HEALTH EQUITY AND FINANCIAL PROTECTION IN ASIA

POLICY BRIEF

CHALLENGES TO EXTENDING AND DEEPENING COVERAGE IN THE PHILIPPINES

Achieving universal healthcare for all Filipinos has been the stated objective of the government since the late 1990s. This policy brief summarises the evidence arising from HEFPA studies addressing the following three questions:

1) How can the informal sector be encouraged to enrol in the social health insurance (SHI) programme?
2) What incentives motivate local governments to extend SHI coverage to the poor?
3) To what extent does SHI protect household wellbeing from health shocks?

Q WHAT DOES IT TAKE TO PERSUADE THE INFORMAL SECTOR TO ENROL?

Various attempts since the turn of the century to increase SHI coverage in the Philippines have been only moderately successful. In 2012, the SHI agency PhilHealth reported coverage of 70 million individuals, equivalent to 75 per cent of the population. Only 33 per cent of eligible persons in the informal sector, however, were covered under the Individually-Paying Program (IPP). No other group accounts for more of the uninsured.

HEFPA conducted a randomised experiment with the aim of establishing the effectiveness of a premium subsidy and the provision of information on the operation and benefits of insurance in encouraging enrolment.[1] In the main experiment, households within randomly selected municipalities were offered a subsidy worth up to 50 per cent of the annual premium, and given a kit containing an application form and informative leaflets. These households were also sent regular SMS reminders to enrol. In a follow-up experiment , households that had not enrolled during the first experiment were given more time to make use of the subsidy and about half of them were also offered free assistance in filling out the application forms and submitting them to PhilHealth

ENROLMENT INCENTIVES: FINDINGS

The combination of the subsidy, information and reminders yielded a 4.9 percentage point increase in enrolment, which is a 50 per cent increase relative to the control group. However, even this substantial proportionate increase only raised the enrolment rate to 15 per cent. The additional offer of free assistance in filling out the application form and submitting it to PhilHealth yielded an increase of 36.3 percentage points in enrolment of households who had not responded to the premium subsidy and information provision alone. While this represents a dramatic effect, around 60 per cent of families still chose not to enrol despite being offered a 50 per cent premium subsidy and the effective removal of all indirect costs of application.

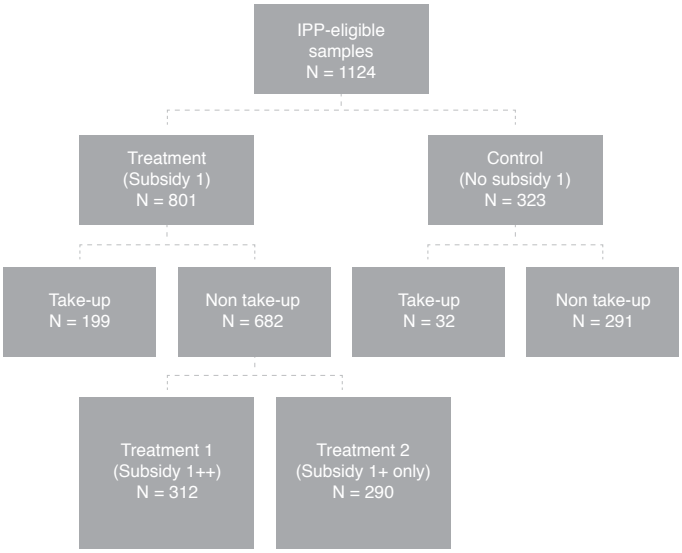
The low take-up suggests low willingness-to-pay (WTP), possibly due to lack of knowledge of health insurance, or bad experience of claiming insurance benefits. However, the provision of information did not prove particularly effective, and WTP is reported to be higher among those with previous PhilHealth coverage, pointing towards a positive learning effect that dominates any negative experience of claiming benefits.[2] WTP is found to be lower for those who received the premium subsidy, which indicates that there is anchoring on the net of subsidy price that reduces future effective demand for insurance.

ENROLMENT INCENTIVES: POLICY IMPLICATIONS

The large effect of at-home submission of the insurance application relative to that of the premium subsidy suggests that greater attention should be given to lowering time, as opposed to monetary, costs of insurance purchase in order

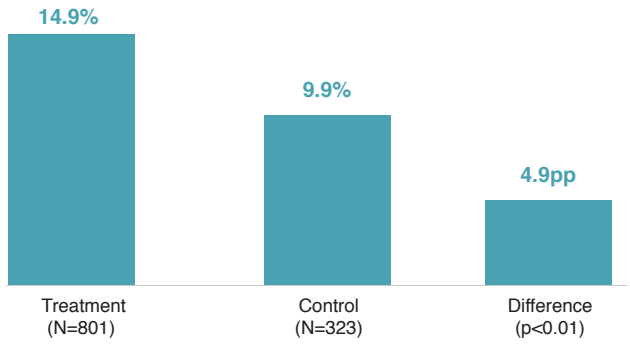
PHILIPPINES EXPERIMENT DATA

(INTERVENTION DISPLAYED IN FOLLOWING BAR CHARTS)

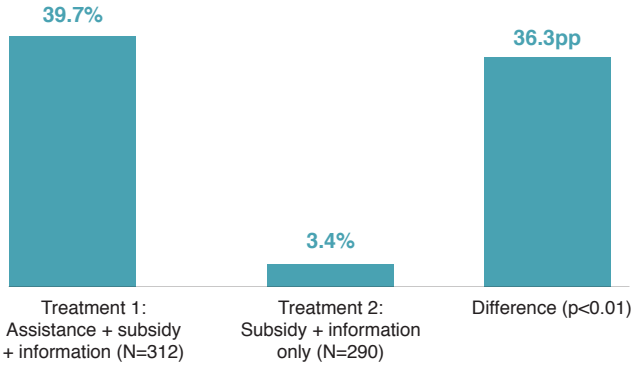


to raise enrolment rates. But if three-fifths of the target population remains unconvinced of the gains from purchasing insurance even after being offered a generous subsidy and a very simplified enrolment process, then getting coverage closer to universality is likely to require genuine improvements in the value of the insurance as opposed to further reductions in its cost. In the Philippines, SHI can have little impact on out-of-pocket (OOP) spending due to the latitude granted to providers to set prices above a reimbursement ceiling. Enrolment is not an end in itself. Rather, it is financial protection from medical expenditure risks that needs to be secured. If Philhealth can ensure this more effectively, then the demand for insurance is likely to follow.

ENROLMENT RATES
(INTERVENTION: PREMIUM SUBSIDY + INFORMATION)



ENROLMENT RATES
(INTERVENTION: ASSISTANCE IN COMPLETING AND SUBMITTING APPLICATION



Q WHAT MOTIVATES LOCAL GOVERNMENTS TO EXTEND SHI COVERAGE TO THE POOR?

Local governments in the Philippines are tasked with financing and delivering basic health services, and, until 2010, they were also mandated to enrol indigent families into SHI, with a subsidy provided by the national government. Two HEFPA studies investigate the underlying political (chances of re-election) and fiscal incentives that local governments have to extend SHI coverage and provide health services.[3],[4]

GOVERNMENT MOTIVATION FOR SHI: FINDINGS

Local governments enrol a higher proportion of their constituents in SHI and spend more on social services, including health, when they receive higher lump-sum transfers and premium subsidies from the national government. The effect of lump-sum transfers on SHI enrolment is greater than that of the targeted transfers, suggesting an already significant preference for this health service among local governments. However, they also cover fewer families when the national government or other sponsors enrol from the same target groups without local government participation.

Local governments raise more revenue for health spending and enrol more families when spending and enrolment are higher in neighbouring constituencies. This is consistent with a health policy response to political pressure arising from constituents observing the services offered in neighbouring authorities.

GOVERNMENT MOTIVATION FOR SHI: POLICY IMPLICATIONS

Fiscal incentives matter. Conditional grants (like premium subsidies) can motivate local governments to extend SHI coverage. But lump-sum resource transfers may be a pre-requisite to relax fiscal constraints and make spending on SHI feasible. National government sole sponsorship of the poor in the SHI programme could crowd out local government efforts.

Political incentives also matter. SHI coverage is offered by elected officials to increase the chances of re-election. Increasing the electorate's awareness of health spending and insurance coverage in the neighbouring localities could be used to better align political incentives with health objectives.

Q HOW WELL DOES SHI PROTECT HOUSEHOLDS FROM HEALTH SHOCKS?

The priority that should be accorded to SHI depends on: the incidence of health shocks relative to other threats to wellbeing; the extent to which households can protect themselves against the economic consequences of health shocks in the absence of SHI; and the effectiveness of SHI in securing financial protection. HEFPA provides evidence on each of these three parameters relevant to the case for further extending and deepening SHI coverage in the Philippines.[5], [6], [7]

SHI PROTECTION FROM HEALTH SHOCKS: FINDINGS

Compared with other causes of economic insecurity, death and health shocks are associated with larger unplanned outlays amounting to up to 80 per cent of total food expenditures, and they result in greater depletion of assets. Recovery from a health shock is slower than is recovery from a natural disaster.

While richer households are more likely than poorer households to report that they have fully recovered from a health shock, SHI coverage is not correlated with full recovery. But securing consumption after a health shock is one of the more immediate benefits of SHI coverage, although this is evident only among the poor. Even then, the SHI-covered poor still resort to dissaving or borrowing. In general, those with SHI coverage employ fewer informal mechanisms to cope with the economic consequences of a health shock.

SHI PROTECTION FROM HEALTH SHOCKS: POLICY IMPLICATIONS

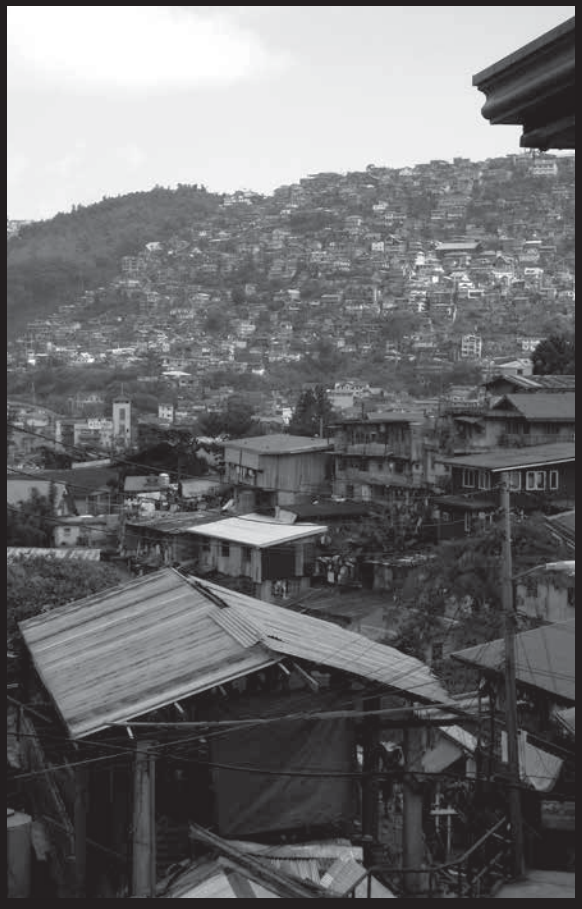
The findings underscore the importance of extending SHI coverage, especially to households exposed to multiple shocks who will eventually exhaust informal coping mechanisms. There is also a need to improve the financial protection that SHI confers on those already covered so as to minimise their need for costly adjustments, especially those that compromise their children's education.

HEALTH SHOCKS DATA

A nationally representative sample of 2,950 households was asked about the incidence of health and other shocks occurring over a four year period (2008-11), as well as the adverse consequences of each shock on consumption, wealth and health. Each household was also asked about measures taken to guard against potential shocks and about mechanisms employed to cope with those occurring.

HOW THE EXPERIMENT WAS CONDUCTED

Two experiments were undertaken. In the main experiment that ran from February to December 2011, a nationally representative random sample of households was drawn from municipalities assigned to treatment (75 per cent) or control. The 801 IPP-eligible households in the treatment group were offered a premium subsidy, an information kit and SMS reminders to enrol. The 323 IPP-eligible households in the control group were not offered any intervention. SHI enrolment status was determined by January 2012. The 602 households in the treatment group that did not enrol were re-sent application forms, as well as letters and SMS reminders informing them that the subsidy offer was extended until the end of February 2012. About half of this group (312) was also offered free assistance in filling out application forms and submitting them to PhilHealth. Membership status was determined from PhilHealth administrative records and the baseline survey (February-April 2011) and endline survey (March-May 2012).



REFERENCES

[1] Capuno JJ, Kraft AD, Quimbo SA, Tan CAR Jr, Wagstaff A, 'Effects of Interventions to Raise Voluntary Enrollment in a Social Health Insurance Scheme: A Cluster Randomized Trial', unpublished MS: The World Bank (see also *HEFPA Paper P2*, Erasmus University Rotterdam).

[2] Quimbo SA, Kraft AD, Capuno JJ, Tan CAR Jr, Wagstaff A, 'Will Insurance and Information Improve Willingness-to-Pay for Health Insurance? Evidence from the Philippines,' unpublished MS: The World Bank (see also *HEFPA Working Paper 20*, Erasmus University Rotterdam).

[3] Capuno JJ, Quimbo SA, Kraft AD, Tan CAR Jr, Fabella VM, 'The effects of term limits and yardstick competition on local government provision of health insurance and other public services: The Philippine case', *HEFPA Working Paper 7*, Erasmus University Rotterdam.

[4] Capuno JJ, Quimbo SA, Kraft AD, Tan CAR Jr, Fabella VM, 'Perks and public provisions: Effects of yardstick competition on local government fiscal behavior in the Philippines', *HEFPA Working Paper 13*, Erasmus University Rotterdam.

[5] Capuno JJ, Kraft AD, Quimbo SA, Tan CAR Jr, 'Shocks to Philippine households: Incidence, idiosyncrasy and impact', *HEFPA Working Paper 16*, Erasmus University Rotterdam.

[6] Kraft AD, Capuno JJ, Quimbo SA, Tan CAR Jr, Fabella VM, 'Securing Consumption when Ill of Injured: Does Social Health Insurance in the Philippines Help?', *HEFPA Working Paper 10*, Erasmus University Rotterdam.

[7] Kraft AD, Capuno JJ, Quimbo SA, Tan CAR Jr, Wagstaff A, 'Coping and Consumption Adjustment for Similar Shocks over Time', unpublished MS: The World Bank (see also *HEFPA Working Paper 21*, Erasmus University Rotterdam).

PROJECT IDENTITY

COORDINATORS

E Van Doorslaer, Erasmus University Rotterdam
O O'Donnell, Erasmus University Rotterdam & University of Macedonia
A Wagstaff, World Bank Development Research Group

CONTACT

E Van de Poel
Institute of Health Policy and Management, Erasmus University Rotterdam
E: vandepoel@bmg.eur.nl

CONSORTIUM

- **Institute of Health Policy and Management**, Erasmus University Rotterdam, The Netherlands www.bmg.eur.nl
- **Institute of Tropical Medicine Antwerp**, Belgium www.itg.be
- **University of Macedonia**, Economic and Social Sciences, Greece www.uom.gr
- **International Institute of Social Studies**, Erasmus University Rotterdam, The Netherlands www.iss.nl
- **The University of Oxford**, United Kingdom www.ox.ac.uk
- **Centre for Advanced Studies**, Cambodia www.cascambodia.org
- **Shandong University**, China www.sdu.edu.cn/english
- **SMERU Research Institute**, Jakarta, Indonesia www.smeru.or.id
- **UPecon Foundation**, Philippines www.upecon.org.ph
- **International Health Policy Programme**, Thailand www.ihpp.thaigov.net
- **Centre for Community Health Strategy**, Vietnam www.chsvn.org
- **World Bank Development Research Group** http://econ.worldbank.org/

FURTHER INFORMATION

Duration: June 2009 – December 2013

Funding: EU Seventh Framework Programme (FP7) – contract no 223166

Project website: HEFPA working papers and publications are available at www.hefpa.nl