Encouraging Private Sector Role in achieving Universal Health Coverage through Development Partners Funding

KfW support to promote Health Insurance as Social Health Protection Initiative

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Oxford Policy Management
I am here to tell you about ...........

- A Leap of faith ..........
  - Unusual and untested initiative for KfW * & Govt of Pakistan

  Dream come true for a Development Partner

- € 10 Million for a five year project leads to local government invest more than Rs. 3.5 billion (€ 27 million) in the initiative!!!

- Initially planned to cover 100,000 households leads to covering 5 million households in one province – in less than three years!!!!

- Survives change in government four times

- A catalyst for change – encouraged federal government across the country to launch a similar scheme for 14 million families

*KfW – Kreditanstalt für Wiederaufbau ("Reconstruction Credit Institute") – “German Development Bank”*
Pakistan – a country in South Asia
### Indicators of the level of health care expenditure

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total expenditure on health as % of GDP</td>
<td>2.7%</td>
</tr>
<tr>
<td>2. General government expenditure on health as % of GDP</td>
<td>1.0%</td>
</tr>
<tr>
<td>3. General government expenditure on health as % of total government expenditure</td>
<td>4.7%</td>
</tr>
<tr>
<td>4a. Per capita government expenditure on health at average exchange rate (US$)</td>
<td>12.4%</td>
</tr>
<tr>
<td>4b. Per capita government expenditure on health (PPP $)</td>
<td>28.5%</td>
</tr>
</tbody>
</table>

### Indicators of the source of funds for health care

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. General government expenditure on health as % of total expenditure on health*</td>
<td>36.9%</td>
</tr>
<tr>
<td>6. Private expenditure on health as % of total expenditure on health**</td>
<td>63.1%</td>
</tr>
<tr>
<td>7. External resources for health as % of total expenditure on health#</td>
<td>4.7%</td>
</tr>
<tr>
<td>8. Out-of-pocket expenditure on health as % of total expenditure on health</td>
<td>54.8%</td>
</tr>
<tr>
<td>9. Out-of-pocket expenditure on health as % of GDP</td>
<td>1.5%</td>
</tr>
<tr>
<td>10. Private prepaid plans on health as % of total expenditure on health</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

- High Out of Pocket expenditure on health
- Around half population use private health care providers.
Universal Health Coverage (UHC)

- 3 inter-related components of UHC:
  1. the full spectrum of quality health services according to need;
  2. financial protection from *direct payment* for health services when consumed; and
  3. coverage for the entire population

(WHO/World Bank, 2013: 1/10)

Furthermore……

1. Voluntary insurance cannot get to UHC – at best, a supplement to compulsory pooling

2. Catastrophic insurance – e.g. insurance for unpredictable high cost items such as inpatient care - cannot get to UHC
Pakistan moving on all elements of universal coverage in health

Govt. goal for 80% population of Pakistan to be covered by a pooling mechanism for health by 2025

‘Wider enrolment’/voluntary health insurance

- Different models of health insurance launched.
- Provincial and federal govts. working towards consolidation
- SDG - Achieve universal health coverage, including financial risk protection
- National Health Vision - Pro-poor social protection initiatives

Stages of financial protection and supporting policies

- National Policies
  - optimised subsidy of low income by high-income households
  - inter-pool subsidies and consolidation policies
  - framework for pool management and interactions
  - commitment to dissociate contribution from utilisation

World Bank, Health Financing Revisited, 2006
KfW support to Pakistan for Social Health Protection

- The German government, through KfW, committed € 10 million in 2010 - to assist the development & implementation of a demand-side approach, including:
  - clearly delineated regulators, purchasers, and providers of health services;
  - accountability for performance through contractual mechanisms;
- Approach chosen – health insurance
- Payment of premium for poorest 21% in 5 districts of Khyber Pakhtunkhwa, and Gilgit-Baltistan.
- Recognizing challenges, KfW –
  - Allocated Organizational Development funds for HIOs.
  - Allocated ‘reserve funds’ to cover risks to insurance companies.
  - Engaged a monitoring and support organization (OPM).

Further € 15 million committed since
Donor Funding to private sector through Government

- Difficult to fund private sector directly by government donors
- A different mechanism for funding the private sector agreed
- KfW agreement and funding to Government
- Govt sends request for release of funds to KfW each quarter
  - KfW releases funds to Insurance companies directly
  - Insurance companies spend the funds using their own procedures
  - Hospitals provided funds through settlement of claims – performance based
- Higher numbers of treatments lead to more revenue
- Government audits/ overseas funds utilisation
- Provision for return of 60% unused amount paid as premium
Market encouragement

- KfW supported SHP initiative is not:
  - A typical donor funded project.
  - A ‘cash assistance’ welfare scheme.
  - A supply side initiative.
- The initiative:
  - Stimulates the insurance industry to provide low cost products.
  - Aims to encourage healthcare providers to improve services to get on insurance company ‘panels’
  - Public and private health care providers compete for service delivery – benefits patients.
  - Empowerment & choice for the patient.
  - A mix of commercial enterprise and commitment to supporting the poor.
  - Has demonstrated potential for rapid scaling-up.
- Aims to expand private sector involvement in health care delivery – insurance companies & hospitals
- 5 major insurance companies have started providing health insurance products
KfW support for health social protection initiative in the province of Khyber Pakhtunkhwa and region of Gilgit Baltistan
Overall objectives

- Improve access to health care services.
- Reduce income loss due to catastrophic health shocks.
- In the longer term
  - Achieve Universal Health Coverage
  - Explore alternative health financing mechanisms.
  - Increase discretionary revenues for and improve quality of government and private hospitals.
Benefits Package

- Yearly premium per household is Rs. 1,549 (US$ 15).
- Coverage of Rs. 30,000 (US$ 285) per member of household per annum (for secondary care).
- Coverage of Rs. 300,000 (US$ 2860) per household per annum (for tertiary care in KP).
- Up to eight members of the household covered.
- Cashless service available at empanelled hospitals.
- Only inpatient coverage (No OPD).
- Transportation cost of Rs. 1,000 payable in maternity cases.
- Transportation benefit of Rs. 2,000 payable in tertiary referral cases.
- Wage loss of Rs. 250 per day is payable for three days maximum.
- Funeral expanses of Rs. 10,000 is payable in case of death of registered member during treatment.
Approved products for wider enrolment - Voluntary

• Multiple products developed to cater for various ‘clients’ by the HIOs in KP & Gilgit, with support from KfW

• Group insurance to reduce risks
  – Minimum enrolment ratio for a village/neighborhood to become eligible for these products would be 50% of the families

• NGOs with experience in community organization lead mobilization and marketing.

• Health seminars and awareness raising sessions planned

• Aim to promote health insurance as a mechanism for health delivery
Role of government - Political support… political premium

- Adoption of the approach by the federal government throughout the country – The Prime Minister’s Scheme.
- Leadership and strategic management.
- Regulation of providers & purchasers.
- Facilitating supply-side development
- Scaling-up to all Districts in KP.
- 69% of poorest households with premium paid by the government – Rs 2.5 billion per year (US$ 23 million).
- Health Insurance product being developed for 400,000 government employees in the province
- Major political parties support the Initiative
- Continued financing
- Providing necessary legislative support.
Role of Oxford Policy Management Limited (OPML)

- Complex initiative with limited expertise in Pakistan
- OPML involved from the conceptual stage to design & implementation stage.
- Presently provides technical assistance to Governments of KP & GB, HIOs & KfW in SHPI
- Overall coordination of project activities in close cooperation with Govt, HIO, and Health providers
- Support Govt. in management of the insurance agreement and its annual renewal
- Provide a professional opinion concerning the justification of a proposed activity package and / or investment
- Conduct quality control visits to verify service delivery and quality thereof
- Monitor service utilisation and support gate-keeping procedures
- Review service delivery and financial reports submitted by the HIO
Private Sector Encouragement to support UHC – Insurance Companies

- ALL insurance companies have launched health insurance products in Pakistan
- An example - State Life Insurance Corporation (SLIC) of Pakistan -
  - Till 2015, premium for Health insurance was Rs. 38 million, while in first nine months of 2016 it saw a 520% increase to Rs. 236 million (US$ 2.25 million)
  - Possibility to cover 25 million households across the country (35000 million rupees / US$ 333.3 million per year!!!) – with premium paid by the government providing benefits to the poor.

- SLIC plans to launch health insurance products available to general public for voluntary purchase – TARGET premium collection of Rs 3 billion (Au$ 28 mil.)
- SLIC will provide health care services to all its 4000 employees through health insurance.
Private Sector Encouragement to support UHC – Hospitals

- Private sector hospitals enhancing infrastructure & services
- 102 hospitals have been empaneled to provide hospitalization services
- 73 hospitals are from private sector
- Over the years – admissions for the insured private hospitals have increased
Admissions

- From Jan 2016 to Dec 2018, a total of 114 thousand admissions have been recorded
- 79 thousand admissions recorded in private hospitals
Claims paid

- From Jan 2016 to Dec 2018, a total of Rs.3.6 billion (Au$ 40 million) claims have been paid to the empaneled hospitals.
- Rs.2.4 billion (Au$ 27 million) - 67% paid to private hospitals.
- Tertiary claims paid by private hospitals were 61% of total claims.

<table>
<thead>
<tr>
<th></th>
<th>Public and Private Hospitals</th>
<th>Private Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalised Claims</td>
<td>3.55bn</td>
<td>2.39bn</td>
</tr>
<tr>
<td>Tertiary Claims</td>
<td>1.72bn</td>
<td>1.05bn</td>
</tr>
<tr>
<td>Secondary Claims</td>
<td>1.83bn</td>
<td>1.35bn</td>
</tr>
</tbody>
</table>
Claims paid

- Total claims paid increased till Qtr 3 of 2017, but then decreased as the insurance company introduced a referral system with private sector hospitals.
Unit Cost of Services

- Insurance companies were able to negotiate lower rates with private sector hospitals – reduced unit cost – advantages for patients

<table>
<thead>
<tr>
<th>Treatments with claims above Rs.40M</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Admissions</td>
<td>Unit Cost</td>
</tr>
<tr>
<td><strong>SECONDARY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tonsillectomy - Bilateral</td>
<td>17483</td>
<td>19.53K</td>
</tr>
<tr>
<td>Appendicectomy</td>
<td>4577</td>
<td>15.41K</td>
</tr>
<tr>
<td>Hysterectomy - abdominal</td>
<td>1153</td>
<td>25.18K</td>
</tr>
<tr>
<td>Non Surgical</td>
<td>2502</td>
<td>21.47K</td>
</tr>
<tr>
<td>Cholecystectomy and Exploration</td>
<td>1230</td>
<td>26.81K</td>
</tr>
<tr>
<td>Cæsarean delivery</td>
<td>1379</td>
<td>24.53K</td>
</tr>
<tr>
<td>Cholecystectomy</td>
<td>592</td>
<td>24.54K</td>
</tr>
<tr>
<td>Haemorrhoidectomy</td>
<td>1458</td>
<td>16.71K</td>
</tr>
<tr>
<td>Cataract with IOL by Phacoemulsification tech. unilateral</td>
<td>705</td>
<td>22.67K</td>
</tr>
<tr>
<td><strong>TERTIARY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CABG</td>
<td>2783</td>
<td>125.39K</td>
</tr>
<tr>
<td>Angioplasty with two stent (Drug eluted)</td>
<td>456</td>
<td>287.62K</td>
</tr>
<tr>
<td>Angioplasty with single stent (Drug eluted)</td>
<td>313</td>
<td>289.79K</td>
</tr>
<tr>
<td>Coroangiography with all inclusive</td>
<td>313</td>
<td>223.09K</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20266</td>
<td>34.06K</td>
</tr>
</tbody>
</table>
Challenges

- Rapid expansion has lead to major decisions with limited strategic thinking
- Inadequate civil service capacity to manage new initiatives with private sector involvement.
- Early emphasis on quantity rather than quality.
- Generous benefits package, very large population covered with low premium amounts.
- Weak accounting and management procedures in hospitals leading
- Weak gate keeping
- Quality of health care services
- Balancing political enthusiasm and politicization.
KfW has worked as a catalyst in Pakistan leading launch of a multi billion Rupee country wide initiative involving private sector in Universal Health Coverage!

“Do not follow where the path may lead. Go instead where there is no path and leave a trail.” (Ralph Waldo Emerson)