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Extending Social Security Health Insurance to the Informal Sector via MFIs in Nicaragua

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Project Background



Introduction

- Individuals in resource-poor settings face high levels of risk that affect health
- Health insurance can mitigate health shocks
- Several challenges in providing to informal workers
 - Can they afford it?
 - How to collect lots of small payments vs. employer contributions
 - Adverse selection
 - Moral Hazard



Seller of Rosquillas in the Market

Nicaragua

- Limitations of health insurance coverage in Nicaragua:
 - Instituto Nicaraguense de Seguridad Social (INSS) health insurance is currently offering services only to the formal sector (22% of EAP)
 - Another 1.2 million work in the informal sector
 - Informal sector workers lack health care coverage



*Mercado Oriental
in Managua*

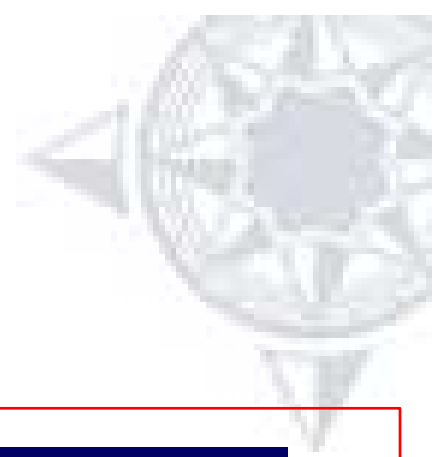
The Pilot Program

- Pilot offering health insurance to informal workers in Managua
 - INSS developed a pilot in Managua to extend social security health insurance to informal workers-approximately 1/5th of the country's informal workers are in Managua
 - One of the main constraints was the collection of payments-contracted three microfinance institutions for promotion, affiliation and collection
 - INSS contracts out 17 private and public clinics to provide the insurance through a capitated system, insured workers can choose their clinic

Insurance Product

- Coverage
 - Comprehensive: preventive, diagnostic, and curative
 - One product: “individual plus”
 - Dependent children under 12 eligible
 - Spouse eligible for maternity services
- Cost
 - \$18 first two months (no coverage)
 - \$15 monthly in subsequent months
 - pre-paid plan, no reimbursement or co-pay





Randomized Evaluation

Main Research Questions

- **What are the determinants of the uptake of health insurance?**
 - Is there adverse selection?
 - Is information enough?
 - How important is convenience?
- **Can microfinance institutions assist in the delivery?**

1st Stage: Uptake of Insurance

- **What is the impact of health insurance on health care utilization?**
- **What is the impact of health insurance on health care costs?**

2nd Stage: Impact of Insurance

Econometric Challenges

- Most studies are non-experimental
 - Collect surveys with demographic data, health insurance participation and health status/utilization
 - Compare health status/utilization: with and without insurance or before and after having health insurance
- Limitations
 - Difficult to quantify the most important determinants of uptake
 - Choice to have health insurance is endogenous
 - More health conscious or higher income → upward bias
 - Less healthy → downward bias

Experimental Design

- Ideal experiment: randomly “force” individuals to have health insurance
 - Can’t force individuals
 - Difficult to measure what affects health insurance take-up
- Experiment: Encouragement design through a Lottery System
- Randomly select business owners from 7 markets in Managua

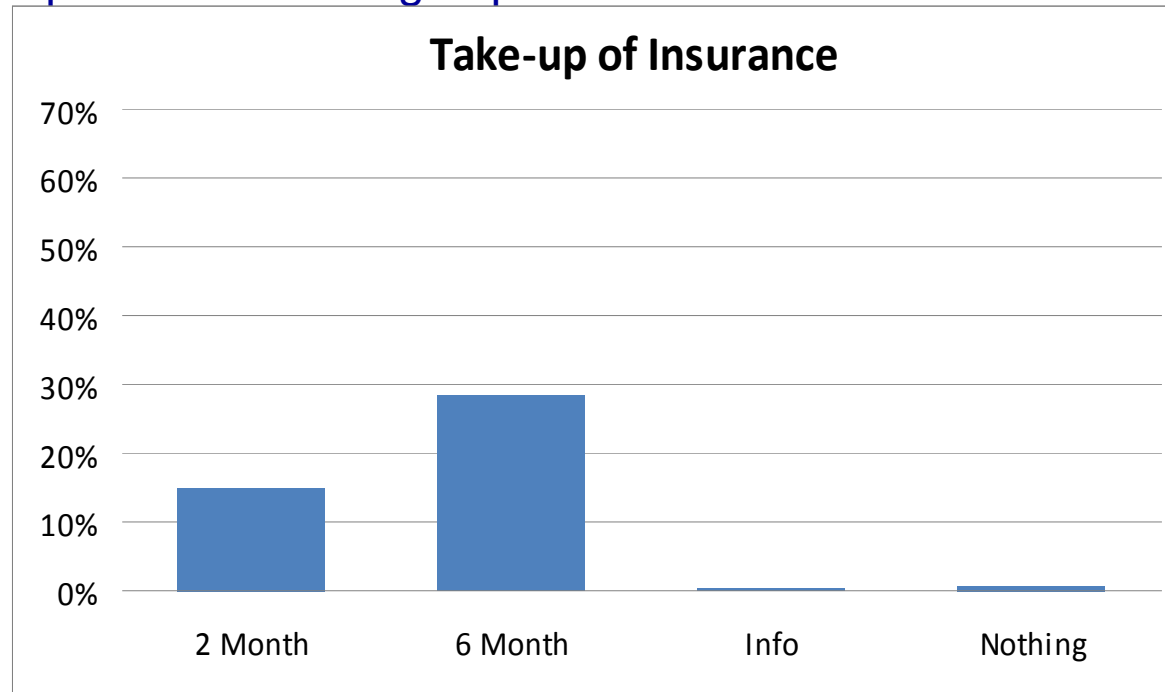
Experimental Design

- Randomly assign outcomes to participants:
 - No subsidy
 - No subsidy + brochure
 - 2-month insurance Subsidy + brochure
 - 6-month insurance subsidy +brochure



Uptake of Insurance

- Information alone had no impact on uptake
- Large impact of 2 month and 6 month subsidies
- Many people still did not sign up!



The Lottery



3 clients of the ProCredit who won insurance attend an information session on the health insurance at ProCredit



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Results from the Baseline Survey





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Demographic Profile



Demographic Characteristics

Sample Characteristics

	Mean	SD
Age	37.55	9.36
Male	0.36	0.48
Yrs Education	10.32	6.08
Married	0.69	0.46
Number of Children	2.04	1.52
Monthly HH Income (USD)	266	351
Percentage with Savings	0.29	0.45
Last Year's Savings Balance (USD)	137	571
Percentage MFI Clients	0.37	0.48
Total household health care costs	87	188
Last visit cost for respondent	19	92



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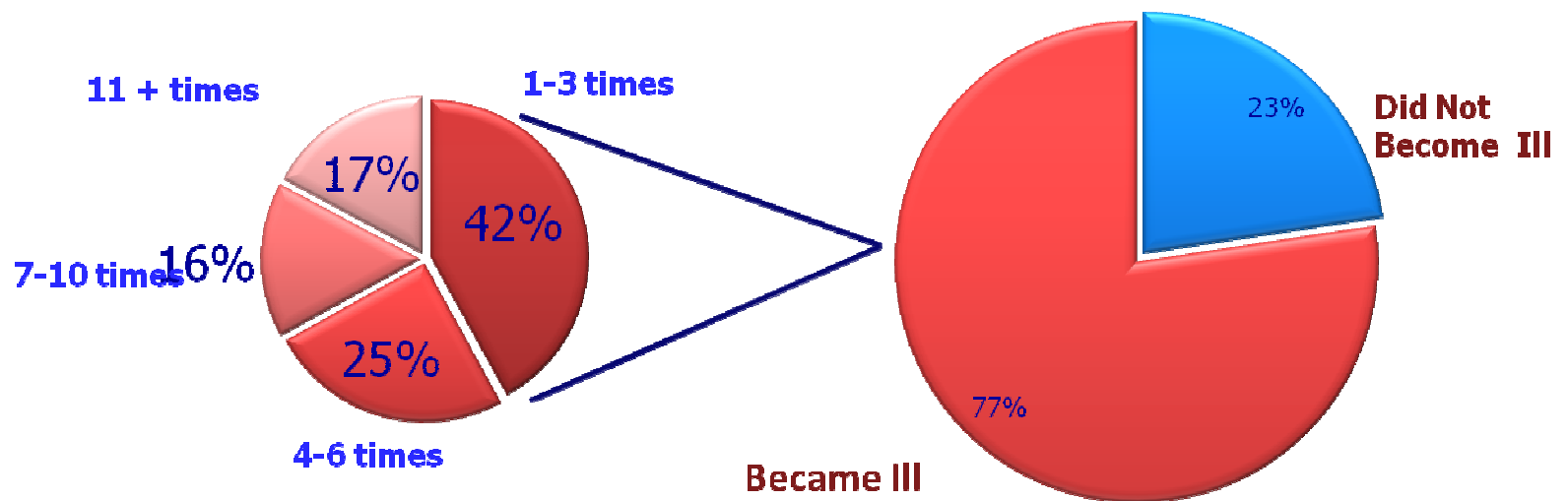


Health Profile



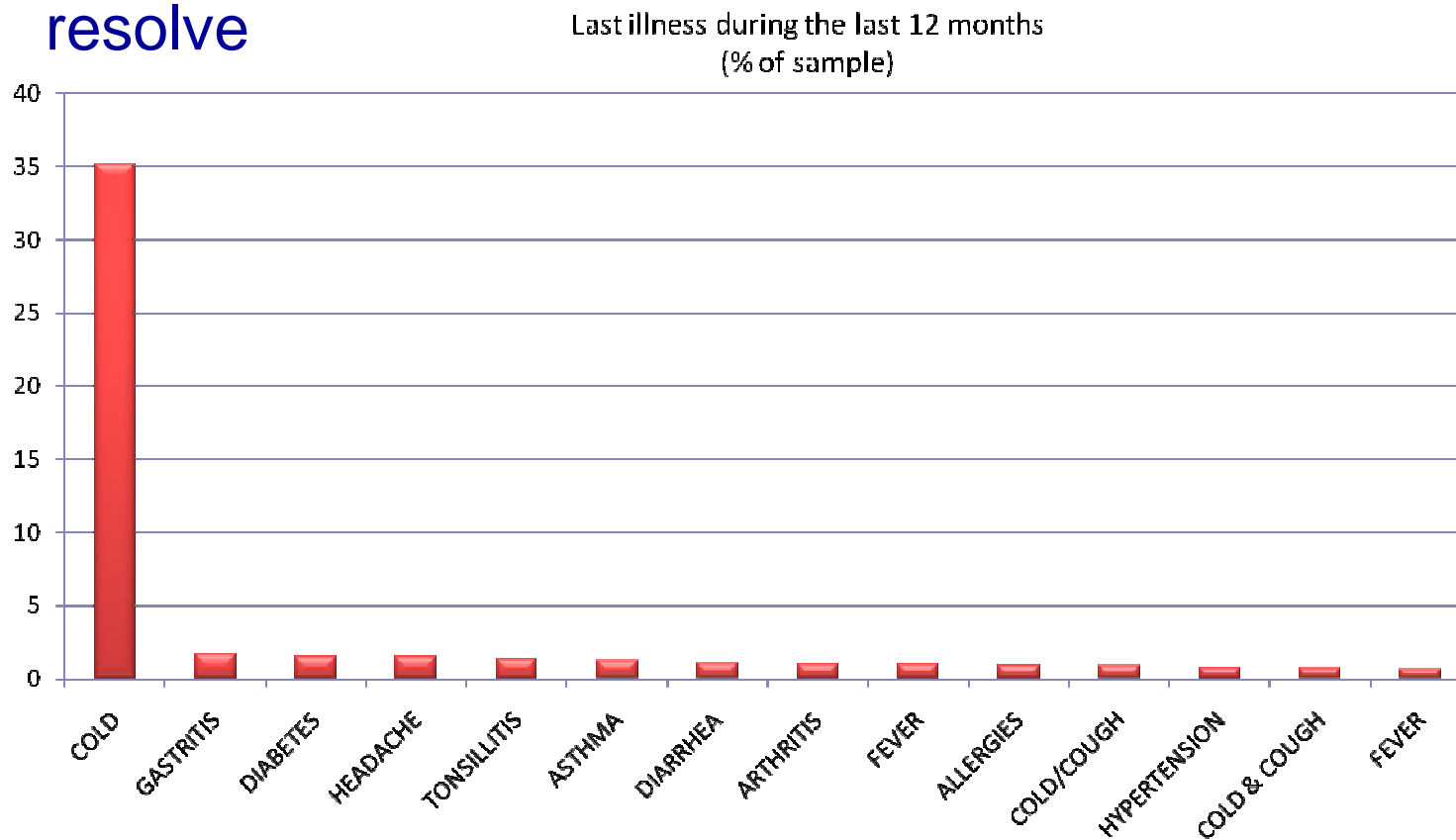
Frequency of Illness

- 77% have been ill during the last year; 42% have been ill less than 4 times



Common Illnesses

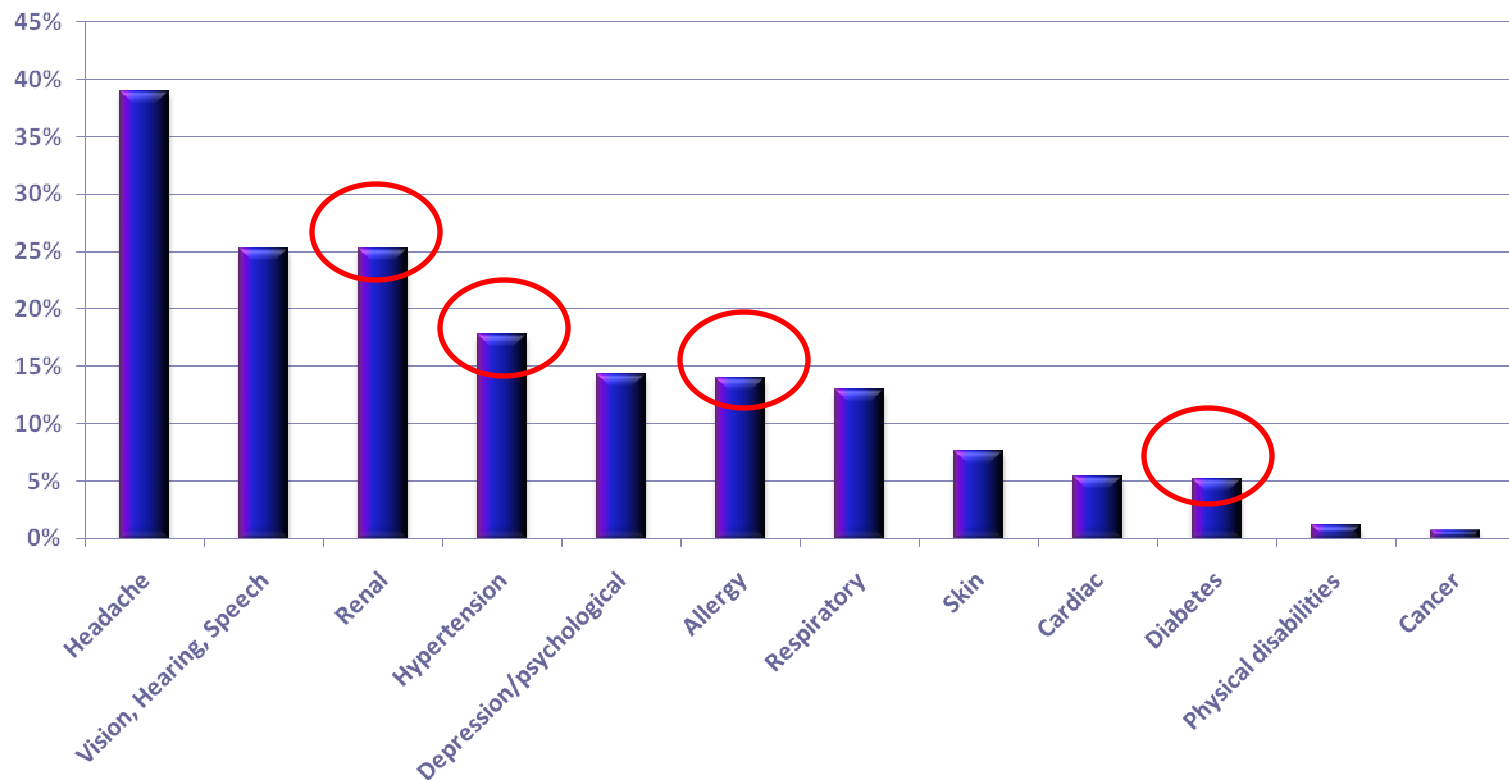
- However, these are common illnesses and simple to resolve



Chronic Illnesses

- Overall, chronic illness is not significantly higher than the general population (higher hypertension, lower diabetes)

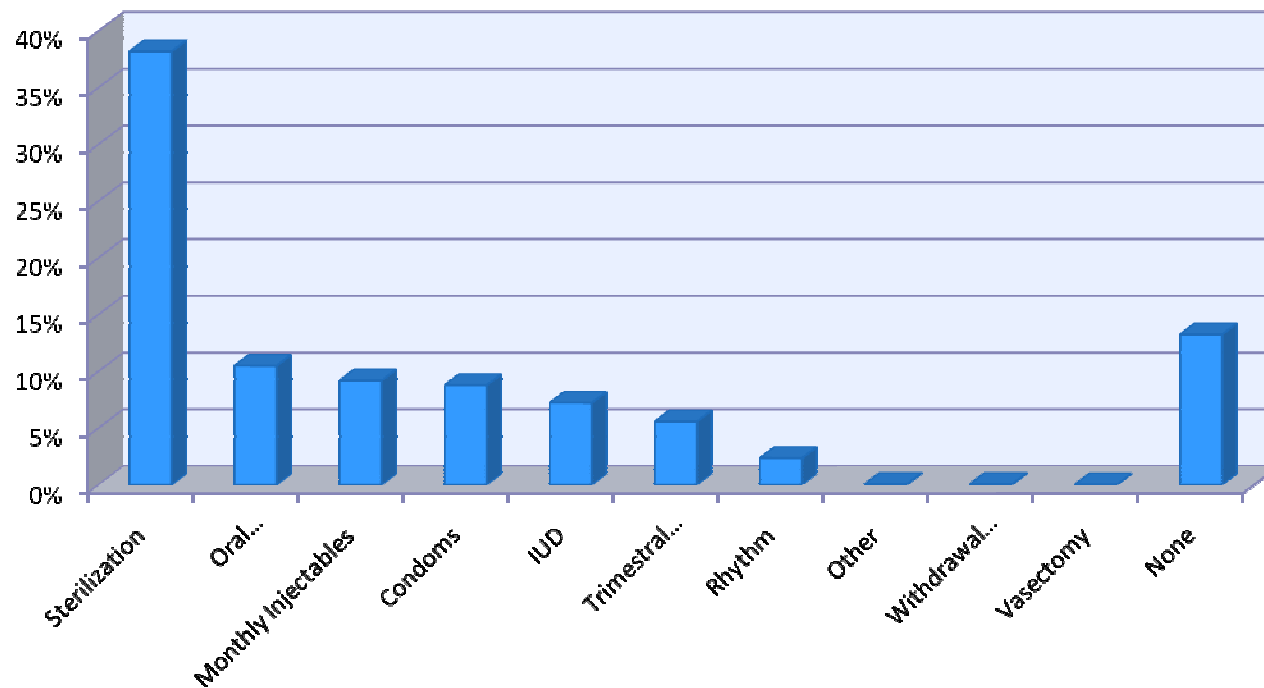
Frequency of Illness
(4,007 sample)



Family Planning

- Sterilization is the most common Family Planning method-high levels

Family Planning Methods of Those Who Do Not Currently Desire a Pregnancy and are Sexually Active

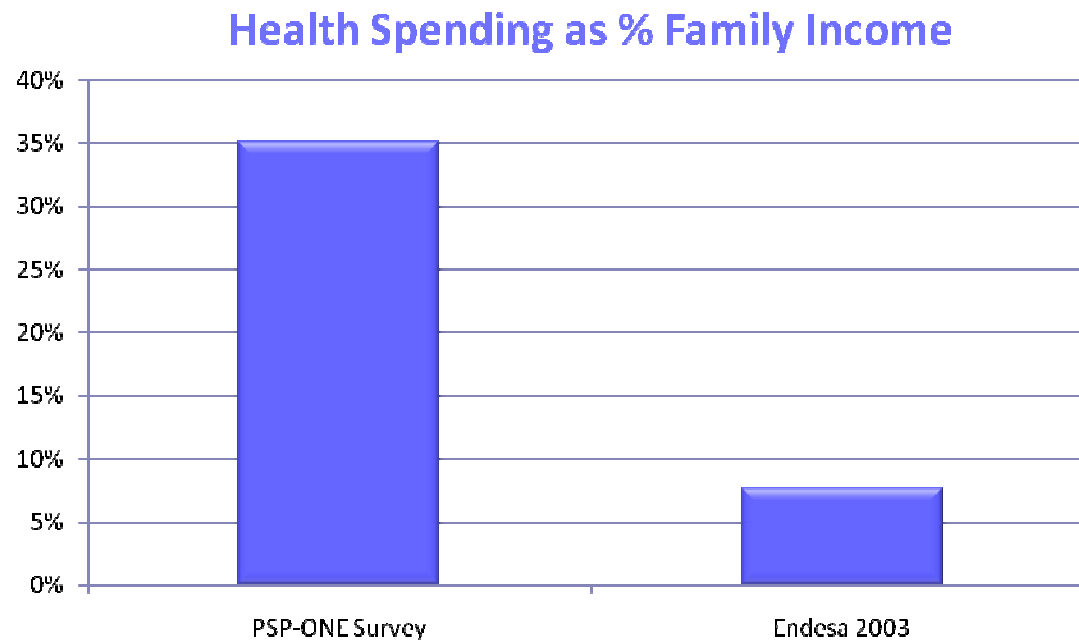




Health Expenditures

Health Expenses

- Population spends a high percentage its income on health, over the national average





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Health Utilization



Private vs. Public Services

- Preference for private providers

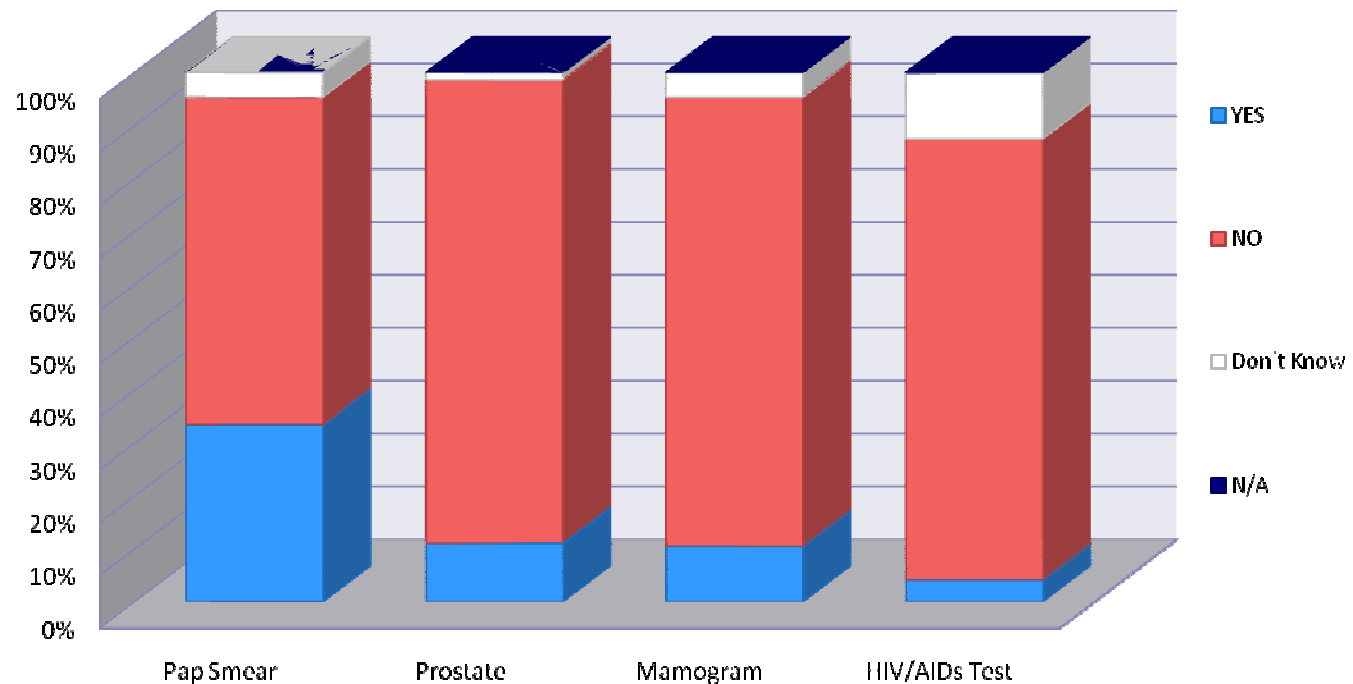
Frequency of visits to Providers in Past 12 Months	
	Percentage of Participants Visiting One or More Times
Pharmacy	95%
Laboratory	64%
Private Doctor	37%
Public Health Center	23%
Private Hospital	21%
Public Hospital	13%
EMP	1%

- Fewer visits to medical facilities
 - Of the 77% who were ill, 74% went to a pharmacy
 - only 34% visited a doctor vs. 44% of general population

Preventative Services

- Low level of preventative health service utilization

Preventative Exams in Last 12 Months*



* includes partner



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Value of Time

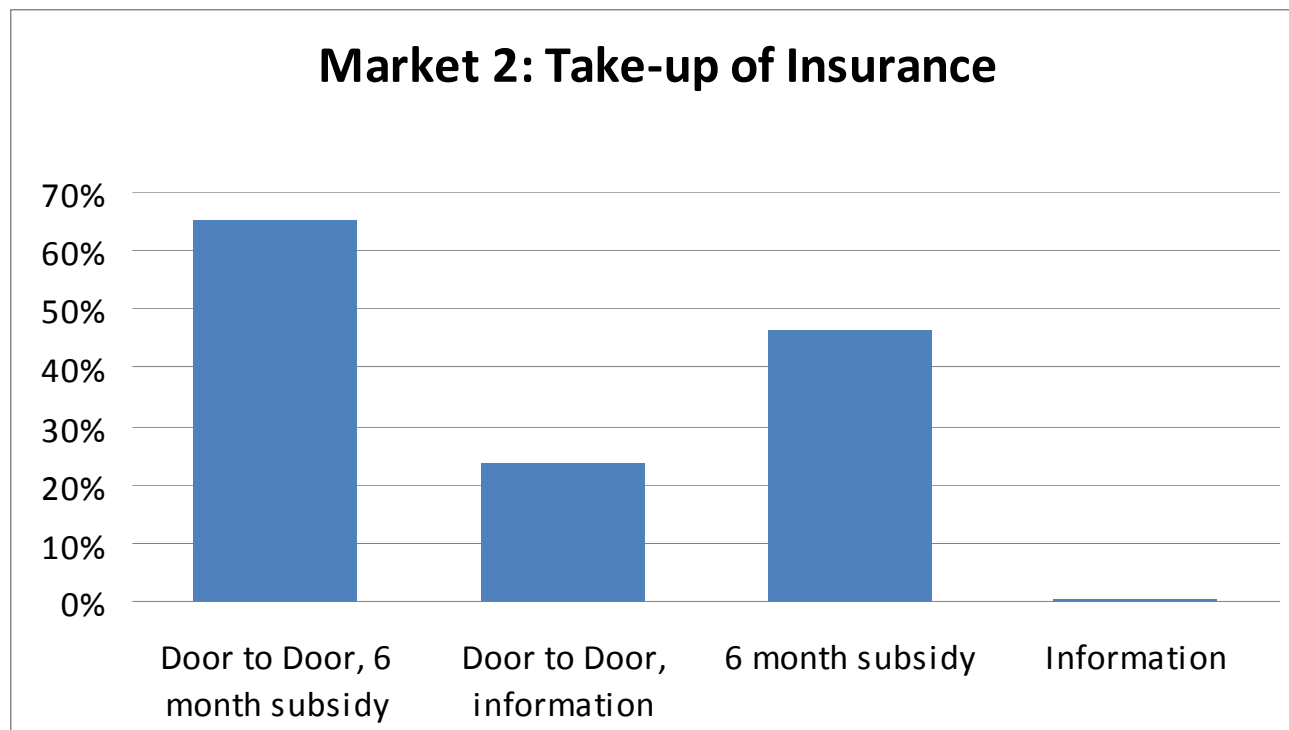


Door to Door Affiliation

- Overall insurance take up rates were low – how to increase take-up?
- Randomly selected some individuals for door to door affiliation
 - 112 with 6 month subsidy
 - 64 with information only
- Can door-to-door affiliation increase take-up?

Door to Door Affiliation

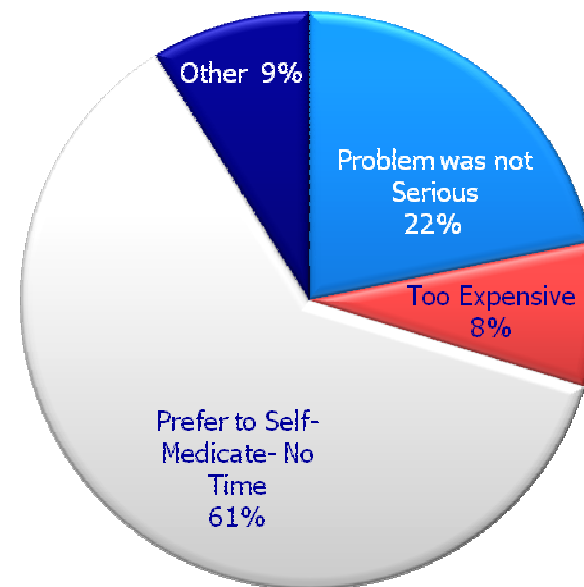
- Door to door offer significantly increased take up for subsidy winners
- Door to door is half as effective as 6 months free insurance
- There is scope for direct marketing



Value of Time

- The time of the independent worker is money
- Affiliation
 - Prefers a simpler process with the most convenient affiliation (door to door)
- Medical Attention
 - Although they are sick, they do not want to lose time at the doctors

Last Illness
Why didn't you Consult a Doctor?



Follow on Activities

- Currently implementing a follow on survey to a sample of participants to determine:
 - Health utilization
 - Health Outcomes
 - Satisfaction with the clinics
 - Satisfaction with the price
 - Overall satisfaction/retention in the program
- Qualitative information will complement the survey
 - Focus groups with insurance users
 - Interviews with MFIs/providers

Final Thoughts

- How can policy makers make insurance more accessible to informal sector workers? (price/coverage/channel mix)
- What are the challenges of voluntary insurance programs?
- What are some of the challenges that providers and MFIs face in marketing health insurance to their clients?
- What lessons can other countries/programs take away from this experiment?