SEPTEMBER 2004

Technical Assistance in Developing Private Sector Resources for the Treatment of HIV/AIDS in Namibia

Work Done in Conjunction with PharmAccess International ("PAI")

Frank G. Feeley
Sr. Technical Advisor for Health Financing
CMS Project

COMMERCIAL MARKET STRATEGIES
NEW DIRECTIONS IN REPRODUCTIVE HEALTH

COMMERCIAL MARKET STRATEGIES

NEW DIRECTIONS IN REPRODUCTIVE HEALTH

Commercial Market Strategies (CMS) is the flagship private sector project of USAID's Office of Population and Reproductive Health. The CMS project, in partnership with the private sector, works to improve health by increasing the use of quality family planning and other health products and services.

FUNDED BY
The US Agency for
International Development
USAID Contract No. HRN-C-00-90-00039-00

EMERGING MARKETS GROUP

IN PARTNERSHIP WITH
Abt Associates Inc.
Population Services International

1001 G Street NW • Suite 900 West • Washington DC • 20001-4549
Telephone (202) 572-7000 • Fax (202) 572-7008 • www.cmsproject.com

THIS PUBLICATION FINANCED BY USAID
This publication was made possible through support provided by the Bureau of Global Health, Office of Population and Reproductive Health, US Agency for International Development (USAID) under the terms of Contract No. HRN-C-00-98-00039-00. The views and opinions of authors expressed herein do not necessarily state or reflect those of USAID or the US Government.

Contents

Structure of this Report

In this report we briefly present the history of technical assistance provided by the Commercial Market Strategies (CMS) Project to support the expansion of private sector treatment of HIV/AIDS in Namibia. The work was supported by USAID, undertaken between March and September 2004, and was performed in conjunction with PharmAccess International ("PAI").[1] Appended to this brief report are a series of documents which represent the true output of our work, a series of concrete products (draft contracts, actuarial study, a request for tax opinion) designed to move forward funding of HIV care and highly active anti-retroviral therapy (HAART) by private employers, while expanding the purchase of such care from private providers. In Namibia, the Government (with the collaboration of many donors) is working to roll out public sector HAART treatment programs. However, in the foreseeable future, personnel constraints will restrict the ability of the Government program to fully meet national need. There is a strong private medical sector in Namibia, and substantial medical scheme coverage among higher wage employees. Our efforts were designed to expand the number of Namibians receiving employer supported HIV treatment, and to tap into the private sector to absorb some of the demand for HAART care which would otherwise lengthen the queues for treatment in the public sector.

Background

Beginning in late 2002, the CMS Project and PAI collaborated, with funding from USAID, on the development of existing private sector clinics in Accra, Ghana to provide HAART to employers for the benefits of their work force. PAI sought to identify, train and qualify such clinics as Affiliated Treatment Centers (ATCs) that could provide quality HIV care and HAART to the employees of Ghana Breweries, a subsidiary of Heineken. The Dutch brewer had commissioned PAI to develop HIV treatment for employees of its subsidiaries throughout Africa. With relatively low HIV prevalence and modest total employment, the expected number of HAART cases among Ghana Breweries employees was low, and the cost per case treated in any "captive" HAART clinic would be very high. By supporting the development of quality care at the ATCs, Ghana Breweries could obtain HAART for its employees more economically, and care would be available to a wider spectrum of private patients served by these clinics. During the time of the PAI/CMS collaboration in Ghana, the price of antiretroviral drugs fell dramatically, making HAART affordable for higher income individuals and those with employer sponsored medical benefits.

CMS had been working in Ghana to expand HIV prevention programs at Ghanaian employers, and was able to use its corporate contacts to assist PAI in marketing the services of the ATCs to other companies. CMS developed a marketing brochure indicating the current costs of HAART at the ATCs, and outlining the advantages of HAART and the risks of poor quality HIV care. CMS assisted PAI in screening candidate ATCs and developing contracts specifying the roles and responsibilities of PAI and an ATC. An actuary commissioned by CMS estimated the cost to a major Ghanaian health insurer (MEDEX) of covering HIV and providing a HAART benefit.

---

[1] PharrmAccess served as a subcontractor to CMS on this work, but will carry the work forward after the end of the CMS contract in September 2004.

Based on this analysis, MEDEX began offering HAART benefits (through the ATCs) in its standard group health insurance policy, effective at the beginning of 2004.

After this successful collaboration in Ghana, CMS and PAI approached USAID/Namibia for support in January 2004. Heineken had recently purchased an interest in Namibia Breweries, and requested PAI to establish HAART treatment for brewery employees. In the process, PAI began to investigate options for treating all of the employees of Ohlthaver and List, the Namibian conglomerate that owns a share in Namibia Breweries. As a result of its initial explorations in Namibia, PAI also submitted a grant proposal to *Stop AIDS Now* (a Dutch charity) to expand treatment of selected HIV positive populations through the private sector in Namibia. This proposal was funded for 3 million Euros in January 2004.

PAI sought the assistance of CMS to gear up this program and to address some of the generic issues about employer finance of HIV care that were identified during the development of the treatment program for Namibia Breweries. USAID was asked to fund CMS technical assistance that would speed implementation and conserve *Stop AIDS Now* funding for the purchase of treatment services. Technical assistance provided by CMS would also speed the decisions necessary to set up HIV treatment for Namibia Breweries/Ohlthaver and List.

At the same time that the request for technical assistance was being prepared, a new medical insurance option—the Diamond Health plan—was launched in Namibia. Jointly owned by South African interests and Namibian investors, Diamond Health is developing a contracted network of gate-keeping primary care physicians. Through this network which is paid on a capitation basis, Diamond Health offers a comprehensive primary care insurance scheme that includes HAART. The premium is well below the price of existing medical schemes that also include an extensive inpatient medical benefit. The Diamond plan offers an opportunity to bring employer-paid health care to lower wage workers in the formal sector that have traditionally had no health insurance. In addition, the provider network developed by Diamond Health offers a source from which PAI can purchase HAART for target populations under the *Stop AIDS Now* grant. PAI therefore asked CMS to provide assistance, through the CMS Health Financing Advisor, in analyzing the Diamond scheme and negotiating contracts for the purchase of HIV care and primary care insurance.

This report summarizes the results of the technical assistance provided. It includes documents that can be used by Namibian employers in estimating HAART treatment costs and arguing for favorable tax treatment of HAART expenditures. It also includes the contracts developed to implement the *Stop AIDS Now* grant. These provide a useful precedent for the purchase by others of primary care insurance or HAART care.

Objectives

The CMS technical assistance had two objectives:

1. To provide information and materials to be used in advocating for policies encouraging private firms in Namibia to finance HIV care, including HAART, for their employees. To this end, CMS commissioned tax research and submitted a request for tax opinion, and supported an actuary to estimate HIV prevalence, future mortality and HAART enrollment for a major employer.

2. To develop mechanisms to purchase private sector HIV care and primary care insurance to deliver services to populations targeted under the *Stop AIDS Now* grant. This included drafting of contracts with the Red Cross and the Diamond Health scheme.

Work Performed

Support for Estimation of HIV Prevalence and the Cost of HAART Treatment

A problem with all corporate HIV treatment programs that include HAART is estimating the costs of such a benefit. This depends on the prevalence of HIV in the work force, the maturity of the epidemic, employee response to testing and treatment programs and the cost of drugs and tests. Sophisticated actuarial models incorporating these factors have been developed for South Africa, and nationwide data about HIV prevalence there is supplemented by extensive anonymous seroprevalence surveys in the formal sector workforce. Despite the high level of HIV infection shown in antenatal surveys in Namibia, local businesses have yet to undertake anonymous seroprevalence surveys or commission actuarial studies similar to those in South Africa.

To provide a benchmark for corporations to estimate the cost of HIV treatment programs, CMS commissioned Actuarial Solutions, a Botswana actuary, to apply existing models to the work force of a major Namibian employer. The employer supplied data on worker salaries as well as statistics on deaths and medical retirement in recent years. This permitted the actuary to calibrate the model results to actual mortality. The relative levels of HIV infection in different segments of the work force observed in South African studies were applied to the Namibia national ANC prevalence results to estimate the levels of infection and mortality in the company's work force. The observed mortality over the last three years is similar to that predicted by the actuarial model. The actuary's report (Appendix 1) has helped the participating employer to estimate future HIV-related attrition in the work force as well as the cost of a HAART program. In September 2004, Namibia Breweries decided to cover employees and dependents through the Diamond Health plan, which will give them access to antiretroviral care when needed.

The actuary's report must be considered confidential because it contains work force and salary data. CMS staff therefore prepared the brief memo (Appendix 1a) which summarizes the actuary's findings without providing the underlying data that would reveal the identity of the corporation. This memo is designed for distribution by PAI, NABCOA (Namibian Business

Coalition on AIDS), and others to assist Namibian employers in estimating the cost of an HIV treatment program.

Tax Policy—Treatment of Employer Costs for AIDS Treatment: Is There a "Benefits Tax"?

CMS commissioned Deloitte and Touche to review Namibian tax laws and regulations applicable to employer payment for HIV treatment. The accountants determined that a company clinic that provides HAART and cannot trace costs to an individual employee is a deductible business expense for the employer and does not generate taxable income to the employee treated. If the company were to pay in full for a medical scheme for all employees that includes HAART, this also likely would not generate individual taxable income. However, partial support for medical schemes or direct payment to disease management firms or physicians to care for an HIV positive worker may generate taxable income (in the amount of the company payment) to those workers served.

In South Africa, the taxability of these benefits has been established. The net effect is to require the employer to "gross up" the income of the affected employee or to reduce the worker's take home pay by deducting the tax on the medical payments from his pay packet. In addition, reporting such income and tax deductions to the tax authority breaches the patient confidentiality that is considered vital to overcome stigma and encourage employees to come forward for testing and treatment.

Fortunately, direct payment for HIV care is very new in Namibia, and the tax rules are not clear. There are precedents in the mining industry for exempting certain employee specific medical payments from taxable income. With the burden of HIV highest in low income workers, there are good public policy reasons to encourage companies to sponsor HIV treatment, rather than referring low wage workers to public sector HAART clinics. Recent research in South Africa by Boston University's Center for International Health and Development documents the costs imposed on employers by untreated AIDS infections, and supports the argument that HIV/AIDS treatment expenses by an employer are made to protect its work force—much as the sponsorship of a corporate clinic or occupational health program—and should not be treated as taxable income to the employee. All these arguments were made in a submission to the Namibia Internal Revenue Department in July 2004 (see Appendix 2).

Tax experts from Deloitte and representatives of Ohlthaver and List met with Namibian tax authorities to discuss the request, and we are hoping for a favorable tax ruling. This would encourage corporate HIV treatment programs, since such programs would not result in a reduction of the after tax income of treated employees.

Purchase of Private Sector Care

1. Diamond Plan

CMS reviewed the proposed benefit package, exclusions and structure of the Diamond Health scheme and made recommendations to Diamond Health, Olthaver and List and PAI on clarifications desirable before signing contracts for Diamond Health coverage.

2. Patients with AIDS in Red Cross Home Based Care Program

PAI will use its *Stop AIDS Now* funds to purchase care for 100 AIDS patients currently being assisted by the Red Cross Home Based Care program, but not receiving HAART. Antiretroviral treatment will be provided by physicians contracted by Diamond Health. PAI will pay a negotiated fixed price per month of HAART treatment. This care will be supplemented by purchase of the Diamond Health policy to cover the other medical needs of the AIDS patients. The premium for the Diamond Health policy has been reduced by the amount allowed in the actuarial analysis for treatment of HIV positive enrollees. This "wrap around" coverage offers HAART and basic primary care in an integrated package delivered by the same physician. The contract in Appendix 3 implements these negotiations. Because adequate nutrition is a vital part of care for patients in these destitute households, PAI will support Red Cross distribution of food packages to the AIDS patients enrolled in this scheme. Diamond Health will provide funding for treatment education and adherence counseling by the Red Cross volunteers.

3. Insurance for Red Cross Home Based Care Volunteers

PAI will also subsidize the purchase of Diamond scheme coverage for up to 450 Red Cross home based care volunteers at three sites across Namibia. Diamond Health has agreed to provide this coverage at its standard premium, and PAI will pay 2/3 of this amount. This provides a benefit to volunteers working with AIDS patients in poor communities. It means that the volunteer will receive all necessary primary care, and HIV monitoring and treatment (including HAART) if s/he is infected. No HIV test is required to enroll in the Diamond plan. Appendices 3 and 4 contain the contracts controlling the purchase of Diamond Health policies for this population.

4. Subsidized Enrollment in the Diamond Plan for Katatura Residents

The Diamond scheme is the first health plan in Namibia that is potentially affordable by Namibians with modest incomes earned in the informal sector. The idea of risk pooling in this population is appealing, particularly when those who are HIV positive and negative are pooled. This will potentially raise more funds, more equitably, than payment of fees by those who are ill, and would (along with employer treatment programs) take a further burden off public sector HAART clinics. In addition, focusing care to a Diamond enrollee through a single primary care provider should increase the likelihood of early diagnosis of HIV and lead to better management of prophylaxis and opportunistic infections. Using *Stop AIDS Now* funds, PAI will subsidize 40% of the Diamond Health premium in the first year of the program, 25% in the second and 12.5% in the third. If the experiment succeeds, most enrollees will be able to continue the coverage after the end of the *Stop AIDS Now* grant. Modest external funding to subsidize Diamond Plan enrollment may be a more efficient method of providing HAART to those who fall sick with AIDS than direct purchase of HAART by an external donor. PAI will test this concept by subsidizing the enrollment of residents of the Katatura township (outside Windhoek) in the Diamond plan. The Namibian Red Cross will help to market this program in such a way as to minimize adverse selection. The contracts implementing this experiment are included in Appendices 3 and 4.

5. Additional Initiative---Traditional Leaders and Support for Treatment of Patients with HIV

Preliminary explorations by PAI and CMS in northern Namibia showed that there will be problems, including transport and adequate food supplies, that must be addressed before HIV patients in remote villages can be included in HAART programs. Discussions with local leaders

identified a potential role for the traditional leadership. Village headmen have always played a role in organizing village charity for the destitute, and in arranging transport to health facilities. In addition, their position of respect gives these traditional leaders an opportunity to educate villagers on HIV prevention and treatment. King Eliphas of the Ondonga has indicated preliminary support to enlist traditional leaders of his tribe in the HIV treatment campaign. CMS developed a brief proposal (Appendix 5) for a pilot test of this concept of mobilizing traditional leaders. PAI will fund the pilot from its *Stop AIDS Now* grant, and would then seek broader support for an expanded effort if the results of the pilot are promising.

Appendices

1. Demographic Impact of AIDS; The Ohlthaver and List Group of Companies. Report by Actuarial Solutions, June 2004. CONFIDENTIAL/NOT FOR DISTRIBUTION

"Demographic impac
of Aids - OL Group - 1

   a. Memorandum Summarizing Findings. FOR PUBLIC DISTRIBUTION

"Memorandum
Summarizing Finding

2. Income Tax Ruling Request: HIV/AIDS Treatment: Letter to Deputy Director/Legislation; Commissioner of Internal Revenue. June 28, 2004

"Income Tax Ruling
Request.doc"

3. Contract Between Pharmaccess International and Diamond Health for purchase of HIV care and "wrap around" primary care insurance as well as subsidy of Diamond Health premiums for NRC home based care workers and residents of Katatura.

"Contract between
PAI and DHS.doc"

4. Contract between Pharmaccess International and Namibia Red Cross

"Contract between
PAI and NRC.doc"

5. Proposal for Consideration by Pharmaccess: Ondongwa Traditional Authority

"Ondongwa
Tradtitional Authority