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PSP-One

LAPM Brief 3

Expanding Access to Contraception: IUD Fees and Subsidies in Egypt

BACKGROUND

One way for developing countries to afford the costs of family planning is to reduce the number of women with high ability to pay from obtaining subsidized (public) services. Public sector resources can then be directed to women with the greatest financial need. Such targeting is an important component of contraceptive security because it has the potential to expand access to family planning to society's poorest groups while addressing equity concerns.

Various papers have pointed out that wealthy women receive a subsidy when they use the public sector. This brief describes the first attempt, as far as we know, to calculate this subsidy.

RESEARCH

The brief focuses specifically on Egypt and on IUDs, because Egypt is the only country for which source data are divided into public, NGO, and commercial providers, and for which data are available on user fees. Also, the IUD is the most prevalent method in Egypt, thereby allowing for a disaggregated analysis of prices paid by wealth quintile and source.

In determining subsidies, we looked at both the price to clients for IUD provision as well as the direct cost of services. If clients are to cover a significant percentage of the cost, then their price should at least cover the direct costs of clinical labor and materials. Because direct costs are less than total costs of service provision, we excluded time not spent with clients, equipment and space, so that we underestimate the subsidy.

Information on fees women paid for IUD services (method and insertion), source of the method, and wealth status was obtained from the 2000 Demographic and Health Survey for Egypt; costs of associated supplies and clinic staff time came from the Reproductive Health Needs Assessment model.[1]

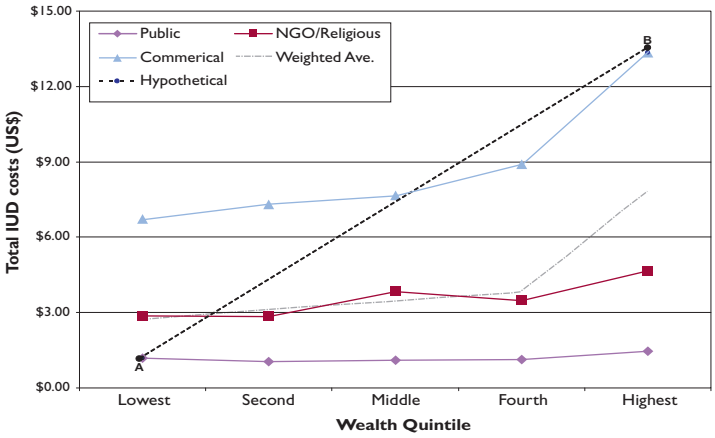
FINDINGS

We estimated that direct costs of IUD provision in the public and NGO sectors in Egypt totaled $3.08 ($1.25 for insertion by the doctor, $0.95 for counseling by the nurse, $0.58 for the IUD, and $0.30 for other supplies required for insertion). Figure 1 shows that prices women pay vary substantially by sector, and are highest in the commercial sector and lowest in the public sector. The price varies with wealth within the commercial and NGO sectors but not within the public sector. The average price paid by IUD users in the commercial sector increases substantially with wealth. In fact, women in the highest quintile pay a price about twice that of women in the lowest quintile. The wealthiest IUD users also pay the highest prices in the NGO sector, while those in the third and fourth quintile pay somewhat less, and users in the lowest two quintiles pay the lowest prices. Users who access the public and NGO sectors, regardless of ability to pay, always paid an average price lower than did women accessing the commercial sector.

Figure 1 also shows that the average price that women paid for services increased with wealth. This reflects both the increased proportion of women who use the commercial sector as wealth increases, as well as the higher prices that wealthier women pay in both the NGO and commercial sectors. If market segmentation were more pronounced, as in the "hypothetical" line, one might expect that all women in the lowest quintile would be at point "A," those in the highest quintile at point "B" and women with intermediate wealth somewhere in between. If this were the case, almost all women, except those in the lowest quintile, would pay higher prices. In fact, women in the lowest wealth quintile pay more than the minimum because some in this group use the commercial and NGO sectors and thus pay

[1] El-Zanaty, Fatma and Way, Ann A. (2001) *Egypt Demographic and Health Survey 2000*. Calverton, Maryland [USA]: Ministry of Health and Population [Egypt], National Population Council, and ORC Macro. Weissman, E. (2005) *The Reproductive Health Needs Assessment Model User Guide*. Draft Version 1.1, 18 July 2005. UN Millennium Project. **http://www.unmillenniumproject.org/policy/needs03.htm**

Figure 1: Average price for IUDs by source and wealth quintile for in-union women in Egypt



considerably more than in the public sector. And the wealthiest women pay a lower average price than "B" because many opt to use the public and NGO sectors.

Just under half of women who got their IUDs from an NGO and more than 90 percent who got them from the public sector paid a price less than direct costs. Among public sector users, there was no substantial variation by wealth quintile in the proportion paying less than direct costs (89 percent for women in the highest wealth quintile, 93-96 percent for the remaining quintiles). There was slightly more variation in the NGO sector, where the percentage of users who did not cover direct costs was lower among the wealthiest women (42-43 percent) than among poorest women (52-58 percent).

Based on 2000 data, close to 3.7 million women in Egypt use the IUD with just over 2 million getting their method from a public source and about 370,000 from an NGO. The average subsidy for an IUD user in the public sector is close to $2, while prices charged by NGOs exceed direct costs. The annual revenue collected by these sources, assuming that the average woman uses the IUD for 3.5 years, is just over $1 million dollars. NGOs collect one-third of this revenue even though they have only 15 percent of the clients because they charge higher prices. Finally, the annual subsidy to the public sector is more than $1 million, while NGO revenue exceeds their direct costs.

If public sector subsidies had been targeted to the poorest women, we would expect that the share of the subsidies received by users in the two lowest quintiles would have exceeded their share in the wealth distribution. Instead, we found that women in the two lowest quintiles receive only 37 percent of the subsidies enjoyed by all IUD users in the public sector. (Please refer to Figure 1 in LAPM brief 2, "Expanding Access to Contraception: How Ability to Pay Affects Use and Source of IUDs.")

POLICY IMPLICATIONS

The low fees charged for IUD insertion by NGOs for and the public sector in Egypt have likely encouraged some wealthier women to use these sources rather than the commercial sector. As a consequence, a high percentage of subsidies for IUD services go to women who do not need the subsidies. Wealthier women can afford the prices in the commercial sector – this is apparent because commercial sector users in the lowest three quintiles pay higher prices than do NGO and public sector users in the two highest quintiles. Their increased use of the commercial sector would free up resources to better serve the needs of poorer women who require subsidies to adopt and continue to use contraception. Market segmentation strategies are therefore needed to increase the number of women with higher ability to pay obtaining IUDs from the commercial sector.

The method used here is crude in that it uses estimates of service provision costs based on a model and not on actual service delivery, and is conservative because it includes only direct costs. But it begins to fill a gap in knowledge about who actually receives the financial benefits from public subsidies for IUDs. We therefore recommend that contraceptive use surveys add questions on price paid for services, so we can learn about the affordability of IUDs or of other methods for women according to wealth quintiles. These data will contribute to market segmentation strategies and policies that make more effective use of limited resources and ultimately benefit women who most need financial assistance in accessing contraception.

About PSP-*One*

The PSP-*One* project is USAID's flagship project, funded under Contract No. GPO-I-00-04-00007-00, to increase the private sector's provision of high-quality reproductive health and family planning (RH/FP) and other health products and services in developing countries. PSP-*One* is led by Abt Associates Inc. and implemented in collaboration with eight partners:

Banyan Global
Dillon, Allman and Partners, LLC
Family Health International
Forum One Communications
IntraHealth International
O'Hanlon Health Consulting
Population Services International
Tulane University School of Public Health and Tropical Medicine

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