



ACTIVITY BRIEF



July 2013

Promoting the Use of Mobile Money to Strengthen Health Systems: Applications in Health Care Financing

Approximately three-quarters of adults living on less than \$2 per day do not have an account at a financial institution.¹ Lack of formal financial services limits access to credit, savings, remittances, insurance, and other instruments that play an important role in providing financial protection from health care costs for poor and vulnerable populations. In Sub-Saharan Africa, 12% of the population without a formal bank account uses mobile phones to conduct financial transactions,² and in at least 28 countries around the world, there are more mobile money agent outlets, than formal bank branches.³

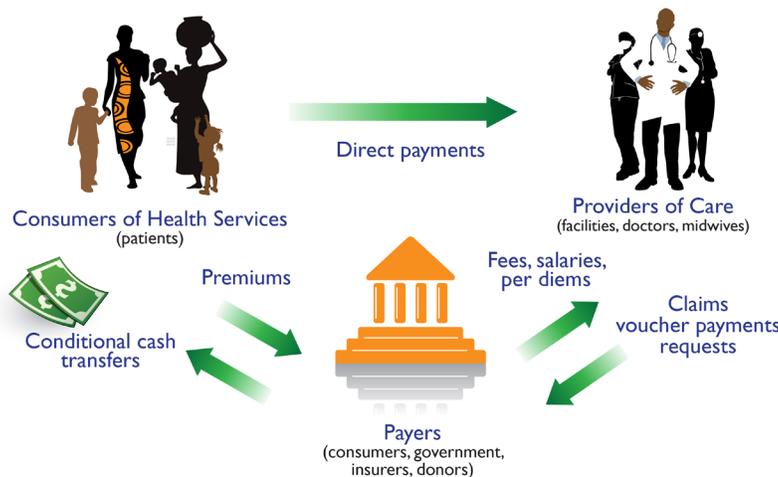
Mobile Money defined:
The term mobile money describes financial transactions that are conducted using a mobile phone, where value is stored virtually (e-money) in an account associated with a SIM card. Such transactions are compatible with basic phones and do not require internet access. Mobile money systems have the potential of extending the reach of financial services to populations not served by the traditional banking sector.

Mobile phone-based financial transactions, commonly referred to as mobile money, promote financial inclusion and can be used to address key financial barriers to health care access for the poor, such as high out-of-pocket spending costs and prohibitive transportation costs to health facilities, especially in rural areas. Mobile money can help reduce these barriers by facilitating enrollment in insurance programs through flexible mobile phone-based premium collections for populations in hard to reach areas and flexible payment options to cover costs for transportation. Mobile money can be used in health savings account systems, providing a way for the poor to save for health care costs. At the provider level, mobile money has shown promise in facilitating claims payments, salary payments for health workers, and voucher reimbursement, which can enable health programs to expand reach to remote areas and increase access to care.

Mobile Money Entry Points in a Health System

Cash payments in the health system are often susceptible to security risks, fraud, and leakages. Mobile money solutions can make health financing more secure and efficient by reducing costs, logistical constraints, and administrative burdens associated with cash transactions. Mobile money also offers easily-accessed and traceable audit trails, which can increase transparency and improve governance in the financing flows of a health system. A good starting point for determining where mobile money can be integrated in health programs is to document cash flows through the health sector and assess where it can be replaced with mobile payments.

Financing Flows in Health Systems



¹ Demircug-Kunt, A., and L. Klapper. 2012. "Measuring Financial Inclusion: The Global Findex Database." Policy Research Working Paper 6025, World Bank, Washington, DC.

² Ibid.

³ Penicaud, Claire. GSMA – Mobile Money for the Unbanked. State of the Industry: Results from the 2012 Global Mobile Money Adoption Survey.

The Health Finance and Governance (HFG) project works with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. Designed to fundamentally strengthen health systems, the HFG project will improve health in partner countries by expanding people's access to health care, especially priority health services.

The HFG project is a five-year (2012-2017), \$209 million global project funded by the U.S. Agency for International Development. The HFG project is led by Abt Associates Inc. in collaboration with Broad Branch Associates, Development Alternatives Inc., Futures Institute, Johns Hopkins Bloomberg School of Public Health, Results for Development Institute, RTI International, and Training Resources Group, Inc.



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DISCLAIMER

The author's views expressed here do not necessarily reflect the views of the U.S. Agency for International Development or the U.S. Government.

Mobile Money Applications in Health Finance:

- ▶ **Micro insurance** – Breadth and depth of access can be increased through remote enrollment and mobile phone-based premium payments. Smaller more frequent payments can be introduced to reflect the needs of the poor. Interactive messages can trigger reminders and reinforcement for timely payments. Improved record-keeping can target marketing to most promising segments. Products can be designed to provide immediate cash pay-outs.
- ▶ **Claims processing** – The time and cost of submission and payment of claims can be reduced through movement from paper and cash systems to mobile claims and mobile money. More timely payments can increase provider retention in insurance programs. Disputes can be more rapidly resolved with electronic records.
- ▶ **Vouchers and conditional cash transfers to patients** – Cash transaction costs associated with disbursement and redemption of vouchers can be reduced with the transition to mobile payments. Improved record-keeping reduces opportunities for fraud and leakage.
- ▶ **Pre-paid savings accounts** – Mobile applications allow for the accumulation of small, incremental savings to pay for health care costs. Mobile money accounts can be designed to target priority health services such as institutional deliveries or contraceptive supplies. Health savings accounts can be tied to remittances for those who may want to help family or friends in the event of a medical emergency.
- ▶ **Access to credit for providers, pharmacies and other suppliers** – Mobile disbursement of loans and the ability to pay for purchases over time can increase funding opportunities for health care providers, pharmacies and other suppliers. Mobile money platforms can help demonstrate credit worthiness for larger loans over time.

Illustrative Applications of Mobile Money in Health Finance

Changamka – Linda Jamii

A lack of a safe, cost-effective way of saving money over time makes it difficult for the poor to accumulate funds for health expenses, even for expected medical costs such as maternity and delivery care. **Changamka Microhealth Limited** in Kenya offers clients, who may not have access to traditional banking platforms, a convenient mobile phone-based savings account to save money for outpatient or maternal health services. Payments for health services are made electronically using pre-determined price-contracted packages. Customers can add cash value to their savings accounts in small amounts over time and can transfer funds by phone to family and friends, thereby allowing customers to set aside funds incrementally for sickness or maternity care. In 2013, Changamka forged a partnership with Britam, Safaricom, and PSI to launch **Linda Jamii** as an affordable health care insurance option providing comprehensive coverage for inpatient and outpatient services and a hospitalization income replacement benefit. Through the Linda Jamii platform, clients register through their phones and make incremental payments on their mobile phones towards the minimum threshold amount required to access services.

MicroEnsure – Developing a new market for health insurance in Ghana, Kenya and Tanzania

Financial barriers prevent the poor from accessing health services in many low and middle income countries. Through its line of life insurance products, **MicroEnsure** created a market for non-state health insurance models and introduced the concept of insurance to the poor in Tanzania, Ghana and Kenya. MicroEnsure partners with Tigo, a mobile money operator, to automatically enroll its clients in life and hospital cash insurance programs. Tigo subsidizes the premium payment for its subscribers and the clients are awarded free life insurance coverage in proportion to the air time they use. Through this partnership with Tigo, MicroEnsure has been able to rapidly expand its network of clients and expand consumer awareness and trust in insurance benefits.