

MICROCARE, Uganda: Financing Health through Communities

Health insurance coverage remains limited in most African countries. Africa poses multiple challenges to effective health insurance delivery, including the common ones of adverse selection, moral hazard and potential fraud, all of which increase risks to insurers and costs to prospective customers. In Africa, high costs run up against widespread poverty and poor health to make for limited insurance cover, high premia and limited affordability. Thus, most households are forced to pay user fees for health care which is often of substandard quality.

Microinsurance has emerged as an innovation aimed at providing health insurance protection to low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved³⁴. The approach places a stress on prevention and health education as first best interventions.

In Uganda, per capita public health expenditure does not even reach US\$5. In order to make up for the shortcomings of the existing system, the Ugandan Ministry of Health (MoH) introduced a regulation for Community Based Health Financing (CBHF) in 1995. CBHF empowers communities to meet their health financing needs through the pooling of resources. It is an alternative option to a national insurance plan, favouring the local management of health financing and the development of a coverage adjusted to the needs and resources of each community.

Building on opportunity

In 2000, a non-profit organisation named Microcare was created out of a Community Health Financing Micro-Insurance initiative in Uganda and has grown into the largest provider of group health insurance in Uganda, servicing both formal and informal sectors and operating in urban and rural areas. Microcare provides health coverage to people who had remained excluded from the existing schemes by employing a unique approach to deliver affordable health insurance, including

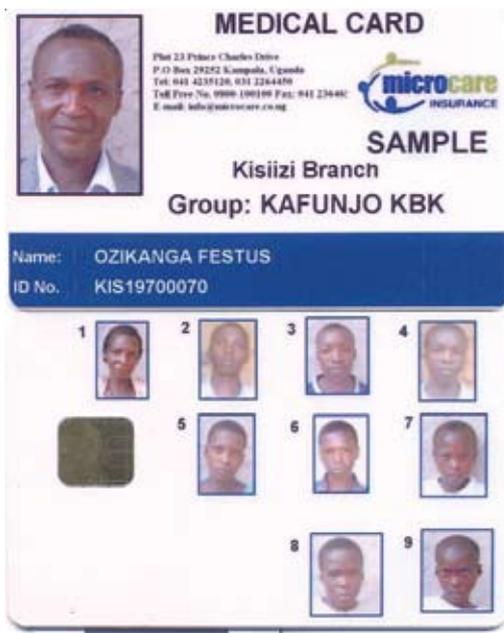
comprehensive information technology (IT) systems and controls. The multidisciplinary team integrates medical, IT, insurance, preventive health, financial and general management expertise.

Microcare has developed a well-calibrated range of health services, integrating malaria and HIV treatment in its coverage after 2005. Every plan is negotiated with the customer community, with premium adjusted to the service required. The company has managed to control its costs, implementing a cost-effective

administrative process based on real time monitoring of its receipts and expenditures.

Its customers belong to communities or worker groups that have agreed on the services they want and the premium they are ready to pay. In the design phase, Microcare discussed with the local community the premium members would be able to afford, the level of services they expected and the group





Front and Rear views of client smart card. The reverse side of a family card can carry photos of up to ten dependents. This arrangement is used for particularly cost-sensitive community groups who cannot afford to pay for individual cards.

Photo: Microcare

structures required to avoid adverse selection. This consultative process has continued with community schemes, particularly where the communities are organised into traditional burial societies.

In the first stages of its development, the non-profit organisation, which became a private company in 2004, developed a network among other micro-finance institutions, corporations, and communities that has provided a customer base and helped reduce adverse selection risk. Hence, new customers always represent a significant share of their community or group. Re-insurance companies which pool insurance risks, health service providers and various international donors were also associated with the creation of Microcare.

Thinking ahead

Microcare integrates insurance with preventive health interventions targeting malaria, HIV, water-borne diseases and maternal child health. This has the benefit of preventing illnesses and thus reducing claims costs but also overcomes one of the difficulties associated with insurance which is lack of product

tangibility. When clients have received obvious physical items such as insecticide treated mosquito nets and jerry cans with water purification tablets or benefited from health education sessions, they feel they have received something from the insurance program even if they have not fallen ill and had an insurance claim. This increases their likelihood of renewing, thus improving client retention, especially of healthier clients. In addition, a dedicated customer care team within Microcare also handles feedback from clients and medical service providers on a daily basis, enabling a rapid response to market needs.

Microcare has introduced efficient measures to reduce fraud, such as fingerprints with electronic recognition. Consequently, it has been able to keep fees in a range from US\$90 to US\$300 per year. In 2007, it has become the main Ugandan insurer, with 85,000 customers. Its network covers most Ugandan districts and includes 170 approved clinics and hospitals.



Photo: Microcare



Photo: Microcare

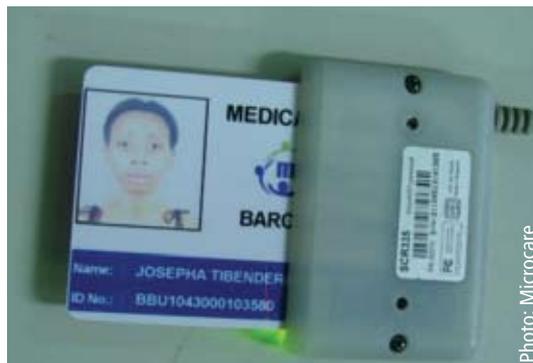


Photo: Microcare

The impact of Microcare has been significant. For populations that were not covered before, the insurance products provided by this company have changed the quality of life. For instance, customers do not postpone seeking health care until they are very ill as they do not have to pay onerous user fee. They do not need to self medicate, risking drug complications and waste of resources. Furthermore, timely access to health services reduces vulnerability to serious household health crises. Microcare also provides broader benefits, contributing to health education and sensitising its members to the value of long-term planning and saving. Furthermore, Microcare's development strategy has favoured community dialogue and empowered local management. As each scheme is negotiated at the local level, communities realise how crucial their involvement is for the management of public issues such as health.

Microcare has operated without any substantial donor support since mid-2006. Tight controls, appropriate pricing, cost containment and disease prevention all work together towards commercial viability. However, it is the unique capacity of Microcare to achieve economies of scale through servicing both the community level market and the corporate employee market that differentiates Microcare from other commercial or



Photo: Microcare

community insurers and makes it most likely to continue to succeed. The commercial market brings with it profitability and a rapid achievement of self sufficiency. However the community market segment, despite tight operating margins, provides an almost unlimited potential for ongoing expansion, innovation and economies of scale as it reaches into the informal and agrarian populace.

Microcare is the fastest growing insurance company in Uganda (2005-7) with annual growth rates in excess of 200 per cent. In 2007 it achieved adequate scale to enter profitability and expects sustained growth in 2008. The desirable result will be an increase in the availability and variety of healthcare products and services available to members of the local community.

Scaling up

The current model is ready for a scale-up to national level. This could work in close partnership with the Uganda Government through the inception of the proposed National Health Insurance Scheme (planned for 2009). Deeper penetration into low-income groups in Uganda lies at the heart of Microcare's expansion plans. In 2008, Microcare intends expanding aggressively into informal sector groups.

Microcare has provided technical assistance to the Aga Khan Health Service Pakistan, in its Gates Foundation-funded pilot project to provide quality healthcare to 30,000 low-income people in the northern provinces:

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Microfinance
Clients



insurance for inpatients and a prepaid voucher scheme for outpatients. Microcare has incorporated a health management company in Zambia, servicing the needs of multinationals. Expansion into other East African countries is also planned, but Microcare is clear that sufficient funding for initial market surveys and start-up costs is required – all initiatives must be self-sustaining.

Microinsurance ventures and projects have now spread all over the country, as well as to other African countries like Kenya. They have certain limitations. On the one hand, they do not cover the poorest who cannot afford their services. On the other hand, their development as commercial entities is challenging and requires managerial expertise. Hence, some projects collapse as premia never cover costs. The understanding of the insurance principle is sometimes difficult when local communities expect to recover a portion of the premium at the end of the year if the cost of medical services used falls below the premium paid. These misunderstandings may affect the trust between CBHF companies and communities.

However, these companies or non-profit organisations have introduced a wide range of innovations that deserve to be mentioned. First, they have developed a range of services adapted to low-to-medium income populations that were not covered before. Next, they manage adverse selection risk by an original



William Gates Sr. at Microcare check-in desk

and efficient process. Community-based selection appears to be reliable in most cases. Further, they keep loyalty of healthy customers by offering a range of useful services like health education and prophylaxis against malaria and other communicable diseases. Besides their simple and transparent management, with upfront premium payments and immediate repayment for customers, a modern information system – based on a single administrative document – to monitor resources in real time permits cost reduction to levels acceptable for many African households. Furthermore, they empower community participation and local initiatives.