

Strategies to meet the demand for health insurance

ADB Seminar on Micro Insurance in Sri Lanka
Presentation by Prof. Dr. David Dror
Session 5: 29 June 2007, 14.30 – 15.00

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The Poor Exercise Choice

Poor people must pay a premium

- It needs to reflect Willingness To Pay (WTP)

Poor people must agree to affiliate

- The package must reflect perceived needs
- Insurance must deliver maximum utility to clients
- Policies must include a guarantee of

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WTP < COSTS BY A FACTOR OF 4

WTP IS ALWAYS LOWER THAN REPORTED OOPS LEVELS

WTP LEVELS ARE CONTEXT-SPECIFIC, AND CHANGE ACROSS LOCATIONS

	WTP	Costs
II	1.67%	2.20%
IV	0.98%	3.4%
V	1.54%	10.0%
Aggregated	1.60%	6.0%

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Proxy: self-reported illness episodes

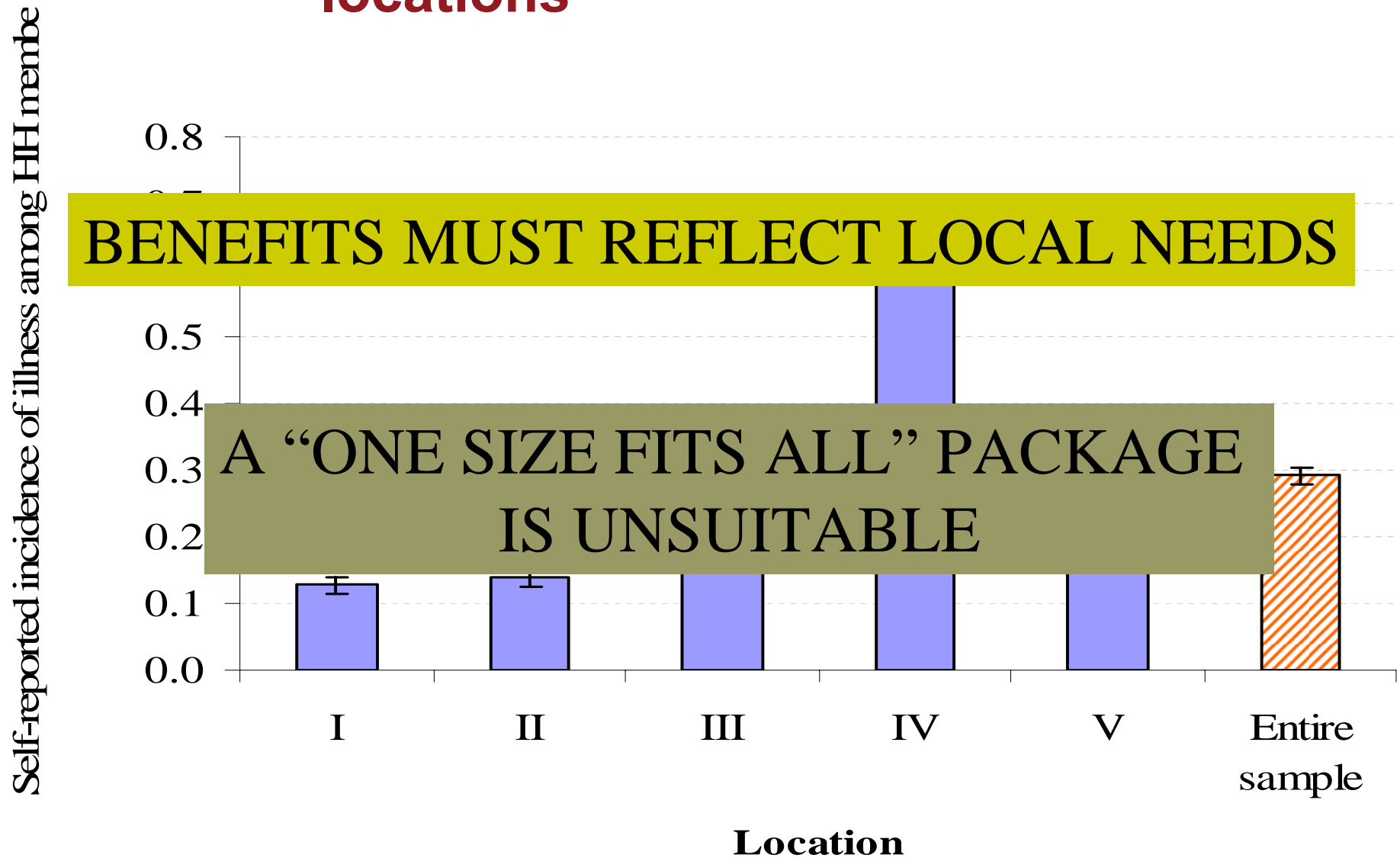
Recall bias (not random)

What really happened

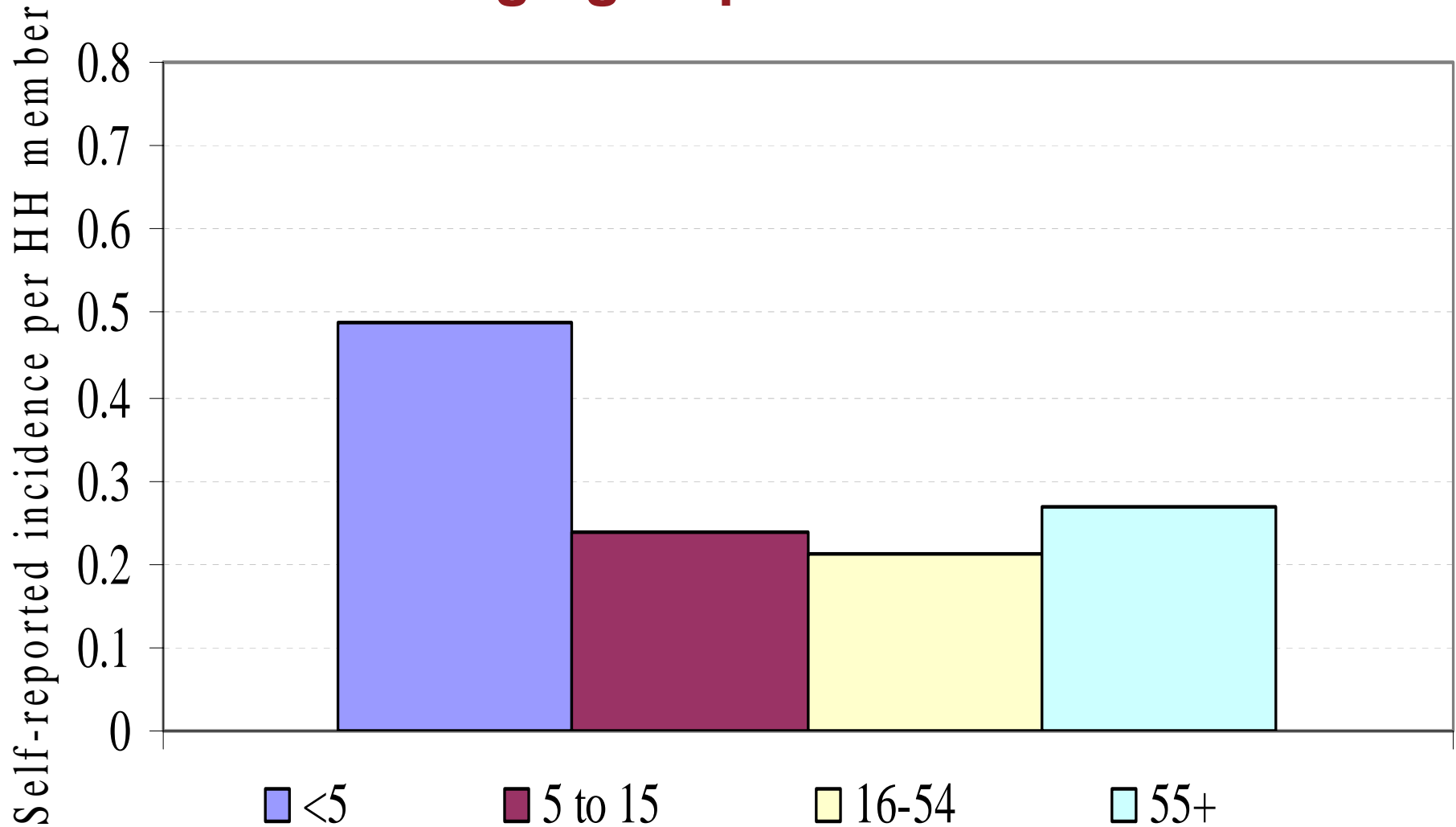
(Many scholars claim that self-reporting is an underestimation of reality)

But: best-available information about the poor

Perceived needs differ across locations



The <5 age-group often excluded



What influences needs?

Household features affect medical need (in addition to individual characteristics)

SES of households

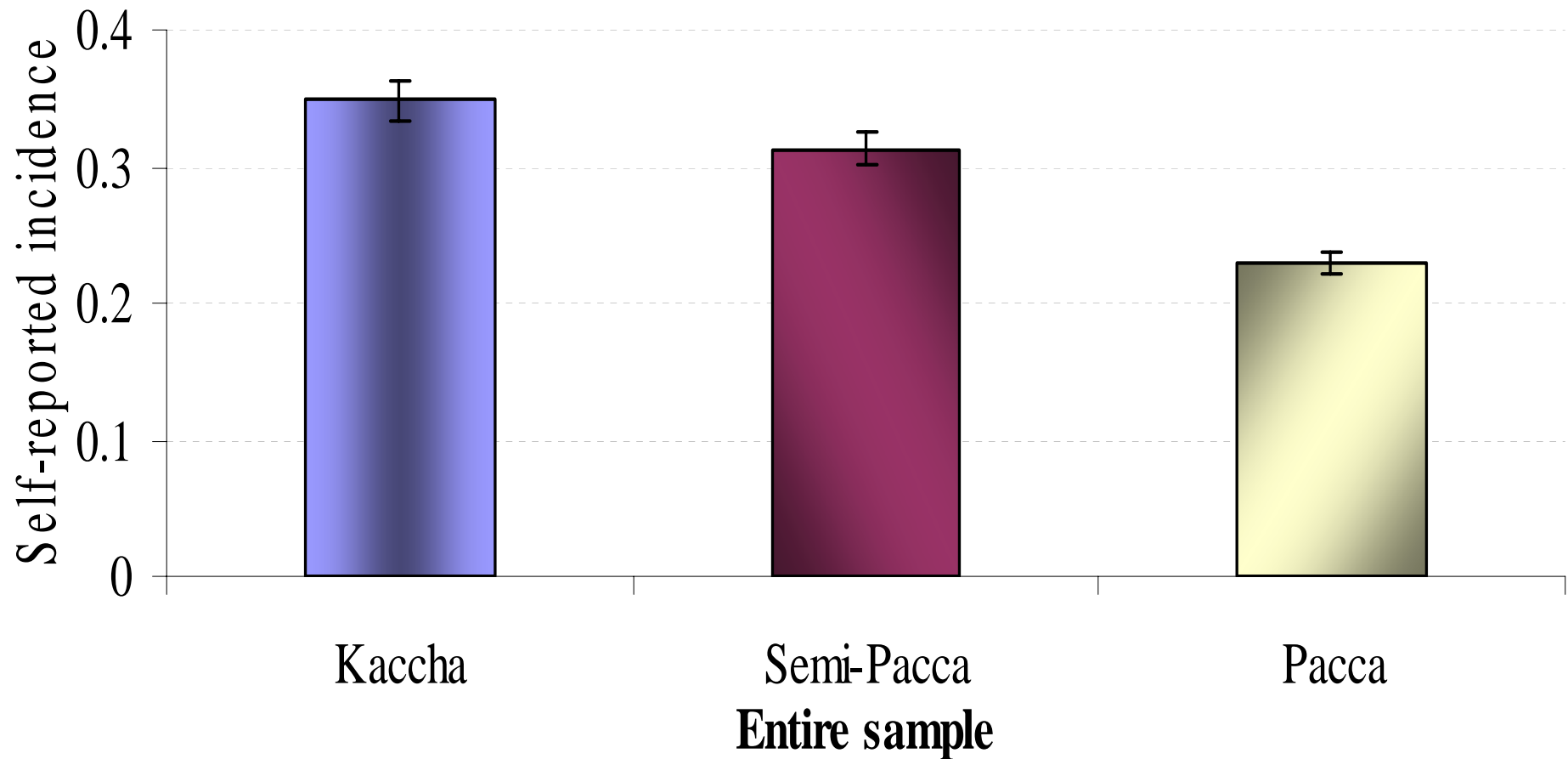
Household size

Education

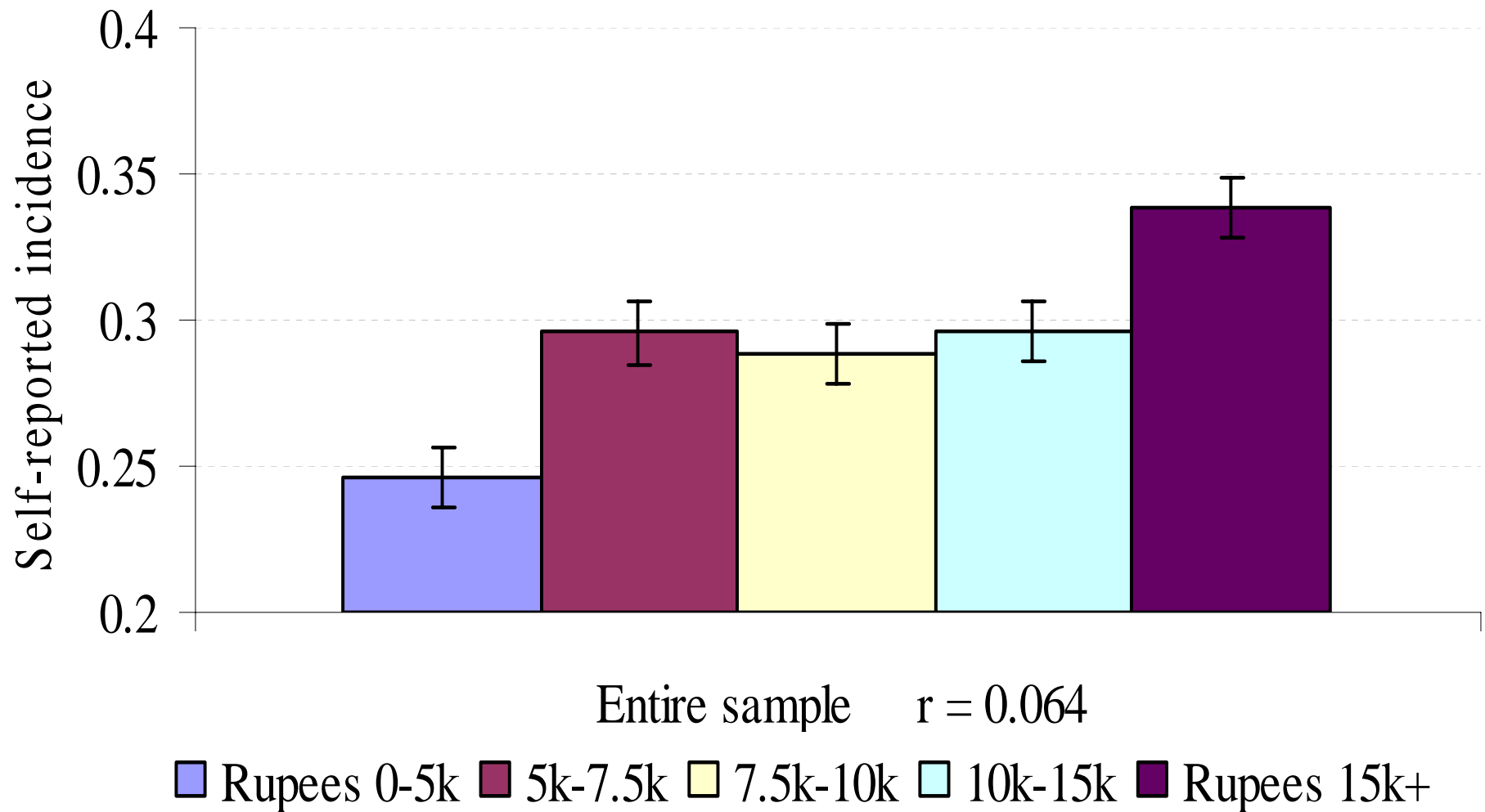
Housing

Etc.

Lower HH assets associated with higher incidence

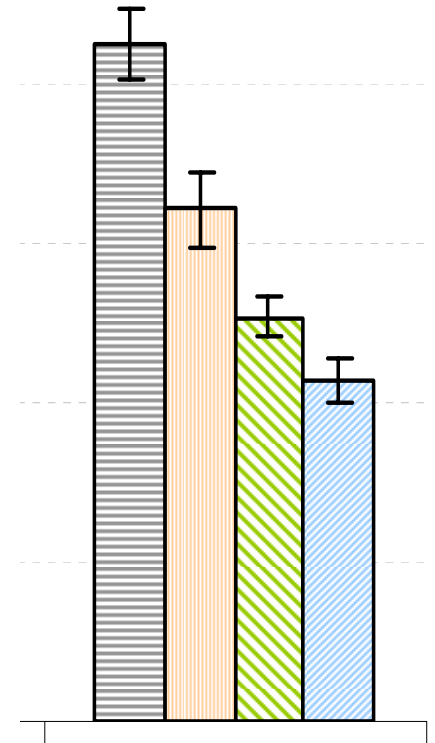
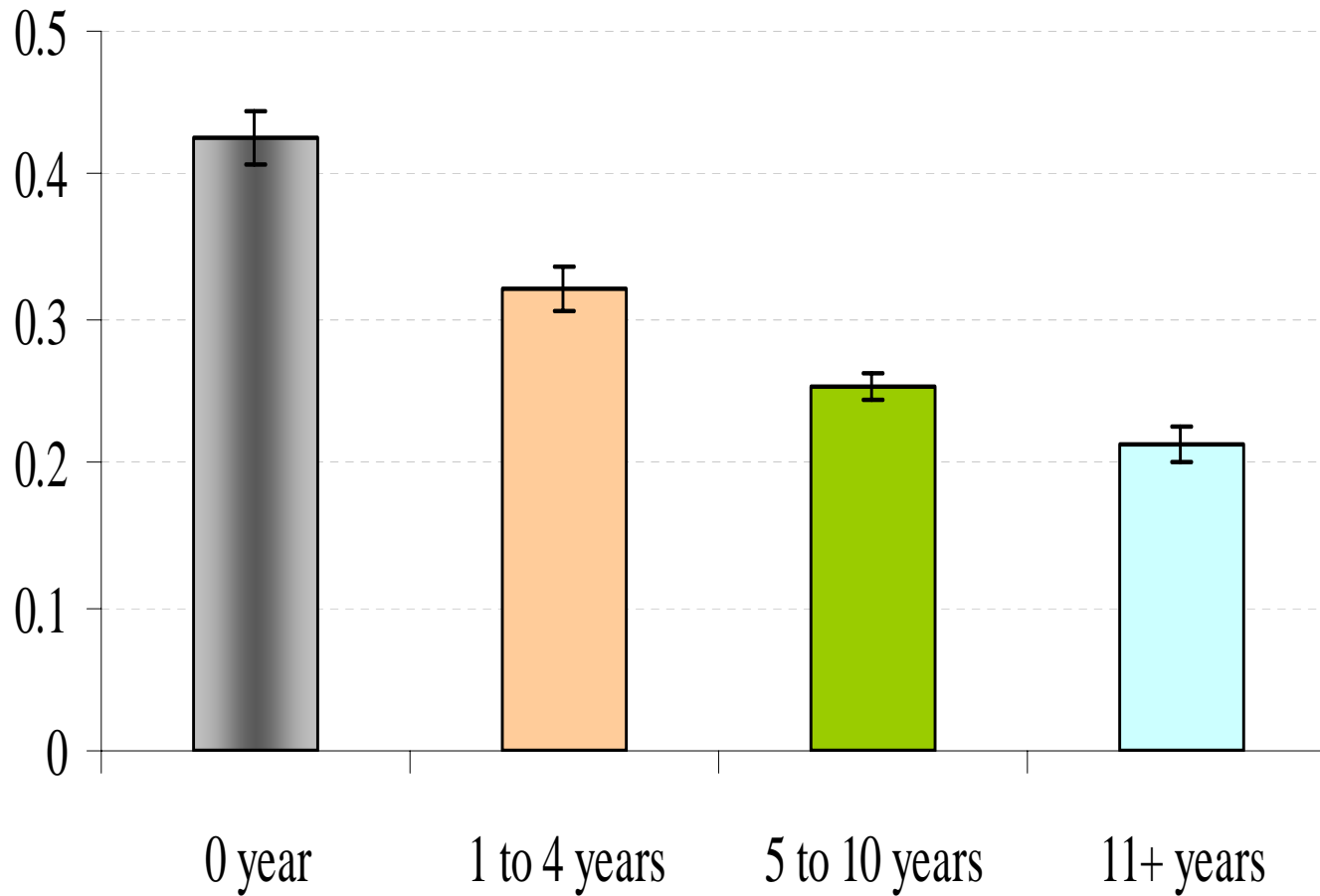


But: Wealthier HH reported higher incidence...



↑ Education ↔ ↓ Low Incidence

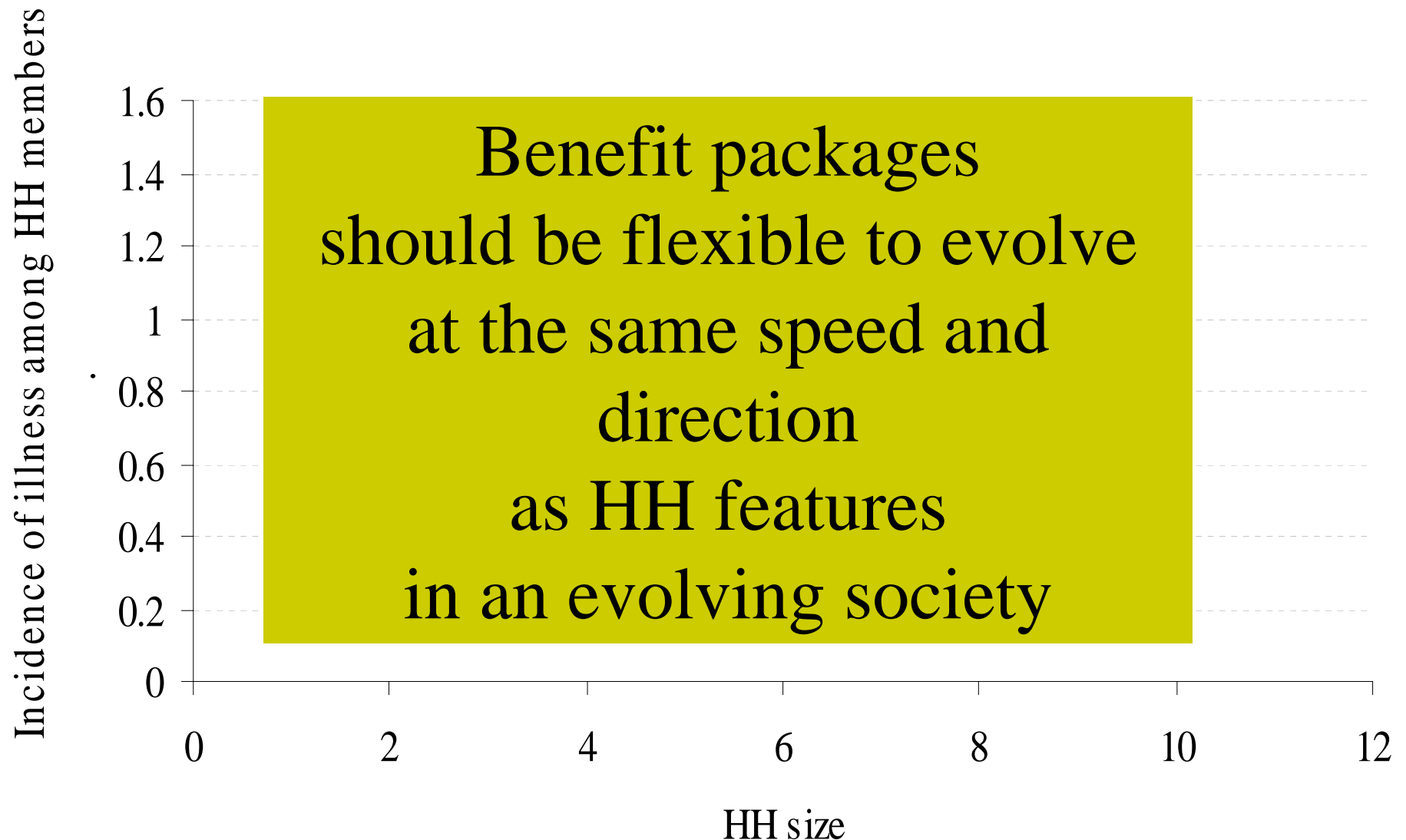
Highest Female education in the HH



highest ed. F

■ 11+ years

↓ **INCIDENCE IN LARGE HHs**



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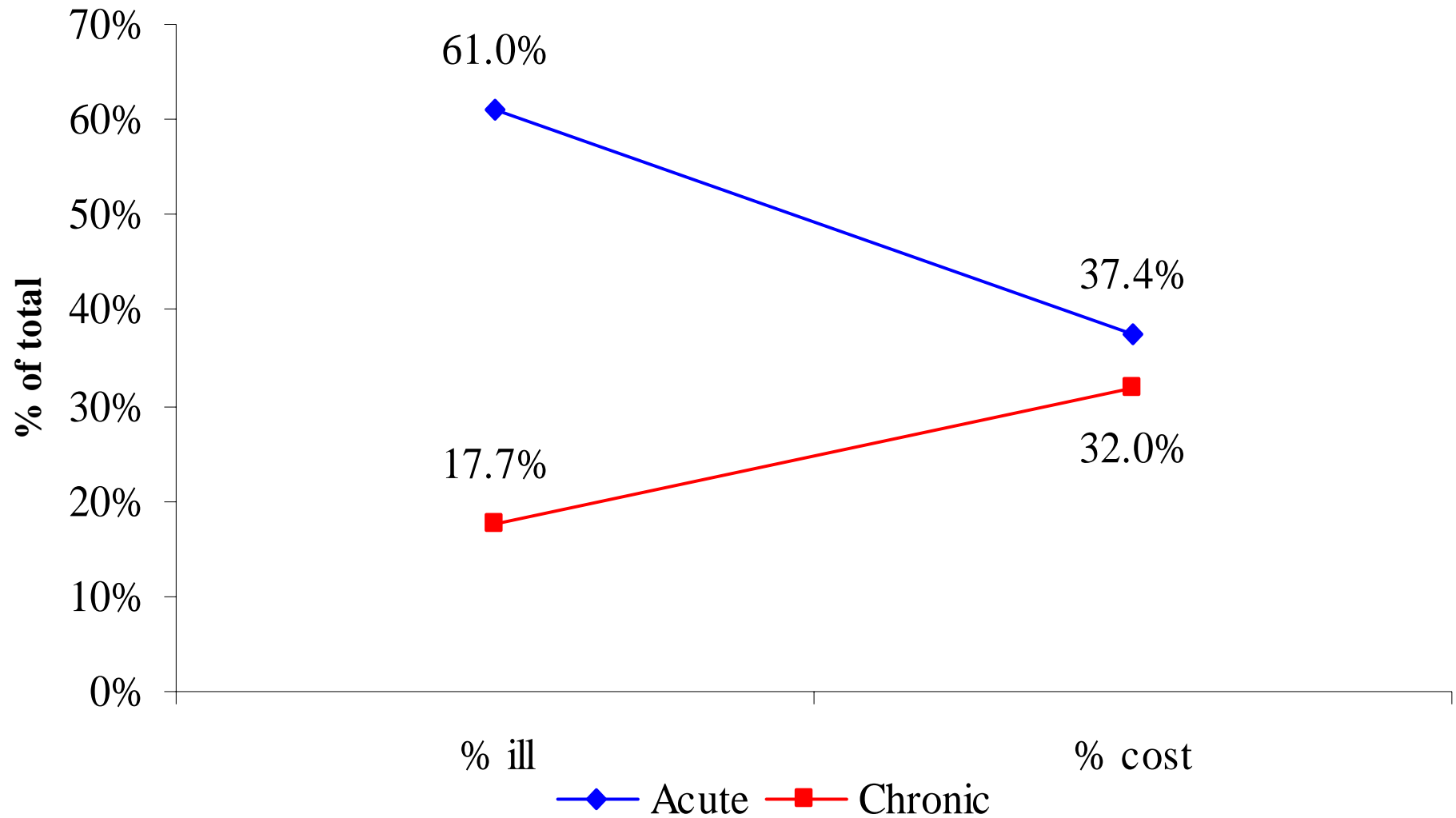
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The package must reflect perceived needs

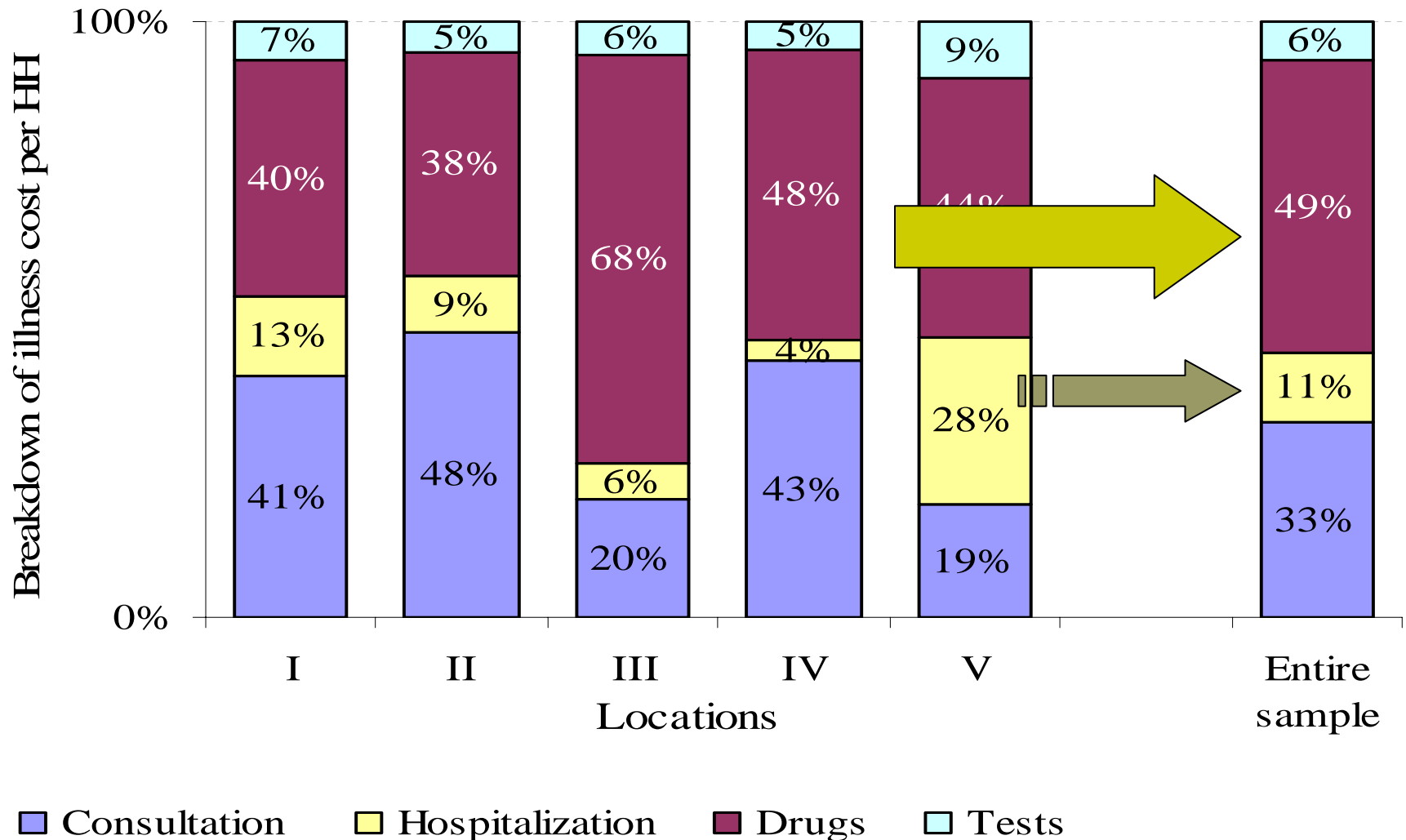
Insurance must deliver maximum utility to clients

Policies must include a guarantee of renewal.

Chronic illnesses must be included



Insuring only hospital costs in inadequate



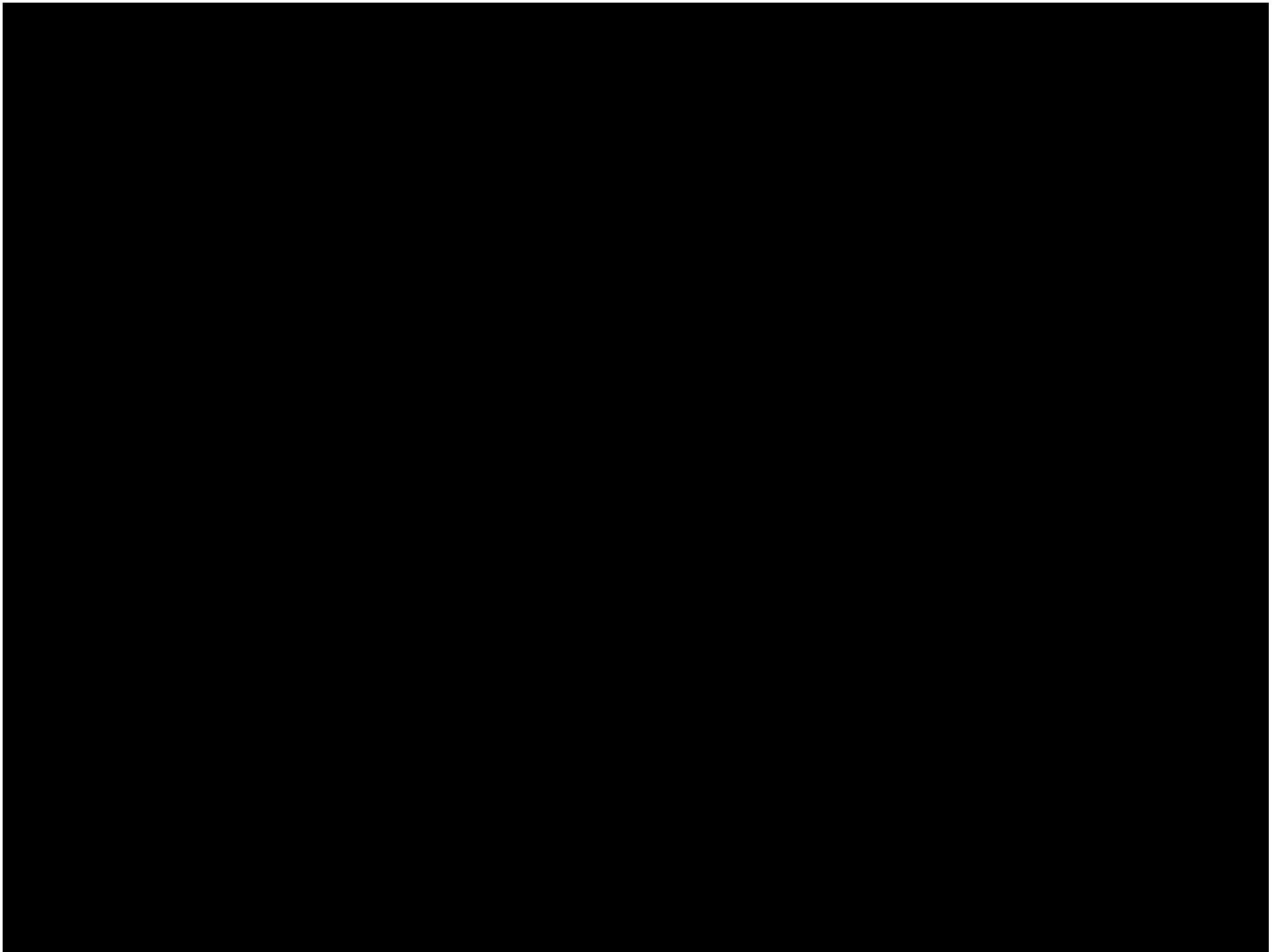
What do clients tell us?

Packages should be responsive to patients'
PRIORITIES, not just **NEEDS**

Therefore:

Do poor clients know what is good for
them?

How will we check this?

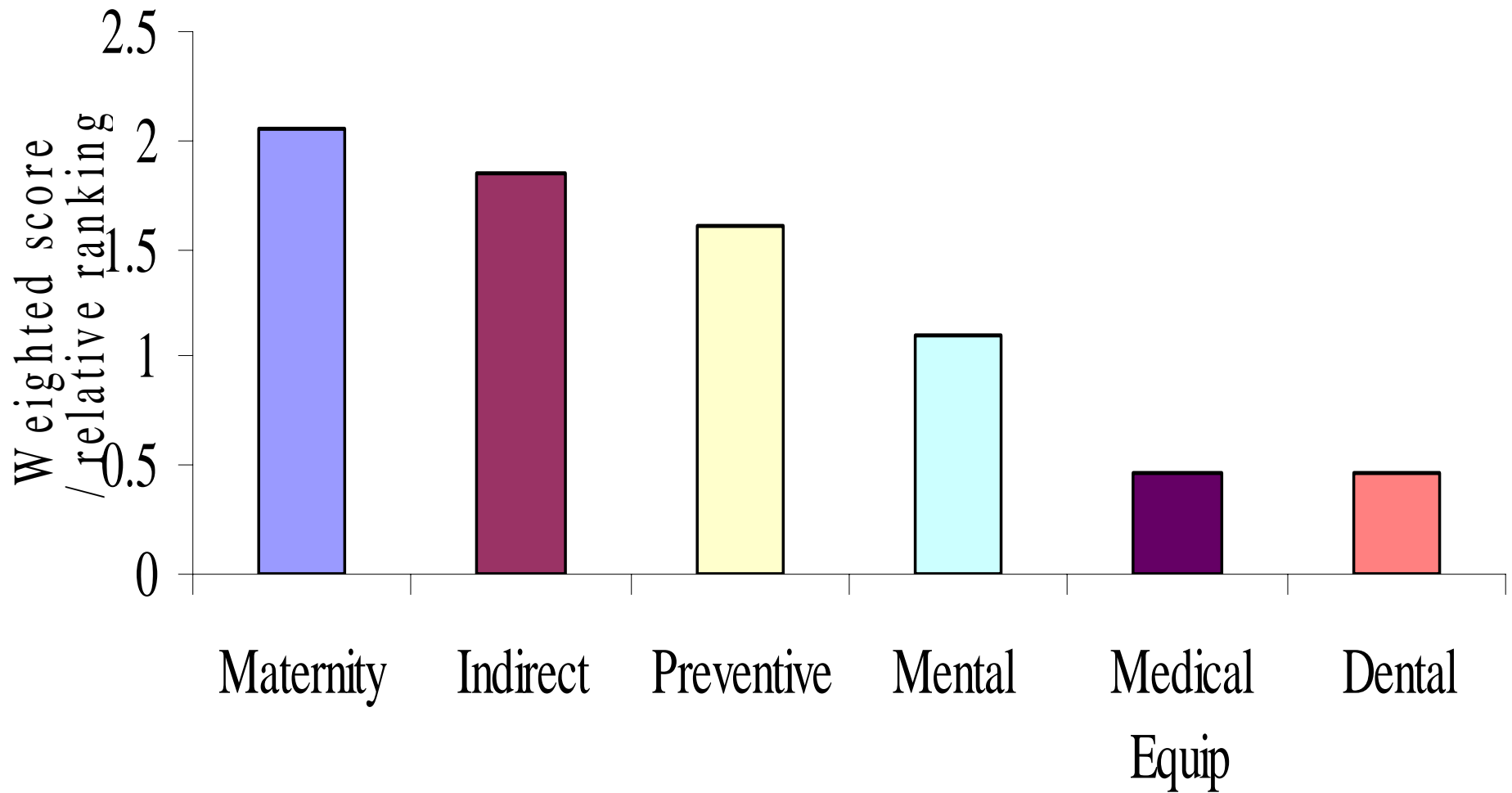


Benefits chosen most often:

	Choice	No. of groups	% of individuals
1	OP(b)+IP(b)+T(b)+D(b)	6	26.80%
2	IP(b)+T(b)+D(b)	8	31.80%
3	OP(b)+T(b)+D(b)	3	13.90%
4	OP(b)+IP(b)+D(b)	3	11.90%
5	OP(b)+IP(b)+T(b)	1	4.00%
6	IP(m)+D(b)	1	4.30%
7	T(m)+D(b)	1	4.00%
8	IP(h)+T(h)	1	3.30%

Legend: (b) = basic coverage level; (m) = medium coverage level; (h) high coverage level

Preferred minor benefits



Meeting the demand: 6 key points

- **Rare events or expensive events?**
- **Individuals vs. group / HH affiliation?**
- **Include cover for chronic diseases?**
- **“One-size” or customized package?**
- **Temporary or ongoing coverage?**
- **Responsiveness to WTP?**

More details in the publications

Thank you