

Working with the Private Sector

Smart Aid

Paying for health care for
marginalized groups

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Working with the Private Sector

**The activities of KfW since
1992 in this area**

Previous Core activities

- Infrastructure investment for government institutions
- Commodity supply

Financing activities since 1992

- Social Marketing of contraceptives and condoms (Presently 18 Projects)
- Support for BCC (12 Projects)
- Social Franchising of Clinical Family Planning Methods
- Out put based AiD (Smart Aid)
- Budget Support (SWAP)

Why did we start working with the private sector ?

- Health indicators in many countries still completely unsatisfactory
- Donors do not concentrate on health needs but rather on policy and ,fashion‘ issues
- More receptive to the needs of clients
- Less corruption
- Less red tape because of government bureaucracy
- More cost effective

Bottlenecks

- Limited number of qualified partners
- Very often a jealous relationship between Government and NGOs/Private sector
- No well established mechanism for contracting and evaluation

What we want to achieve

- Improve the health situation of the poor and not the ego of donor representatives
- Target vulnerable groups directly and contribute to the improvement of clearly defined health problems (maternal mortality, child health, AIDS related diseases).
- Develop cooperation mechanisms with the private sector

Our Approach

Smart Aid

- Reaching the poor directly and through cash transfers in the form of vouchers and service payments
- Collaborate with the private AND the public sector

Smart Aid

Out put based Aid (OBA)

- Definition:

OBA in the health field provides a unit reimbursement to subsidize particular, defined medical services, including the cost of drugs and investigations.

OBA

Payment is managed either by:

- issuing coupons or vouchers with cash value for services from service providers;
- direct payments to providers without vouchers;
- a small co-payment from the low-income client may or may not be required.

OBA

- **OBA** can underwrite or subsidize curative and preventive medicine in the public, NGO and private sectors.
- A realistic unit cost for a specified essential output is agreed, such as safe delivery or family planning.
- The provider is then paid according to the number of clients served.

OBA

- The **OBA** approach envisages financing agreed outputs by **selling vouchers to clients** for e.g. RH, STI & FP at subsidised prices or **by reimbursing the costs** for a specific service.
- The programme can cover general populations or specific groups in urban and rural areas.

OBA

- It introduces a clear incentive for providers to improve and maintain the **quality** of their services
- It allows clients to go to the provider **they choose**

OBA

- OBA can be used as a “**Stand Alone**” intervention.
- It allows **specific diseases and conditions** to be targeted either by selling vouchers to specific target groups (e.g. youth) or by subsidizing specific services (i.e. Gender Violence Recovery Centres, VCT) to make them more widely available

OBA

Potential limitations of OBA

- Reaching specific target groups
- Availability of provider
- Pricing services
- Not suitable for acute conditions

OBA

Some Examples

- **FP** Services in Taiwan & S. Korea
- **STI Rx** in Nicaragua
- **Safe Delivery** in Cambodia
- **PHC** in Haiti
- **Safe delivery & FP** in Kenya
- **STD Rx** in Uganda

OBA

OBA mechanisms and processes can be used in developing systems for Social Health Insurance systems.

These include:

- Approval and quality improvement & maintenance;
- Claims and processing;
- Monitoring and evaluation methods; and
- Empowering clients to exercise choice.

OBA

Output-based Aid, which provides subsidized vouchers will:

- allow patients to access the health service provider of their choice (public, private or FBO/NGO);
- introduce competition and improve quality;
- allow specific conditions or groups to be targeted
- can provide valuable learning for the introduction of social health insurance systems.

OBA

- Giving clients the chance to choose their provider and paying providers on the basis of performance can be a way to efficiently and effectively use limited resources to help marginalised groups and to target important medical conditions.
- Try it!