control of high-cost drug costs and access to innovative technologies. Ongoing litigation over public financing and access to treatments not covered by the PBS will continue to be fundamental in defining the direction of the health system. At the same time, regulatory changes are anticipated that could transform the financing structure of the system, which could generate new tensions between health system actors (public and private) and users.

One of the most significant and debated changes in recent times has been the health system reform proposal presented by the current government. This project seeks to modify the structure of the SGSSS, with emphasis on:

- greater centralisation of management; and
- modifying how resources are distributed between public and private systems, and

giving national authorities more power to regulate tariffs and access to services.

Additionally, regulating high-cost drugs and emerging technologies will be a key issue. The current Colombian Government is looking for ways to regulate the price of high-cost drugs (eg, those used in cancer and rare diseases). New regulations are expected to require stricter cost-effectiveness evaluations to include new drugs in the PBS.