



When markets fail: health insurance and development

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Dar Es Salaam
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FOUNDATION

Facts on health in Africa

The problem of health and development

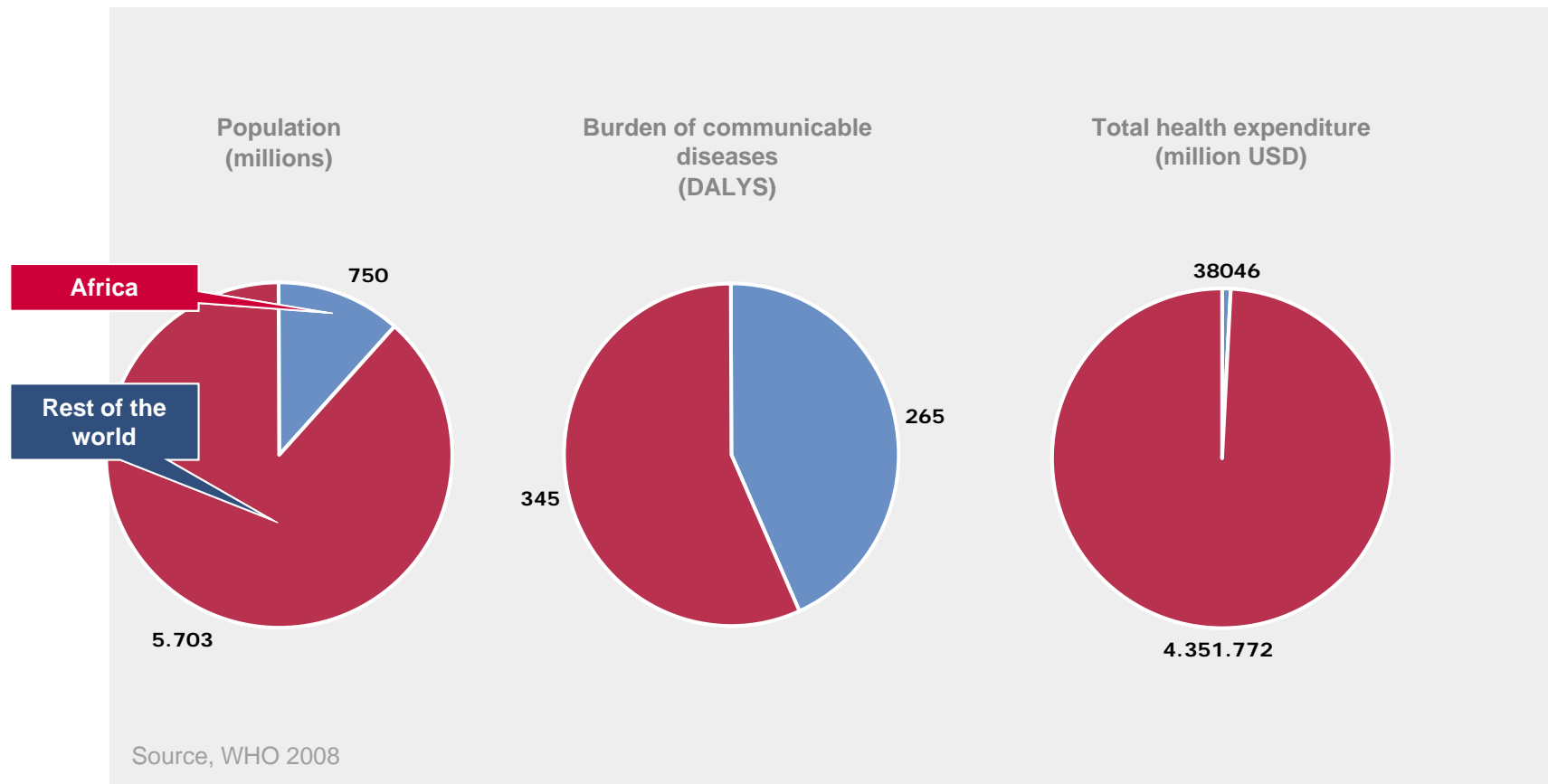
Two examples



1. Health in Africa

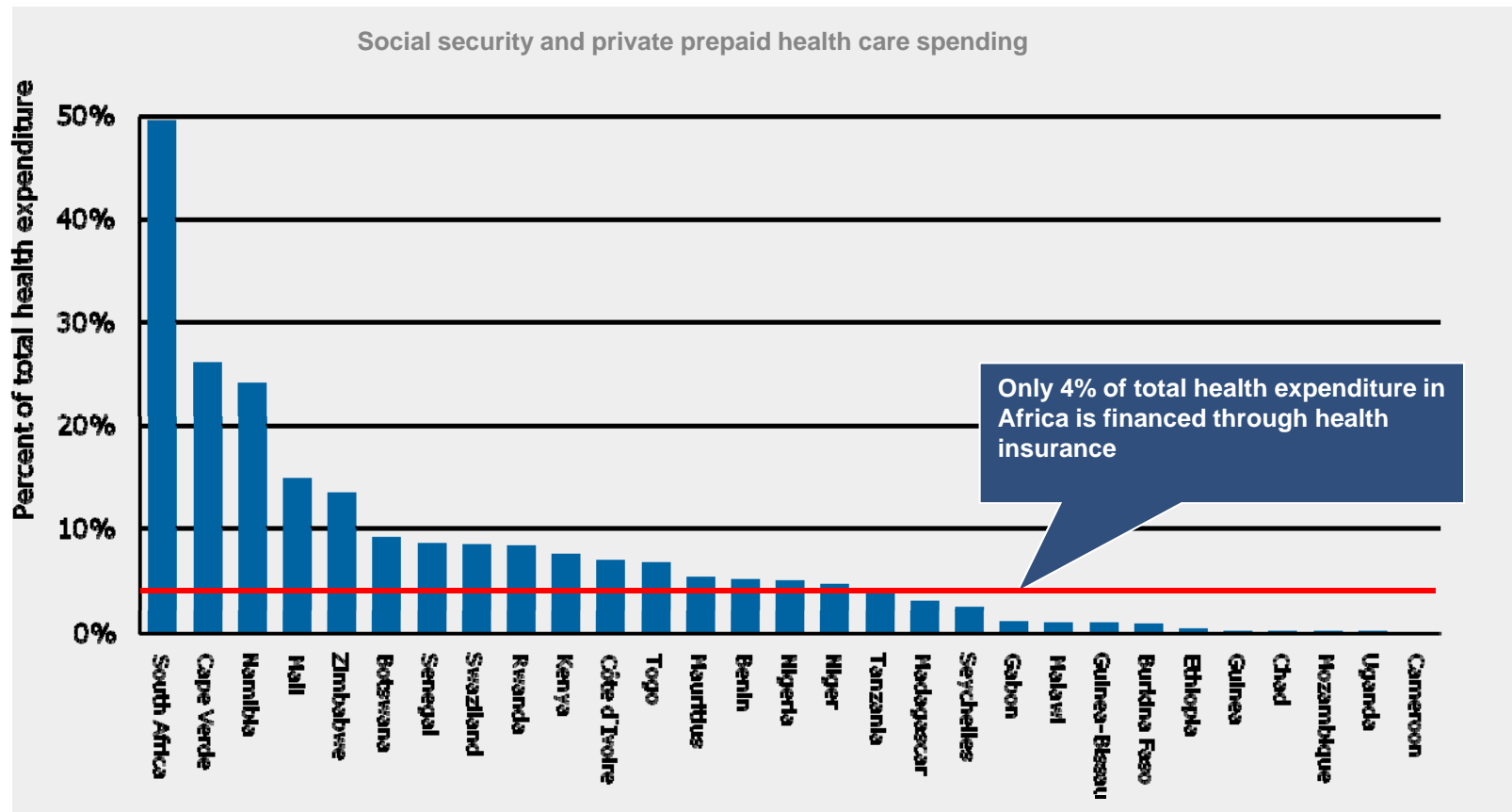
Africa spends little on health

- Africa is home to about 10% of the world's population,
- carries almost half of the world's burden of communicable diseases, but
- spends not even 1% of global total health expenditure



1. Health in Africa health insurance is rare

- Risk pooling in Africa is scarce, solidarity is limited
- Health insurance is mostly for high income brackets

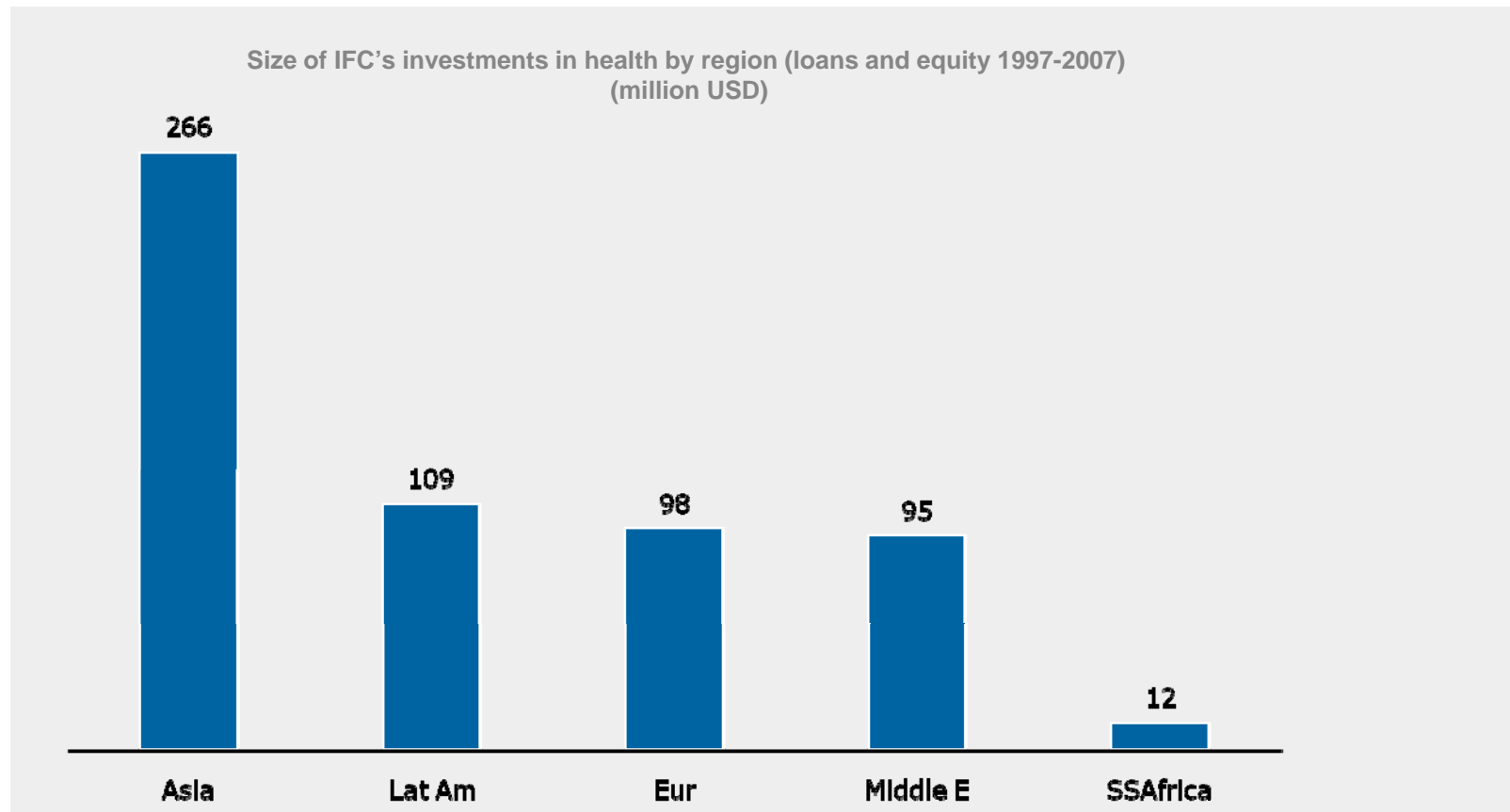


Source: WHO 2008

1. Health in Africa

virtually no investment in health sector in SSA

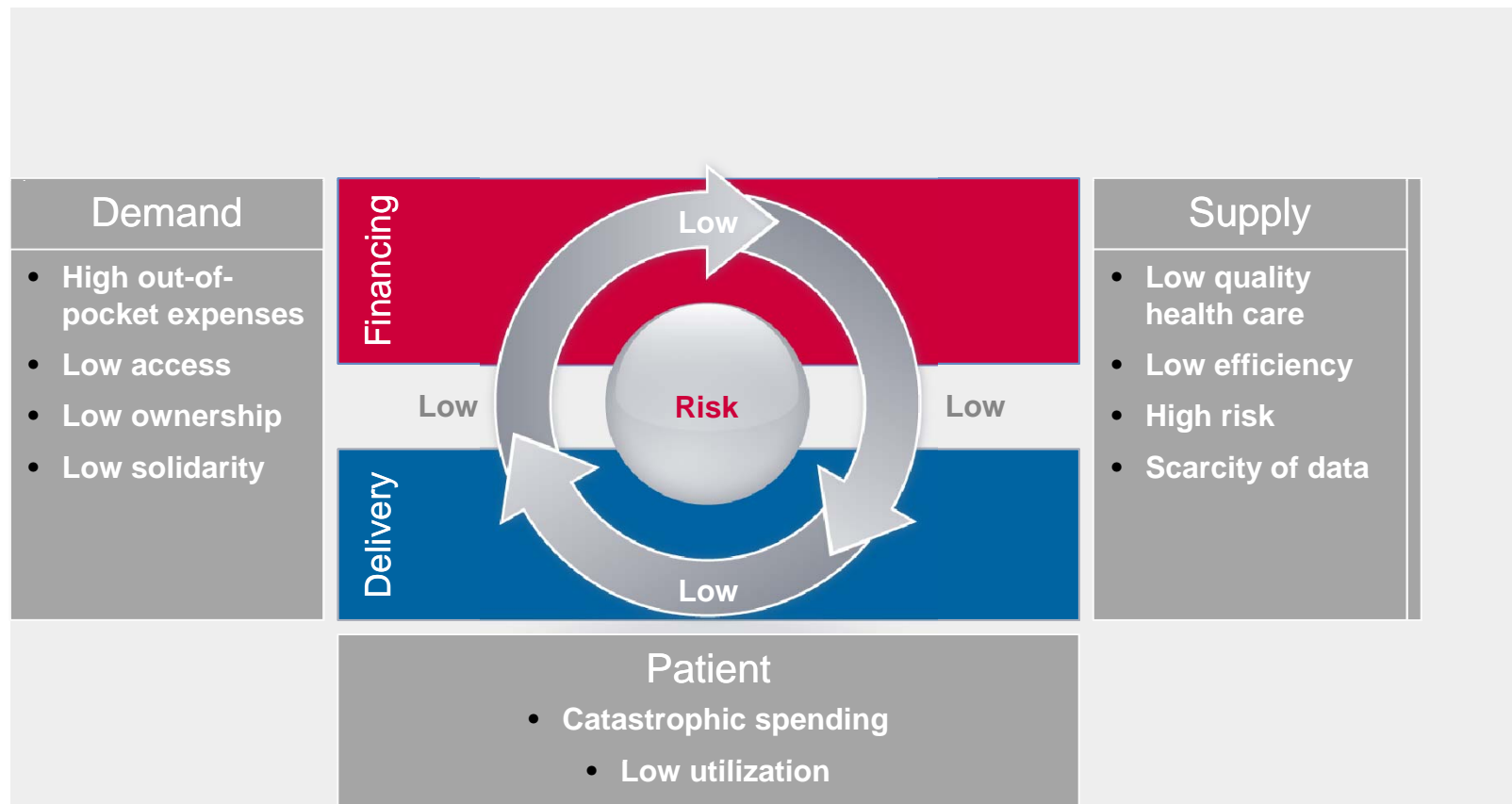
- In a decade IFC has invested 12 million USD in Sub-Saharan Africa out of a 580 million IFC health portfolio (out of 12.8 billion World Bank Group spending on health)



Source: Improving effectiveness and outcomes for the poor in health, nutrition & population, World Bank 2009

1. Health in Africa: a vicious circle

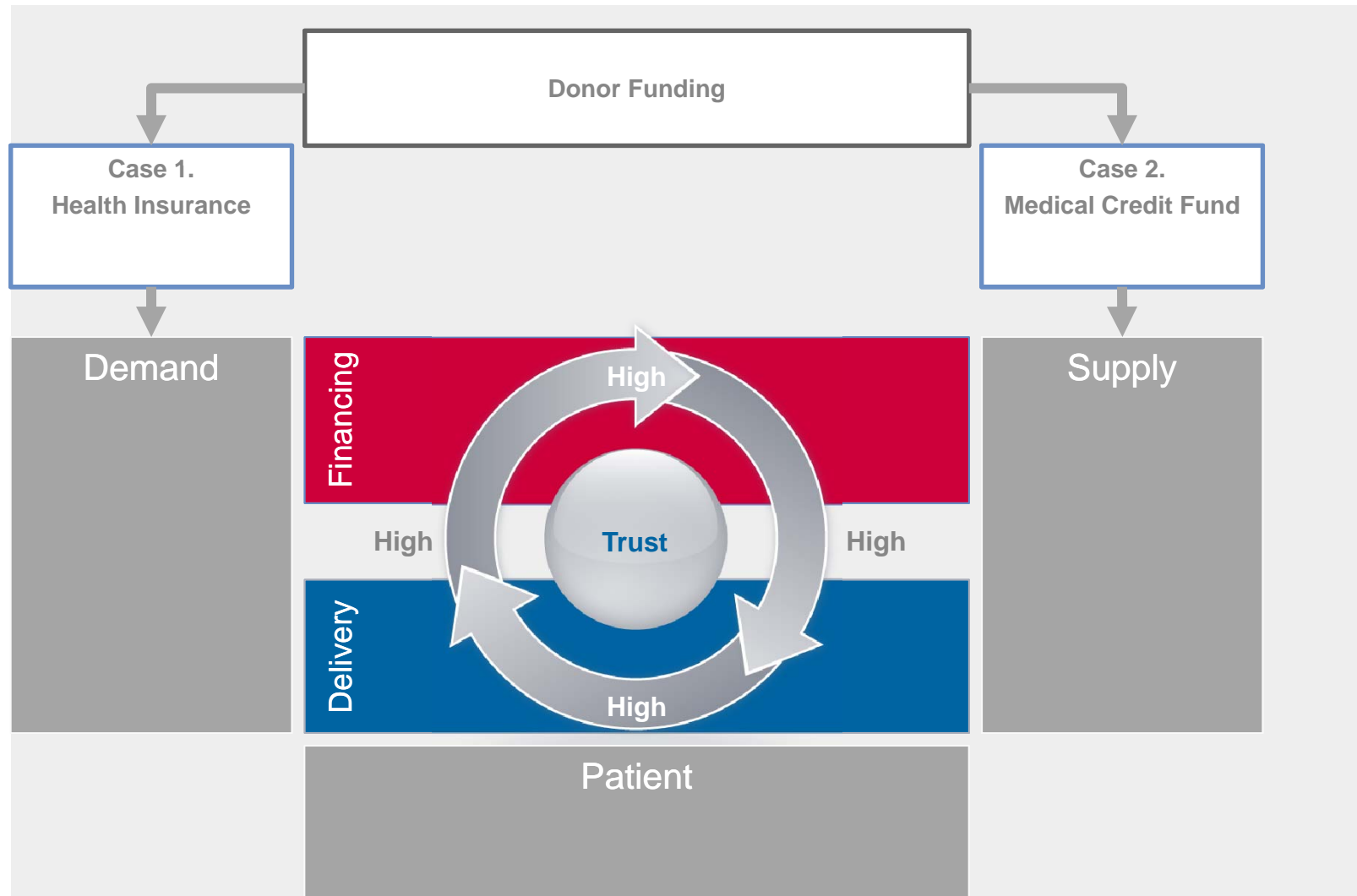
- African health systems are stuck in a vicious circle of low demand and low supply of health care. Trust in the is low



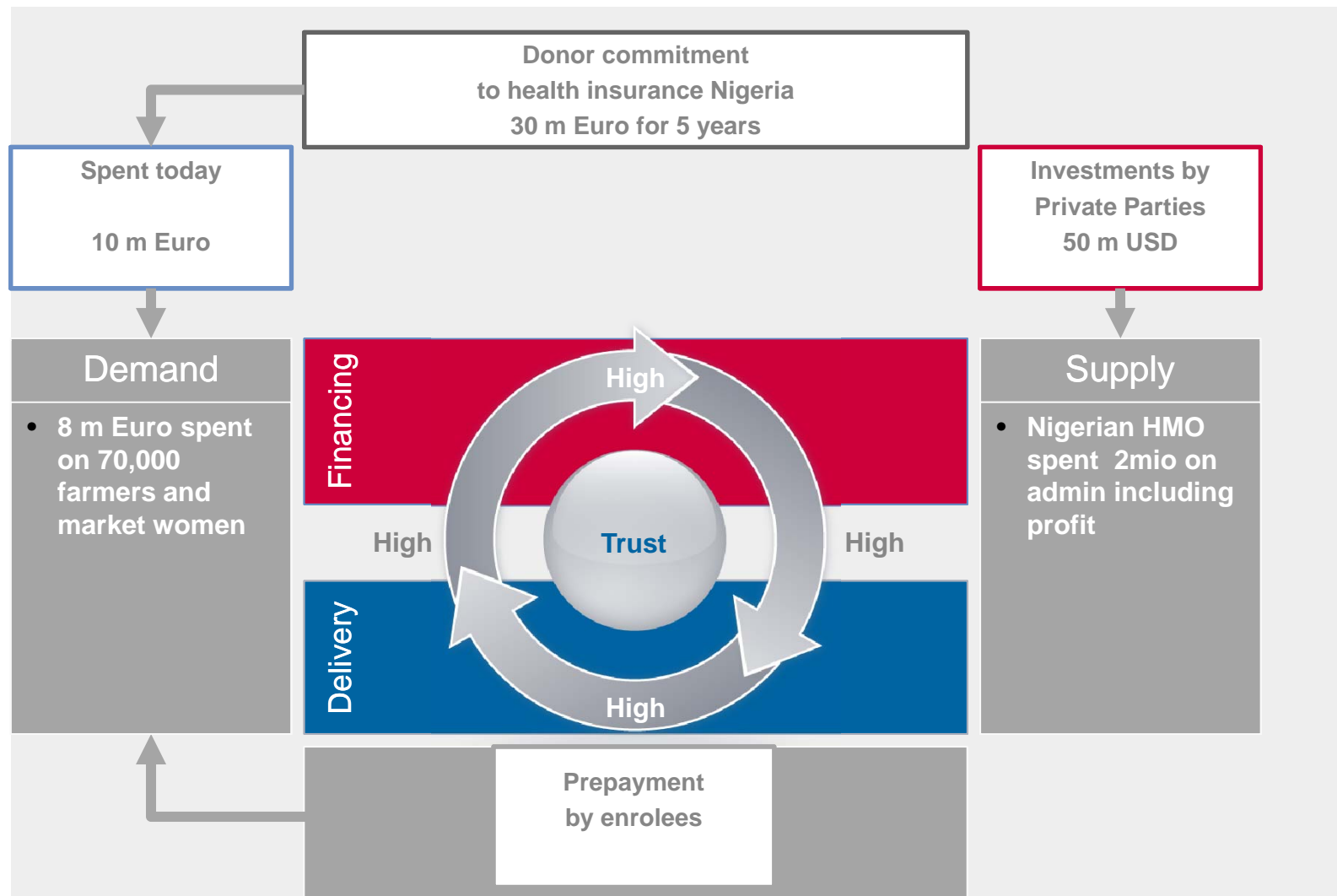
2. Creating a virtuous cycle how to get more money into the system

- Without supply no demand
- Without risk capital no supply
- Governments should focus on reducing unbearable and unknown risks
 - focus on risk equalisation and crowding out
 - solvency
 - no collateral or credit history
 - little financial skills, low quality
 - reputation risk for financiers

2. Creating a virtuous circle two cases



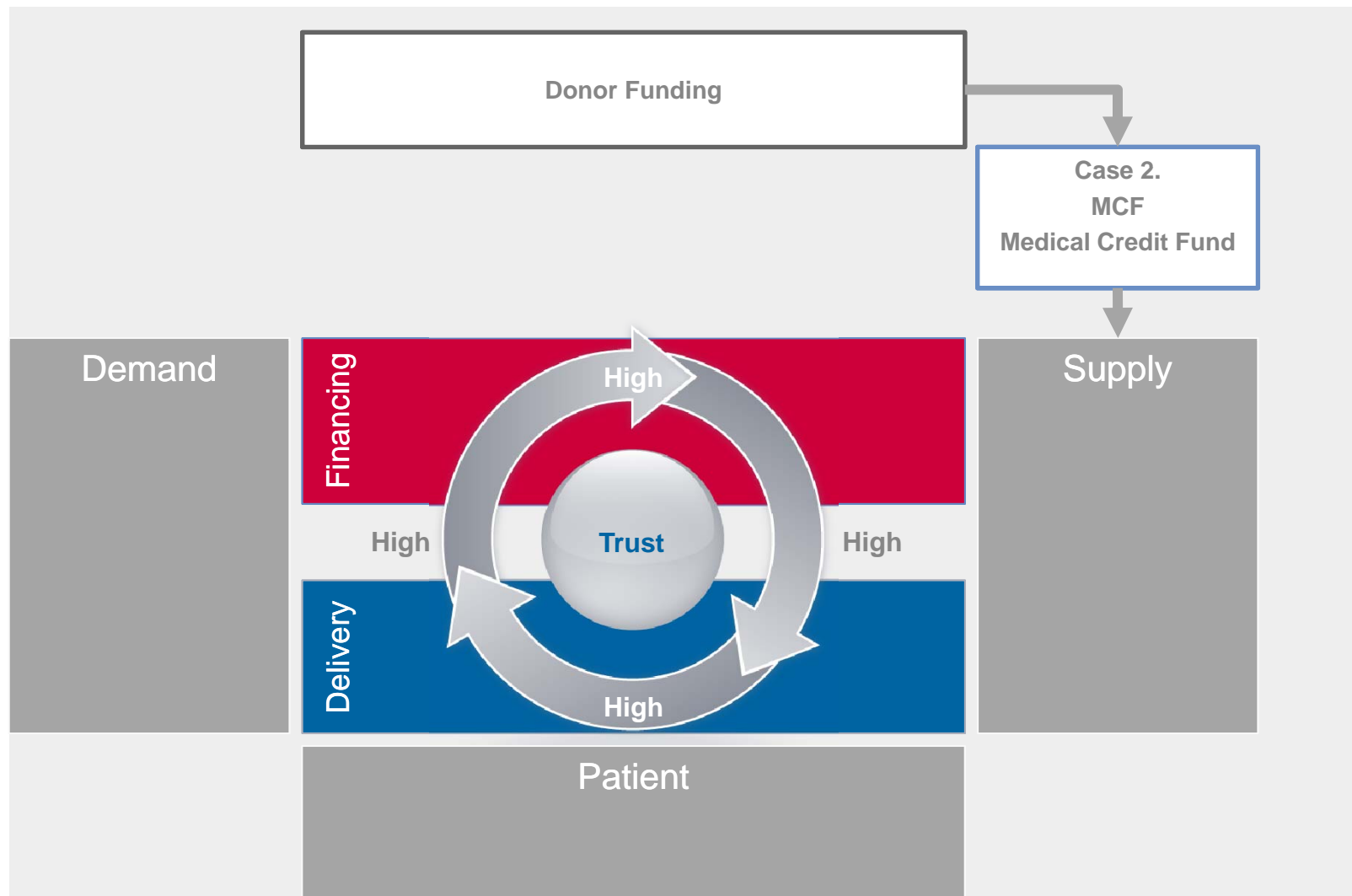
3. health insurance for informal sector by HMO



3. health insurance results

- Reduced investment risk due to long-term donor commitment
- Total money in the system increased 6 times
- Today four times more capital invested than the IFC in 10 years in the whole of Africa
- Unknown risks become known -> multiplier effect beyond the intervention

4. Medical Credit Fund affordable credit for healthcare providers



4. Medical Credit Fund

ninety percent of providers no access to capital

Perceived risks are high

- Financial risk

- Medical risk
 - no defined medical standards
 - no measurement of medical quality
 - no information on medical performance

- Unknown risks
 - private credits are unavailable or at high market rates (>30%)
 - donors don't know if money is spent on medical improvements

4. Medical Credit Fund results

First loss with public money: 10-20 times leveraged

- loans to 2000 clinics
- revolving portfolio of 47 million Euro

Program will provide data on

- creditworthiness of doctors
- medical performance

November 2010:

- We received an award for our innovative financing model to improve African health care
- US President Barack Obama presented the award at the G20 summit in Seoul

