

## **Healthy Wealthy and Wise: An Introduction to Microfinance based Group Health Schemes.** **By Dr Gerry Noble, Managing Director, Microcare Ltd.**

Microfinance has been built on the foundation of providing poor people with access to capital in the form of small, short-term loans, in a word 'Microcredit'. This is what 'Microfinance' means to most people in Uganda today. At a push those working in the industry may mention 'Microsavings' as an after thought. To promote anything beyond this, till recently, would have been considered fanciful, and unfocused.

However, microfinance has developed an efficient and effective way of bringing poor informal sector working people together into accessible groups. This provides an opportunity to offer clients additional services to compliment loans and savings. In no area could this possibility have a more profound and far reaching effect than healthcare. Access to affordable quality healthcare would greatly help the clients in their struggle against poverty and should benefit the MFI as well.

### **Why MFI's should assist clients to access healthcare:**

#### **Sickness and poverty are inextricably linked.**

Any health statistic you choose to quote, infant mortality rate, maternal mortality rate, morbidity rate or life expectancy, gets worse the poorer you are. Every disease known to man (and more so known to woman!) is directly correlated to poverty (apart from Malignant Melanoma; a skin cancer affecting white people who spend too much time in the sun). The disease and poverty complex is a twin headed monster; to attack one head alone, without considering the other, condemns you to frustration and sub optimal results.

### **Focus Group discussions with MFI clients about illness have highlighted the following problems:**

#### **1. Risk of redirection of loan capital for health related domestic consumption.**

Loans are given to clients on the pretext that they will be used for capitalization of a micro-enterprise. It is no secret that this loan capital often gets deliberately redirected to 'Domestic' consumption, for example to pay school fees, purchase consumer items or cover family ceremonies. Such redirection is premeditated and the client will already have a contingency plan to get the loan repaid on time somehow or other!

Expenditure on family illness is different because:

- It cannot be anticipated
- It cannot be put off till later
- It is of unpredictable size
- It is of unpredictable duration.

#### **2. Sickness of the client reduces productivity.**

If MFI clients are sick, they will be less productive because:

- Either they will be too sick to work, or will be working with compromised capacity
- They spend time seeking treatment
- The psychological effects of illness, including tiredness, fear and uncertainty can erode morale and decision-making capacity.

#### **3. Most MFI clients are women and are the main caregivers in their families.**

Microfinance has traditionally targeted women of productive and, therefore, reproductive, age. These women are usually mothers and are often also caring for the children of their deceased siblings. Whenever a child falls ill, whether they are treated at home or in hospital, the woman has the added burden of attending to the sick. Therefore they have to:

- Attend to the nursing needs of the patient, often day and night
- Bring the patient to the clinic / hospital which involves expenditure of time and money
- Find the money to pay for the treatment
- If the patient is a young child admitted to hospital they have to stay with them.

### **Knock-on effects on the MFI**

The above problems have consequences that directly impact the MFI including:

- Delay in loan repayment
- Inability to repay loans resulting in default
- Poor attendance at MFI group meetings
- Poor performance of the clients business due to neglect and redirection of capital
- Undermining of the solidarity of the MFI client group

Therefore ill health can adversely affect the performance of the client, undermine the group dynamic essential to group lending methodology and ultimately compromises the performance of the MFI as a financial institution.

**Benefits to the MFI of assisting their clients access quality affordable healthcare:**

- Improved client performance including: repaying loans on time, attending group meetings and having a more successful and profitable business as discussed above.
- Improved client loyalty and retention. Because health schemes are beneficial to the client and are linked to membership of the MFI they provide a definite long-term benefit of MFI group membership to the client.
- Holistic approach to client welfare. Most MFIs view their activities of dispersing loans to poor people and providing savings facilities as being a means to the more glorious end of liberating people from the oppression of extreme poverty. By viewing clients in a holistic fashion and helping them address health needs you give the message that you see clients as more than customers and want to help them improve their general well being.
- Improves the image of the MFI with clients, donors and the general public.

**Potential ways to provide healthcare access to your clients**

There are, in theory, three possible ways to go about getting health care for your clients:

1. The MFI itself sets up and administers its own scheme
2. A health service provider creates a group scheme for your clients
3. An independent intermediary organization sets up and administers the scheme

Experience from pilot studies strongly indicated that the third option, an independent intermediary organization, is most likely to succeed in developing sustainable health schemes. Such an organization can achieve the economy of scale and pool of expertise necessary to efficiently run well-managed schemes for clients from a number of MFIs and allow them to access services from a variety of health service providers. Microcare Ltd grew out of this conviction.

**What is Microcare Ltd.**

Microcare Ltd. is a Uganda registered not for profit organization committed to the provision of quality affordable healthcare to 'the working poor'. Microcare commenced product research and systems development in August 2000 and subsequently initiated pilot level studies later that year. These were completed in June 2001 and in July 2001 marketing to MFI's commenced.

Microcare offers MFI clients managed group health schemes that are pre-paid and risk pooled.

**How a Microcare MFI Group Health Scheme works:**

**Sensitization:**

Having developed a working relationship with the management and credit officers of a target MFI, Microcare staff commence a sensitization program with the MFI clients. This process takes 4 or 5 meetings with the target client groups over a period of a month or so.

**Enrollment:**

Clients enroll with their families and we encourage at least 50% of a group to join in order to counter adverse selection. The clients then have a digital photo taken and submit a family photograph with all the covered family members on it. We use this to produce a Magnetic strip ID card for the client which carries a high resolution digital picture of the client on the front and scanned pictures of the family members on the reverse side. The photos are also entered into our database along with the client details.



**Premium payment:**

Premiums are paid to cover either a 6, 8 or 12 month period. Longer duration enrollment attracts a premium discount.

**Data and account management:**

For management of the schemes we developed a networked computer database program. Microcare has set up check-in desk terminals at the scheme hospitals. These hospital based computer terminals are remotely accessed by our central office server. New client details are downloaded daily (new clients, renewal of premiums, etc) from the central office to the hospitals and the service utilization data uploaded from the hospitals to the central office.

The client photos are stored on the check-in terminals and come up automatically when the client magnetic strip card is swiped through to assist in client identification and fraud control.

At the end of the month each hospital submits a bill to Microcare, which is accompanied by the promissory notes and reconciled against our own computerized records. Payments can then be made promptly to the hospital.

**Client management at the hospital:**

All the important details of each client interaction are entered into our data management system by our check in desk nurses when the client attends the hospital. A promissory note is printed for each client at the hospital terminal, which has to be given to the hospital before drugs are dispensed.

**Services available under a scheme:**

The scheme covers all normal in-patient and out patient services including medicines, surgery, pediatric and obstetric services as well as basic dental treatment. The main exclusions are chronic medications, fertility investigations and the treatment of self inflicted injuries, including the results of intoxication or criminal activities of the client.

As a matter of policy Microcare does not screen clients for particular diseases or exclude according to diagnosis. This policy is particularly important in relation to HIV / AIDS; we strongly feel that HIV positive people should have equal access to medical services.

**Renewal:**

In the last month of coverage period clients are re-sensitized by Microcare marketing staff and renewals processed.

**Thanks:**

It has been possible for Microcare to pioneer mediated group health schemes for MFI clients thanks to the support of the Austrian Development Bureau, European Union / Government of Uganda Suffice Program and the Mc Knight Foundation (USA).

**November 2001**

*Microcare P O Box 29252, Kampala, Uganda. Tel: 256-41-543533/542237. Email. microcare@africaonline.co.ug*