

December 22, 2023

His Excellency  
Mr. Mario Marcel  
Minister of Finance  
Ministry of Finance  
Teatinos 120  
8340487 Santiago de Chile  
Chile

**Re: Reimbursable Advisory Services Agreement  
on the Equity and Sustainability of the Chilean Health System  
(P179958)  
Amendment No. 1 to the RAS Agreement**

Excellency:

Please refer to the Reimbursable Advisory Services Agreement between the Republic of Chile (the “Client”) and the International Bank for Reconstruction and Development (the “Bank”) on the Equity and Sustainability of the Chilean Health System dated July 6, 2023 (the “RAS Agreement”), executed under the Framework Agreement between the Client and the Bank dated September 21, 2018. The capitalized terms used in this letter (the “Amendment Letter”) and not defined herein have the meaning ascribed to them in the RAS Agreement.

We also refer to the electronic communication from the Ministry of Health of December 4, 2023, requesting an amendment to the RAS Agreement. In view of this, and our recent discussions with the Ministry of Health, we are pleased to inform you that the Bank agrees with the requests. Therefore, the Bank proposes to amend the RAS Agreement as follows:

1. Section 2 of the RAS Agreement is hereby modified to:

- (i) delete the following definition and renumber the rest of the definitions, as applicable:

“ICT” means information and communication technology.

- (ii) include the following definitions, and the rest of the definitions renumbered, as applicable:

“Diagnosis-Related Groups” means a type of algorithm used to group hospital patient cases using a grouper program that assigns Diagnosis-Related Groups based on factors such as diagnosis codes, procedures, age, sex, discharge status, and the presence of complications or comorbidities. Diagnosis-Related Groups are used to support clinical management, measure a hospital's production function, and serve as a payment method used by advanced healthcare systems to reimburse hospitals for inpatient care.

“FONASA’s Free Choice Modality” means a feature that allows publicly insured individuals to choose a private healthcare provider in exchange of making a copayment for healthcare services that are provided free of charge by public healthcare providers.

“National Mandatory Health Insurance Scheme” means a system implemented by a government to ensure that all citizens or a specific group of people are required by law to have health insurance coverage. The purpose of a National Mandatory Health Insurance Scheme is to achieve universal health coverage and ensure that everyone has access to essential healthcare services. Individuals may be exempted from paying premiums and can be instead covered by the Government if they cannot afford paying the premiums.

2. Section 3 of the RAS Agreement is hereby modified to read in its entirety as follows:

“3. **Reimbursable Advisory Services.** Except as the Client and the Bank may otherwise agree, the Reimbursable Advisory Services shall include the following activities and outputs:

(a) **Activities**

A. **Health Technology Assessment (HTA) as a Tool to Ensure Health System Efficiency and Sustainability Over Time.**

- (i) Carry out an assessment of the status of the Client’s HTA, to include, among others: existing processes, standards, collaborations with public agencies, information systems and human resources in the Client’s health system.
- (ii) Development of an institutional framework’s proposal for the Client to strengthen the HTA function in the context of the health reform, including a plan to harmonize the HTA functions in relation to current and future coverage mechanisms.
- (iii) Carry out an assessment of future human resources needs in the HTA context, and development of a plan for the Client to reduce identified gaps in human resource capacity.
- (iv) Carry out an assessment of the legal and regulatory context for risk-sharing agreements with the private pharmaceutical sector, to inform the Client’s decision to subscribe such agreements for the purchase of medicines and provide recommendations for its design and implementation.
- (v) Carry out two (2) workshops for a duration up to six (6) hours for the dissemination of the outputs produced under this Activity.

B. **Transition towards a Universal Health System.**

- (i) Development of a model for the analysis and estimation of the transition process under which private insurees are gradually integrated into the *Fondo Universal de Salud* (FUS) by:
  - a) Describing the industrial structure of the private health sub-system, focusing on potential horizontal and vertical integrations between economic groups, insurance companies, and health care providers.

- b) Analyzing high-demand healthcare services delivered by private providers which concentrate most of the healthcare expenditure under private insurance contracts; and recommending an appropriate categorization and grouping of private providers according to their price structure.
  - c) Carrying out an analysis of the cost of hospital admissions at private healthcare providers.
  - d) Modelling the transition impact of voluntary health insurance towards the FUS, considering the characteristics, expenditures on voluntary private insurance, and its use, by the current covered insurees.
  - e) Estimating co-payment levels from private providers under the FUS to ensure its sustainability and modelling the fiscal impact of different coverage scenarios.
- (ii) Carry out an assessment of the international evidence on how provider payments based on Diagnosis-Related Groups are adjusted for private providers and how provider payment mechanisms relate to and are combined with cost-sharing mechanisms for insurance holders.
  - (iii) Carry out an assessment of international best practices on bundling outpatient services (based on health criteria) and provide recommendations on how the Client could incorporate bundled payments for health interventions under FONASA's Free Choice Modality.
  - (iv) Prepare a sample approach for data collection for FONASA's study of the potential demand among the population to pay for complimentary health insurance; provide recommendations on survey conduction; and conduct an analysis of the collected data.
  - (v) Carry out an assessment of international best practices on how to integrate a complimentary Voluntary Health Insurance Scheme with a National Mandatory Health Insurance Scheme and provide recommendations on FONASA's relationship with the private health insurance industry.
  - (vi) Carry out one (1) conference for a total duration of up to four (4) hours with national and international experts on health financing and universal health coverage to discuss the impact of health financing on health outcomes and distill lessons from other countries with national health insurance entities.

**C. Regulation of a Voluntary Health Insurance (VHI).**

- (i) Carry out an analysis of the current VHI market, considering, *inter alia*, the population currently covered, and the use of health services financed by it, as well as the vertical integration of ISAPREs and providers of VHI.
- (ii) Carry out a literature review of VHI schemes and best practices, including comparative information on different VHI models in three (3) selected countries and their respective objectives within the overall health system, with special focus on risk

adjustment mechanisms, coverage, premiums, payment mechanisms and enrollment rules, to inform the Client's VHI schemes.

- (iii) Carry out a literature review of the characteristics of regulatory agencies in up to four (4) selected countries with a focus on: legal bodies, their objectives and organizational structure, the relationship with actors within the health system, mandates for reporting and requesting information as well as information oversight, and conflict mediation and sanctioning.
- (iv) Carry out an analysis of the current role of the Client's *Superintendencia de Salud* (SDS) and identification of areas of regulation and supervision in which it could assume additional functions and responsibilities without the need for legal changes.
- (v) Carry out two (2) workshops for a total duration of up to six (6) hours for knowledge sharing with the officers of the SDS.

**D. Sick Leave Benefits and Their Role for Social Security.**

- (i) Carry out an analysis of the evolution and trends of sick leave utilization, with special focus on the prevalence and incidence of mental health and musculoskeletal diseases.
- (ii) Carry out an assessment of the complementarity/overlap of sick leave schemes with other public policies, such as: unemployment benefits, the pension and care system, protection from occupational diseases and accidents; for the mapping of policies and coverage systems.
- (iii) Prepare a synthesis of potential scenarios of the sick leave institutional changes based on comparative experiences, including, *inter alia*: the configuration of the institutional framework related to labor rest, the characteristics and rules of the subsidies, and the potential consequences for each proposed scenario.

**E. The Institutional Framework of the Health Sector.**

- (i) Carry out a literature review of existing conceptualizations of public health systems and their functions to describe and analyze relevant institutions and their interactions with other actors and components of the health system and define a conceptualization for the context of the Chilean health system.
- (ii) Carry out an analysis of the institutional public health landscape of three (3) selected countries, using the conceptual framework defined under E(i) above, taking into consideration the key areas of competencies, organizational structures, regulatory frameworks, achievements, and challenges.
- (iii) Carry out an assessment of the institutional framework of the Chilean health authority, using the conceptual framework defined under E(i) and the experience of the three selected countries under E(ii) above, and provide recommendations for strengthening Chile's health authority and its institutional capacities.

**(b) Outputs**

- (1) Draft Report corresponding to Activity A (i).
- (2) Draft Report corresponding to Activity A (ii)-(iv).
- (3) Draft Report corresponding to Activity B (i)(a)-(e).
- (4) Draft Report corresponding to Activity B (ii) -(v).
- (5) Draft Report corresponding to Activity C (i)-(iii).
- (6) Draft Report corresponding to Activity C (iv).
- (7) Draft Report corresponding to Activity D (i)-(ii).
- (8) Draft Report corresponding to Activity D (iii)
- (9) Draft Report corresponding to Activity E (i)-(iii).
- (10) Final Report corresponding to Activity A.
- (11) Final Report corresponding to Activity B.
- (12) Final Report corresponding to Activity C.
- (13) Final Report corresponding to Activity D.
- (14) Final Report corresponding to Activity E.

It is expressly agreed and understood that the Bank shall not be responsible for: (i) the purchase, development, licensing, update, maintenance, or delivery of any software or other information technology products; or (ii) the actual implementation of the recommendations described in this Section.

Any change to the foregoing scope of work shall be set out in writing signed by the Client and the Bank, setting out the additional work to be undertaken and the fees in respect thereof.”

3. The timetable of Section 4 of the RAS Agreement is hereby amended to read its entirety as follows:

<b>“Outputs</b>	<b>To be delivered in:</b>
(1) Draft Report corresponding to Activity A (i).	Twenty-four (24) weeks after July 6, 2023.
(2) Draft Report corresponding to Activity A (ii)-(iv).	Forty-five (45) weeks after July 6, 2023.
(3) Draft Report corresponding to Activity B (i)(a)-(e).	Twenty (20) weeks after the Signature Date of this Amendment Letter.
(4) Draft Report corresponding to Activity B (ii)-(v).	Twenty (20) weeks after the Signature Date of this Amendment Letter.

<b>“Outputs</b>	<b>To be delivered in:</b>
(5) Draft Report corresponding to Activity C (i)-(iii).	Forty-five (45) weeks after July 6, 2023.
(6) Draft Report corresponding to Activity C (iv).	Twenty-four (24) weeks after July 6, 2023.
(7) Draft Report corresponding to Activity D (i)-(ii).	Twenty-four (24) weeks after July 6, 2023.
(8) Draft Report corresponding to Activity D (iii)	Forty-five (45) weeks after July 6, 2023.
(9) Draft Report corresponding to Activity E (i)-(iii).	Twenty (20) weeks after the Signature Date of this Amendment Letter.
(10) Final Report corresponding to Activity A.	Twenty-eight (28) weeks after the Signature Date of this Amendment Letter.
(11) Final Report corresponding to Activity B.	Twenty-eight (28) weeks after the Signature Date of this Amendment Letter.
(12) Final Report corresponding to Activity C.	Twenty-eight (28) weeks after the Signature Date of this Amendment Letter.
(13) Final Report corresponding to Activity D.	Twenty-eight (28) weeks after the Signature Date of this Amendment Letter.
(14) Final Report corresponding to Activity E.	Twenty-eight (28) weeks after the Signature Date of this Amendment Letter.”

4. Section 8 of the RAS Agreement is hereby amended to read in its entirety as follows:

**“8. Payment.** The Client, through the Ministry of Health, shall pay the Bank a fixed fee of eight hundred fifty thousand United States Dollars (US\$850,000) in accordance with the following schedule of payments:

<b>Amount of Installment (in USD)</b>	<b>Event upon which Payment Is Due</b>
425,000	Upon acceptance by the Client, through the Ministry of Health, of Outputs (1), (6) and (7), pursuant to Sections 3 and 6(a) of this RAS Agreement
425,000	Upon acceptance by the Client, through the Ministry of Health, of Outputs (10), (11), (12), (13) and (14), pursuant to Sections 3 and 6(a) of this RAS Agreement”

Please confirm the Client’s agreement to the above amendment by signing and dating this Amendment Letter in the spaces provided below. All other provisions of the RAS Agreement, except as amended through this Amendment Letter, shall remain in full force and effect.

The provisions set forth in this Amendment Letter shall become effective upon the date of the countersignature and receipt by the Bank of one fully executed Amendment Letter.

Sincerely,

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**



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Issam Abousleiman  
Country Director  
Peru, Bolivia, Chile, and Ecuador  
Latin America and the Caribbean

AGREED:

**REPUBLIC OF CHILE**

By  \_\_\_\_\_

Authorized Representative  
Mario Marcel

Name: \_\_\_\_\_

Title: Minister of Finance

Date: 09-Jan-2024

*Javiera Martínez*