Struggling to Thrive

How Kenya’s low-income families (try to) pay for healthcare

Julie Zollmann & Nirmala Ravishankar
March 2016
Why Diaries?

DIARIES: systematic & deep
Sample selected to include diverse households in different livelihoods zones.

Aim=300 Households
(Ended with 298)
Equally distributed across the five areas

- Vihiga
- Eldoret
- Nairobi
- Makueni
- Mombasa

Urban: 31%
Rural: 69%
Census: 32%
Diaries: 68%
At the core of methodology is capturing “cash flows,” in Kenya, at transaction level.

Transactions for One Day, Business Owner in Vihiga

- **Income**—business revenues & expenses
- **Expenditures**—on household food, gas, groceries, mobile credit/airtime, "kitu kidogo"
- Financial Flows—Payments to chamas

**Chart Details:**
- **Income:** 3000
- **Expenditures:**
  - (30) in 500
  - (20) in 3000
  - (100) in 1000
- **Financial Flows:**
  - (100) in 400
1. Low cost single visits for outpatient care
2. Exhaust liquidity
3. Poor quality=extra tax
4. Severe consequences of breakdowns in public system
These issues affected a huge number of respondents in just a few years of observation.

54% Admitted, had to pay for another’s admission, had to forgo needed care, or lost significant amount of income due to illness 2013-2015.

38% Needed a doctor or medicine, but went without in Diaries year.

9% in Diaries year faced devastating health expenditures.
1. Healthcare & health insurance are NOT affordable for the poor.
Much of the consumption budget consumed by necessities already.

Median monthly household consumption (KES and %)

- **Food** 48% **KES 2,880**
- **Housing** 8% **KES 480**
- **Education** 11% **KES 660**
- **Transport** 5% **KES 1,104**
- **Energy** 4%
- **Communications** 2%
- **Water** 1%
- **Household items/cleaning supplies** 3%
- **Healthcare** 2%
- **Other needs** 16% **KES 1,104**
- **Health spending** small *most of the time*
Even if insurance is good value, what other good expenditure do you forgo to make space in the budget?

Send money to father for upkeep

Put some on M-PESA just in case

Save for new roof, solar unit

Buy stock for business

Clear the school fees

Pay NHIF premiums

Buy improved feeds for cow

What’s the best way to allocate?

KSh

6090

need

Have

KSh

2550

765

500

850

300

425

700
Though small scale spending on health is very common, big spending is cyclically inevitable.

Here, insurance helps, but complete cover is expensive. Inpatient cover does not displace health spending on outpatient care.
2. Private sector must think about liquidity, not just pooling.

Large numbers of individuals are delaying & forgoing care:

- **38%** of HH in Diaries
- **48%** of HH in Afrobarometer
- **13%** of INDIVIDUALS in KHHEUS

Most often for want of KSh 300-1000 to pay for transport, outpatient consultation, test/x-ray, or medication.
When your budget is tight and you face volatility, lots of energy goes to creating budget elasticity.

- What you might be able to raise from social network: ≈15% at median, but for some can reach ≈500%+
- Possible credit: ≈53% at median, up to 200%+
- Liquid savings: ≈12% at median

Secure Income

Extra, depending ≈54% income fluctuation

New opportunities?
3. In the absence of adequate public solution, private sector can leverage social networks.

**Hospitalization: Usage (%) and Value (KSh) Mobilized by Different Resources, Diaries**

- Resources Received
- Money in the house
- Borrow friends and family
- Chama payout (ROSCA/ASCA)
- Bank, MFI, Sacco account
- Work more
- Welfare group

**Avg. Contribution**

**Share Using**

A project of FSD Kenya, 2014
To some extent there is an existing expectation of help with hospital bills.

For what purposes would your social network help out? (% HH) Diaries Update 2015

- Funeral: 93%
- Inpatient care: 77%
- Day to day basic needs: 63%
- Outpatient care: 54%
- School fees: 40%
- Expand a business: 23%
- Start a business: 21%
- Rent: 20%
- Farm inputs: 15%
- Asset purchase: 11%
These networks are primarily redistributive, making them extra powerful for the poor—but sometimes a burden on the relatively better off.

<table>
<thead>
<tr>
<th></th>
<th>Net Givers</th>
<th>Net Receivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Av. HH monthly income per capita</td>
<td>9,863</td>
<td>4,487</td>
</tr>
<tr>
<td>Share of income received from others</td>
<td>3%</td>
<td>33%</td>
</tr>
<tr>
<td>Share of income given to others</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>Percent &lt;$2/day</td>
<td>49%</td>
<td>72%</td>
</tr>
</tbody>
</table>

• 23% of respondent households were net givers.
• RR relationships appear somewhat redistributive.
• Net givers are better off than net receivers, but not rich.
4. Private sector can champion replicable innovations in quality.
Hard to quantify the cost of poor quality, but many stories, horrific consequences.

- Isaac is fisherman in coast.
- Wife in and out of dispensaries & hospital >10x over six months, told nothing was wrong.
- Tapped social network, sold off assets to finance care, only to reach diagnosis:
  - Tumor costing KSh 23,000 to remove.
  - Died waiting to raise money for surgery.
- Social network quickly financed funeral, but too late to save life.
Starting over after losing assets and “good luck charm” has been a major struggle.

• 3 months in jail.
• Moved to rural home, but no house yet. Still building.
Children are now with him, with help of family on shamba. They are happy, but not all doing well. One failed class 8, refused to repeat, and ran away from apprenticeship.
• Motorbike accident, but no money for treatment.
• Trying to survive on fishing, but no equipment. Has to convince others to take him along.
• Trying to convince father to sell part of shamba to buy a motorbike and start pikipiki business.
• Says Monicah was his good luck charm. Things were much better when she was alive; they were even able to run a business.

Says his main focus now is starting over after many “failures.”
Realistic approach to health financing innovation must recognize:
1. The poor have an income sufficiency problem.
2. The poor have a liquidity problem.
3. Poor quality care compounds the costs of serving the poor.