

# Expanding Access to Finance for Health

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**IFC SHOPS**

## Online Chat March 29: “*Financing Health Services and Products*” with **April Davies and Monique Dolfing-Vogelenzang**

**(1) TAARA CHANDANI\***: Hello everyone, and welcome to the first day of this exciting e-Conference on expanding access to financing for health! Over the next two days we will be exploring best practices in the use of financing to expand the supply of health services and commodities. We have a great line-up of panelists from across the world who will share their experiences in accessing financing (as health care organizations), or in facilitating the availability of financing (as investors, donors or banks). We have three technical panels that represent a range of perspectives and innovations – I encourage you to take a look at these panels in your own time, post comments and introduce yourself in the SHOPS café to others working in this exciting niche of health and financial services!

**(2) TAARA CHANDANI\***: In today’s panel, I would like to introduce our featured panelists, April Davies, International Programs Manager at Water.org and Monique Dolfing- Vogelenzang, the Executive Director of the Medical Credit Fund. April and Monique will facilitate this discussion and will be joined by Meaghan Smith and myself.

**From Assistant Moderator:** Welcome everyone to today’s SHOPS Access to Finance e-Conference Live Chat with April Davies and Monique Dolfing-Vogelenzang on Financing Health Service and Products. The chat is text-based, so there is no audio. The chat is moderated, which means that once you post a question, it will go into a queue. It may take several minutes for your question to be posted to the main chat window, so don’t worry if you don’t see it immediately.

We will begin at 9:30 AM EST

**(3) APRIL DAVIES\***: Welcome to the chat and thank you all for attending. I look forward to our discussion today.

**(4) MONIQUE DOLFING-VOGELENZANG\***: Thank you Taara, welcome to everyone to this chat.

**(5) Howard Finkelstein**: Hi everyone, I am Howard Finkelstein, a NY-based lawyer/consultant involved in microfinance and impact investing.

**(6) Heather Vincent**: What do you consider to be the major challenges in getting financial institutions to accelerate lending to the sector?

**(7) APRIL DAVIES\***: Specifically in the water and sanitation sector, FIs have traditionally focused on income-generating products to their clients. Water.org has found that with education and demand assessments, FIs are more likely to invest.

**(8) MEAGHAN SMITH\***: One of the big issues that we see is that financial institutions are often unfamiliar with the sector. They complain about a lack of market information. They don't know the financing needs or the repayment capacity of private health care businesses. And they often express concerns about collateral.

**(9) MONIQUE DOLFING-VOGELENZANG\***: re 6: What we find is that many financial institutions do not have a good understanding of the healthcare market, consider the risks being too high. They focus on collateral, profitability, but not on the healthcare providers ability to perform.

**(10) APRIL DAVIES\***: Re: 6: Also, providing smart subsidies for FIs to ramp up internal capacity and knowledge assists with more investment in water and sanitation portfolio development and sustainability.

**(11) MEAGHAN SMITH\***: re. 9-following up on Monique's post we find that providing market research to FI's on the health sector and training on cash flow lending and structuring a loan to the health sector can help financial institutions to move into this sector.

**(12) Howard Finkelstein**: Monique -- when you talk about FI resistance, are you talking about local FIs or global ones?

**(13) MONIQUE DOLFING-VOGELENZANG\***: Re 12: We mean local FI's

**(14) Lisa Beichl**: There are also different risks in healthcare -- the market risks as well as the MI risks in managing the products. In my mind health microinsurance is not income based (if you are sick the cost to treat you is not dependant on your income), so a lot of private sector concepts can help. What do you think?

**(15) MONIQUE DOLFING-VOGELENZANG\***: Of course from a global perspective, we should also realize that DFI's are also very reluctant to invest in health care. The IFC in 7 years time only invested 12m USD in SSA healthcare!

**(16) Howard Finkelstein**: Would you say the same thing for equity investors -- global or local?

**(17) TAARA CHANDANI\***: re 14) Hi Lisa - nice to see you on-line! You are absolutely right about the different types of risks. From the financial institution's perspective, I think it is important that they understand the various streams of income at the provider level, and the variability associated with those cash flows.

**(18) MONIQUE DOLFING-VOGELENZANG\***: re 16 On equity it is the same, although things have been moving forward lately. That of course focuses on the higher end of the market though.

**(19) Marsha Wulff**: Increasing market research clearly is a significant and appropriate role for USAID funded advisors.

**(20) MEAGHAN SMITH\***: Re 16 Howard I think equity investors have been slow to move into the sector. But we are starting to seem some interest. Watch tomorrow's live video stream at 10:30am we will have some one from Camden Capital an equity investor, who will be participating and can provide some perspective on this.

**(21) Howard Finkelstein**: re 17 -- Taara -- I agree 100% -- very often the health care providers are unable to explain to potential investors the health insurance coverages for both the private and public.

**(22) Lisa Beichl**: Hi Taara! Good to see you too! So when you are looking at health microinsurance, developing provider efficiency is one part of improving the chance of sustainability.

**(23) Marsha Wulff**: AfriCeuticals for example just completed a significant market survey of pharmacy buying levels across Kenya, so we can predict our manufacturing orders, so we can determine product unit costs, and from all this back into how much to ask for investors to invest.

**(24) Stephen Rahaim**: Re: 10: I'm interested in how water credit is being used to help catalyze actual sustainable local markets for water products, equipment etc - can we merge livelihood and safe water by injecting smart credit?

**(25) MEAGHAN SMITH\***: re 19 yes Marsha- I agree that market research is critical both for financial institutions as well as health care businesses that are looking to expand and

exploring options for financing.

**(26) TAARA CHANDANI\***: re 19) Hi Marsha - Yes, I agree, there is a massive need for more data and research. For a few examples of market research funded by USAID on the financing needs of health care providers, check out the research center on-line. We have some pretty comprehensive surveys that were conducted in Zambia, Nigeria and Romania.

**(27) MONIQUE DOLFING-VOGELENZANG\***: Re 14: Definitely private sector concepts around health insurance can help. Increasing risk pooling, creating demand, decreasing the out-of-pocket spending. Improving the provider side is crucial as well to increase the readiness to pre-pay. There is an important role that can be played here by donors by enabling to get private schemes up that insure low income groups. This is what we have been doing with our Health Insurance Fund initiative.

**(28) Howard Finkelstein**: Good for you Marsha and good for your company for doing something investors respect - market surveys.

**(29) APRIL DAVIES\***: Re: 24: One of the products that we focus on in Water.org's WaterCredit model is connections to water and sewerage systems in urban areas. This directly affects the local utilities and markets by providing jobs for skilled laborers to assist with construction and cash flow to the utility companies to increase profits. As for businesses directly related to water and sanitation, at this time we do not focus on credit for wat/san businesses, but business profits can increase as people have more time to focus on economic activities.

**(30) Marsha Wulff**: Please send a link to the research on line. It must be relevant to the business focus, of course and timely. Private businesses cannot accurately forecast revenues and expenses without quality market intelligence. Yet it is expensive for early stage to self fund.

**(31) MONIQUE DOLFING-VOGELENZANG\***: To increase healthcare capacity and quality in Africa, it is important to decrease the (perceived) risks involved for investors.

**(32) TAARA CHANDANI\***: Re 22) Lisa - definitely agree that improving provider efficiency is key. We have a panel on business development services for health care organizations. Also, check out the work that the Medical Banking Project is doing to facilitate improved technology and platforms for banks to speak with health providers. These presentations will go live tomorrow morning and our chat tomorrow will focus on this.

**(33) APRIL DAVIES\***: Re: 24: Our FI partners also partner with the private sector for some WaterCredit products, such as pumps and water storage tanks.

**(34) MEAGHAN SMITH\*:** re: 27- I think the link between demand and supply side financing in the health sector is a fascinating one. If we are looking at expanding health insurance we also need to be very thoughtful about where people are going to access health care. Access to loans and equity investment for health care providers so that they can upgrade their facilities and services to be accredited to provide quality care under a health financing program is really important and I don't think that it is getting enough attention.

**(35) Assistant Moderator:** Hi Marsha, please refer to the Resource Center link on the left hand side of the menu. Under the Private Health Sector Assessments and Market Research tab you will find several papers that may be helpful to you.

**(36) Marsha Wulff:** As we pull private investors into this sector, they are being asked to take a lot of risks. Market research funded by USAID, IFC, etc is a huge area of Technical assistance.

**(37) MEAGHAN SMITH\*:** re 36: Yes Marsha, I agree I think it is a very appropriate place for a donor subsidy.

**(38) Emily Boone:** to April: in your experience how responsive are MFIs to entering new markets to finance water and sanitation?

**(39) Stephen Rahaim:** RE: 29 and 33: Thanks April. I've seen IDE attempting to create actual value chains of safe water related products and services. This makes a ton of sense in a lot of ways, especially where no or little such market exists but there is high/unmet demand for safe water. On a different note though - has WaterCredit ever been used by utilities to introduce water meters and instigate user payment schemes?

**(40) Marsha Wulff:** Monique, private pharmacists are vital to the ecosystem, yet they lack access to credit at reasonable rates so they can floor inventory. We'd like to work with funders and administrators to facilitate this.

**(41) Assistant Moderator:** We encourage open discussion in this online exchange. Feel free to share your personal experiences and to comment on questions asked by other participants.

**(42) MONIQUE DOLFING-VOGELENZANG\*:** Re 36: Since health care is a social good, is there not an important opportunity for donors (instead of channeling through the public sector) to provide the funds to decrease the risks, in order to attract more private capital? This can be done through Technical Assistance indeed, or by taking first losses or providing guarantees.

**(43) APRIL DAVIES\*:** Re 38: It depends on the MFI and if it sees water and sanitation as a sustainable area of investment... also the mission of the MFI and the stability of the FI. For many MFIs, they hear a client demand for water and sanitation products, but are

still focused on income-generation. But that is changing...

**(44) Assistant Moderator:** This is just as a reminder, the current time is 10:00 am EST and the chat is scheduled to end in 30 minutes.

**(45) Heather Vincent:** April, how do you go about identifying suitable MFI partners to collaborate with?

**(46) Marsha Wulff:** Monique, We're raising \$1-3M from private investor sources and this would be easier with both TA and MFI linkages to reduce risk and increase sales. This is not conceptual; we need real program, partners and funding for real products and buyers now.

**(47) MONIQUE DOLFING-VOGELENZANG\*:** Re 40: I agree Marsha. We also aim to finance pharmacists, although initially our focus has been on health centers and dispensaries that also provide pharmacy services. Amongst the healthcare providers, pharmacies tend to have a slightly better position at accessing finance, because their business model is a bit more straight forward than a clinic.

**(48) TAARA CHANDANI\*:** Re 40) Hi Marsha - one innovative example of increased credit for pharmacies has been structured in Nigeria, by the Association of Community Pharmacists. See the panel on financing health products for this. Essentially, the association provides a guarantee and the Pharmacists Council of Nigeria has agreed to retract the license of defaulting pharmacists.

**(49) APRIL DAVIES\*:** Re 39: Water.org has not partnered directly with utilities to provide WC to customers, however we have partnered with MFIs to provide loans for meters, connections and pipes to connect to utility systems.

**(50) Marsha Wulff:** perfect!

**(51) Lisa Beichl:** Re 34, I agree. When you talk about accessing quality healthcare services, accreditation is part of the process, but it's hard to regulate quality. If you think about an expensive operation, perhaps inserting a stent, you want to make sure there is a positive outcome. If the stent is defective or sourced from an unregulated environment, it may need to be replaced (additional costs next year). The quality component or a resource for risks associated with high cost procedures can help in the long term.

**(52) MONIQUE DOLFING-VOGELENZANG\*:** re 46: Perhaps it would be a good idea to talk, because we currently have a program and partners doing exactly that.

**(53) APRIL DAVIES\*:** Re 45: Heather, we go through a rigorous certification process with MFIs that includes a desk and field audit. We look at organizational and financial

performance, lending practices and ability to attract lending capital. We also interview staff from branches and HQ as well as borrowers.

**(54) Marsha Wulff:** Yes, and quality affects personnel retention: Health workers who unknowingly provide counterfeit drugs are discouraged to see their patients die, so they leave for more regulated environments.

**(55) Marsha Wulff:** Re 52 - yes, please follow up with me as soon as possible.

**(56) MEAGHAN SMITH\*:** re 51: Hi Lisa! I agree improving quality is so important and difficult- accreditation, access to financing and other incentives are just part of the story.

**(57) APRIL DAVIES\*:** Re 45: Water.org also looks for FIs that are diverse- MFIs, banks, etc., but that have the ability to be able to scale-up WaterCredit.

**(58) Tricia Morente:** Re 51 - This is an important point. Often in quality, the process itself is what's emphasized, when there's often a missing link between the actual process and high-quality outcome. This is especially difficult to track in the absence of data and benchmarking

**(59) MONIQUE DOLFING-VOGELENZANG\*:** We have recently launched SafeCare, a large initiative aimed at introducing health care quality standards of resource restricted settings. The methodology includes standards, a monitoring methodology, and a grading and accreditation system. This has been developed in collaboration with JCI and Cohsasa. Such a system can help increase quality and control costs. It also provides a means to measure the effect of investments.

**(60) Heather Vincent:** Hi Tricia, thank you for your presentation in Panel 2 - Financing Health Services. After listening, I just wanted to ask about what advice would you give to other health care providers seeking to expand their facilities.

**(61) MEAGHAN SMITH\*:** Re: 59: Monique I would be interested in learning more about how the Medical Credit Fund links the SafeCare initiative with the financing side of your program.

**(62) Pino Balarezo:** Hello every one, how do you think will be the best way to approach FIs to get a commercial loan but with "social" interest rates?

**(63) Tricia Morente:** To that last point, the issue of reducing waste is an important part of improving quality and cost control. I work at LifeSpring Hospitals, which is a chain of low-cost maternity hospitals in India. For us, improved quality results not only in decreased cost, but also increased revenue. Women are coming because they know the hospitals are clean, safe, and affordable -- their definition of high quality.



**(64) TAARA CHANDANI\***: Welcome Tricia Morente and Pino Balarezo! Thanks for joining the chat - folks, Tricia and Pino are panelists as well, so please check out their presentations when you have a moment.

**(65) MONIQUE DOLFING-VOGELENZANG\***: Re 58: Our approach is indeed exactly about collecting data (making the unknown known) and benchmarking: how do the quality levels compare, how can they be improved, and how can the improvement be continuous and enforced.

**(66) Lisa Beichl**: Re 59 I'm interested in reading more about SafeCare, is there some documentation available?

**(67) APRIL DAVIES\***: Re 62: by "social" interest rates, so you mean subsidized?

**(68) Janice Stallard**: Monique, the SafeCare initiative sounds very interesting. How receptive has the healthcare community been to this? Can it be used globally?

**(69) Stephen Rahaim**: What is the link between providing access to health providers to improve their offerings and providing financing to consumers to improve their ability to pay for services? Don't FIs have a vested interest in seeing the client/demand side catalyzed to improve provider revenues and business flow in general?

**(70) MONIQUE DOLFING-VOGELENZANG\***: re 66 Yes Lisa we have some documentation available. I will see how I can make this available.

**(71) MEAGHAN SMITH\***: re 63: I think the low cost high volume model of expanding quality services to lower income groups is one that we really need to pay attention to. Tricia can you say more about your experience with this?

**(72) Lisa Beichl**: Thanks

**(73) Assistant Moderator**: Just as a reminder, the current time is about 10:15 am EST and the chat is schedule to end in 15 minutes

**(74) Tricia Morente**: Re 60 - thanks for the question, Heather. What is my advice to other health care providers seeking to expand their facilities? First, I would focus on what your core service offering is. At LifeSpring, we focus exclusively on maternal health. We considered expanding to other areas, but ultimately decided to do few things, and do them well. It's important to be set on the strategy/core focus before growth, because it's tempting to get swept away in the process of expansion. Second, based on core service offering, determine your strategy for partnership vs. what you'll do yourself. A key way that LifeSpring keeps costs low is by strategic partnerships. For instance, we have a partnership with our pharmacy to buy medicines and cost, and a



revenue-share agreement with our lab. Thirdly, having a strategy on financing, as well as talent/HR -- which, at least for us, is one of the key challenges in scaling.

**(75) Afrihealth Group:** Re 63: Tricia great presentation on LifeSprings Hospital, I think it is a concept that can be successfully replicated in many areas in Africa. I would definitely love to know more about you organization.

**(76) Pino Balarezo:** Re 67: maybe not subsidized but to make FIs understand that our incomes aren't not enough to work with the regular interest rates in the market

**(77) Ihuoma Ohuka:** Hello Marsha, sorry I couldn't join earlier. Hectic time.

**(78) MONIQUE DOLFING-VOGELENZANG\*:** re 68: The community has reacted very positive. We launched the initiative in Capetown a few weeks ago with many participants from the African healthcare community. Discussions are being held with government representatives and as well as from the private sector (insurance companies)

**(79) Jude Domsie:** Just for those who may not know, Marie Stopes International (as a reproductive health INGO) has a global Social Franchising Programme (BlueStar) which accredits a network of private providers (clinics and pharmacies in the case of the Ghana programme). We assess, monitor, train, ensure clinical quality and sell subsidised family planning methods - all through a donor. Senanu Arkutu - MSI Ghana.

**(80) TAARA CHANDANI\*:** Re 69) hi Stephen - there is definitely a link between the two; the more assured banks are about revenue to clinics, and the more information they have about these flows, the more likely they are to invest in a facility. Health providers that are a part of HMO networks where capitation income is regular and predictable have improved prospects to access financing. The Hygiea Community Health plan in Nigeria has a presentation in this conference about this linkage - check it out!

**(81) Tricia Morente:** Re 71 - yes, LifeSpring's model is one of low-cost, high volume. For us, we focus exclusively on maternity. This allows us to be very focused and standardized in our processes. It helps both from the end-customer perspective, as well as operationally. Women know that LifeSpring is focused on maternity and we offer high-quality services. Similarly, doctors and nurses are able to focus on one core area. One important note here is that it's easy to see low-cost, high volume as a "factory". And in terms of standardized processes, it is. But at LifeSpring, we feel it's also very important to treat the women ("customers") with dignity. Based on customer interviews, it's this focus on respect and dignity that brings them to the hospital -- more than just price and low cost alone.

**(82) MEAGHAN SMITH\*:** re: 79 I would love to hear more about the Blue Star program in Ghana. Is financing an issue for your franchisees?

**(83) MONIQUE DOLFING-VOGELENZANG\*:** re 79 Hi Jude, indeed, and actually MSI and PharmAccess (the SafeCare initiator) are looking at areas of collaboration in this field!

**(84) Tricia Morente:** Re 75 - thanks for this! Yes, I believe there is absolutely scope for a similar model to LifeSpring to thrive in Africa. One of the challenges, however, would be in high input costs -- particularly regarding the price of equipment and doctors in Africa. I have seen innovative models in maternal health, such as Jacaranda (based in Nairobi) that get around this by focusing more on nurses, as well as leveraging customer financing solutions such as installment payment through mobile phones.

**(85) Jude Domsie:** At Meagan. Yes, access to financing is a problem for our franchisees. That is why many of them jump at the idea of joining to network as certain costs like - training, branding and marketing are taken care of by the franchisor.

**(86) TAARA CHANDANI\*:** Hi April - among the various tools that Water.org uses to increase financing for water/sanitation (credit guarantees, market research, etc), which have proven to be more / less successful, and does it vary by region?

**(87) Jude Domsie:** Hello Monique, sorry this is Senanu Arkutu on Judes laptop - we would love to collaborate!

**(88) MEAGHAN SMITH\*:** Re: 67: My concern with subsidizing interest rates is sustainability. Financial institutions need to see the health sector as a profitable long term market. I think a better use of a subsidy is to work with FIs so they see the market opportunities in the health sector and to work with them to help reduce their costs and perceptions of risk so they feel comfortable lowering their rates.

**(89) MONIQUE DOLFING-VOGELENZANG\*:** Re 76: Hi Pino, that's why we aim to work on the risk side of the issue, in order to get the interest rates down and to achieve affordable conditions.

**(90) Assistant Moderator:** Just as a reminder, the current time is about 10:25 am EST and the chat is schedule to end in 5 minutes

**(91) Jude Domsie:** But BlueStar franchisees still need access to finance for improving facilities (renovations), staffing costs, equipment and other operational costs....

**(92) MEAGHAN SMITH\*:** re: 91 Senanu: Have you or the franchisees approached financial institutions in Ghana? What has been your experience?

**(93) Marsha Wulff:** This provider demand for networks, to access finance and training can also drive quality regulation enforcement as participants are banned for unsafe practices.

**(94) Jude Domsie:** Meaghan I completely agree and that is what I am hoping to learn here - how to partner with FIs. What would IFC Ghana here want to see? etc...

**(95) Ihuoma Ohuka:** Re: 48 The slight drawback with this package is coverage and accessibility. We need options that can be accessed by a wider range of pharmacies

**(96) TAARA CHANDANI\*:** Hi Monique - how do you go about screening providers to participate in your quality improvement and access to finance efforts? Do you charge a fee for providers to join the Safecare and other training programs?

**(97) APRIL DAVIES\*:** Re 86: Yes, I think the success of the tools for increasing investment to WaterCredit do vary by region and by the robustness of the partner FI. Funding market research in new markets that have not traditionally focused on non-income-generating products is always a good first step. Offering guarantees to FIs that may not be able to cover riskier non-traditional products may be the tipping point for more investment.

**(98) Jude Domsie:** We have not approached FIs and have no experience in this as an organization.

**(99) MONIQUE DOLFING-VOGELENZANG\*:** Re 88: I agree. It just depends on what we mean by subsidizing. I rather call it providing an initial comfort zone for the FI's to get them to move in to the market

**(100) MEAGHAN SMITH\*:** 98: Hi Senanu: Great- I think you will learn some strategies for approaching FIs through this conference. Tomorrow's investor panel will have a representative from the World Bank/IFC that you can pose a question to. I would also be happy to chat with you off line about this and share some of the SHOPS experience.

**(101) MONIQUE DOLFING-VOGELENZANG\*:** Re 96: In our Medical Credit Fund program we provide technical Assistance that covers the initial costs to enroll the clinics in the SafeCare program. As they progress through the program, they will be charged a fee.

**(102) APRIL DAVIES\*:** Re 99: In WaterCredit we have also struggled with whether or not to subsidize interest rates... and Water.org has come to the inclusion that to become sustainable, the products must be offered at the going market rate.

**(103) Susan Mitchell:** What tools have others used to support expanded financing for the sector? (credit guarantees, etc). Which have proven to be more or less successful?

**(104) Pino Balarezo:** Re 89: Hello Monique, here in APROPO we think that if we'll be able to have some trustful institution who guarantee us in the banking system it would help a lot, do you know any institution which gives this "service" or offers this help?

**(105) Jude Domsie:** Thanks Meaghan!

**(106) MEAGHAN SMITH\*:** 103: Credit guarantees, credit lines have been successful. Market research and developing market linkages have been another effective strategy. Training to loan officers and bank managers and assistance in health sector loan product development have also been really effective tools.

**(107) APRIL DAVIES\*:** Thanks for participating in today's chat! It has been a great learning experience.

**(108) MONIQUE DOLFING-VOGELENZANG\*:** Thank you all for participating. For more information on the Safecare initiative, please send me an email.

**(109) Lisa Beichl:** thanks, can you provide your email?

**(110) MEAGHAN SMITH\*:** Thank you everyone for this is wonderful chat! I look forward to the conversation tomorrow. Tomorrow's chat starts at 8:30EST and the live investors' panel is at 10:30 EST tomorrow.

**(111) TAARA CHANDANI\*:** Thank you all so much for this lively conversation. I hope that you will continue to exchange notes at the SHOPS cafe and discussion boards-leading to new partnerships, thinking and innovations! We have an exciting line-up of presentations, a live moderated forum by investors tomorrow (10:30 am EST) and a whole lot of resources! Please share any comments you have to each presentation as well. Thank you all and see you again over the next two days!

**(112) Assistant Moderator:** Well, it is now 10:30 AM EST. Many thanks to our panelists for doing today's chat, and to everyone for logging on to participate! If there are any questions we have not answered yet, you are welcome to post them under the panel presentations for other attendees to assist in answering your question. The transcript from this chat will be available tomorrow for you to view. Check out upcoming announcement for details.

Please visit the SHOPS brochure in the e-Conference "Resource Center" or [www.shopsproject.org](http://www.shopsproject.org) for more information on the SHOPS project.