

Making health microinsurance work: ten recommendations for practitioners

Briefing Note

Health microinsurance (HMI) can deliver value to clients and support efforts to achieve universal health coverage. Despite being the most demanded type of microinsurance across the world, its success remains limited. HMI providers face a myriad of challenges: how to provide affordable comprehensive benefits, prevent illness, reduce administrative costs, provide access to quality health care, limit fraud and moral hazard, and manage the cost of care?

This brief presents recommendations from the Facility's partners¹ on how to provide HMI that offers value for clients and promotes viability for insurance providers. These recommendations fall under three broad categories: product, process and partnership. The recommendations below are relevant for insurers and other stakeholders including governments, health-care providers, distribution channels, donors and policy makers.

Product	Client value	Financial viability
<p>1. DESIGN SIMPLE PRODUCTS. Simple products are easier for clients and distribution partners who may be less familiar with insurance to understand, and they enable streamlined processes. Fixed or defined benefit schedules (that is, benefits that are set without regard to the cost of services utilized), limited benefit categories, few (or no) exclusions, and plain language characterize simple products.</p>	<ul style="list-style-type: none"> ✓ Easier to understand ✓ Build culture of insurance 	<ul style="list-style-type: none"> ✓ More efficient and accurate claims adjudication ✓ Easier to sell
<p>2. OFFER VALUE-ADDED SERVICES. Value-added services, such as preventative health camps, bundled with a core HMI product can promote better health at a lower cost. They make insurance more tangible for clients, improve access to health care and reduce out-of-pocket costs. Insurers can benefit from higher renewals and lower claims costs. HMI schemes should concentrate on one or a few value-added services at a time, evaluating their performance separately.</p>	<ul style="list-style-type: none"> ✓ Complement core insurance product ✓ Improve access to care ✓ Lower out-of-pocket expenditure ✓ Provide tangible benefits 	<ul style="list-style-type: none"> ✓ Reduce claims ✓ Enhance sales and persistency
<p>3. BUNDLE HMI WITH SAVINGS. A combination of HMI and savings can help low-income households cope with inpatient and outpatient health-care expenses by easing liquidity constraints and helping clients accumulate funds for out-of-pocket expenses. Insurance is an ideal financing and risk pooling mechanism for infrequent, but costly, hospitalization; it is less well suited to cover frequent, but less costly outpatient services at affordable premiums.</p>	<ul style="list-style-type: none"> ✓ Ease liquidity constraints: accumulate funds to finance out-of-pocket expenses, finance premiums 	<ul style="list-style-type: none"> ✓ Potential for cross-selling ✓ Enhance persistency

¹ Twenty grantee partners tested HMI innovations during 2008-2013



Process
<p>4. CREATE A POSITIVE EXPERIENCE FOR CLIENTS. If clients have a good experience with insurance, the word-of-mouth effect can contribute to increased enrolment and renewals. Communicating requirements clearly, easing liquidity constraints, assisting clients to access health care and submit claims, and paying claims promptly can create a positive experience for clients.</p>
<p>5. USE TECHNOLOGY. Technology can make processes across the entire microinsurance value chain more cost-efficient. Solutions need to reflect operating conditions on the ground. Constraints such as poor connectivity, insufficient infrastructure, poor processes, and limited ability and acceptance of users can stifle the potential of technology.</p>
<p>6. MONITOR SCHEME PERFORMANCE. Small tweaks can make a big difference in HMI scheme performance. Monitoring operations to identify deficiencies and areas for improvement is an iterative process. Quantitative and qualitative information, including client feedback about the performance of schemes can be used to improve both client value and financial viability.</p>

Client value	Financial viability
<ul style="list-style-type: none"> ✓ Quicker claims turnaround times ✓ Simple claims submission requirements ✓ Flexible payment methods 	<ul style="list-style-type: none"> ✓ Lower acquisition and claims costs ✓ Promote enrolment and renewals ✓ Enhance persistency
<ul style="list-style-type: none"> ✓ Facilitate premium collection ✓ Enable health-care delivery ✓ Support cashless mechanisms 	<ul style="list-style-type: none"> ✓ More cost-effective processes ✓ Reduce fraud
<ul style="list-style-type: none"> ✓ Better service quality ✓ Feedback and complaint mechanism 	<ul style="list-style-type: none"> ✓ Reduce fraud ✓ Improve pricing and benefit packages ✓ Identify product and process improvements

Partnership
<p>7. ENGAGE IN PUBLIC-PRIVATE PARTNERSHIPS. HMI can complement and support government efforts to achieve universal health coverage. Under various partnership models, insurance providers can foster innovation; identify and enroll members, collect premiums, and perform other insurance functions. Governments can raise revenue to subsidise HMI; enable and regulate HMI and share best practices to improve and expand insurance.</p>
<p>8. DESIGN SMART SUBSIDIES. Subsidies can improve equity and advance market development in HMI. Subsidies need to have a clear objective and be targeted. Subsidies should be subjected to robust monitoring and evaluation, have a clear exit or long-term financing strategy, and promote efficient use of health-care services.</p>
<p>9. DRIVE SCALE THROUGH DISTRIBUTION. Distribution channels play a crucial role in achieving scale. Selling and servicing HMI requires a high-touch, advice-based approach and a focus on enrolling groups through trusted partners. Ideally insurance should align with the core business of the distribution channel.</p>
<p>10. PARTNER WITH HEALTH-CARE PROVIDERS. HMI relies on the provision of quality, fairly priced health-care services that are clinically necessary. Appropriate compensation models, treatment protocols, claims coding, use of medical advisors and monitoring enable efficient management of health-care providers.</p>

Client value	Financial viability
<ul style="list-style-type: none"> ✓ Expanded coverage ✓ Lower out-of-pocket expenditure (through subsidy) 	<ul style="list-style-type: none"> ✓ Access to subsidies ✓ Perform insurance functions on behalf of governments ✓ Governments facilitate pooling of risks and knowledge sharing
<ul style="list-style-type: none"> ✓ Affordable premiums ✓ More comprehensive benefits 	<ul style="list-style-type: none"> ✓ Investment in infrastructure ✓ Exit strategy
<ul style="list-style-type: none"> ✓ High-touch support for advice and services ✓ Convenient, trusted points of access 	<ul style="list-style-type: none"> ✓ Outreach (scale) ✓ Access new markets ✓ Efficient support of processes, such as claims settlement
<ul style="list-style-type: none"> ✓ Access to quality health-care services ✓ Reduce out-of-pocket expenditure 	<ul style="list-style-type: none"> ✓ Reduce fraud ✓ Lower claims costs ✓ Align incentives of HMI scheme and health-care provider



Housed at the International Labour Organization, the Impact Insurance Facility enables the insurance industry, governments, and their partners to realise the potential of insurance for social and economic development. The Facility was launched in 2008 with generous support from the Bill & Melinda Gates Foundation, and has received subsequent funding from several donors, including the Z Zurich Foundation, Munich Re Foundation, the IFC, USAID and AusAID. See more at: <http://ilo.org/impactinsurance>