



Health Savings

A Technical Note



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LIST OF ACRONYMS

CIF—Centre d'Innovations Financières

MAHP—Microfinance and Health Protection

MFI—Microfinance Institution

PAR—Portfolio at Risk

RCPB—Réseau des Caisses Populaires du Burkina

INTRODUCTION

The microfinance institution (MFI) known as the Réseau des Caisses Populaires du Burkina (RCPB) pilot-tested a health savings product from 2007 through 2009. RCPB, which is a deposit-taking federation of credit union networks, developed the product in partnership with Freedom from Hunger and the Confederation of Financial Innovation (Confédération d'Innovation Financière, or CIF).

Although every RCPB client has a current, regular savings account (the MFI's regular savings deposits are consistently more than 100 percent of their outstanding loan portfolio), clients had expressed a need for a special savings account that they could rely on when health-related expenses arose. Extensive market research revealed that many of RCPB's clients spend 30 percent or more of their income on common health expenses, such as frequent malaria treatment. RCPB responded to demand by developing a health savings product linked with health loans as well as new consumer education on estimating common health expenses and planning ahead to face them.

RCPB's health savings is a voluntary, contractual product available to all clients in participating branches, regardless of their tenure with the MFI. It offers clients a safe and dependable source of liquidity for addressing common, relatively inexpensive healthcare needs. Clients who open a health savings account agree to set aside a minimum monthly amount and must show medical receipts or a doctor's order to be able to withdraw funds. The health savings account is blocked during an initial six-month "capitalization period," after which clients who continue saving become eligible for a health loan in the case of a major, justifiable medical expense that their health savings cannot cover.

After nearly three years of experimentation and refinement of the health savings and health loan package, Freedom from Hunger and RCPB are convinced that when health savings are integrated into existing processes and staff workloads, the product can be cost-neutral or better when considering direct, marginal costs (and not allocated staff or overhead).¹ RCPB finds health savings simple and efficient to administer and has seen increases branch liquidity as well as client and staff satisfaction, which lead to substantial financial and nonfinancial benefits for the MFI. RCPB is actively scaling up health savings with the intention of eventually making it available to all clients.

The purpose of this Technical Note is to share details of RCPB's health savings product with the microfinance sector and to encourage further experimentation, replication and innovation around this promising development tool. While this document focuses on the features and lessons of RCPB's health savings product in particular, a separate report entitled *The Costs and Benefits of Health Savings and Health Loans: The Experience of RCPB in Burkina Faso* provides in-depth financial data and an analysis of the costs and benefits of this integrated health savings and health loan package. The details on RCPB's and three other MFIs' health loans are presented in *Health Loans: A Technical Guide for MFIs*.²

More information on conducting market research to develop such products is available in *Market Research for Microfinance and Health Protection: A Technical Guide for MFIs*. And a simple, practical and hands-on approach for clients to use in considering their healthcare expenses and savings strategy is presented in the "Technical Learning Conversation" entitled *Plan for Better Health*, developed for clients and loan officers. All of these materials are available at www.ffhtechnical.org or by request from Freedom from Hunger.

¹ See *The Costs and Benefits of Health Savings and Health Loans: The Experience of RCPB in Burkina Faso*, Freedom from Hunger, 2010. Although this paper provides detailed costs and revenues associated with a combined package of health savings and loans, health loans bring in only a fraction of the revenues of the combined package. Net costs and benefits specific to health savings are not explicitly provided, but a look at the projections for both products would indicate that health savings alone—if on-lent as regular MFI loans—would break even in three to four years on a direct cost basis.

² Please see www.ffhtechnical.org or the Microfinance Gateway for these documents.

BACKGROUND AND RATIONALE

About RCPB

The Réseau des Caisses Populaires du Burkina (RCPB), a federation of credit union networks, is the largest microfinance institution in Burkina Faso. RCPB's mission is to improve the living conditions of its members and the greater community by applying principles of solidarity and individual and collective responsibility. RCPB mobilizes savings, offers a range of profitable credit products, promotes appropriate and accessible financial services for all, and is committed to democratic administration and management. RCPB was Freedom from Hunger's first Credit with Education partner in West Africa, and RCPB's Credit with Education portfolio continues to be the largest and strongest in the region. Figure 1 highlights RCPB's basic institutional and health protection services data as of December 2009.

FIGURE 1: RCPB DATA AS OF DECEMBER 2009

MFI-wide	
Year MFI established	1993
Number of active borrowers	111,005 (25% women)
Outstanding gross portfolio	\$110,794,596
Portfolio at risk (30 days)	8.55%
Number of active savers	671,909
Total savings deposits	\$117,758,839
Operational self-sufficiency	144%
Health Protection Products	
Year started <i>Credit with Education</i>	1993
<i>Credit with Education</i> clients	96,415
Number of health savings accounts	12,099
Health savings deposits	\$54,593
Number of outstanding health loans	23
Outstanding health loan portfolio	\$3,465

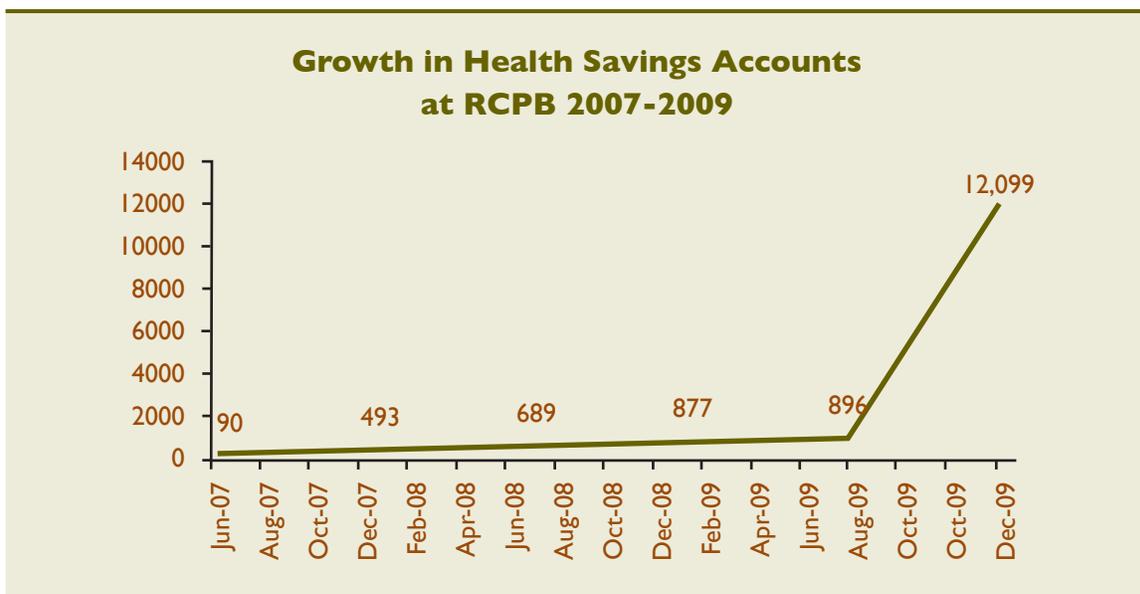
RCPB leadership maintains a serious commitment to product innovation, resulting in ongoing market research, experimentation and product development, and a growing range of products and services. Such efforts are greatly enhanced by the technical support of CIF, a regional organization specialized in financial product development and adaptation, and based in Ouagadougou (Burkina Faso).

Prior to collaborating with Freedom from Hunger through the MAHP initiative, RCPB had already worked with CIF to develop a health savings product that was launched in April 2006 with a small-scale pilot-test. Under the MAHP initiative, RCPB further refined this health savings product and developed and tested a comprehensive health package that included the following:

- Health savings to cover primary care and medicine for common illnesses
- Health loans to cover treatment that exceeds clients’ health savings
- A health solidarity fund managed by RCPB to invest in health protection services in the communities it serves
- Training on planning ahead to pay for health expenses, using the local healthcare system, advocating for better health care, and on prevention and management of common diseases.

RCPB recognizes that financial services alone cannot alleviate poverty. Through these health protection services, which were tested and studied for impact from April 2007 through December 2009, RCPB seeks to better accomplish its mission of improving the living conditions of clients and their communities, while protecting its own financial sustainability and longevity as a microfinance institution. Figure 2 shows the growth of RCPB’s health savings accounts over the product’s first two-and-a-half years of operation. As of mid-2010, RCPB had begun massive scale-up of this health protection package with the goal of eventually making health savings and accompanying services available to all of its more than 100,000 clients.

FIGURE 2: GROWTH IN HEALTH SAVINGS ACCOUNTS 2007-2009



Note: Several factors contributed to the steep increase in accounts beginning in June 2009. RCPB declared the pilot phase complete and expanded beyond the initial three pilot branches to offer the products throughout the region, and later in a second region. External marketers were hired and paid on commission (as described further below). And RCPB staff training, goals and incentives were instituted or enhanced.

What is Health Savings?

Health savings is a financial product designed to help microfinance clients set aside and accumulate money to cover future health-related expenses. Health savings can provide an easily accessible source of cash for addressing the frequent, relatively minor health issues that many poor families commonly confront and for pursuing preventive care. We would expect clients with health savings accounts to be better positioned to access essential and timely health care and, as a result, be less vulnerable to the financial stress and other impacts of ill health. Early indications from RCPB's experience appear to support this hypothesis, although wider-spread experimentation and research are needed.

Why Offer a Savings Product Specific to Health?

Experience in the microfinance industry has shown that poor people want to and do save, but their efforts are frequently constrained by a lack of safe and accessible options to accumulate and safeguard their savings. Consequently, poor families save in informal ways—by joining rotating savings and credit associations, entrusting savings to relatives or friends for safe-keeping, stashing funds in a hidden or buried “safe box,” or saving in-kind with grain or animals. Although these strategies are resourceful and beneficial, they do have drawbacks, including a lack of ready liquidity and potential loss or theft of savings. Deposit-taking MFIs can offer clients a solution to those risks.

Health savings go beyond general savings products to provide an additional advantage for poor people. Since some clients rely on regular savings accounts to develop larger sums for a specific purpose, and others find themselves frequently withdrawing their savings, having a savings account that is dedicated to health-related expenditures can help clients ensure that a portion of their savings is reserved exclusively for health. Research suggests that “to the extent that individuals want to save for particular purposes but have difficulty doing so with their normal savings account, a specially labeled account for that purpose in fact has the necessary influence to inspire increased savings toward that purpose.”³

In an ideal world, people would have sufficient money on hand to seek and pay for preventive and primary care on their own, and social health programs and/or health insurance would ensure that everyone could access more serious and costly treatments when needed. However, poor people around the world too often lack such cash, tools and coverage, as well as the knowledge and support needed to prevent disease and plan ahead for health expenses. As a result, millions do not have the financial resources to address health issues when they arise.

For these reasons, a health-specific savings product that encourages microfinance clients to plan and set aside money for health can be extremely valuable not only for protecting health and creating greater financial security but also for safeguarding business loans and assets. Even in locales where social health programs or insurance are available, health savings can be an important complement, either to pay for those (often primary care) expenses that the program does not cover, or to set aside money for premiums or co-pays.

³ Ashraf, N., Gons, N., Karlan, D., Wesley, Y. 2003. *A Review of Commitment Savings Products in Developing Countries*. <http://people.hbs.edu/nashraf/commitmentreview.pdf> (June 8, 2010).

Finally, a health savings product can also benefit the MFI by increasing deposits and thus MFI liquidity, while also protecting clients' ability to address common health issues immediately without having to compromise their revenue-generating activities. Research conducted at five MFIs through Freedom from Hunger's MAHP initiative, and corroborated by a 2009 Center for Microfinance study, revealed that microfinance clients commonly resort to their MFI business loans to pay health care expenses. Proportions who reported recently doing so ranged from 11 percent (at RCPB in Burkina Faso) to 48 percent (at Bandhan in India).⁴

"Neither health savings nor health loans have created extra work for staff."

—RCPB Branch Director

"The health savings does not present more challenges or difficulties than other products at RCPB."

—RCPB Branch Director

Can Health Savings Be Financially Viable for an MFI?

Evidence from RCPB's first three years of offering the product suggests that within a few years, an MFI can potentially offer health savings on a sustainable, long-term basis without incurring net marginal costs. The main direct costs associated with health savings are related to training and marketing. Although the product does require a small amount of time from MFI staff—who can easily integrate into their regular daily tasks the communication with clients about the product, opening of accounts, transfers of funds, disbursement of funds, and the monitoring and reporting required of any financial product—proceeds from health savings (through the on-lending of the resulting additional liquidity via the MFI's existing loan products) probably cannot realistically ever cover allocated staff costs and overhead. However, some indirect benefits from the product, such as the attraction of new clients presented below, may also be considered a form of health savings "revenue" that helps to pay for itself. Longer-term implementation of the product at RCPB and testing by other MFIs are needed before any solid assertions about sustainability can be made, but RCPB's experience makes the possibility appear promising.

"The new products [health savings and health loans] have brought about new responsibilities; one such responsibility is the obligation to report back to our superiors and to regularly communicate among ourselves; and so far, that has been manageable."

—RCPB branch staff

⁴ Clients from study samples at each MFI with access to health-financing products reporting past use of at least some portion of their business loans were as follows: RCPB (Burkina Faso) 11%; CARD (Philippines) 15% enrolled in insurance and 27% disenrolled; CRECER (Bolivia) 27%; Bandhan (India) 48%. An independent CMF study suggested that 17% of a loan goes to health and education combined. [Kobishyn, Alexandra. 2009. "Opening the Black Box: How the Poor Use Credit in India." *Microfinance Insights*. Vol. 12, May/June 2009. <http://www.microfinanceinsights.com/story-details.php?sid=216&iid=11> (June 8, 2010)]

RCPB'S HEALTH SAVINGS PRODUCT FEATURES

Figure 3 summarizes the features and advantages of RCPB's health savings product. These features, and the considerations surrounding their adoption, are described in greater detail below.

FIGURE 3: SUMMARY OF RCPB'S HEALTH SAVINGS FEATURES

<p>Eligibility criteria</p>	<ul style="list-style-type: none"> • RCPB member with regular savings account • Completed health savings application with agreement to terms and authorized monthly automatic health savings deposit amount • Regular income or profitable microenterprise • Designation of two trusted representatives who can access health savings or health loan proceeds on behalf of client if needed
<p>Monthly deposit</p>	<ul style="list-style-type: none"> • \$1 minimum • Client indicates his/her preferred deposit amount on application form • RCPB automatically transfers designated health savings from client's regular savings account at the end of each month
<p>Capitalization period</p>	<ul style="list-style-type: none"> • Withdrawals blocked during the first six months after opening the health savings account • Abbreviated capitalization period of three months if \$20 cumulative deposit is reached
<p>Withdrawal requirements</p>	<ul style="list-style-type: none"> • Presentation to branch cashier of completed withdrawal form • Health expense amount and proof (e.g., prescription with cost noted by pharmacy, doctor's order with expected fee or hospital receipt) • Up to 50 percent of unused health savings may be voluntarily withdrawn for any purpose after 12 months, as long as a minimum of \$20 is retained in the account and the client continues regular monthly deposits • Ability to cover the health costs of any patient the client chooses regardless of relationship
<p>Client advantages</p>	<ul style="list-style-type: none"> • Liquidity at the ready to pay for any health expense for the client, a family member or friend at his/her discretion • Rapid access to health care because of available, dedicated funds • Coverage of all illnesses and treatment, including medical consultations, hospitalization, prescriptions, laboratory tests and preventive measures such as mosquito nets and vaccinations • Protection of microenterprise loan proceeds in the case of illness (reduces need to divert business funds to pay for health care and hopefully limits the amount of time the client or dependents are sick) • Access to health loans in the case of major medical expense
<p>MFI advantages</p>	<ul style="list-style-type: none"> • Increased liquidity from relatively stable savings deposits, which can lead to increased loan volume and interest revenue from on-lending • Potential mechanism for attraction and retention of clients • Potentially stronger microenterprise loan portfolio because clients can readily address health needs, stay healthier; spend less on health, take less time away from business, and limit the use of loan proceeds for (financially unproductive) health purposes • Contribution to social mission by addressing one of the key causes and symptoms of poverty: ill health

Eligibility Criteria

At RCPB, health savings is available to all clients regardless of tenure or loan performance, and there is evidence to suggest that the health savings product (combined with health loans) has in fact attracted new clients to RCPB. We estimate that about 5 percent of new clients who joined RCPB over the course of a one-year period in 2008–2009 may have done so specifically because of the health savings. With average annual RCPB earnings per client estimated to be about \$46, this additional 5 percent new client growth amounted to marginal earnings of \$3,000 for RCPB in a single region, which contributed to offsetting the relatively low costs of operating the health savings product.

“During interviews, several clients stated that they came to RCPB in order to benefit from health savings. The directors of two pilot branches, at Ouahigouya and Yako, corroborated this and said that some clients were coming over from a competing bank in order to have access to health savings and health loans.”⁵

RCPB requires that the client cite two representatives who will be permitted to withdraw funds in the client's name if the client is too ill to visit the branch to withdraw funds (the original policy of having one representative was changed after one year of pilot-testing due to occasional unavailability of the single representative).

Recommendations: Client advantages

- Make health savings open and available to all clients, regardless of tenure with the MFI.
- Have clients identify in advance two representatives who can act as their proxies.
- Consider creating an express lane at the branch so that clients with an urgent health need may rapidly access their account

Monthly Deposit

One of RCPB's social goals was to encourage clients to think about health as a regular household expense and to establish a discipline of planning ahead and saving to protect their health. A set monthly deposit—and particularly one that can be automatically debited from a current account as it is at RCPB—not only encourages this approach but is also efficient for both MFI and client.

RCPB opted to set a minimum amount of 500 FCFA (about \$1), as determined through market research, but allows clients to set their own contractual amount (at or above the \$1 threshold) at the time of enrolment. In practice, most clients simply accept to deposit the official minimum, since they are reluctant to commit to more, and it is rare to find clients going to the trouble of depositing more than their contractual amount in any given month.



An RCPB client conducts a health savings transaction.

⁵ From *The Costs and Benefits of Health Savings and Health Loans: The Experience of RCPB in Burkina Faso*, ©2010, Freedom from Hunger.

Recommendations: Monthly deposits

- Create a mechanism by which a set, regular amount is automatically transferred into the health savings accounts.
- Determine a universal “minimum” deposit through market research.

Capitalization Period

A period during which the health savings is blocked and inaccessible enables clients to accumulate a sufficient amount of health savings to address common health events. For RCPB, the capitalization period is also an important element of the product’s sustainability, since it quickly creates a significant source of revenue for the branch (due to on-lending) in the initial months and year of introducing the health savings; the expectation is that once the health savings have reached a certain level within the branch, deposits will remain relatively stable on the whole and that revenue will thus continue to flow in even after the capitalization period. At RCPB, the period is justified because it also serves as a “waiting period” for accessing the health loan. This may not be as justifiable in an MFI that is not linking health savings with health loans.

“The capitalization period is like a safe box where you can store your money.”

–RCPB client

“The sale of products from our activities allows us to deposit the \$1.”

–RCPB health savings client

A few clients and some RCPB staff have expressed dissatisfaction with the mandatory capitalization period, since it means that clients’ funds are inaccessible even if an important health need arises during the initial six-month period. But the majority accept this as a reasonable constraint. RCPB branch directors do have the authority and have been known to make special exceptions to the capitalization period rule in case of serious need.

Recommendations: Capitalization period

- In MFIs linking health savings with health loans, create a capitalization period whose length is determined by a combination of market research and business projections (and the length of time the MFI is willing to wait to realize gains from the product package).
- In MFIs offering only health savings, consider eliminating the capitalization period, or if projections and business decisions demand otherwise, keeping it as short as possible and ensuring that exceptions can be made and are clearly communicated to those responsible.

Withdrawal Requirements

RCPB sought a mechanism that would enable its general branch staff to verify the appropriate use of health savings without necessitating any specialized health knowledge or unduly invading client privacy. And the MFI also expressed a social goal of increasing clients' use of formal healthcare services. By instituting a simple mechanism whereby clients must demonstrate proof of valid medical expense in order to withdraw funds, the MFI protects the distinctive purpose of the product, encourages the use of formal health providers and helps limit the temptation to withdraw funds other than for health uses.

In staff surveys, there was great debate about the withdrawal requirements, with some arguing for a relaxation of the proof required, and others insisting that problems (clients unable to access funds in legitimate cases on the one hand and clients presenting fraudulent medical receipts on the other) were few and far between. Most RCPB clients, for their part, expressed satisfaction with this feature of the health savings, because it ensures that they cannot withdraw the funds under pressure for another use and that they really will have the funds available for health when needed. However, some clients did express being blindsided by the withdrawal requirements after establishing an account or finding them too restrictive in times of urgent health fund needs.

Despite these controls, RCPB does recognize that fraudulent documentation and withdrawal may be possible. Since such action does not present a significant risk for the MFI (this being simply a savings and not a micro-



Already over 12,000 RCPB clients have health savings accounts only two years after the product was introduced.

"The required proof of treatment documentation encourages us to visit health centers."

—RCPB client

"If you don't have health savings and you get sick, you are forced to go see an acquaintance who will listen to your problem but may tell you that he has no money. The health savings allows us to be discreet about our family's health."

—RCPB client

insurance product), RCPB maintains withdrawal criteria that are specific and firm, yet not so stringent as to pose challenges either to the client or to the MFI in utilizing and managing the product.

Clients expressed satisfaction with the policy that up to 50 percent of unused health savings may be withdrawn without health justification after one year. The results of this policy on client behavior, and decisions about thresholds for such withdrawals over the longer term, needed further examination and reflection at the time of this writing.

Early on in the product design process, RCPB explored whether and how to limit the use of health savings to the client and his or her family. But after reflection about the management burden of defining

and verifying who qualifies as “family” and the lack of specific risk to the MFI if a client chose to use the funds for others’ health expenses, RCPB resolved to leave the decision up to the client about exactly whose legitimate health expenses could be covered with his or her health savings.

Recommendations: Withdrawal requirements

- Establish a policy of requiring proof of medical use in order to withdraw health savings, and make sure that branch staff are trained and equipped to enforce it; but recognize that the purpose of this policy is to protect the product and clients more than the MFI.
- Plan for and communicate to staff how exceptions will be decided and how occasional cases of fraud will be handled (if at all).
- Ensure that the rules are explicitly clear both to all staff who represent and manage the product and to clients before they open an account.
- Keep controls light regarding whose health expenses a client’s savings may cover.

Client Advantages

The advantages of health savings for the client have been outlined throughout this report. They are primarily liquidity to address a flexible range of health expenses when needed and an improved sense of financial security for families. Note that RCPB considered limiting the use of health savings to specific illnesses or uses, in an effort to focus on the most ubiquitous health problems in the area. However, after technical input from a health professional who emphasized the interconnectedness of many conditions and the importance of prevention, the MFI decided to emphasize flexibility and even allow preventive health product purchases such as mosquito nets for preventing malaria.

“[With other savings products] some clients save money in the morning and withdraw it in the afternoon. The health savings is more stable.”

—RCPB branch director

Despite the numerous advantages, though, in the case of RCPB’s health savings there is also an important disadvantage for clients: the non-remuneration of the health savings (via interest paid on deposits by the MFI). RCPB’s health savings is not interest-bearing. At RCPB, the fact that an active health savings account makes clients eligible for a low-interest health loan in the case of serious medical need serves as acceptable compensation for health savings in the eyes of the clients.

Recommendations: Client advantages

- Keep the precise use of health savings flexible and broad.
- Whether and how much interest to pay on health savings will depend on the context, other savings products offered by the MFI, what market research shows that clients expect and would accept, and other benefits associated with the product (such as access to health loans). Clients should receive fair compensation and an incentive for contributing to their health savings.

MFI Advantages

An MFI can contribute to its social mission, enhance its reputation and increase liquidity and thus loan revenues by offering health savings. As RCPB's General Directors stated, "We see our existing microfinance operations and infrastructure as a platform from which these additional services can be sustainably offered. These services go a long way toward addressing the needs of our clients and helping them overcome poverty, and if they can be offered at low or no marginal cost to our MFI, then that is a double win.

"[RCPB] employees indicated that the introduction of these products... has brought them closer to clients and made them more satisfied with the work that they do because of its social impact on poor populations."

—Report on RCPB staff satisfaction

Recommendations: MFI advantages

- If your MFI is interested in testing health savings, be sure to assess institutional skills and capacity; conduct market research to fully understand client needs and demands; develop a product prototype with clear financial projections, assumptions and milestones; and conduct a pilot-test.
- For more information on the process of developing health-related products and specially adapted market research tools, please see Market Research for Microfinance and Health Protection: A Technical Guide for MFIs. Some sample tools from the guide are also provided in Appendix 2.
- For more information on the costs and benefits to clients and MFIs related to health savings, please see Appendix 1.

OTHER HEALTH SAVINGS CHALLENGES AND CONSIDERATIONS

In addition to the considerations mentioned above, RCPB encountered the following specific challenges during the pilot-test of its health savings product. We present these with the purpose of highlighting for other MFIs some additional issues and considerations to take into account during the design and implementation of such a product.

Health Savings for Group-Based Clients

In many cases, RCPB's group clients (*Credit with Education and others*) lack individual identification and therefore are not qualified to hold an individual membership with the MFI. However, offering health savings as a group product creates a layer of complexity both in terms of privacy (people not wishing to share their health details with the group) and immediacy (group leadership may be required for withdrawal, which adds to the effort and time required to make use of the health savings account). RCPB found that the problem of how to include clients normally served in groups as health savings beneficiaries hindered take-up among group-based clients. Although RCPB explored the possibility of allowing group clients to open and use individual health savings accounts without identification (a photograph could be integrated into the health savings passbook) or assisting clients in obtaining national identity cards, neither of these appeared to be readily viable solutions for various reasons. Instead, at the time of writing this guide, the MFI was focusing on a "post-paid" system, as described below.

Health Savings for Clients Receiving Decentralized Services

RCPB also had trouble "selling" the product to clients in the *Credit with Education* program, because accessing the savings would require account holders to travel to the branch to withdraw the funds when needed—not convenient, cost-effective or rapid enough. To address this constraint, RCPB is working to create a "cashless" or "post-paid" system by forging relationships and agreements with local clinics and pharmacies that will enable clients to access care or medicine up to the amount in their passbooks, with the provider "billing" RCPB after the fact. This system was still in development at the time of this writing.

Staff Training

The importance of effective staff training cannot be overemphasized. Although experts at training and product innovation, RCPB learned again the importance of ensuring that all staff who have contact with clients—and not just branch directors or a few representatives—understand the benefits of the product, exactly how it works, and can describe it well. Administering health savings is not very different from other savings products at RCPB, but the MFI found it necessary also to enumerate the tasks involved and clearly assign and communicate about responsibility—to avoid having certain tasks or responsibilities fall through the cracks. RCPB also developed a handbook for staff on health savings, and instituted "refresher" trainings to ensure that the information remains current and that information and momentum is not lost when staff turns over.

"The trainings gave us all the information about these products and the clients themselves feel that we know everything about the product."

—RCPB branch staff

Marketing and Promotion

Proactive marketing and promotion is, of course, essential for client take-up. After one year of operating the health savings product, a survey of RCPB's clients indicated that (a) those who had opened an account were highly satisfied, and (b) the vast majority had not heard of the product; upon learning of it, they were eager to open a health savings account. Increased staff training, as described above, was one part of the solution, as was setting clear goals for staff regarding how often they talked with clients about the product. RCPB also experimented with passive marketing techniques such as posters and brochures in branch offices, and found them minimally effective; client surveys later showed that clients often either could not or simply did not read them, and when they did, they often did not realize that health savings pertained to them!

Freedom from Hunger and RCPB worked together to develop a new education module, called *Plan for Better Health*, that engages *Credit with Education* clients—and perhaps in the future any others who opt to participate in occasional sessions at the branch—in considering their household health expenditures, setting a savings plan, and evaluating the usefulness and relevance of RCPB's health savings product before deciding whether to enroll. Clients at RCPB as well as at other MFIs around the world have responded favorably to this education module, which serves the MFIs' dual goals of adding real social value for clients while promoting services that add to the MFI's own sustainability as well.

Finally, RCPB hired temporary “marketers” who were tasked with promoting the health products in public markets and local communities. The marketers were paid on commission, and although expensive (as compared to using existing staff), this practice resulted in a significant increase in new health savings accounts within a few months.

Integration into Existing MIS and Management Processes

Although RCPB has a fine MIS, it proved difficult to integrate the health savings product, and one negative result was that many regular savings accounts failed to be debited for the contracted automatic transfer to health savings. This resulted in a fewer health savings deposits for the MFI and client disappointment when they discovered that their health savings was not as large as expected and that they had inadvertently spent the money they intended to set aside for health. In village banking groups, it was also necessary to add a column to the registers to keep track of health savings.

“The [health savings] product is so interesting that it is the clients themselves who are promoting it to others.”

—RCPB staff

“Despite the new responsibilities, the personnel suggested that more publicity be done so that all clients would be aware of and understand the conditions of these products, especially related to the withdrawal of [health] savings. Recognizing the useful and innovative nature of the health savings and health loan products for clients, [RCPB staff] also suggested greater promotion to permit more potential beneficiaries to access them.”

—Client satisfaction report

Creating Momentum and Achieving Scale

Consider incentives such as a health-related gift (RCPB considered an insecticide-treated mosquito net, for example) for the client who refers the greatest number of other clients to open health savings accounts or for the staff person who administers the greatest number of new health savings accounts in a certain period. For instance, RCPB honored the branch with the largest number of health savings accounts and the five field agents with the best record of promoting the new products during a ceremony in which cash prizes were awarded.

Recommendations from RCPB Employees on Implementing Health Savings*

- Conduct local market research before launching the product. If you base your design on the experience of other MFIs or branches that have tested health savings, you could run into problems.
- Adequately communicate about the product with clients before, during and after launch.
- Train all the staff of branches where the product will be tested before launching or expanding the product.
- Be very clear about withdrawal requirements from the outset, with both staff and clients.
- Ensure that the MIS is correctly configured to enable successful and dependable automatic transfers to the health savings accounts.
- Publicize the product through a variety of mechanisms: publicity reporting, local radio, public events, information campaigns, etc.

**These recommendations were volunteered by RCPB staff during staff and client-satisfaction research interviews administered by a third-party research team in 2009. We offer them as a complement to the recommendations and points made elsewhere in this Technical Note.*

CONCLUSION

RCPB has taken a methodical approach to developing and testing health savings (in conjunction with health loans). After more than three years of experimentation and testing, the MFI is now convinced that this product has sufficient benefits for both clients and the MFI to warrant massive scale-up. Further refinements are needed to make RCPB's health savings even more valuable and useful to clients (such as the institution of a "cashless" or "post-paid" system in collaboration with local health providers and pharmacies), and replication or similar experimentation with health savings in other MFIs is needed both in West Africa and beyond to further test the viability and impact of health savings in other contexts. Yet experience to date suggests that this may be a promising complement to regular health savings in MFIs that are able to collect deposits, and that it may contribute to better health and financial outcomes for clients that translate indirectly to improved savings and loan portfolios for the MFIs.

We hope that this Technical Note has provided microfinance practitioners with some helpful information regarding the development, design and outcomes of health savings, as well as useful references for further information and tools. Freedom from Hunger is committed to continuing to share the results of integrated financial and nonfinancial services, particularly surrounding microfinance and health protection. We are also committed to encouraging other practitioners to share their results from combining microfinance and health in innovative, practical, self-sustaining and high-impact ways, in an effort to continue learning and collaboratively building the state of the art. For more information, please visit www.ffhtechnical.org.

A client-satisfaction survey conducted with clients of RCPB found that 86 percent of clients with a health savings account said health savings helped them at least once, and 40 percent of clients said that they intend to increase their monthly health savings deposit.

APPENDICES

Appendix I: Summary of Health Savings Costs and Benefits

Definition: Clients save regularly into a dedicated health account that can be accessed with proof of a health need; used primarily to pay for frequent, small health expenses so that money is readily available when needed for a health purpose. Potentially profitable.

	Cost to MFI	Benefit to MFI	Cost to Client	Benefit to Client
Financial	<ul style="list-style-type: none"> • Allocation of staff time to promote and administer health savings deposits and withdrawals. • Training and refreshers for staff on the new product. • Health savings passbooks (note that RCPB passes this cost on to clients). • Marketing of the product. 	<ul style="list-style-type: none"> • Additional source of low-cost funds and enhanced savings mobilization (if permitted to take deposits). • Possible reduction in clients' use of business loan proceeds for non-business expenses, leading to better business-loan performance. • Potential to enhance client loyalty. • When coupled with health loans, 1 MFI found that each health savings client became profitable after 8 months. 	<ul style="list-style-type: none"> • Transaction costs to show documents for withdrawals (time and effort to obtain proof, visit branch to show documents, etc.). • Portion of savings is "blocked" except for health purposes, reducing financial liquidity. • Interest earned may be lower than with other savings instruments. 	<ul style="list-style-type: none"> • Savings at the ready when illness strikes. • Less need to dip into other savings, borrow or to use business assets to face health needs.
Non-financial		<ul style="list-style-type: none"> • Achievement of social mission. • Demonstration that MFI cares about clients' overall health and well-being—boosts marketing and client loyalty. 		<ul style="list-style-type: none"> • No need to wait to obtain needed care or medication; money is available when needed. • Less need to borrow from family or others. • Mothers have money at the ready to treat their children.

Appendix 2: Sample Market Research Tool

Health Savings Focus-Group Discussion Guide for MFI Clients

Purpose

To develop a comprehensive understanding of the financial impact on clients' lives of disease and illness, and the health savings features that would be preferred.

Procedure

Preparations

The exercise is best done in a closed area with the assistance of a small working group of 6–12 people who are familiar with the community in terms of its disease patterns. Ideally, the interview team works in pairs, with one person guiding the discussion and another taking detailed notes of participants' responses.

Steps

1. Introduce yourself and welcome participants.
2. Explain the market research objectives.
3. Review logistics with participants
 - Group discussions will take 1 to 1.5 hours.
 - All information discussed will be confidential and will not be utilized to determine loan eligibility.
4. Ask the following questions and probe for details with follow-up questions such as why, how, etc.

COMMON ILLNESSES

- What are the most frequent illnesses or health problems people face in this community?
- What is the impact to your life and livelihood when you or a family member gets sick?
- Which health issues are the most serious? What makes these more serious than others?
- How often do these [*1 to 3 of the most commonly cited*] occur in your family each year?
- How much does it usually cost to treat these [*1 to 3 of the most commonly cited*] illnesses?

AVAILABILITY AND ACCESSIBILITY TO QUALITY HEALTH CARE AND HEALTH PRODUCTS

- Who are the main healthcare providers in the area?
- Which providers do you prefer? Why?
- Which providers do you avoid? Why?
- What do you usually do to treat common illnesses?
- How do you decide whether to go to a healthcare provider and which one to go to?

COSTS OF ILLNESS, TREATMENT AND FINANCING OF HEALTH SERVICES

- How often do you access “preventive care”? [*provide specific examples, such as getting prenatal care, vaccinations, annual checkups*] Why? About how much does it cost each time? [*Can ask a few people to estimate how much they spent on this over the last year.*]

- How often do you use “curative care”? [*provide examples, such as being treated for malaria, etc.*] About how much do you pay for curative care during a one-year period?
- How do you pay for these services (where does the money come from)? [*savings, borrow from friends or family, etc.*]
- What is the best way for you to pay healthcare expenses? Why?
- What are the other costs that result from illness? [*provide examples, such as transportation, productive time lost due to illness, seeking care, and taking care of sick family members*] How much do you usually spend on these when an episode of [commonly cited disease earlier] occurs?
- How do you currently save money? Do you save for health purposes? If so, how? If not, why not?

HEALTH SAVINGS FEATURES

- If there were an opportunity to save specifically for preventive health services and treatment of disease:
 - How much do you think you would need to save per week/month/year to pay for health costs that commonly arise in your household?
 - How much would you want to and be able to save for health every week/month/year?
 - How often do you think you would need to have access to these savings?
 - What if there were no interest paid to you by the MFI for these savings—would you still want to save with the MFI?
 - If the MFI could provide a specialized health savings product for you, what do you think the terms and features of the product should be? [*who should be able to use the health savings? How should the health savings be withdrawn if the client herself is sick? How should the MFI verify that the money is being used for health purposes? Etc.*]
5. Summarize the key points of the discussion and what you have understood from participants. Clarify any points of confusion.
 6. Conclude the discussion
 - Ask participants for questions they might have about the research.
 - Explain that the information will be utilized to determine whether health savings and other health-related products or services could be provided to clients and what these products might look like.
 - Thank participants for their help.

Appendix 3: Health Savings Client Stories

Madeleine

Madeleine, from Gourcy, has a husband, two children, and shares her home with several other individuals. While she didn't say how long she had been with RCPB, she has withdrawn from her health savings once and has some modest savings. When she first began her activity she didn't realize everything that it entailed, saying that, "I didn't know that we needed to produce a prescription to be able to access our health savings account. That was hard to deal with." However, she is happy with what she has thus experienced and plans to stay.

Her first goal was to save 1,000 CFA in her health account, which she surpassed. She now has 5,000 CFA and had 16,000 CFA at one point in time. She hasn't participated in any tontine groups and doesn't have other means to save money, so her health savings account represents her total funds.

When she accessed her account, it was to pay for treating abdominal pains her children were experiencing, costing her 15,000 CFA in total, and it was completely covered by her health savings. When asked how her RCPB membership had influenced the manner in which she saved money for medical purposes, she answered, "I never saved for health reasons until my health savings account." If any serious illness arises, the family will go to the local hospital or to a larger hospital in Ouagadougou where she has family who can help them financially.

Even though Madeleine hasn't saved as much as some of her fellow RCPB members, she says that, "I am more confident now because I know that I can take care of myself if sickness occurs." As she previously shared, early on she tried to use her health savings account as a normal account and attempted to use her savings to back a commercial loan she had applied for but found that it was impossible to use the money without a valid medical reason. "I stay with the RCPB because it is comforting," she says. "Today I could have money and tomorrow have none—and with disease being unforeseeable, it is preferable to have a health savings account."

Laurent

Laurent has five children with his partner, with whom he lives in the village of Watinoma. He has 30,000 CFA in his RCPB health savings account, but has previously had a maximum of 50,000 CFA. He opened his account to plan for health expenses and because "health is more important than anything. If you are healthy, you can work." He would like to have at least 50,000 CFA in his account at all times in the event that serious health issues were to arise in his family. While he does have his health savings account, like many others Laurent has saved money at his house, a system which he disfavors in comparison to the services offered by RCPB. "I put money aside because I have children," he says. "They could often become sick."

He prefers to save with RCPB because, he says, "I'm reassured that my money is safe. I [would otherwise be] at risk of theft and of the temptation of using the money for other things." He also feels he uses his business loan more effectively because he's not tempted to use the money for medical expenses, whereas in the past he would have sold off his animals as an extra source of money.

Laurent explains how RCPB has changed his views about health care, specifically "the way I consider preventive care. In effect, I understand the importance of preventive care and I go for medical visits and

exams even when I am not sick.” He is grateful to have had his health savings account thus far, and has already made three withdrawals. The first was 1,500 CFA to pay for his own malaria treatment, though the total expense was 5,000 CFA for his medication, which he paid for using some of his personal funds saved at home. The second withdrawal, of 2,000 CFA, was to pay to treat one of his children’s abdominal pains, again using personal money to cover a remaining cost of 600 CFA. His third withdrawal was 1,500 CFA, which covered the full cost of treatment for a head injury suffered by one of his children.

He is appreciative of RCPB’s service and says that it has completely fulfilled his expectations, “for it is a guarantee, a protection, and an insurance for the health of my family.” He feels an increase in stability and solidarity, thanks to the caisse, and has never had any difficulty accessing his account.