



Expanding health insurance to the informal sector

Views and Perceptions of Entrepreneurs in Ouagadougou



Key points

- Health shocks are frequent and costs for health care are substantial.
- Only every second informal entrepreneur has heard of insurance.
- Willingness to participate in insurance is high.
- With insurance entrepreneurs expect to free up resources for investment.

Background

There is increased interest in providing health insurance to poor families that draw their income from informal work and have thus no formal social protection. Providing health insurance to these families shall improve their access to quality healthcare, protect them from excessive costs and stabilize their consumption.

Some countries, such as Indonesia or Kenya, are currently undertaking substantial efforts to implement integrated, national health insurance schemes. In an effort to move towards universal health insurance, covering informal sector workers however still poses major challenges for financing and implementation. Collecting contributions from informal workers comes with high administrative costs. The structure of the informal sector often implies unstable income and working conditions, which would require contributions to be very flexible. It is also not

obvious how to collect the contributions in an efficient way.

A related aspect is the low level of information and understanding of the insurance principles and its benefits. In some contexts, comprehensive social marketing campaigns are required and have been used to increase the willingness to enrol in health insurance and develop confidence in the benefits of the insurance mechanism.

The Government of Burkina Faso has voiced a strong commitment to implement a national health insurance scheme. This scheme is also intended to cover the informal sector. This policy brief presents some features of informal sector entrepreneurs operating in Ouagadougou, the capital of Burkina Faso, and their views and perceptions on health insurance coverage.

Box 1. Characteristics of the informal entrepreneurs interviewed

The entrepreneurs live in households with on average 7 members. 94% of the entrepreneurs interviewed were male and on average 43 years of age. The education level of these entrepreneurs is low. 60% have not even completed primary education. The entrepreneurs are largely engaged in petty trade (50%); 6% work in repair and maintenance; 4% in catering and 2% in wholesale; the remainder is engaged in other sectors or a multitude of activities. They employ on average 1.5 workers. The monthly average income range between 150,000 and 200,000 CFA F (ca. 230-300 EUR). The average capital stock (estimated at replacement costs) is around 939,000 CFA F (ca. 1,430 EUR).



Information and state of knowledge

Over half of the entrepreneurs interviewed have heard of health insurance; the actual level of experience with insurance however is very low. Just over 5 % are currently enrolled or have been enrolled in an insurance scheme in the past.

Every second entrepreneur has heard of health insurance

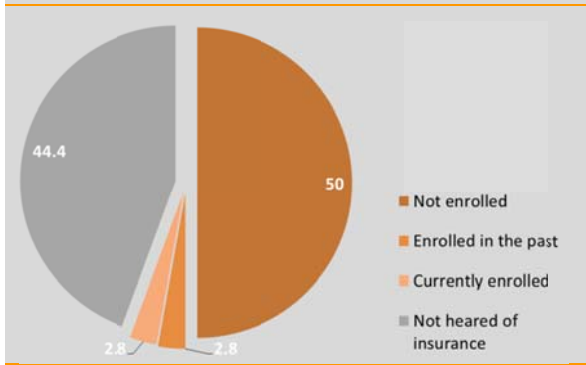


Figure 1: Insurance experience

When asked about basic insurance principles over two-third show a general understanding of the mechanisms.

Perceptions on insurance principles

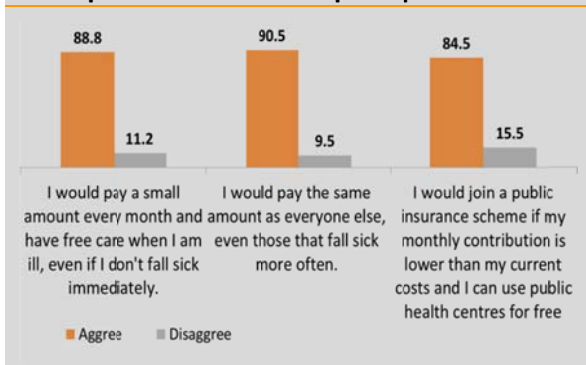


Figure 2: Principles of insurance

There is no clear preference concerning the organisational set-up of the insurance scheme. Slightly less than half prefer a private provider, while 52% would opt for a government scheme.

No clear preference on insurance provider

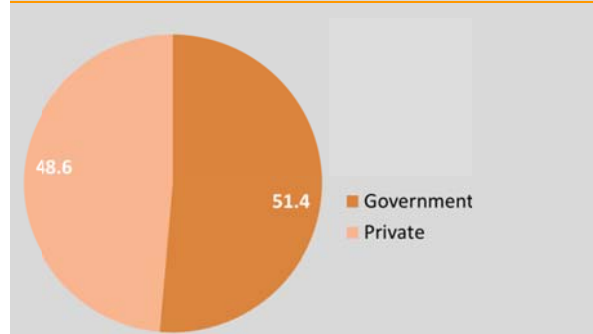


Figure 1: Insurance provider

Health care costs and financing

The informal entrepreneurs spend a considerable amount on health care each month. On average the entrepreneurs spend about 14,800 CFA F (ca. 22.50 EUR) on health care and medication for their households each month. In addition the majority of the entrepreneurs interviewed also send regular transfers to other members of the extended family. While the majority of the transfers are for nutrition and subsistence (60%), 12% of the transfers are sent for medical purposes. In total the entrepreneurs transferred about 128,450 CFA F (ca. 195 EUR) for medication and care over the course of one year. This represents an amount almost equal to the average health care expenditure of the entrepreneurs own household.

In addition to the health expenditures reported for the month prior to the interview, entrepreneurs experience health shocks frequently. Indeed when asked about their most severe shocks experienced in the past year, 51.5% of the shocks reported were related to health and accident. In 50% of the cases the entrepreneurs received financial assistance from outside, i.e. from persons not living with them, which are mainly family and other relatives (70%). The average transfer received in case of a severe health shock amounts to about 70,000 CFA F (ca. 106 EUR).



Study Description

The results presented in this policy brief form part of a larger research study conducted by the University of Passau, the *Institute de Recherche en Sciences de la Santé* (IRSS), the German Development Institute (GDI) and the Erasmus University Rotterdam. The Formal Insurance and Productive Effects Study (FIdES) aims to systematically analyse the health situation in Burkina Faso to understand existing drivers and constraints for insurance uptake, and to learn about the direct and indirect effects of such insurance in the short and medium term.

ASMADE, a local not-for-profit organisation, will implement community-based health insurance in the rural community of Ziniaré in spring 2014. FIdES will accompany the roll-out and explore how the introduction of formal insurance affects the need for informal inter-household sharing. A focus will be on urban entrepreneurs that traditionally provide significant remittances to rural households - to a large extent to cover health expenditures.

95% of the interviewed entrepreneurs indicate that they would be interested in taking up health insurance when offered. For a full insurance package, i.e. an insurance which covers basic drugs, consultations, lab tests, minor surgery, deliveries, prenatal care and family planning, the entrepreneurs are willing to pay around 19,600 CFA F (ca. 30 EUR) i.e. about 2,800 CFA F per household member per year.

Research Partners



Funding



Rotterdam Global Health Initiative

Further fieldwork has shown that providing health insurance to informal entrepreneurs and families of their support network is likely to have additional, indirect effects beyond improved health. Entrepreneurs expect that having health insurance and also having their wider family covered by health insurance would allow them to free financial resources. Resources currently used for health care could then be devoted to enterprise investment.

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Further Information:

<http://www.wiwi.uni-passau.de/en/development-economics/>



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