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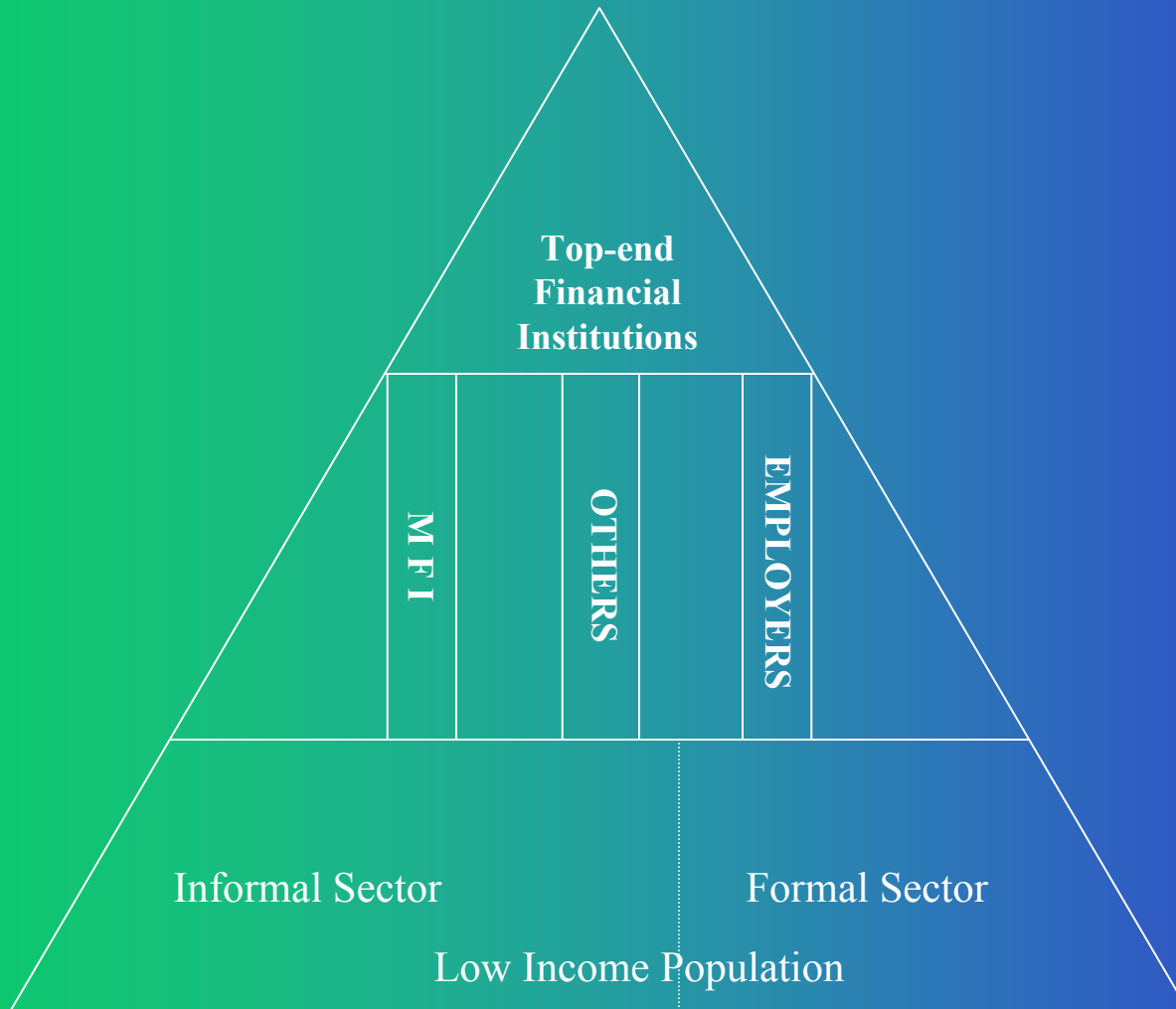
Microcare Ltd

Experiences in Micro Health Insurance in Uganda



Presentation to
Uganda Micro-Finance Forum
19th January 2004

Bridging the Gap

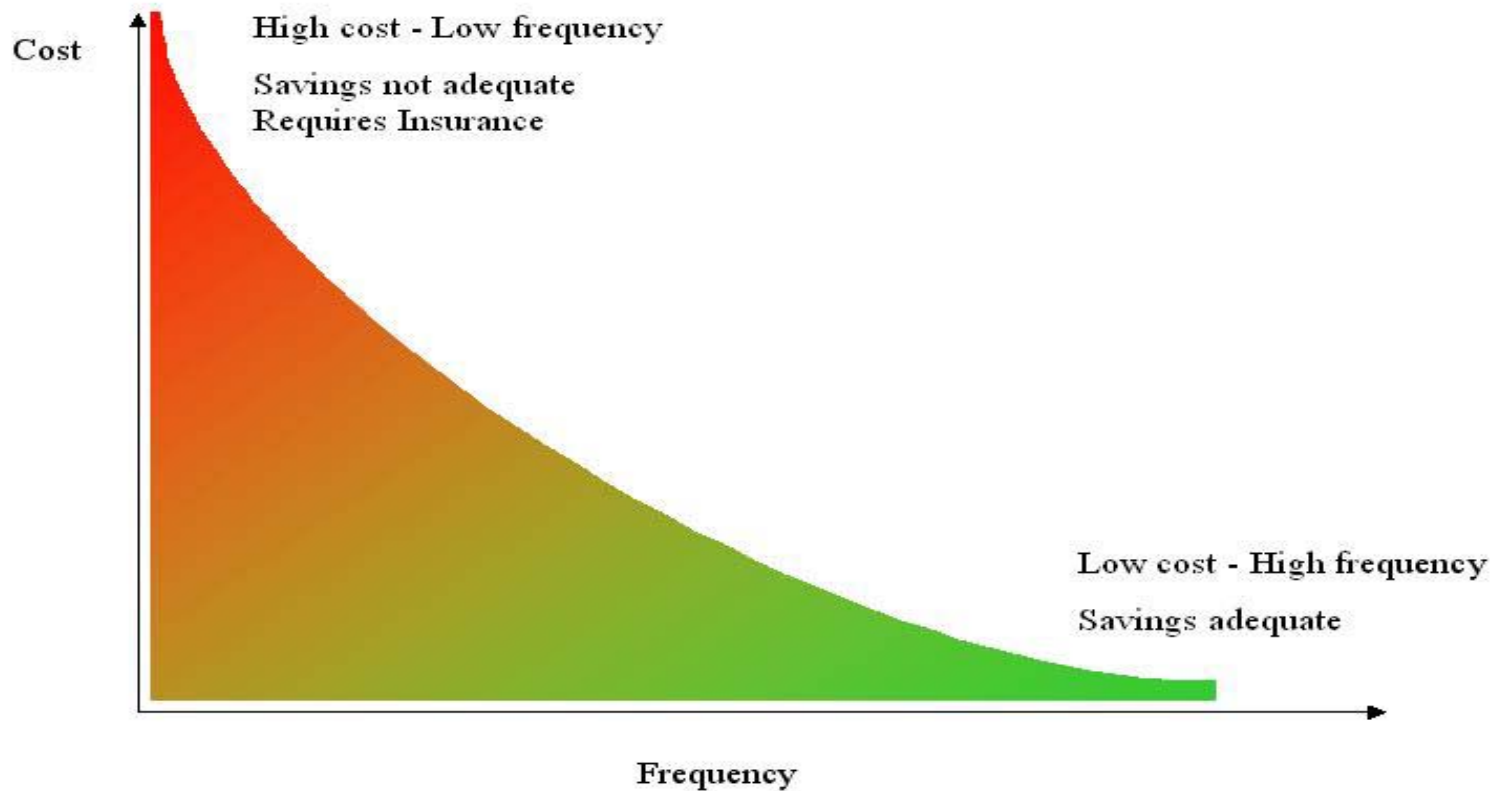


MicroFinance can help people move out of deep poverty, and cover some risks:

- Savings
- Credit

MicroInsurance can help people protect the gains they have made.

The Spectrum of Risk



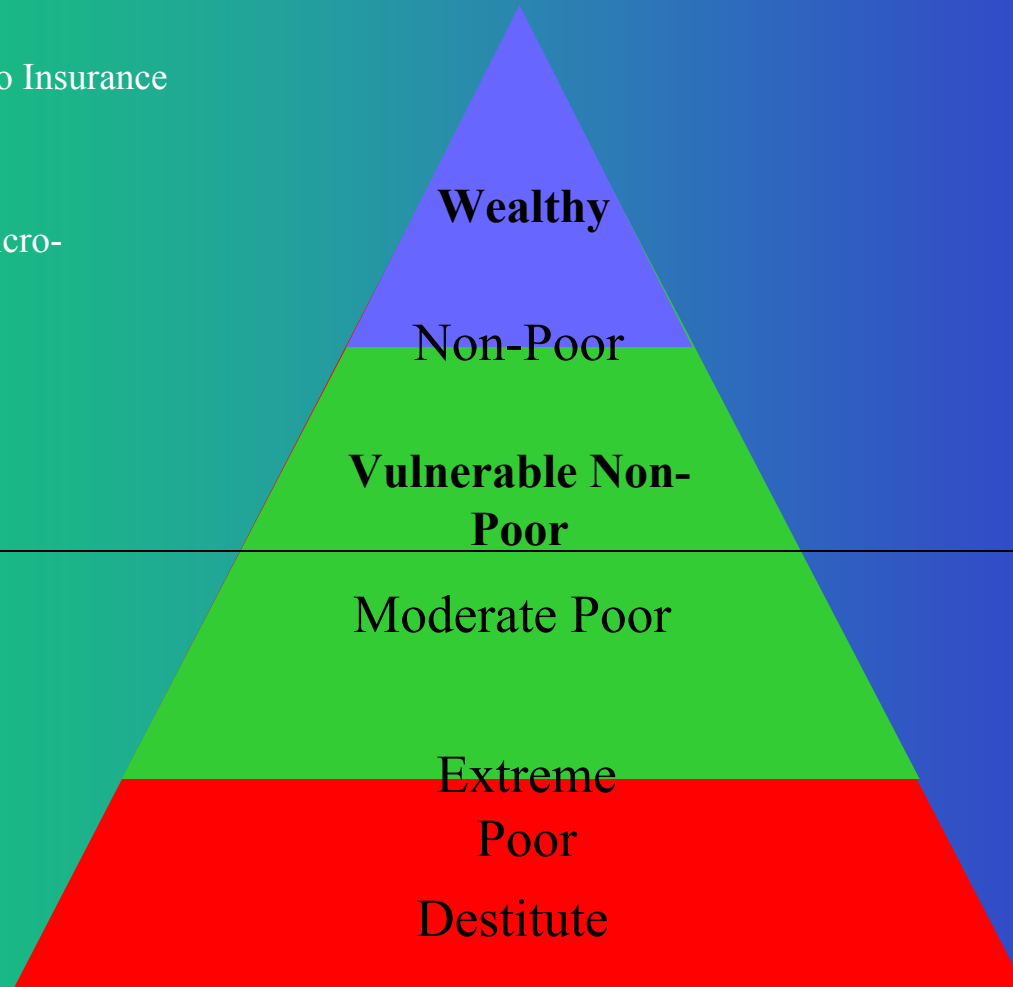
Who benefits from Micro-Insurance ?

Can Access Higher Level Financial Services –
Traditional Insurance Clients

Micro-Finance & Micro Insurance
Target Segment

Too Poor to Access Micro-
Finance or Insurance

Poverty Line



Why the MFI should NOT be the insurer:

- It diverts focus from the MFIs core banking business
- MFIs lack essential insurance management and insurance accounting expertise
- Without these expert staff they will not fulfil insurance regulatory requirements
- To be an insurance company requires the deposit of \$100,000 + in Uganda
- They should not put their financial reserves and microfinance business in a vulnerable position by carrying unlimited insurance risk
- Insurance financial management, accounting and auditing is very different
- They cannot access commercial re-insurance (underwriting) since they are not a registered insurance company, thus limiting the options for sharing the risk.
- Banking regulations may not permit an MFI to engage in the insurance business.
- Potential conflicts of interest and ethical / confidentiality issues (esp. health)

Benefits to the MFI as a partner to an insurer

The MFI does not carry the risk but can benefit by:

- Taking commission for sales
- Receiving interest on specialist loan products to cover premium
- Providing their clients with access to an added value product
- Improve client retention / loyalty by bringing them into longer term contracts
- Benefit as a recipient of payouts, e.g. loan guarantee insurance, life insurance
- Improve the well-being and performance of their clients (e.g. Health Insurance)
- Providing a potential short-term investment opportunity for the insurer to deposit premiums and a longer term opportunity to invest insurance reserve funds and profits.



What is Microcare Ltd?

Affordable Access to Quality Healthcare.

- Microcare Ltd is a not for profit company registered in Uganda.
- Microcare operates as a neutral professional intermediary between MFI client groups and Health service providers.
- Microcare is now researching how to make affordable quality health care available to low paid formal sector employees as well.
- Microcare has developed considerable technical expertise in Database management, Identity verification control and remote computer networking.
- Microcare has greatly benefited from an action research relationship with the MicroInsurance Centre (MIC)



Our Vision

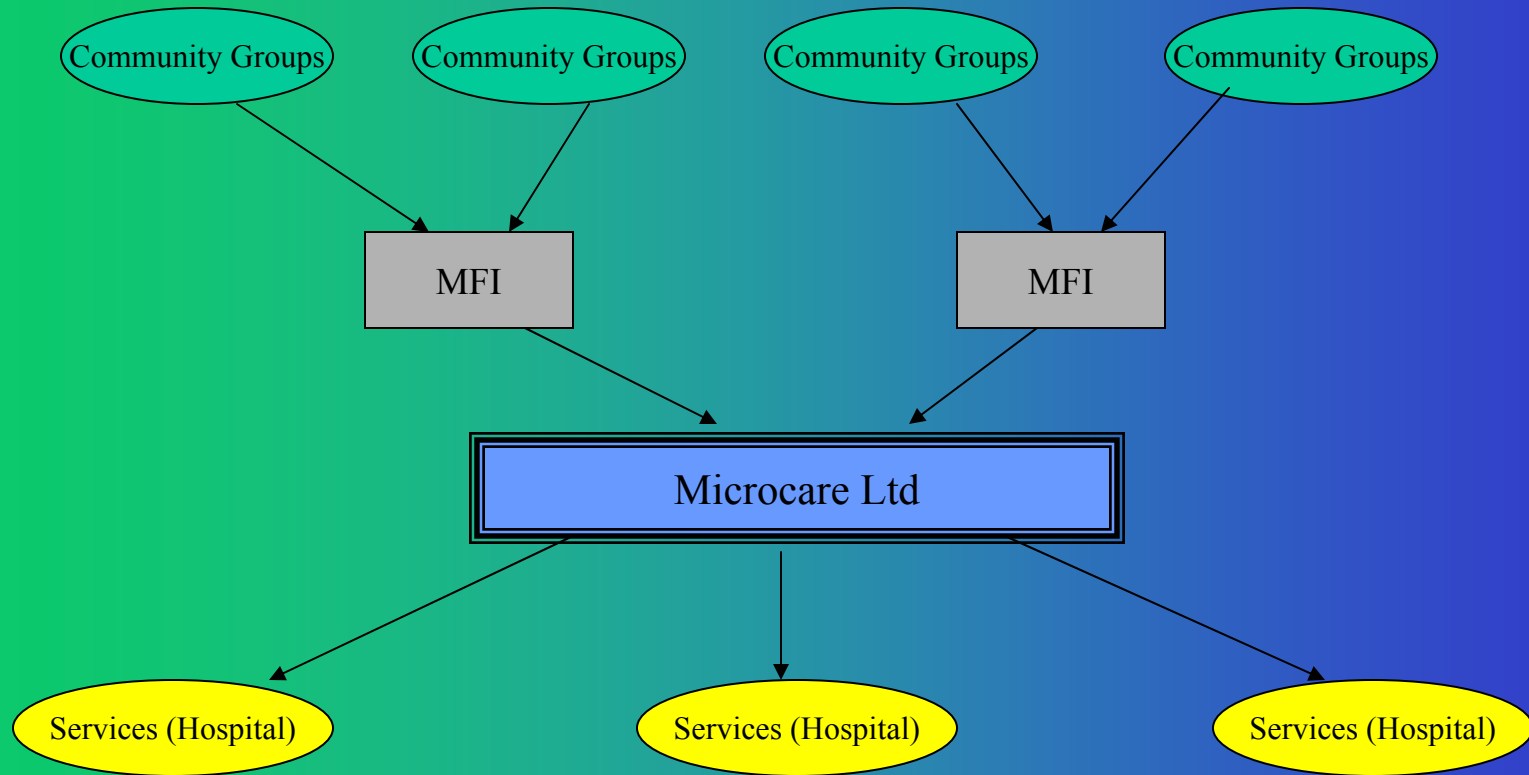
To be the leading health management organization providing sustainable, affordable access to quality healthcare for low income earners.

Mission Statement

To enable economically active poor to be healthy through provision of effective health plans, managed healthcare, preventive measures, health education and mediation between health providers and beneficiaries for best quality service and price.

What does Microcare Do?

- Contracts with Hospital/Clinics.
- Arrangements with MFIs and other low income groups.
- Designs and manages 'Insurance' schemes.





Multi Health Service Provider Multi MFI Model

- Allows client choice of health service provider
- Follows a Partnership Model with the MFI's.
- Allows for necessary economy of scale and expertise.
- Can best protect interests of client – Ethics / Confidentiality.
- Ensures control of abuse of system by clients.
- Ensures control of abuse of system by Health Service Providers.
- Provides better opportunity to negotiate treatment prices down.
- Protects MFI from Risk Exposure.



Why MFIs should assist clients access healthcare

- Sickness and poverty are inextricably linked.
- Prevents redirection of loan capital for domestic (health) consumption.
- Sickness of the client reduces productivity.
- Most MFI clients are women who are the primary care givers in the family.
- Holistic approach to client welfare.
- Improve client loyalty / retention.



Microcare MFI Health Plan

Covers services available in participating hospitals:

- Casualty / outpatient services.
- In-patient services.
- Referral for consultation with consultants recognized by registered hospital.
- Surgery including gynecology.
- Special investigations including: X-ray, Ultrasound, Electrocardiogram and Laboratory.
- Maternity cover including normal delivery in hospital and Caesarian section.



Microcare MFI Health Plan – Cont..

Pharmacy: Drugs prescribed by the Hospital medical practitioner within the agreed treatment protocols of the specific scheme.

- HIV Counseling and Homecare.
- Basic Dental care (including cavity filling, tooth extraction and general consultation).
- Optical consultation.

Urban Pilot Study Premiums	Annual	8 month
Family up to 4 members	\$60	\$40
Every additional adult member	\$18.50	\$13.50
Every additional child member (below 16 Years)	\$8.75	\$6.50

Key Issues

HIV/AIDS

- HIV / AIDS: **No** screening, **not** excluded, however Anti-retroviral are not covered YET.
- Dependant children who are not natural children of client can be included (e.g. Orphans).

Cost Containment

- Chronic Medication (prescriptions greater than 3 weeks) are not covered.
- To avoid adverse selection greater than half of a group should join.

M_c

Check-in-desk Front



M_c

Check-in-desk Back



Magnetic swipe ID Card

MICROCARE HEALTH PLAN

Plot 1, Kiwana Road, Bukoto, Kampala
PO Box 29252, Kampala, Uganda
Tel: 041 543533/542237/077 760112



Name: MUKASA SARAH

Group: FINCA MENGO A


ID No: FIN16900200

This card is a property of Microcare Ltd.

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Microcare Health Management System

 **HEALTH SCHEME MANAGEMENT SYSTEM**
This product is licensed to
Profile Maintenance

District/Institution: Village/Group:

Head of Family: ID No: Scheme Name:

User Doctor *Profile* Mtec Medicine Mtec Lab DRF Bill Exit



Microcare Health Management System



HEALTH SCHEME MANAGEMENT SYSTEM

This product is licensed to
Microcare Limited

MTAC Maintenance Medicine

MTAC NO: M DATE: ID No: Charge:

Dr Name: Diagnosis:

Diagnosis:

Generic Name: Dosage:

Product Name: Frequency:

Route: No of Days:

Generic Name	Product Name	Route	Dosage	Frequenc	Days	Qty	Amount
AMODIAQUINE	CAMOQUINE	TABS/CAPS	200 MG	3	3	9	900
SULPHADUXINE/PYH	FANSIDAH	TABS/CAPS	525 MG	1	1	1	100
PARACETAMOL	PANADOL	TABS/CAPS	500 MG	3	3	9	180

MFI Pilot Study Experiences

- Clients have great difficulty collecting up enough money to pay an adequate premium.
- Concepts of ‘Risk pooling’ and ‘Insurance principles’ are difficult for clients to understand.
- This results in very labor intensive marketing, slow uptake and poor client retention.
- MFI loan scheme for premiums shows promise.
- To avoid adverse selection greater than half of an MFI group should join, but this is often difficult to achieve.



Microcares Experiences co-operating with MFIs: Be Selective

SELECT THE MFI-

- It is easier to deal with MFIs that have large solidarity group methodology
- Some MFIs are keen to offer value added services to retain clients

SELECT THE WORK PARTNERS-

- Take time at the start to identify the best branch managers and credit officers
- An incentive system, though problematic, helps motivate the MFI staff.

SELECT THE CLIENT GROUPS-

- Longstanding stable MFI groups have more solidarity
- A large group size (30+) is better
- Need at least half of the group to join with their families to avoid adverse selection

SELECT THE INDIVIDUAL CLIENTS-

- Good performing MFI clients make good Micro-insurance clients.
- Try to convince the group leaders first



Microcares Experiences co-operating with MFIs: Innovation

- Microcare and UMU are working as partners in remote rural areas to meet the highest priority perceived needs of the community; UMU providing financial services and Microcare providing the health insurance services to Engozi Society groups.
- Microcare and FINCA developed a dedicated health loan product to cover a 2 loan cycle (8 month) period.
- Microcare Formal Sector clients (e.g. Flower factory workers) can be directed by Microcare to a partner MFI for MFI financial services.

Lessons in Cost Recovery

- A larger client base is required to achieve economy of scale
- To achieve full cost recovery, including administration and underwriting would require a higher premium (at least 25%).

Formal Sector Pilots

- AVSI: Health Scheme for an NGO
- Natural Leaf: Health Scheme for a small scale enterprise
- Melissa Flowers: Health Scheme for a flower farm
- Wagagai Flowers: Managed Health Care for a flower farm.



Microcare Health Management System

Wagagai Health Clinic





Microcare Health Management System

Wagagai Health Clinic



Wagagai Clinic Lab



Experiences with Formal Sector

- High Demand
- Rapid Uptake
- Able to Pay a Realistic Premium
- Adequate Premium to cover Administration and Re-insurance
- Pay Promptly
- Can Pay Premium for a Long Coverage Period (e.g. 1 year)
- Lower Level of Moral Hazard
- Employers already understand ‘Risk pooling’ and ‘Insurance principles’



Types of healthcare management

- Risk pooled group health scheme – Insurance
- Third-party Administration Services
- Contracted management of company health facilities
- Combinations (e.g. outpatient provided by farm clinic and inpatient provided by Microcare health scheme)

Benefits to the Employer

- Reduces administrative burden
- Removes fraud and abuse
- Satisfy the stake holders (Clearly demonstrate to the government /technical support organizations/buyers that they are providing comprehensive health care to their workers)
- Neutral third party dealing with workers health issues in a professional and confidential manner (e.g. HIV)
- Containment of cost
- Simplifies budgetary projections and accounting

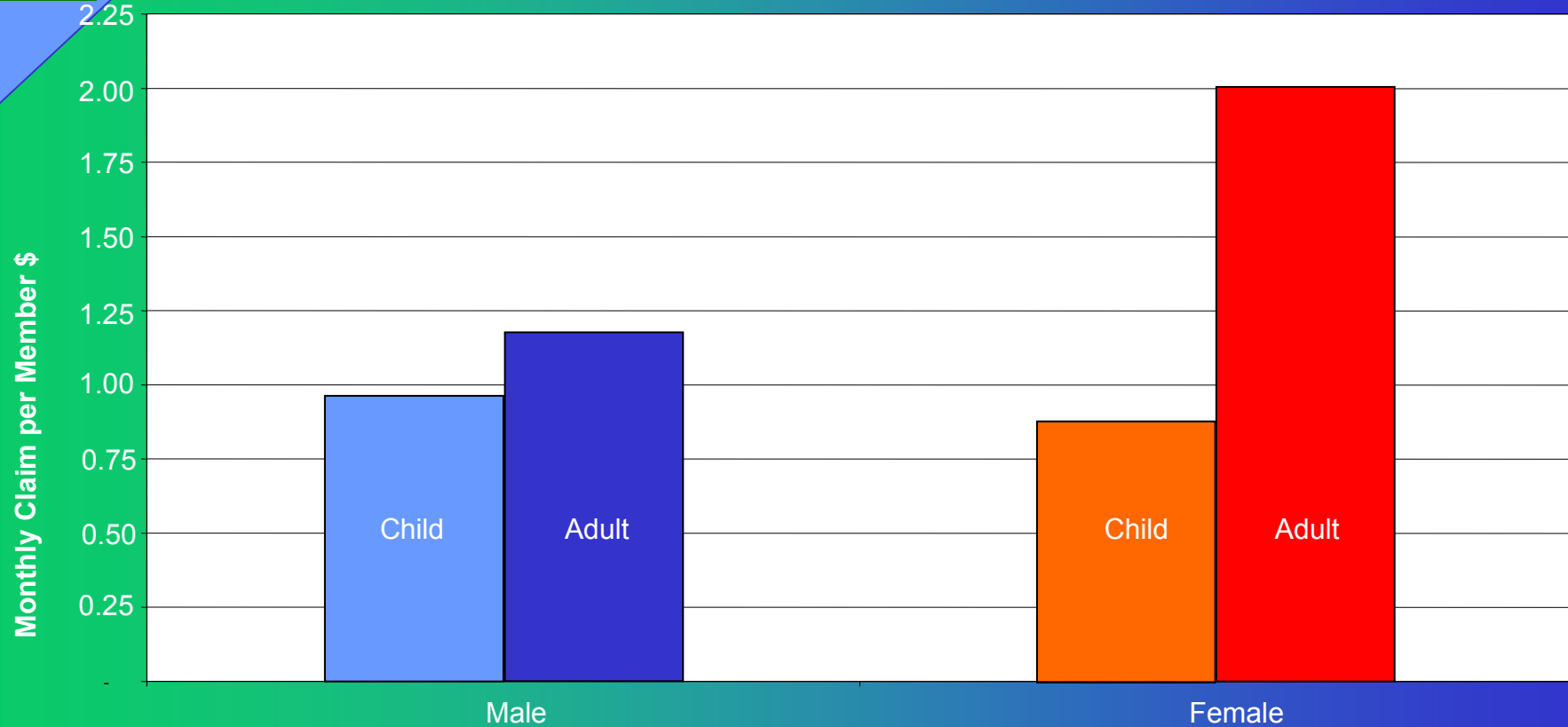
Benefits to the Employer - cont...

- More difficult for workers to pretend they are sick
- Improves attendance of workers
- A healthy work force is more productive
- Access to technical advice on prevention and health education (e.g malaria prevention, HIV control)
- ID card security systems with additional services (e.g Company security and attendance monitoring)



The Aggregate Claims Experience

Average Monthly Claim Rates by Sex for Adults and Children



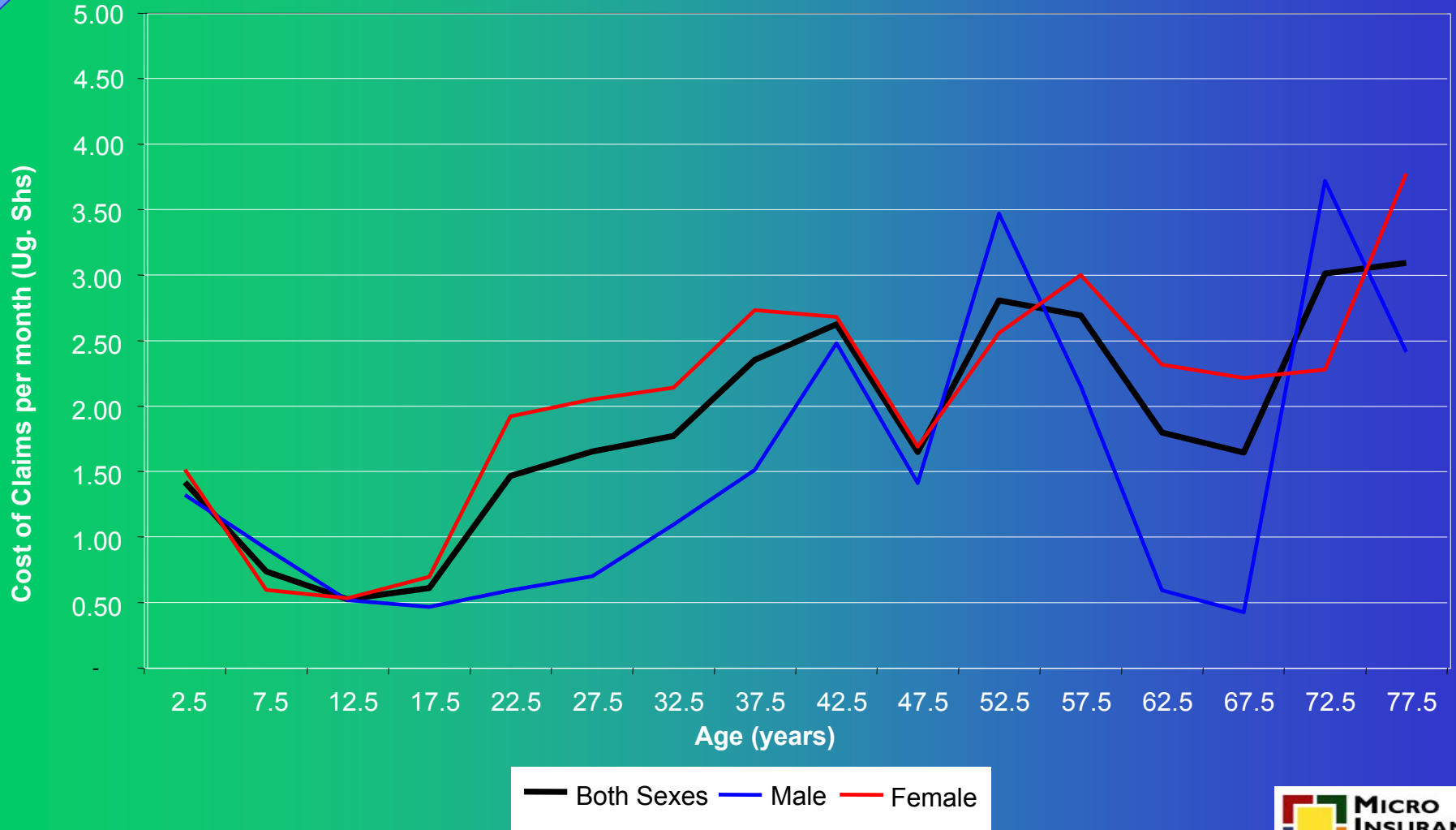
Monthly Claim \$	Child	Adult	Average
Male	0.96	1.18	1.07
Female	0.88	2.00	1.58
Average	0.92	1.59	1.33

Throughout the entire eighteen month period of investigation, each member claimed an average of US \$ 1.33 per month.



Claims Experience by Age and Sex

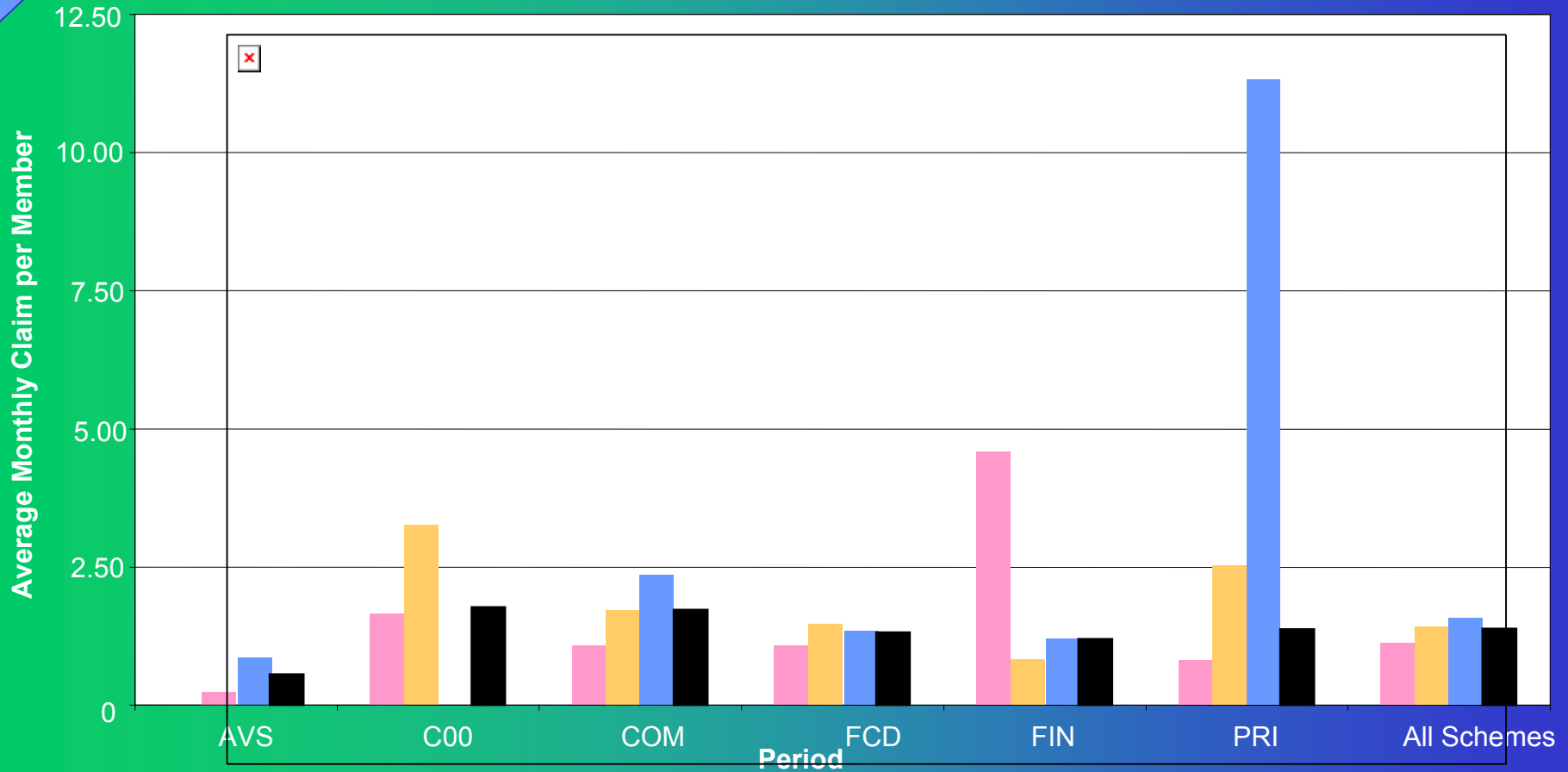
Average Monthly Claims by Age and Sex in US \$





Time Series Claims Data for Different Groups

Average Monthly Claims per Member over Time by Different Groups
Half Yearly Presentation



Jul-Dec 01 Jan-Jun 02 Jul-Dec 02 All Periods



The Way Ahead

- Transformation into a commercial health insurance company.
- Build internal insurance management capacity.
- Target the low income mass market both formal and informal sectors
- Obtain adequate re-insurance to expand responsibly (Cordaid, Interpolis and Swiss Re)
- Attract sufficient capital investment.
- Strategically partner with insurance organizations including:
 - Brokers – AON (U) Ltd
 - MicroInsurance Expertise – The MicroInsurance Centre (MIC)
 - Actuarial support - Quindiem Consultants, South Africa