

## 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).**

Panama's healthcare system consists of both public and private sectors, with each playing a distinct role in providing services to the population.

The government, through the Ministry of Health (*Ministerio de Salud* – MINSA), is responsible for providing and overseeing the delivery of public healthcare through various agencies, as well as the supervision and oversight of private healthcare. The Social Security Office (*Caja de Seguro Social* – CSS) is the central government agency responsible for managing the public healthcare system for affiliated members and administering social security programmes, including healthcare coverage, for employees and their dependents.

The MINSA and the CSS manage public health policy, set healthcare standards, and oversee the distribution of healthcare resources. The central government allocates the national budget for healthcare, which includes funding for public hospitals, clinics, and the social security system. Local governments (municipalities) generally do not have significant powers in healthcare management but may be involved in local public health initiatives.

On the other hand, private healthcare in Panama is substantial, with private hospitals, clinics, and medical professionals providing services mainly to those who can afford private insurance or out-of-pocket payments. As mentioned above, private healthcare is overseen by the MINSA, which establishes the guidelines and permits that private health providers require to offer their services.

Private insurance companies, including international health insurers, offer a range of health plans to individuals and corporations, often with quicker access to services and a broader choice of healthcare providers compared to the public system.

NGOs may play a role in financing specific treatments or initiatives, particularly for conditions not covered by private insurance or the public healthcare system. The NGOs sometimes raise funds for treatments for the underprivileged or for specific diseases.

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

The healthcare financing and reimbursement system in Panama operates within a multi-layered legal framework involving both public and private sectors. The combination of general healthcare laws, social security laws, specific health insurance regulations and private sector regulations provides a wide range of guidelines that address healthcare financing and reimbursement.

These laws regulate healthcare financing, reimbursement procedures, and the rights of both patients and healthcare providers.

The Health Code of Panama (Law 66 of 1947, as amended, supplemented to date) regulates all matters related to public health and hygiene, health policing, and preventive and curative medicine.

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

In Panama, the healthcare sector is regulated by a combination of governmental bodies, regulatory authorities, and industry organisations that work together to ensure the proper functioning of both public and private health systems.

The MINSA is part of the executive branch of the government that sets public health policy, manages healthcare services provided by the government and prepares the annual budget for the funding of hospitals and clinics. The MINSA oversees the provision of healthcare services through public hospitals and clinics, ensuring that the population has access to basic health services. It also manages the quality of healthcare service delivery and ensures that public healthcare institutions follow regulatory standards, as well as the budgets for financing the public hospitals and clinics.

Additionally, the MINSA is the entity in charge of the supervision and oversight of private healthcare, such as private hospitals and clinics. It establishes the rules and guidelines by which private healthcare providers should abide.

The CSS, on the other hand, is another key institution responsible for managing the public health insurance programme in Panama. It covers health insurance for workers in the formal labour market, as well as pensions, disability benefits, and other social security services.

The Panamanian Superintendency of Insurance and Reinsurance (*Superintendencia de Seguros y Reaseguros de Panamá* – SSRP) is the regulatory authority responsible for overseeing the private insurance sector in Panama. One of its main purposes is to ensure that private insurance companies comply with legal and regulatory requirements, including those related to the financial stability of insurers, consumer protection and compliance with their policies on financing and reimbursement of the premiums.

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

The Covid-19 pandemic led to an increase in direct involvement and spending by the Panamanian government, which expanded healthcare funding to manage the public health crisis, allocate resources for testing and vaccination, and support healthcare infrastructure.

The pandemic resulted in a reallocation of government resources, prioritising public health expenditures and responding to the immediate healthcare needs posed by the virus. This

included funding for hospitals, the purchase of medical supplies, and the recruitment of additional healthcare professionals.

In the private sector, insurance companies generally covered most Covid-19 insurance related claims of their insured clients. The above led to increased insurance premiums and stricter reimbursement conditions on the following years.

**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?**

In Panama, everyone can have access to the public healthcare system managed by the MINSA. There are no age or nationality restrictions for basic public healthcare. However, only insured individuals may have access to public hospitals managed by the CSS.

For private health institutions, access is generally limited to those with private insurance or sufficient financial resources to pay for services. Private providers may also serve individuals who prefer quicker access to services, though these can be costly.

As for health professionals and medical service providers, such as physicians, nurses, and other healthcare professionals, in order to provide medical services, one must be licensed by the Panamanian Medical Board or the relevant regulatory body for their profession, hold the appropriate academic qualifications and pass necessary certification exams and have the necessary training and registration with CSS and the MINSA, which is mandatory to practise in the public sector. Additionally, admission for medical services within the public system is subject to the availability of limited slots, which are adjudicated to the best candidates.

On the other hand, suppliers of medical goods must obtain authorisation from the MINSA, ensure all medical products comply with Panamanian health and safety regulations, and provide certifications such as product registration and import permits if importing goods. Medical suppliers must also follow pricing guidelines and quality standards set by the Panamanian government.

In the private sector, medical service providers must also meet the qualifications described above and comply with the hiring guidelines of the respective private hospital or clinic. Suppliers of medical goods are free to negotiate terms and conditions of the commercial relationship, as long as they comply with MINSA's requirements.

For both patients and providers, the healthcare system in Panama is regulated to ensure equity, safety, and accessibility.

Conditions for admission may vary depending on the sector (public or private) and the specific regulations set by the MINSA and CSS.

**HEALTH INSURANCE FINANCING AND COVERAGE**

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

Law No 51 of 2005, which regulates the CSS, establishes the mandatory health insurance system, which provides health coverage primarily for employees and their dependents. The public health insurance system, administered through the CSS, is mandatory for all national and foreign workers who provide services within the Republic of Panama, and it's financed by mandatory payroll contributions (employees contribute around 9.75 per cent of wages, while

employers contribute 12.25 per cent of the employee's wage), which means that premiums are fixed and directly related to an individual's salary.

On the other hand, Law No. 12 of 2012 establishes the legal framework applicable to insurance and reinsurance in Panama. Individuals have the option to purchase private health insurance from various insurance companies operating in Panama, which must be duly authorised by the SSRP. Premiums for private health insurance are paid directly by the insured individual (or their employer, if the insurance is offered as part of an employee benefits package). The premiums vary depending on the level of coverage chosen, the age and health condition of the insured, and other factors. The government does not directly regulate or set premiums for private health insurance. Rather, these premiums are subject to oversight by the SSRP, who ensures that the policies and premiums are compliant with actuarial and legal standards, such as consumer protection laws and that the terms of coverage are clearly defined.

**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?**

The CSS provide the benefits and coverages established by their legal framework and regulations (Law No 51 of 2005 and other regulations), such as:

- *Health benefits:* outpatient care, hospital care, surgical care, dental care, pharmaceutical services, and other diagnostic and treatment services, all provided by multidisciplinary teams. In order to avoid service duplication, unnecessary costs, or lack of services, the CSS may establish coordination and reciprocity agreements for the provision of services with the MINSA and the private sector.
- *Economic benefits:* These consist of the payment of a subsidy to employees who suffer an illness or injury that causes temporary incapacity for work, which is not the result of an occupational disease or accident, as well as a maternity subsidy to cover the leave period mandated by law.

Hence, while private insurance companies may deny coverage for certain pre-existing conditions or any other reason established in their policies, the CSS cannot, as its coverage is regulated by law.

On the other hand, Law 12 of 2012, which regulates and establishes the legal framework applicable to insurance and reinsurance in Panama through the SSRP, ensures that insurance providers operate transparently and equitably, with strong consumer protections. According to Article 140 of Law 12 of 2012, all insurance policy models must be reviewed and authorised by the SSRP before they can be marketed to the public. This ensures that the rights and obligations outlined in policies are fair and compliant with legal standards, preventing abusive or discriminatory clauses. Health insurance companies' premiums must be calculated transparently, with insurance companies required to justify any increases and make the corresponding notifications to the SSRP. This process involves submitting detailed

documentation for regulatory approval – including reinsurance costs, administrative expenses, claims costs and profit margins. These safeguards ensure that premium increases are fair and based on sound financial calculations.

As for the differences in coverage for in-person medical appointments and telemedicine appointments, there is no specific rule that explicitly regulates or distinguishes tariff differences between in-person medical appointments and telemedicine services.

Within the CSS, telemedicine is less commonly used, as most patients are required to attend appointments in person due to limited availability and technological integration in the public sector.

## HOSPITAL SECTOR

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

The public healthcare system is managed by the CSS and the MINSA, which are financed through a combination of public funding and patient payment and contributions, while private hospitals operate independently and with their own funding.

For hospitals and clinics managed by the CSS, inpatient and outpatient services are funded in their entirety by the CSS through contributions from employees, employers, and government subsidies. On the other hand, inpatient and outpatient services in public hospitals managed by the MINSA are typically at little to no cost. Financing on both CSS's hospitals and other health institutions managed by the MINSA are based on an annual budget established by each entity and approved by the National Assembly.

In the private sector, inpatient and outpatient services are financed on a fee-for-service basis, where patients pay for each aspect of their care. Private hospitals typically charge itemised fees for services such as room accommodation, surgical procedures, diagnostics, and medications. Patients without insurance pay directly, while those with private coverage may have partial or full costs paid or reimbursed depending on their policies. Company pricing for inpatient and outpatient services is determined by each installation and may vary depending on the type and complexity of the service.

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

In the public healthcare system, service prices are regulated by the CSS and MINSA, which set prices for various medical services provided in public hospitals and clinics. These prices are determined based on resource availability, cost structures, and government healthcare priorities. Prices in public facilities are heavily subsidised, making them affordable.

In private healthcare facilities, pricing is determined by individual providers and varies widely depending on the facility's location, quality, and specialisation. Providers typically adopt a fee-for-service model, where charges are based on the specific services rendered, such as consultations, diagnostic tests or procedures. Although there are no enforced pricing

regulations for private services, the fees for consultations or medical visits should be reasonable for the physician and equitable for the patient.

In the public sector, the CSS and MINSA implement budgetary controls and performance evaluations to monitor economic efficiency. However, inefficiencies persist due to high demand and resource constraints. In the private sector, efficiency is driven by market competition rather than government oversight.

Unlike some countries, Panama does not mandate per-case flat fee rates or bundled payment systems for inpatient services, nor does it have strict pricing frameworks for outpatient care.

## HEALTHCARE PROVIDERS IN PRIVATE PRACTICE

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

Services offered by private practitioners, therapists, laboratories and similar providers are financed primarily on a fee-for-service basis. Patients either pay directly or through their insurance coverage for each consultation, diagnostic test or treatment received. Pricing is determined by the provider, often influenced by factors such as specialisation, facility location, and competition.

Nonetheless, to the extent that such physicians, therapists, laboratories and other service providers are within the medical network for a specific insurance company, the insurance company sets the amount it will pay the medical service providers.

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

Panama guarantees physicians, therapists, and laboratories the right to freely determine their service fees at their discretion, but subject to the Medical Guild's Code of Ethics, in its 2022–2023 update (the 'Medical Code').

According to the Medical Code, the fees received by the physician must be proportional to the nature of the services rendered, in order to mitigate any actions that could be considered unfair competition. The Code also mentions that, for purposes of fees and remuneration, 'the payment for consultations or medical visits should be dignified for the physician and fair for the patient' and will depend on the duration and complexity of such services.

## PHARMACEUTICALS AND MEDICAL DEVICES

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

In Panama, the financing and reimbursement of pharmaceuticals and medical devices vary between the public and private sectors. Each has clear regulations, processes and frameworks in place to manage access to these products for the population.

The CSS is the primary public entity responsible for financing healthcare services, including pharmaceuticals and medical devices, for beneficiaries who are insured under the social security system. This includes employees and their dependents. The CSS covers the costs of medications and medical devices for those enrolled in its system, particularly for essential treatments or conditions that require ongoing care. The CSS maintains a list of approved

medications that includes essential drugs, which are reimbursed for beneficiaries. The prices for these medications are regulated to keep them affordable for the population. The CSS contracts suppliers to provide medications at discounted prices based on public procurement processes.

The CSS also finances the provision of medical devices, including prosthetics, implants, diagnostic devices and surgical tools. These devices are covered when provided within the CSS network, which includes public hospitals and clinics. The CSS contracts with suppliers to ensure that medical devices are available for the treatment of beneficiaries.

On the other hand, MINSA plays a critical role in regulating and overseeing the provision of pharmaceuticals and medical devices within the public healthcare system. The Ministry ensures that essential medicines and medical products are available at health centres across the country, particularly for patients who cannot afford private care. MINSA often provides medications and medical devices free of charge or at a subsidised rate for individuals who do not have insurance coverage.

The government, through MINSA and the CSS, engages in bulk purchasing and tendering processes to negotiate prices for pharmaceuticals and medical devices. This allows the government to obtain medicines and medical equipment at lower prices by purchasing in large quantities. The aim is to ensure that public institutions are adequately stocked while maintaining cost efficiency. Price controls are in place to regulate the costs of essential medicines, ensuring that they remain affordable for the population.

Law 419 of 1 February 2024 regulates the acquisition of pharmaceuticals and other products for human health, as well as medical devices and equipment. It establishes the mandatory rules and procedures that govern the processes of bidder selection and the acquisition of medicines, medical devices, and medical supplies by the health entities of the MINSA, the CSS, health boards and public institutions, as well as those carried out with public funds or national assets.

Law 419 further mandates the implementation of an optimal inventory management and supply policy for medications and medical supplies. This policy aims to ensure the efficient availability and dispensing of resources in compliance with the highest inventory and supply management standards. To achieve this, the government is required to provide public health entities with the necessary budgetary resources to implement the supply system.

The law also defines ‘orphan drugs’ as pharmaceutical or biological products intended for the treatment of rare diseases that affect a small population. Such drugs are characterised by the lack of commercial interest from producers due to their limited economic incentive, despite addressing significant health needs. To facilitate access, Law 419 stipulates a simplified, fast-track process for registering orphan drugs under the ‘*registro sanitario*,’ granting them full commercialisation and distribution rights.

Additionally, Law 423 of 20 February 2024 guarantees free healthcare services within the public system for elderly individuals lacking economic resources. This includes covering medication costs, hospitalisation, medical supplies, and both basic and complementary laboratory tests. The MINSA is tasked with funding these expenses across all its healthcare facilities to ensure comprehensive support for economically disadvantaged elderly individuals.

Reimbursement processes are more commonly associated with private insurers, which require insured individuals to seek prior approval or submit payment receipts to claim coverage under private insurance policies. Nevertheless, the legislative framework under Law 419 seeks to

enhance the availability of essential medications and ensure their inclusion in health service provision when required.

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

Executive Decree 3 of 2023 establishes the National Centre for Medicine Negotiation, through which the needs for medicine procurement are consolidated, and both national and international negotiations are conducted to secure the most favourable prices for the MINSA, the CSS and pharmacies. This process aims to acquire quality medications using economies of scale. Pricing guidelines and quality standards are set forth by MINSA.

Similarly, Law 419 establishes the national medicine price reference system (the ‘system’). This system will compile procurement needs at the national level, conduct national and international negotiations, and secure, through economies of scale, the most favourable reference prices for public medicine procurement processes. The system will negotiate reference prices for said processes based on data provided by the National Medicine Observatory of Panama and the Consumer Protection and Competition Authority (ACODECO).

Once determined by the system, the reference price will act as the maximum allowable price for institutions in procurement processes. In cases where certain medicines required by institutions have not been negotiated through the system, institutions may establish their reference prices based on information supplied by the National Medicine Observatory.

The MINSA and the CSS are authorised to conduct unilateral purchases of medications or pharmaceutical products when the executive branch declares a critical shortage. In such cases, each entity will define the technical specifications governing the authorised unilateral procurement, and the process will be carried out through the electronic public procurement system, ‘*Panama Compra*’.

Notably, the law currently does not include explicit provisions addressing confidential rebates.

**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.**

Two rulings by the Supreme Court of Justice of Panama’s Third Division of Administrative and Labor Disputes, dated 1 March 2023 and 13 December 2021, address the legality of resolutions issued by the Caja de Seguro Social (CSS), specifically regarding the denial of medical reimbursements. The Supreme Court declared the CSS resolution denying reimbursement for medical expenses to be unlawful, ruling that the request was justified due to a vital emergency that the CSS failed to address due to its temporary inability to provide the required service.

**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.**

The CSS of Panama is undergoing critical reforms aimed at ensuring the sustainability of its programmes and improving the quality of public health services. These amendments involve significant changes to the financing structure of key programmes, such as the *Programa de Invalidez, Vejez y Muerte (IVM)*, and adjustments to the contribution framework. The government has proposed an additional annual contribution of US\$1.187bn to stabilise the institution's finances, while employer contributions would increase from 12.25 per cent to 15.25 per cent, leaving workers' contributions unchanged. Additionally, new revenue sources are being considered, including allocating a portion of proceeds from other government entities and funds.

Efforts are also being made to integrate independent workers into the system, facilitating their inclusion as contributors and thereby expanding the CSS's revenue base. Alongside these financial reforms, initiatives are underway to improve healthcare service delivery. Notably, there is a proposal to establish a unified system that integrates the CSS with the MINSA, with the goal of optimising resources and providing more efficient, equitable healthcare services to the population.

Transparency and oversight are central to these reforms. Proposals include setting investment limits and implementing stricter controls over the administration of CSS funds to ensure efficient management. Furthermore, specific sanctions for cases of medical negligence are being considered to protect patients' rights and promote high-quality care.

Although the proposals are significant, they remain under debate at the National Assembly, where public consultations have been conducted to gather input from various sectors of society. This dialogue aims to strengthen the draft legislation and achieve a consensus that will allow for the effective implementation of the necessary changes. While the final details still depend on legislative decisions, the reforms are designed not only to secure the financial sustainability of the CSS but also to transform Panama's public health system by increasing available resources, and enhancing its efficiency and quality.