

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

Authors:

Giuliano Buisines and Manuel Arias, Berkemeyer

giuliano.buisines@berke.com.py and manuel.arias@berke.com.py

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).

Paraguay's healthcare system is shaped by both the public and private sectors. The government plays a crucial role in ensuring access to essential health services, while the private sector primarily centres on those who can afford specialised or additional care.

The Ministry of Public Health and Social Welfare (MSPBS) oversees the public healthcare system, focusing mainly on providing services to low-income and rural populations. Although local government may support local healthcare initiatives, the central government remains the primary entity for managing and financing public healthcare.

Private healthcare is delivered through private hospitals, clinics, and insurance providers, serving individuals with greater financial resources or private insurance coverage. These facilities often offer specialised treatments and shorter waiting periods.

The Social Security Institute (IPS) functions as a government-managed health insurer, covering workers in the formal sector. While IPS is publicly funded, it operates similarly to an insurance system. In contrast, private insurers cater for those who seek additional coverage beyond what the public system offers.

Although foundations and patient organisations exist, they mainly play a supportive role. Healthcare financing in Paraguay largely depends on public or private insurance, with payments made directly by patients being a common alternative for those without coverage.

In essence, Paraguay's healthcare framework consists of the public sector, which provides essential medical services, and the private sector, which supplements care with more specialised treatments and insurance options.

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

Paraguay's healthcare financing involves a combination of public laws, private regulations, and industry negotiations to manage reimbursement and access to services.

Healthcare financing and reimbursement is governed by a combination of national laws, specific regulations, industry codes, and negotiations:

The key laws include the Health Law (Law No 1,666/2000) and the Social Security Institute Law (Law No 2,044/2003), which establish the public healthcare system and social security. Private health insurance is regulated by Law No 3,131/2007.

Professional bodies set ethical guidelines, while private insurers' associations define rules for reimbursement and care, although these are not legally binding.

Healthcare providers and payers (including private insurers and IPS) negotiate reimbursement rates and coverage terms. These negotiations, often supported by professional associations, are key in shaping the scope of services and payment structures.

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

Healthcare financing and reimbursement are overseen by a combination of central government agencies, specialised bodies, industry organisations, and the judicial system.

The MSPBS and IPS

The central government agencies are the Ministry of Public Health and Social Welfare (MSPBS) and the Social Security Institute (IPS).

The Ministry of Public Health and Social Welfare (*Ministerio de Salud Pública y Bienestar Social*) (MSPBS) is the main government body responsible for regulating and overseeing public healthcare in Paraguay. It plays a significant role in policy, financing, and the implementation of healthcare programmes aimed at ensuring access to public health, especially for uninsured and vulnerable populations.

The Social Security Institute (*Instituto de Previsión Social*) (IPS) is a key government institution managing healthcare for formal sector workers and their families. It oversees the financing of healthcare services through social insurance contributions and provides medical services to insured individuals. It also manages reimbursement rates and service provision within its network of public and private healthcare providers.

Specialised bodies and industry organisations

The Superintendence of Health (*Superintendencia de Salud*) is a management body within the Ministry of Finance that supervises the health insurance market, including both private and public insurers. It ensures compliance with regulations, monitors the financial solvency of insurers, and oversees market practices related to health insurance.

Competition authorities

The National Anti-Monopoly Commission (*Comisión Nacional de Defensa de la Competencia*) (CONACOM) oversees market competition, has an indirect role in healthcare financing, particularly when it comes to ensuring fair competition in the private health insurance and

healthcare service markets. It may intervene in cases of anti-competitive behaviour or unfair market practices which affect healthcare pricing or reimbursement structures.

The role of the judiciary

Courts in Paraguay have the authority to intervene in disputes related to healthcare financing, reimbursement, and access to care, especially in cases where individuals or organisations challenge unfair practices, non-payment of benefits, or breaches of contracts between providers and insurers. They can also address constitutional claims involving the right to health and access to healthcare services, especially when individuals seek remedies for denied treatment or insufficient coverage.

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

The Covid-19 pandemic brought significant changes to healthcare financing and reimbursement in Paraguay. It brought about increased government intervention and shifts in budget priorities.

Greater government involvement and spending

The government stepped up its role in healthcare financing, allocating more funds to the public health system for Covid-19 treatment, testing, and vaccination. Public hospitals under the MSPBS received budget expansions to manage the surge in cases. Special emergency funds were created, and resources reallocated to procure medical supplies, ventilators, personal protective equipment, and essential materials for both public and private healthcare providers. Investment was also made to increase ICU capacity and expand health infrastructure.

Budget shifts and reallocations

A significant portion of public health spending was redirected to pandemic-related needs, including testing, contact tracing, and vaccine distribution. This shift led to temporary reductions in funding for non-emergency services. The IPS had to reallocate its financial planning to meet the increased demand for medical care, particularly from Covid-19 patients, while ensuring essential services for its insured population remained available.

Fast-track funding and reimbursement adjustments

The government introduced fast-track funding measures to ensure both public and private healthcare providers had rapid access to the necessary resources. Procurement processes were streamlined to accelerate the distribution of vaccines, medications, and medical supplies. The government also partnered with private healthcare providers and insurers, expediting reimbursements for Covid-19 treatment and expanding access to private facilities for critical care, easing pressure on public hospitals. Both private insurers and IPS adapted their reimbursement policies to cover Covid-19-related expenses, including hospitalisations, ventilator use, and vaccinations. Emergency care claims were processed more rapidly to ensure timely compensation for healthcare providers.

Long-term budgetary challenges

While the immediate priority was pandemic management, discussions continue about the sustainability of healthcare financing. Since the outbreak of the pandemic the government has faced financial pressure to balance Covid-related expenditure with long-term healthcare priorities, such as chronic disease management and general healthcare services.

The pandemic led to a sharp increase in government healthcare spending, with a focus on emergency response, medical supply procurement, and vaccination campaigns. Budget allocations shifted toward Covid-related needs, while fast-track funding and reimbursement mechanisms were introduced to ensure swift resource distribution. Both the public and private sectors were affected, with adjustments in reimbursement policies to cover pandemic-related care. Looking ahead, Paraguay must navigate the challenge of maintaining healthcare investment levels while ensuring long-term financial stability in the sector.

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?

Access to healthcare and funding is determined by residency status and specific regulations. All legal residents, including Paraguayans and foreign nationals with permanent residency have access to free or low-cost public healthcare. Non-residents are generally excluded from full public healthcare but can receive emergency care.

Children and the elderly often receive priority care. There are no strict age-based limitations for general healthcare access. Essential medicines are generally available for residents through the public system, but specialised drugs may require private purchase.

Regarding healthcare providers' access to public funding, public providers are funded directly by the government (MSPBS), offering services to all residents. Private providers can access public reimbursement for treating patients covered by the IPS, including insured workers and their families. Private healthcare providers are reimbursed for services rendered to IPS-insured patients.

HEALTH INSURANCE FINANCING AND COVERAGE

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

Health insurance involves both compulsory and optional coverage. The IPS provides mandatory health insurance for formal sector workers. Optional private health insurance is available for those who want additional or more specialised coverage. Premiums are set by the insurance companies, but they are regulated by the Superintendence of Health to ensure fairness.

The government sets the premiums for IPS insurance, while private insurers have more flexibility but must comply with regulatory conditions.

Premiums are generally not subject to judicial review unless there is evidence of unfair practices, particularly in the private sector, where courts may intervene in cases of discrimination or excessive pricing.

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

Health insurance coverage is a combination of private insurer flexibility and government administered.

Private insurers can define coverage but must meet minimum requirements set by the Superintendence of Health. Insurers can offer customised plans but must cover essential services.

The government regulates mandatory insurance (IPS) coverage, ensuring essential services are provided. It also sets guidelines for the integration of telemedicine into coverage.

There are the following special cases:

- Telemedicine – coverage varies by insurer, with some protocols for reimbursement when included;
- orphan drugs – frequently not covered under standard plans, and may require special approval or additional premiums;
- off-label drug use – typically not covered unless authorised for a specific condition.

HOSPITAL SECTOR

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

Healthcare financing for inpatient (stationary) and outpatient (ambulatory) services is based on a combination of fee-for-service and fixed/flat pricing models. Fee-for-service is common in private healthcare, where individual services (eg, consultations, surgeries) are billed separately. The IPS and private insurers reimburse based on negotiated rates. Bundled pricing is used in the public sector, particularly for specific procedures and treatments such as childbirth or surgery, where a single price covers the entire treatment pathway.

Fee-for-service has been criticised for encouraging over-use and inefficiency. Alternative models such as capitation and bundled payments are being explored to improve cost-efficiency and care coordination.

The government finances both inpatient and outpatient care through IPS (for insured individuals) and direct funding to public hospitals. Vulnerable populations often receive subsidised or free services through government programmes.

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

By balancing government subsidies, market forces in the private sector, and negotiated pricing agreements, Paraguay strives to maintain economic efficiency in its healthcare system, but it faces ongoing challenges in managing costs and ensuring equitable access.

The pricing of healthcare services is determined by government subsidies in the public sector and market-driven factors in the private sector.

In the public sector, prices are largely subsidised and not set by market forces. The government controls pricing indirectly through budget allocations, but there are no formal tariffs for most services.

In the private sector however, prices are market-driven, influenced by operational costs, competition, and negotiations with insurers. Insurance companies play a key role in controlling costs by negotiating reimbursement rates with healthcare providers and auditing claims for efficiency.

Economic efficiency is currently controlled through negotiated reimbursement rates, monitoring by insurers, and audits of both private and public spending. However, inefficiencies, especially in public healthcare, remain a challenge.

HEALTHCARE PROVIDERS IN PRIVATE PRACTICE

10. How are services provided by physicians, therapists, laboratories and other service providers financed and reimbursed?

Healthcare services provided by physicians, therapists, laboratories, among others are financed and reimbursed through different mechanisms depending on the sector.

In the public sector services are financed by government through taxes. Most services are generally free, although small fees may apply for certain medications or procedures. Flat pricing may be used for specific treatments, but generally the government covers costs.

Private sector services are financed through payments made directly by patients or by private health insurance. Individualised pricing is common, where prices depend on the type of service (eg, physician consultations, therapy sessions, lab tests). Fixed or flat pricing may apply to routine services, but specialised care tends to come with individualised pricing.

Health insurance helps cover costs, with insurers negotiating fixed reimbursement rates for services.

Financed by employee and employer contributions, the IPS covers services such as physician consultations and lab tests. Fixed or flat pricing applies for common services, but more complicated treatments may involve individualised costs.

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

Healthcare service prices are determined through a combination of free pricing, government-set prices, and negotiated tariffs.

Private sector providers set their own prices, influenced by market conditions and competition. In the public sector the government (MSPBS and IPS) sets fixed prices for services in state-run facilities, often subsidised or free to certain groups. IPS and private insurers negotiate tariffs with healthcare providers to establish reimbursement rates.

The main influences are:

- medical and provider associations which may recommend pricing structures;
- insurers negotiating rates with service providers to control costs; and
- hospitals and laboratories negotiating contracts with insurance companies.

Methods of economic efficiency control:

- regulation – fixed tariffs in the public sector;
- market competition – price variations in the private sector;
- negotiation – cost control through insurer-provider agreements; and
- subsidies – government funding ensures affordability.

PHARMACEUTICALS AND MEDICAL DEVICES

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

The funding and reimbursement of pharmaceuticals and medical devices rely on public, private, and direct payment mechanisms, each with distinct coverage and limitations.

In the public sector, the MSPBS provides free or subsidised essential medicines through public hospitals and healthcare centres. The IPS covers approved medications and medical devices for insured workers and their families, ensuring access to necessary treatments. Government funding is primarily allocated to chronic disease management, prioritising conditions such as diabetes, hypertension, and cardiovascular diseases.

Private health insurers offer partial coverage for medications and medical devices, but patients often need to make co-payments. Coverage varies based on the insurance provider and policy terms. Many Paraguayans pay for medications directly, especially for high-cost drugs which are not included in public specifications or insurance plans. This creates financial barriers to some patients, particularly those needing specialised treatments.

Special cases include orphan drugs and early access programmes. Orphan drugs (for rare diseases) and high-cost treatments are often difficult to access within the public system due to their high prices and limited availability. Patients may need to file legal claims (such as ‘amparos’) to demand access to treatment when they are not included in public coverage. Early access programmes, though rare, exist under compassionate use regulations, allowing patients to obtain experimental or life-saving medications under special circumstances.

In future, efforts to expand coverage, affordability, and access to essential treatments will be crucial in improving healthcare equity across Paraguay.

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

The pricing of pharmaceuticals and medical devices in Paraguay is influenced by market dynamics, government regulations, and negotiated agreements. While private-sector prices fluctuate due to competition and demand, public-sector pricing is more controlled, particularly for essential medicines.

In the private sector, pricing follows a free-market approach, where costs are determined by supply, demand, and production expenses. The public healthcare system, however, enforces government-regulated pricing for essential medications to ensure affordability. High-cost drugs and specialised medical devices often require direct negotiations between the government and manufacturers to establish accessible pricing.

Important pricing criteria include health technology assessments (THAs), International price comparison, and pay-for-performance models. HTAs are becoming increasingly relevant in evaluating drug cost-effectiveness, although their use is still limited. International price comparisons sometimes serve as benchmarks to regulate prices and prevent excessive costs. While pay-for-performance models, where reimbursement depends on a drug's effectiveness, are not yet widespread, they could play a role in future pricing strategies.

To manage the expense of innovative and high-cost medications, the government often negotiates confidential rebates with pharmaceutical companies. These agreements help balance affordability and accessibility while keeping public healthcare budgets sustainable.

In the public sector, economic efficiency and regulation strategies include centralised procurement, price caps, and the promotion of generics to reduce expenses. Private-sector pricing is shaped by competition between providers and cost-control policies implemented by insurers. The National Directorate of Health Surveillance (DINAVISA) oversees pricing regulations and market access to ensure fairness and prevent price manipulation.

Paraguay's pharmaceutical and medical device pricing system blends market-driven flexibility with government administration to maintain affordability. As HTA and performance-based pricing gain traction, the country may see more refined cost-control strategies in the future, ensuring both economic efficiency and broader access to essential healthcare products.

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.

Healthcare financing and reimbursement in Paraguay have been subject to legal debates, particularly in cases which involve public insurance funding, emergency hospital financing, and access to costly treatments. Some key topics are outlined below.

Limits on public health insurance coverage

In a 2021 Supreme Court of Justice of Paraguay ruling, the Ministry of Health was not required to cover private clinic expenses for a Covid-19 patient who was already receiving treatment in a public healthcare facility. This case set a precedent for defining the scope of public health coverage in exceptional circumstances.

Emergency financing for hospitals

While no landmark legal cases have addressed hospital financial difficulties, the government has taken proactive steps through the Public Health Sector Strengthening Project. This initiative aims to expand healthcare infrastructure and capacity, indirectly easing financial pressure on hospitals.

Access to orphan drugs and early access treatments

Although no major lawsuits have been reported on this issue, the high cost of orphan drugs continues to be a challenge. The lack of clear legal frameworks for these treatments highlights the need for policies which balance affordability and innovation, ensuring patients can access life-saving therapies.

Despite legal disputes in Paraguay's healthcare sector having been primarily focused on public insurance limitations, as healthcare costs rise, future legal challenges may shape public policy, access to high-cost treatments, and funding mechanisms.

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.

It can be said that Paraguay's healthcare sector is undergoing a number of changes, with new policies, financial shifts, and ongoing legal debates determining its future.

Upcoming legislation and regulation include: (1) the Public Health Sector Strengthening Project which aims to enhance primary care services, improve infrastructure, and upgrade medical equipment to support a more efficient healthcare system; (2) the National Health Policy 2017-2030 which focuses on improving healthcare quality and accessibility, with a particular emphasis on reducing disparities between regions.

Changes to healthcare financing include increased fiscal revenue which could lead to more healthcare funding, strengthening public services; and greater investment in primary care is expected, expanding healthcare services in rural and underserved communities.

New regulations could bring changes to medical procurement and service delivery, affecting both public and private healthcare providers. Financial sustainability within the medical sector is likely to improve, ensuring more consistent funding and better resource management within the healthcare system.

With policy reforms, financial improvements, and legal advocacy for better access, Paraguay's healthcare system aims to move towards greater equity, efficiency, and sustainability.