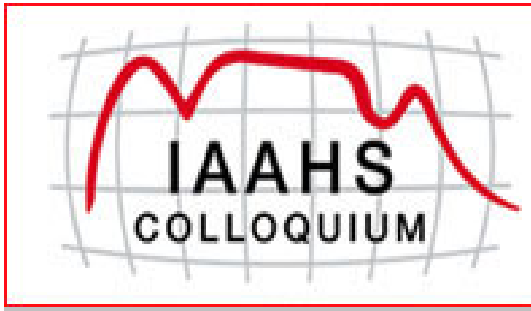


International Actuarial Association Health Section
2007 Colloquium

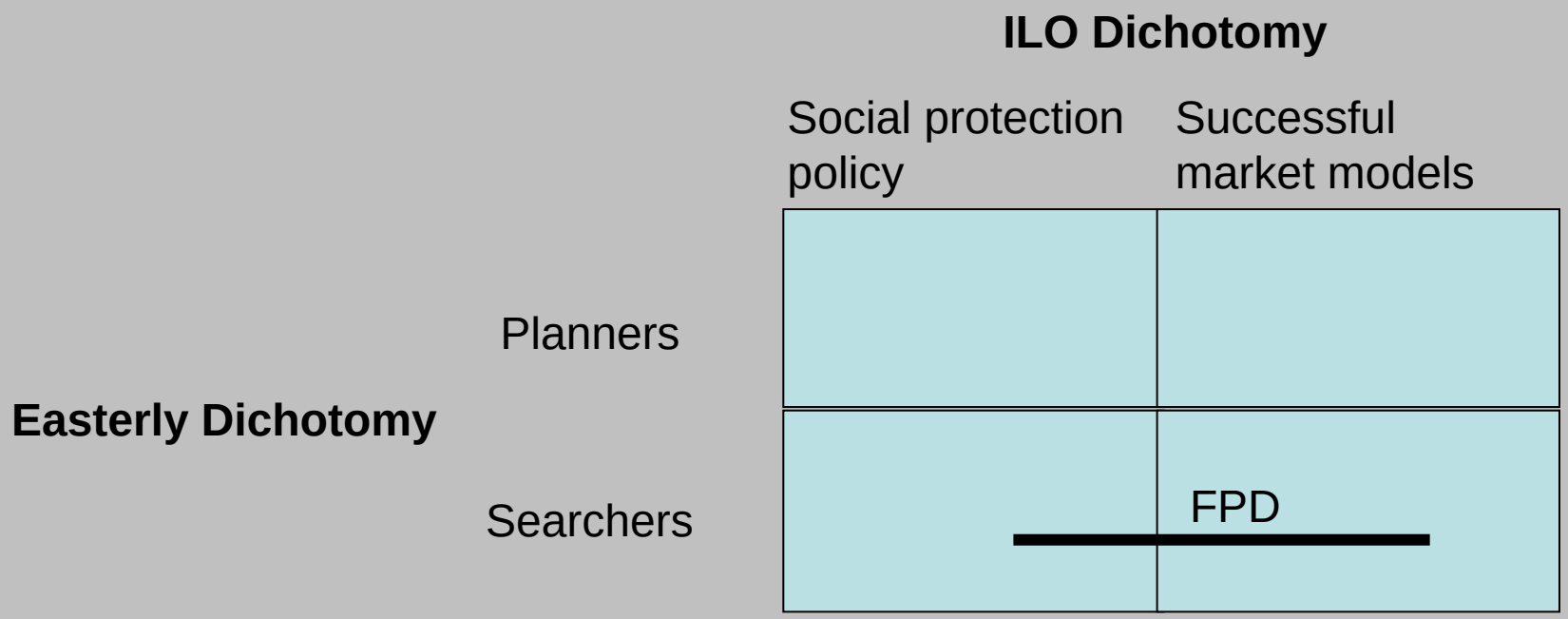
13th - 16th May 2007 Cape Town, South Africa

Health Insurance for the Poor

Rodney Lester
Financial and Private Sector Development
World Bank

IAAHS 2007
IAA Health Section Colloquium
13th – 16th May 2007
CTICC
www.iaahs2007.com

The WB Role in Insurance for the Working Poor



Note: those below the poverty line cannot afford to contribute anything

Why do people save or borrow - UGANDA

S.No.	ITEMS	SAVE	BORROW
1	**For meeting household basic needs such as food, clothing, health services**	**82%**	**61%**
2	**For emergency (burial, medical)**	**70%**	**32%**
3	For education of self, children or siblings or others	35%	19%
4	For expanding your business	19%	15%
5	To be able to leave something for my children	12%	-
6	For starting up a new business	11%	7%
7	For using later in life/old age	10%	-
8	For purchase of livestock /cattle	9%	4%
9	For social reasons (wedding, travel, bride price)	8%	3%
10	For purchasing or building a house to rent out	6%	-
11	To pay off debts	-	9%
12	For improving a house	-	6%
13	For agricultural implements - hoe, plow, tractor	-	3%

Source: “Preliminary” findings from FinScope Survey (2007)

Reasons for descent into poverty

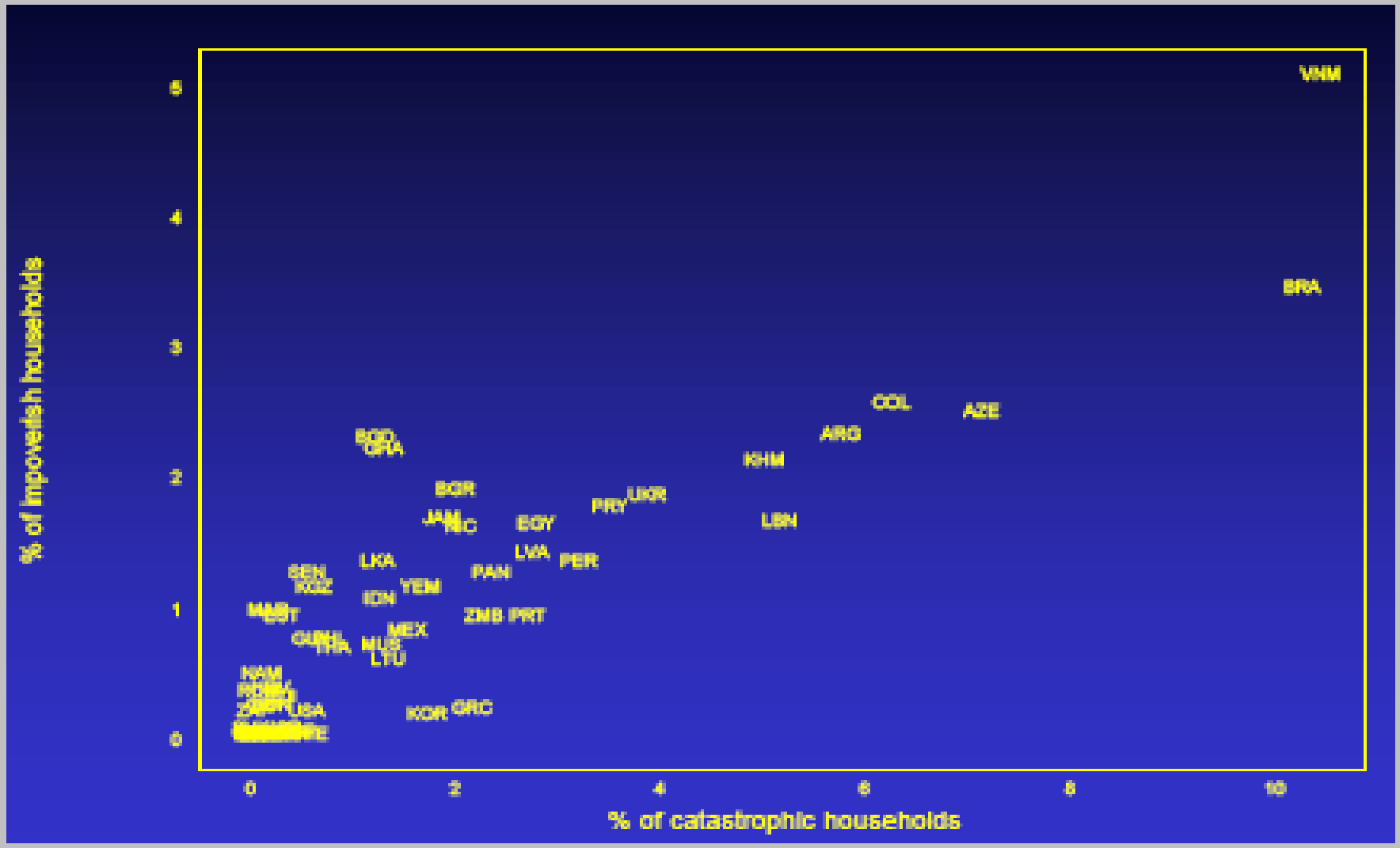
Significant:

- **Health and health-related expenses** (59% in Rajasthan; 73% in W. Kenya; 88% in Gujarat; 77% in Uganda; 75% in Andhra)
- **Social expenses: death feasts, marriages** (37% in Rajasthan; 53% in W. Kenya; 49% in Gujarat)
- **High-interest private debt** (86% in Rajasthan; 52% in Gujarat; not important in W. Kenya or Uganda)
- **Drought/Crop disease/Land Exhaustion** (44% in Uganda; 24% in Andhra; specific village clusters).

Not Significant: Laziness, Alcoholism

www.pubpol.duke.edu/krishna
householdpoverty

There is a strong link between catastrophic health expenditures and poverty



Wu Ke et al – WHO 2003

Determinants of catastrophic health expenditures from cross country analysis

Variable	Coefficient	Standard deviation	t	P>t
Out-of-pocket payment share of total health expenditure (loophs)	2.161	0.199	10.87	0.001
Total health expenditure share of GDP (lhsgdp)	1.645	0.362	4.54	0.001
Percentage of households below poverty line (lpoverty)	0.173	0.045	3.80	0.001
Constant	2.733	1.141	2.40	0.020
Adjusted R-squared	0.772			
Prob > F	0.001			

Wu Ke et al – WHO 2003

Sources of Finance - Taluk NARSIPURA – Karnataka - %

	Illness	Hospital'n	Maternity Expenses	Family planning	Death
Own money	26.63	20.00	39.46	38.55	25.00
Property sold	3.11	8.31	2.71	1.20	2.94
Live stock	13.23	17.14	14.46	10.84	19.12
From relatives	2.93	8.57	0.90	2.41	2.94
Any scheme	2.44	3.38	1.81	3.61	2.94
Loan	51.66	42.60	40.66	43.37	47.06

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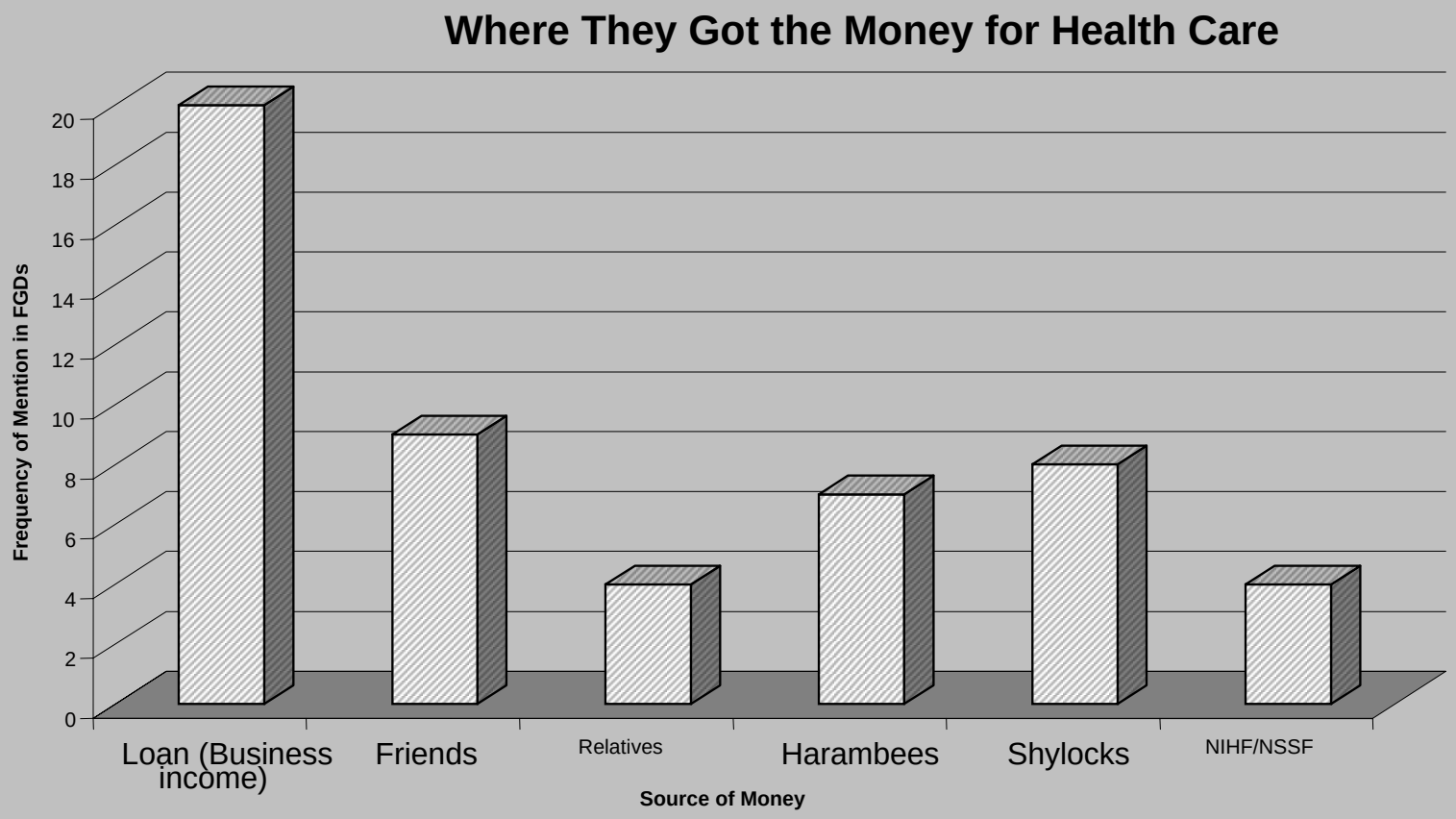
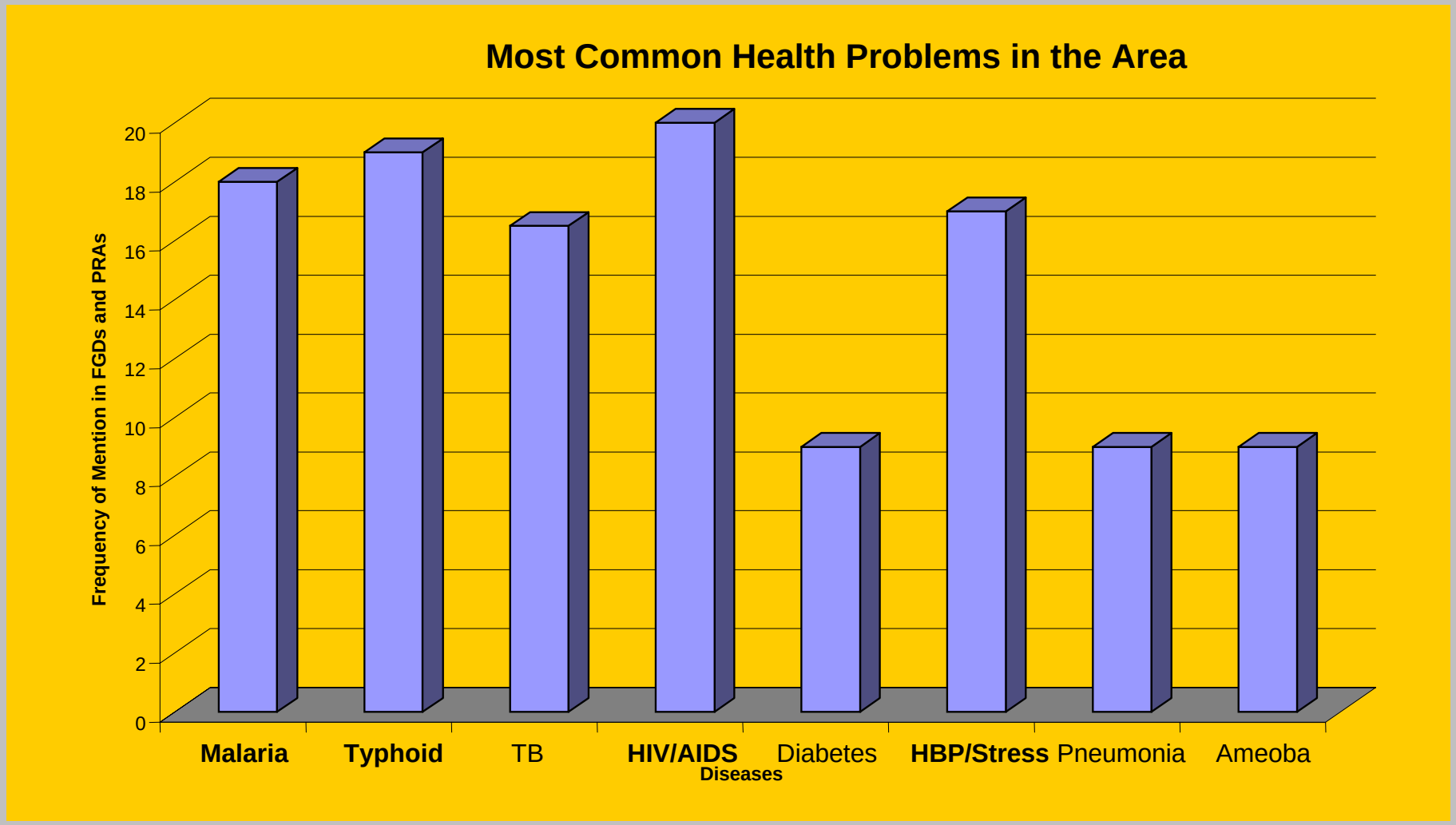
The working poor tend to rely on current income or credit



Ahmed, S. et al – How Low Income People Finance Health Care - KDA

Major Drivers of East Africa Health Costs



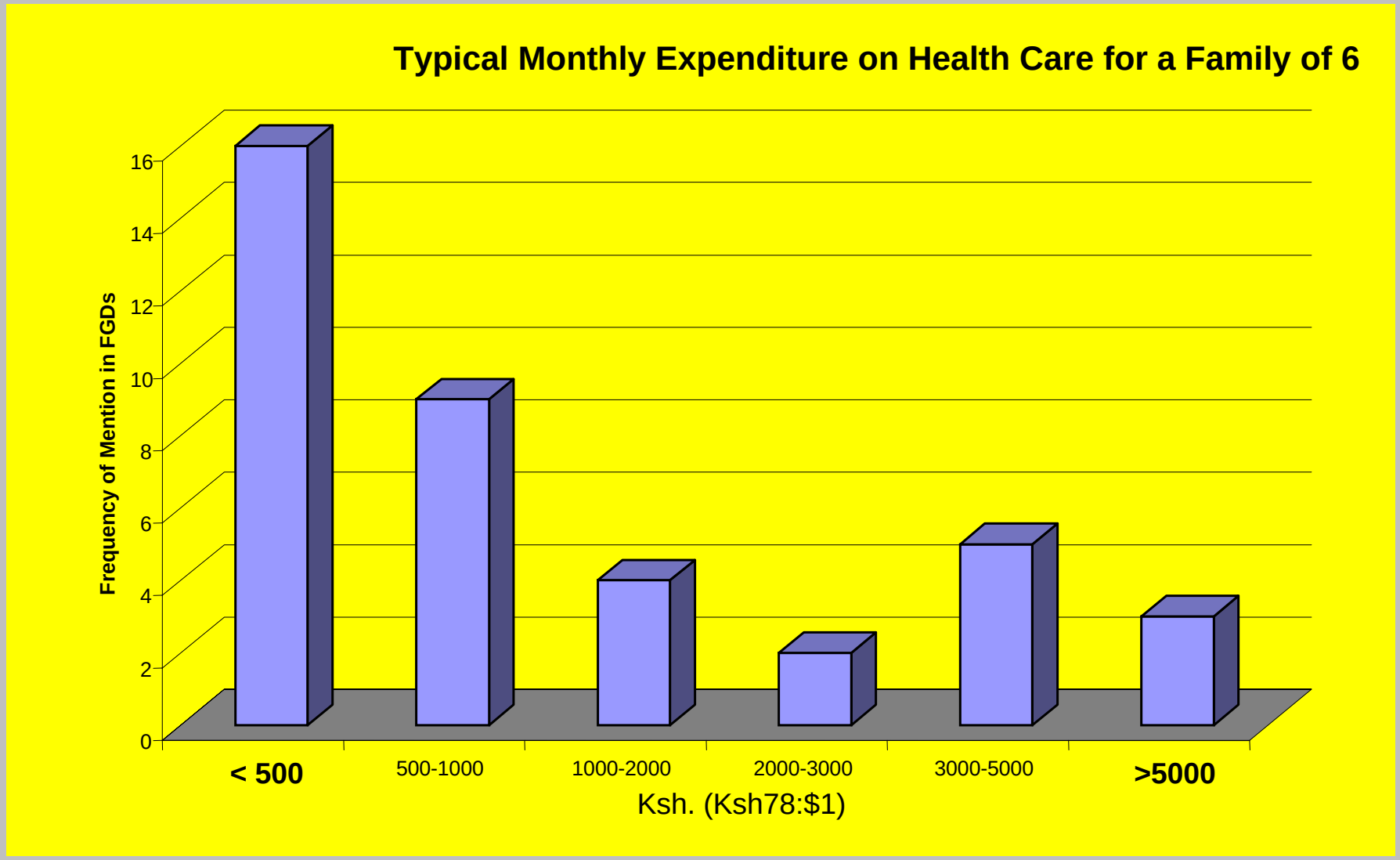
Ahmed, S. et al – How Low Income People Finance Health Care - KDA

The issue in poor countries is a basic lack of government resources –– 2003 data

INDICATOR	UNIT	UGANDA	TANZANIA	RWANDA
Per capita total expenditure on health at average exchange rate	US$	18.0	12.0	7.0
Total health expenditure as percentage of GDP	%	7.3	4.3	3.7
GGE on health as % of total government expenditure	%	10.7	12.7	7.2
Private expenditure on health (PEH) as % THE	%	69.6	44.6	56.5
Out-of-pocket expenditure as % of PEH	%	52.8	81.1	41.7

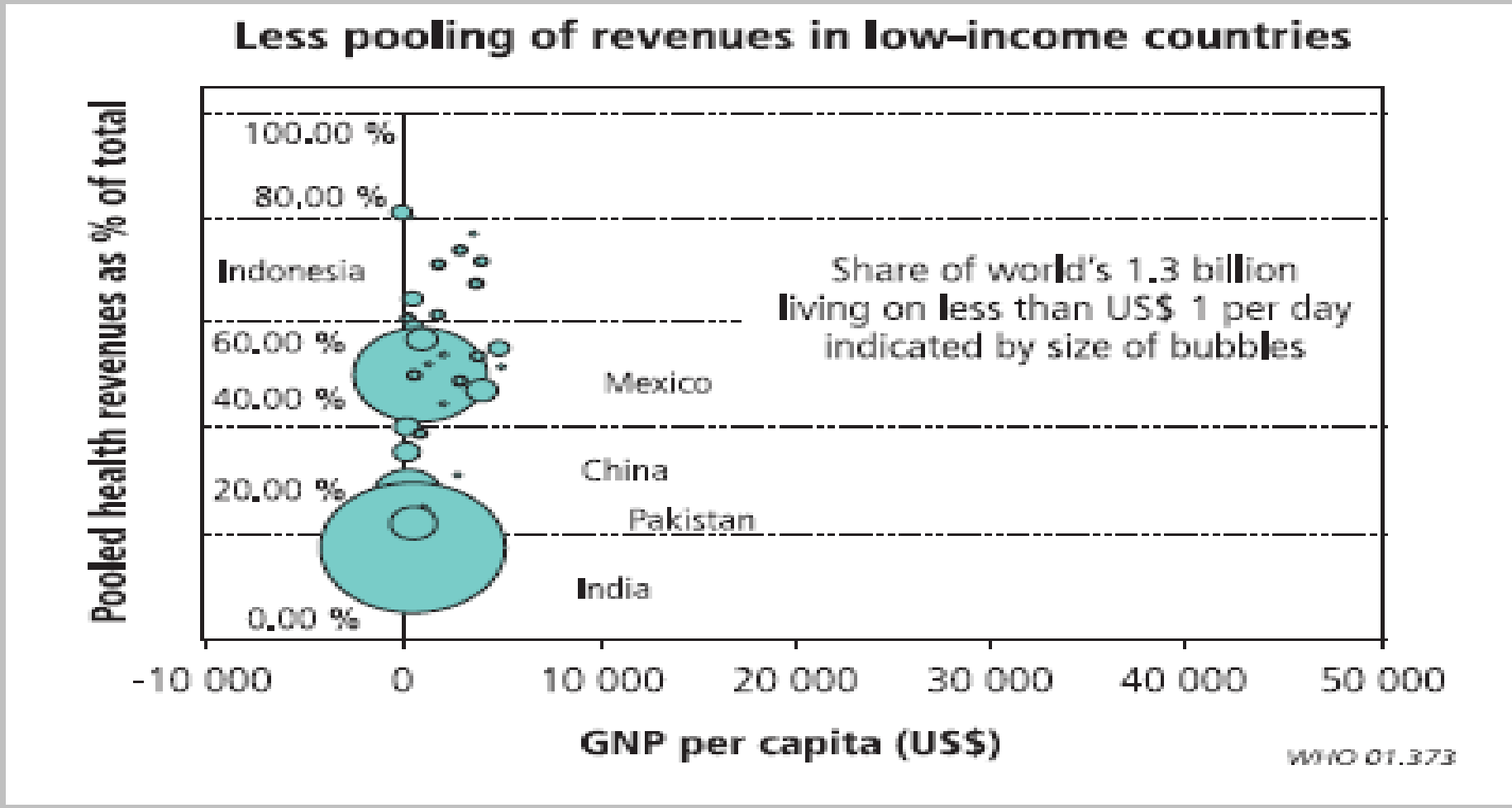
World Bank

Health costs can be a significant part of a poor family's consumption



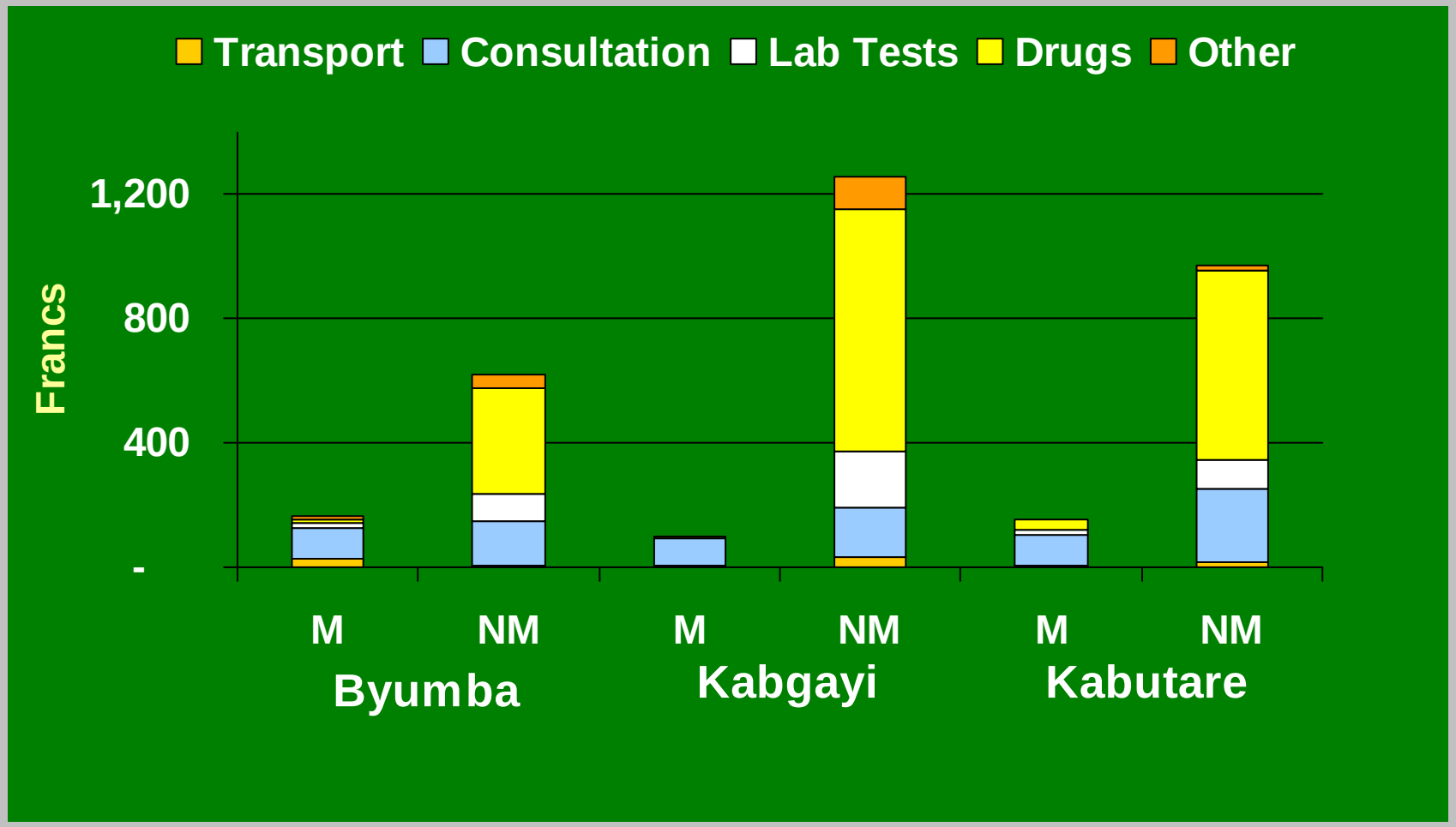
Ahmed, S. et al – How Low Income People Finance Health Care - KDA

And formal pooling mechanisms facilitating cross subsidies are hard to arrange in poor countries



Preker, A et al – Effectiveness of community health financing in meeting the cost of illness – WTO 2002

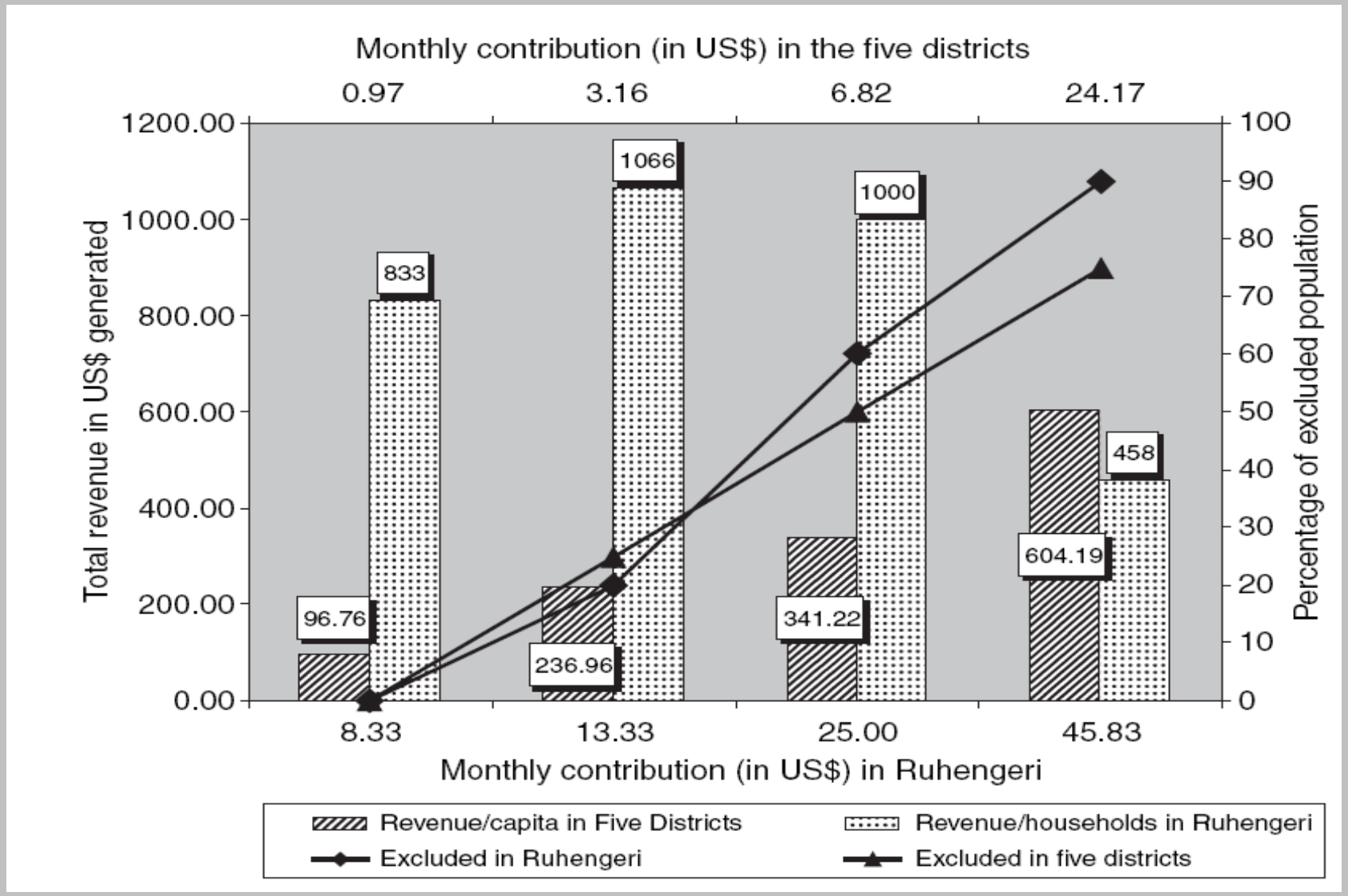
Community based health funding mechanisms can significantly reduce idiosyncratic out of pocket expenses



MOH - Rwanda

$1 = 546 Rfr

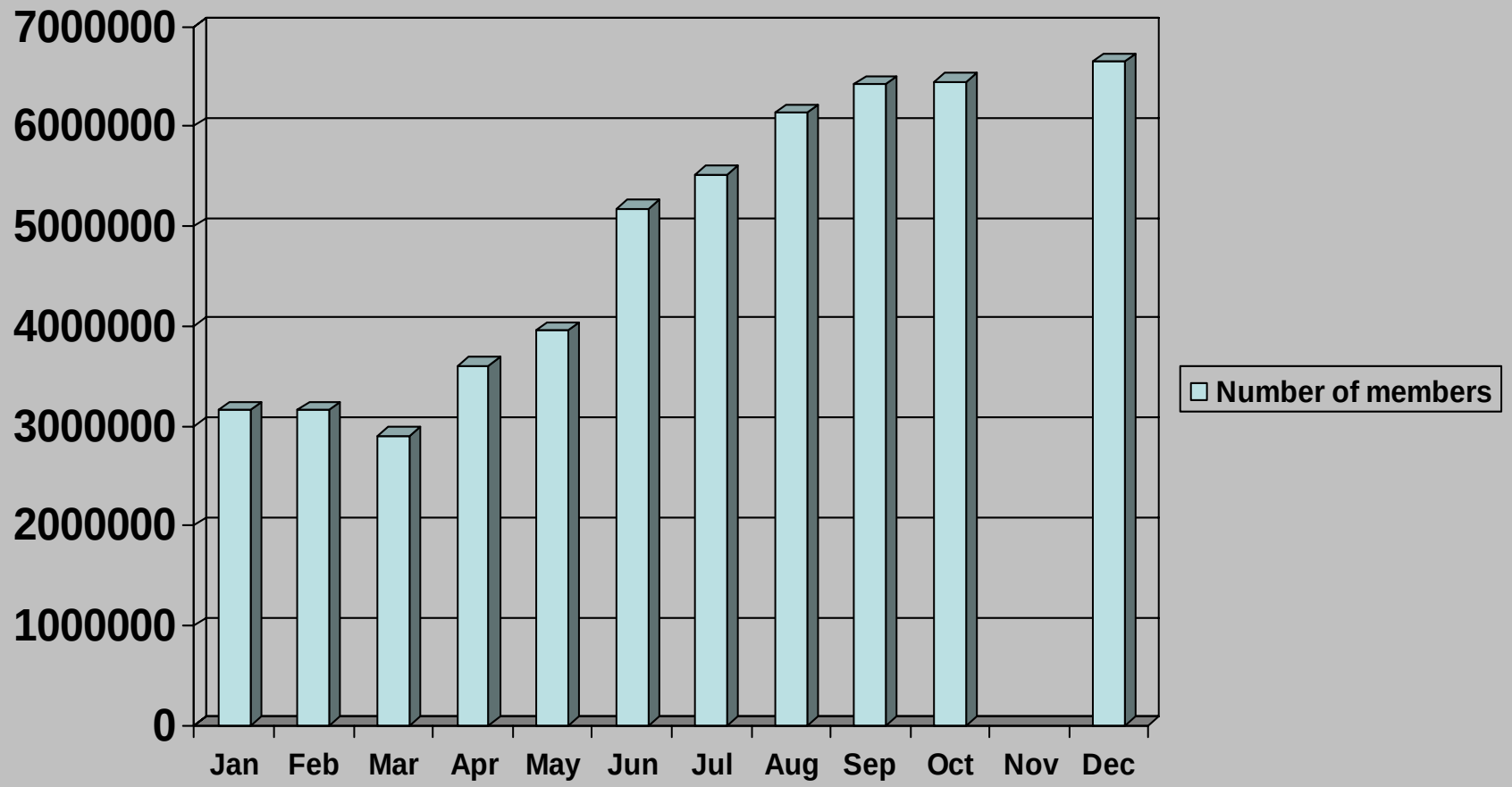
No easy trade off between price and population coverage



Schmidt, J et al – Thresholds for health insurance in Rwanda – Tropical medicine and International Health 8/2006

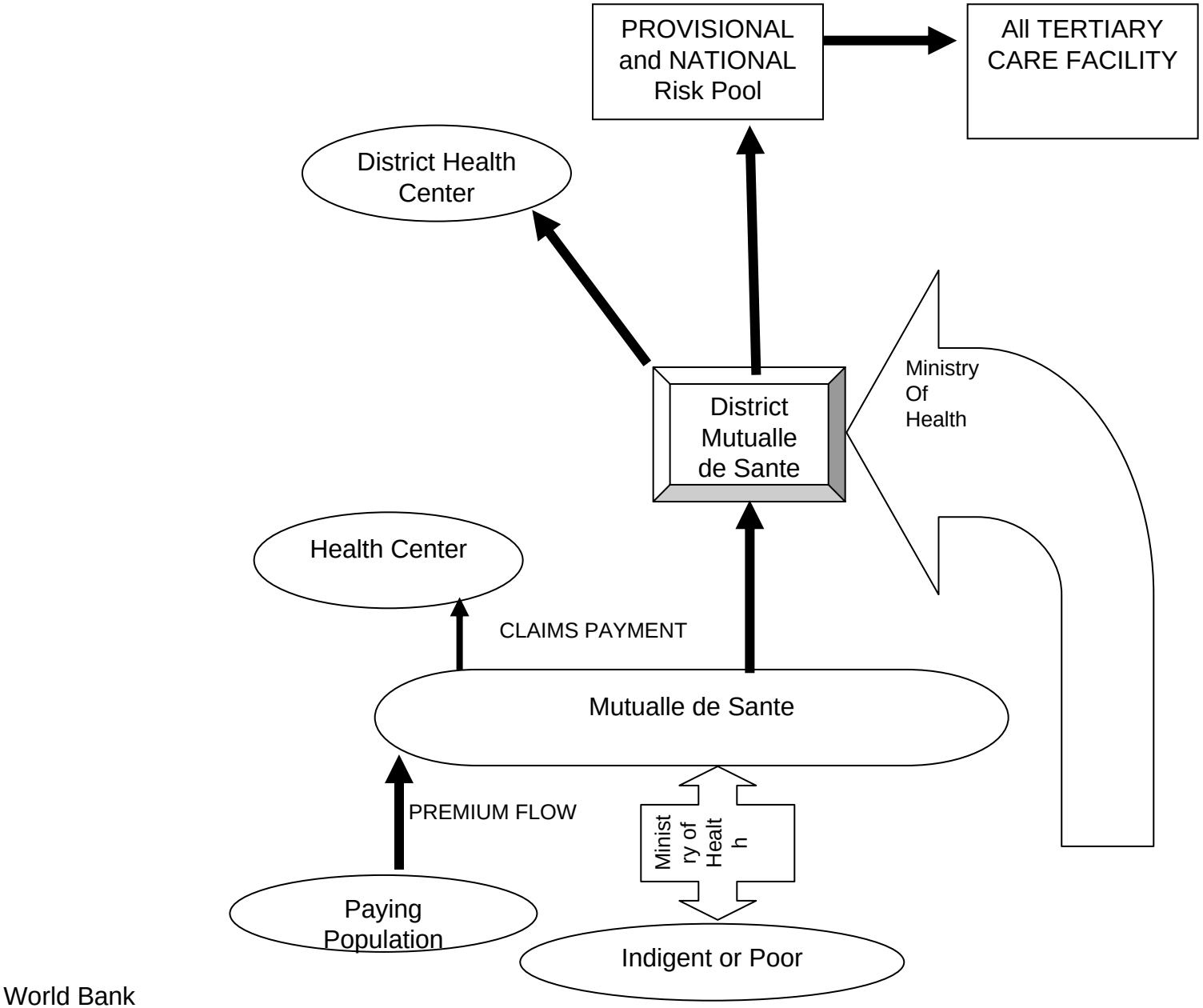
In Rwanda one change had a major impact on M. De. Sante penetration

covered lives – Rwanda CBHI system CY 06



World Bank and M. de S. support unit

Schematic of CBHI health insurance for the informal sector



World Bank

World Bank