A faint, light blue world map is visible in the background of the slide, centered behind the text boxes.

Challenge and response on the value of health insurance in poor countries

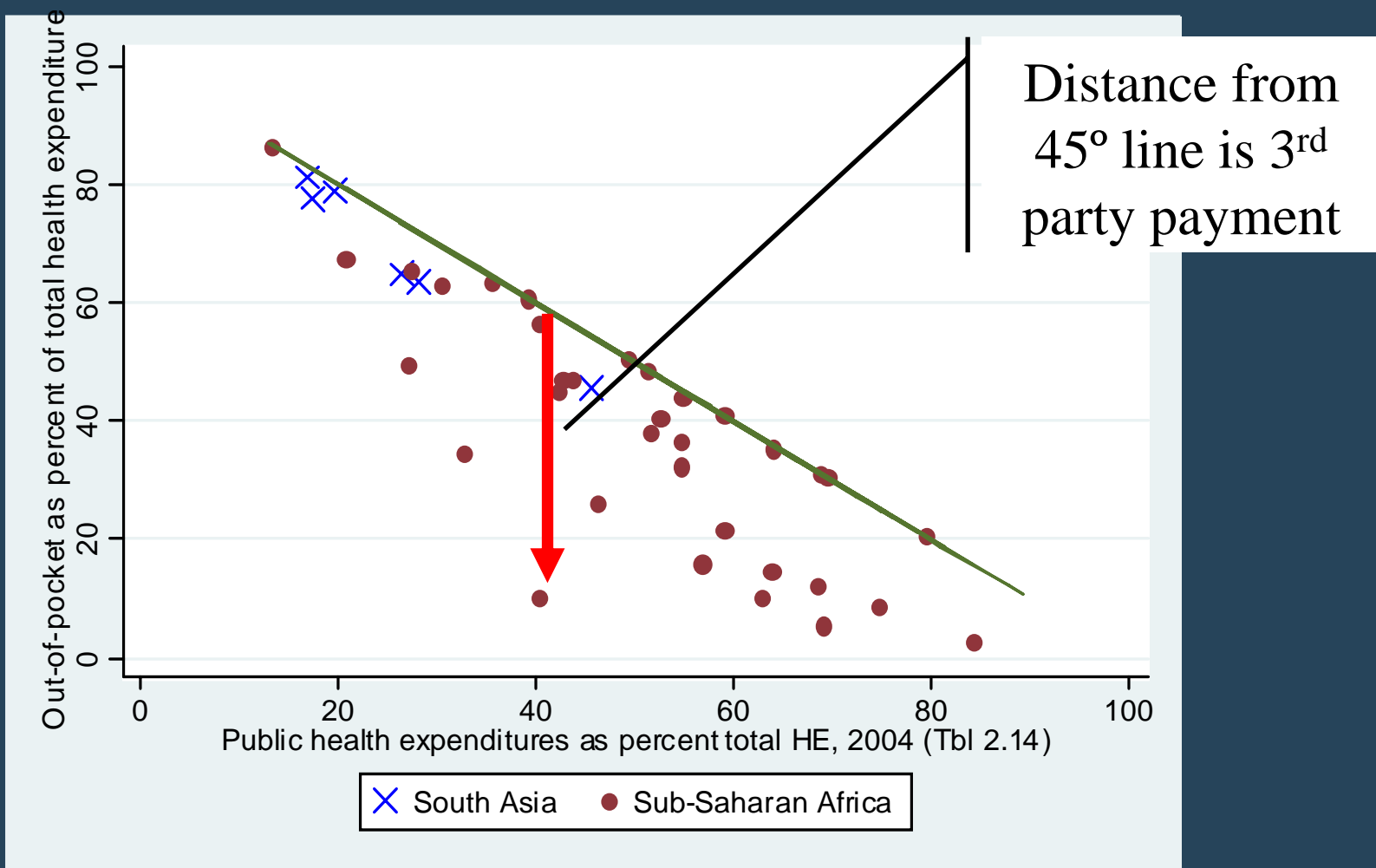
Mead Over
Center for Global Development
www.CGDev.org

Challenges to the value of improving health insurance

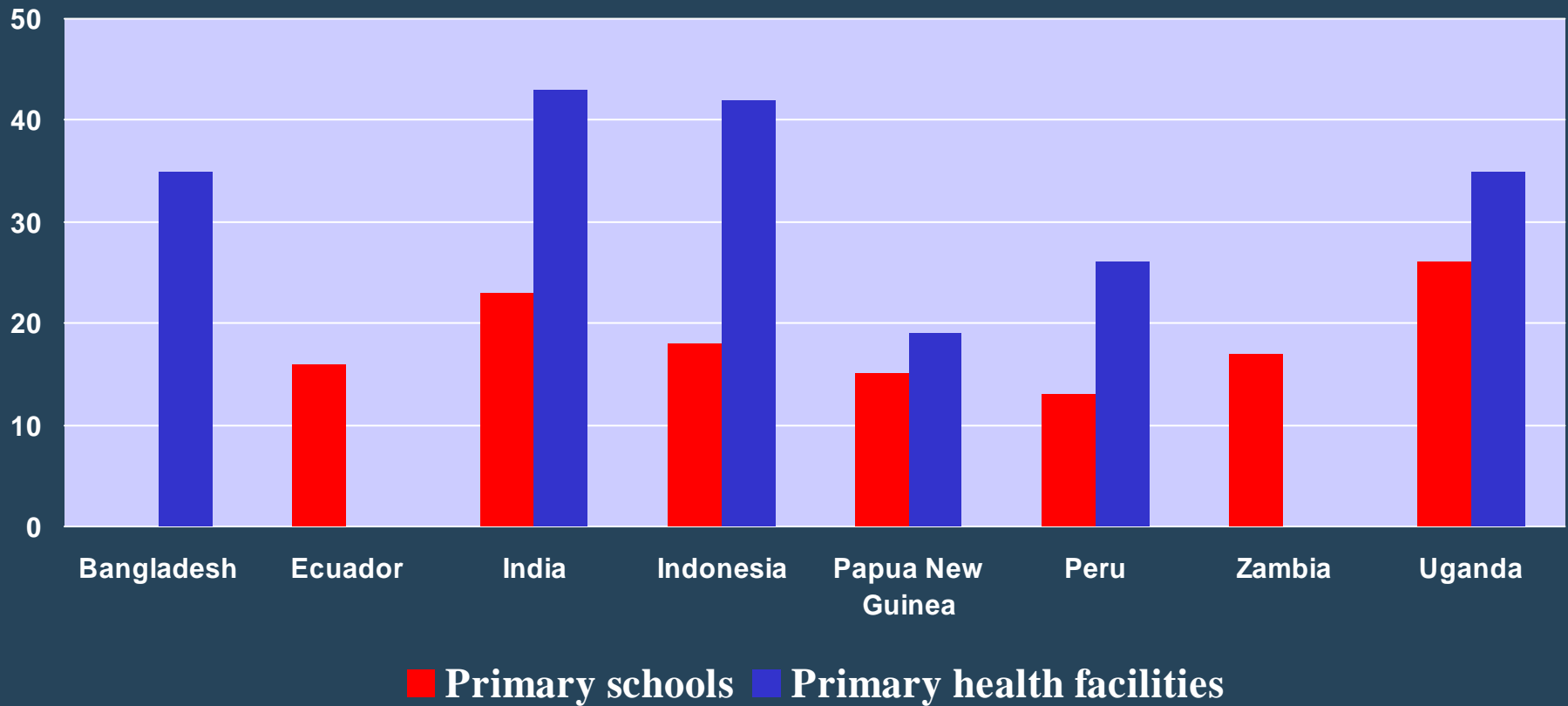
- In many poor countries in Africa, others are already helping pay for health care
 - The burden of proof is to show that insured care is better quality care than free care
- Why insure only health risks?
 - Health risks are only part, and perhaps a declining part, of total risk.
- Formal insurance crowds out informal insurance
 - Burden of proof is to show that formal insurance works better

Others are already helping
pay for health care

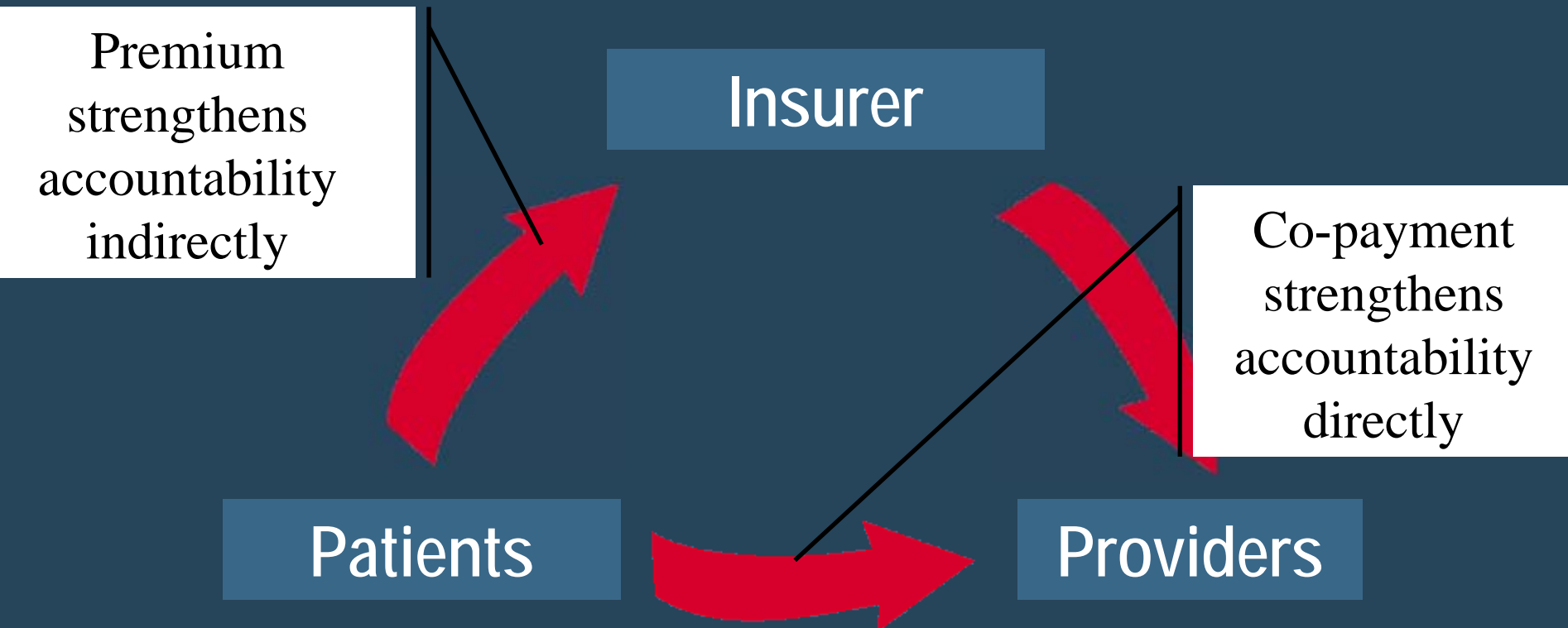
In many poor countries in Africa, others are already helping pay for health care



Percent of staff absent shows that service delivery is inadequate to justify insurance



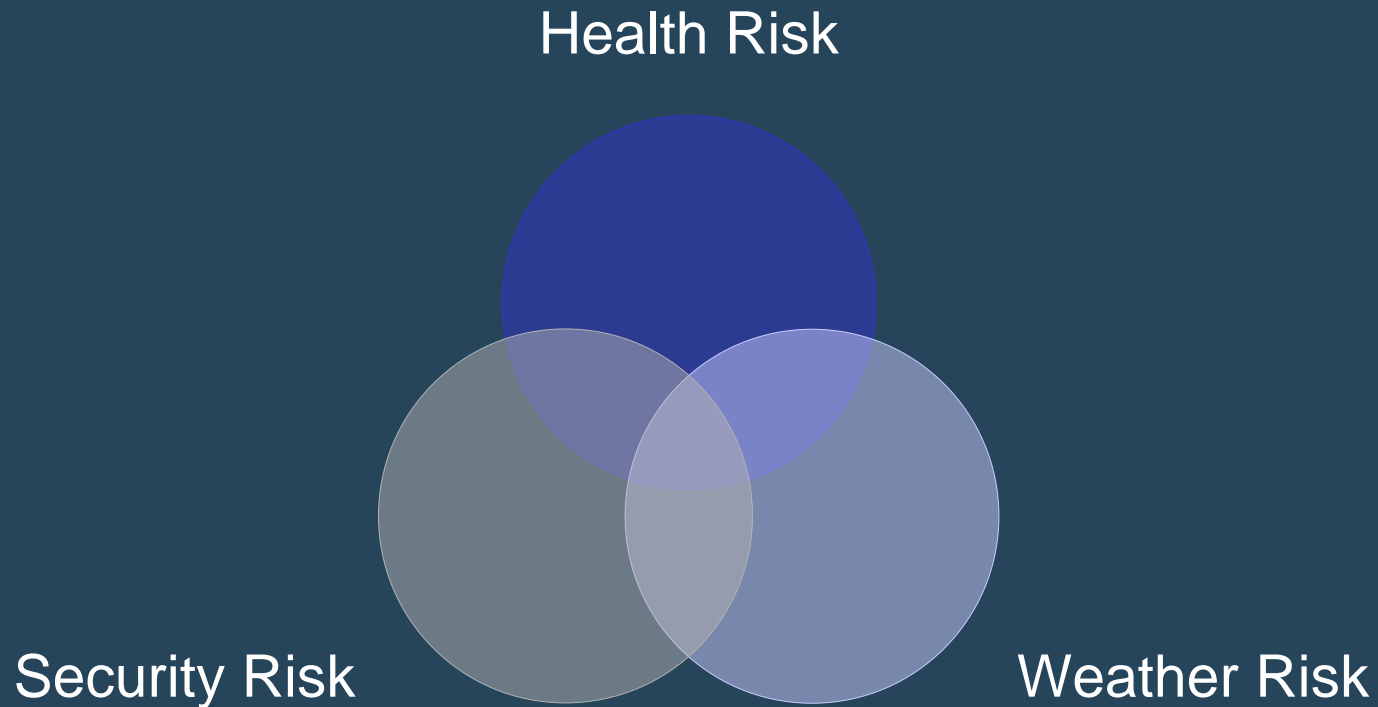
Insurance can be used to make providers more accountable to the patient



Source: Adapted from the World Bank's 2004 World Development Report: "A Framework of Accountability"

Why insure
only part of the risk?

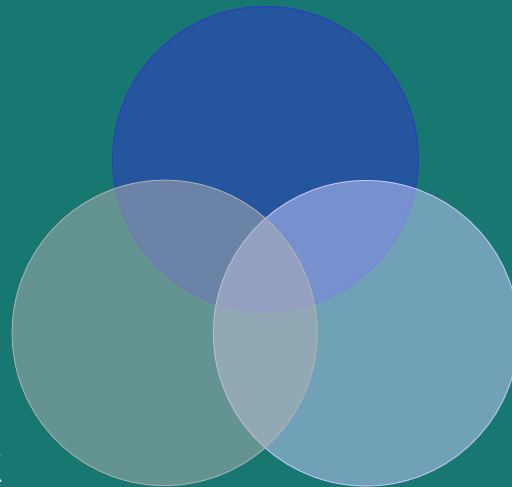
Other risks may be larger than health risks



Possible answer: Embed health insurance in more comprehensive micro-finance system

Micro-finance system
providing credit as well as insurance

Health Risk

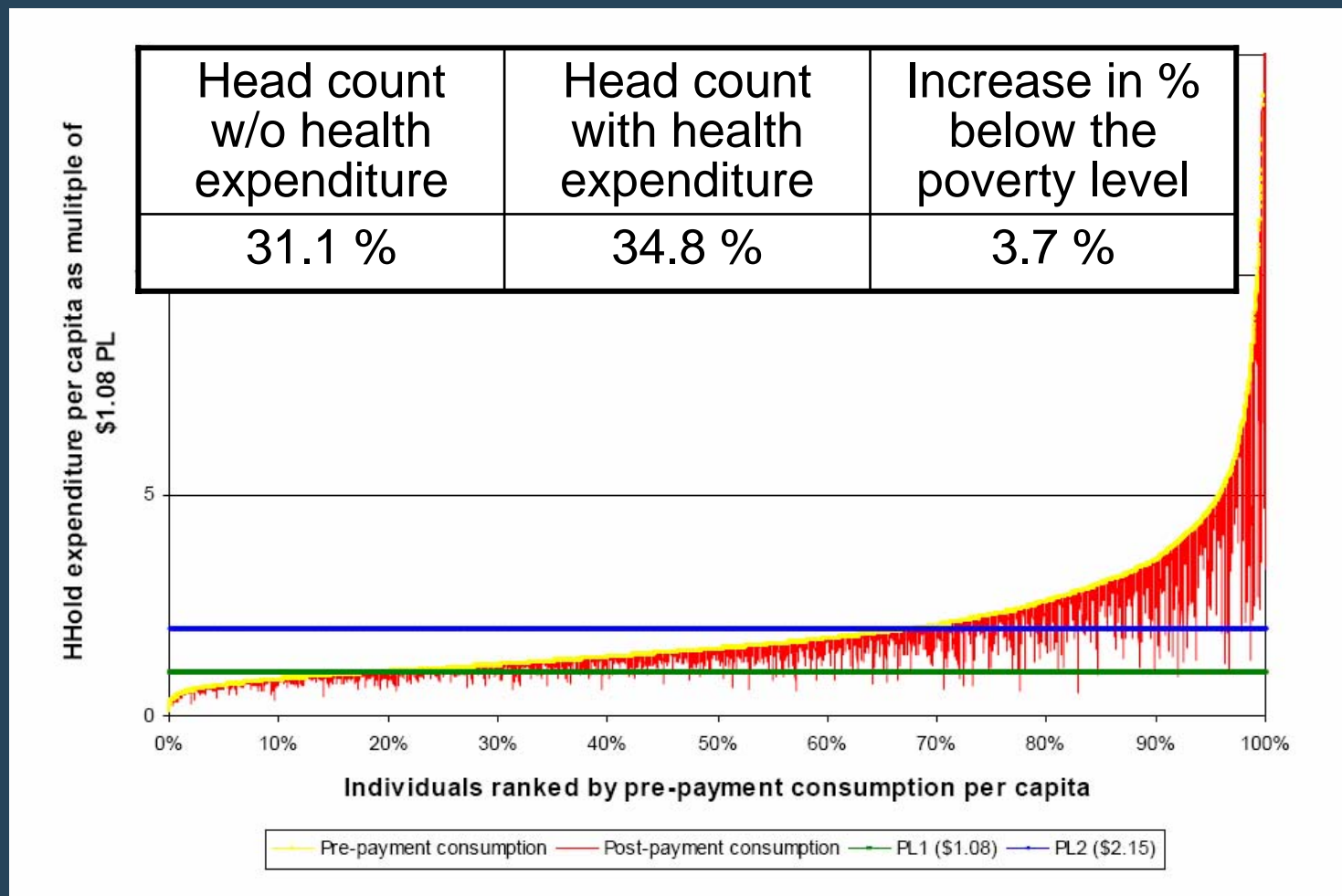


Security Risk

Weather Risk

Formal insurance crowds out
informal insurance

Use of household survey data to estimate the impact of health expenditures on poverty headcount: India, 2000



Source: Van Doorslaer et al, Lancet, Vol. 368, Oct. 14, 2006

“Paint drip” story overestimates extent of catastrophic health loss

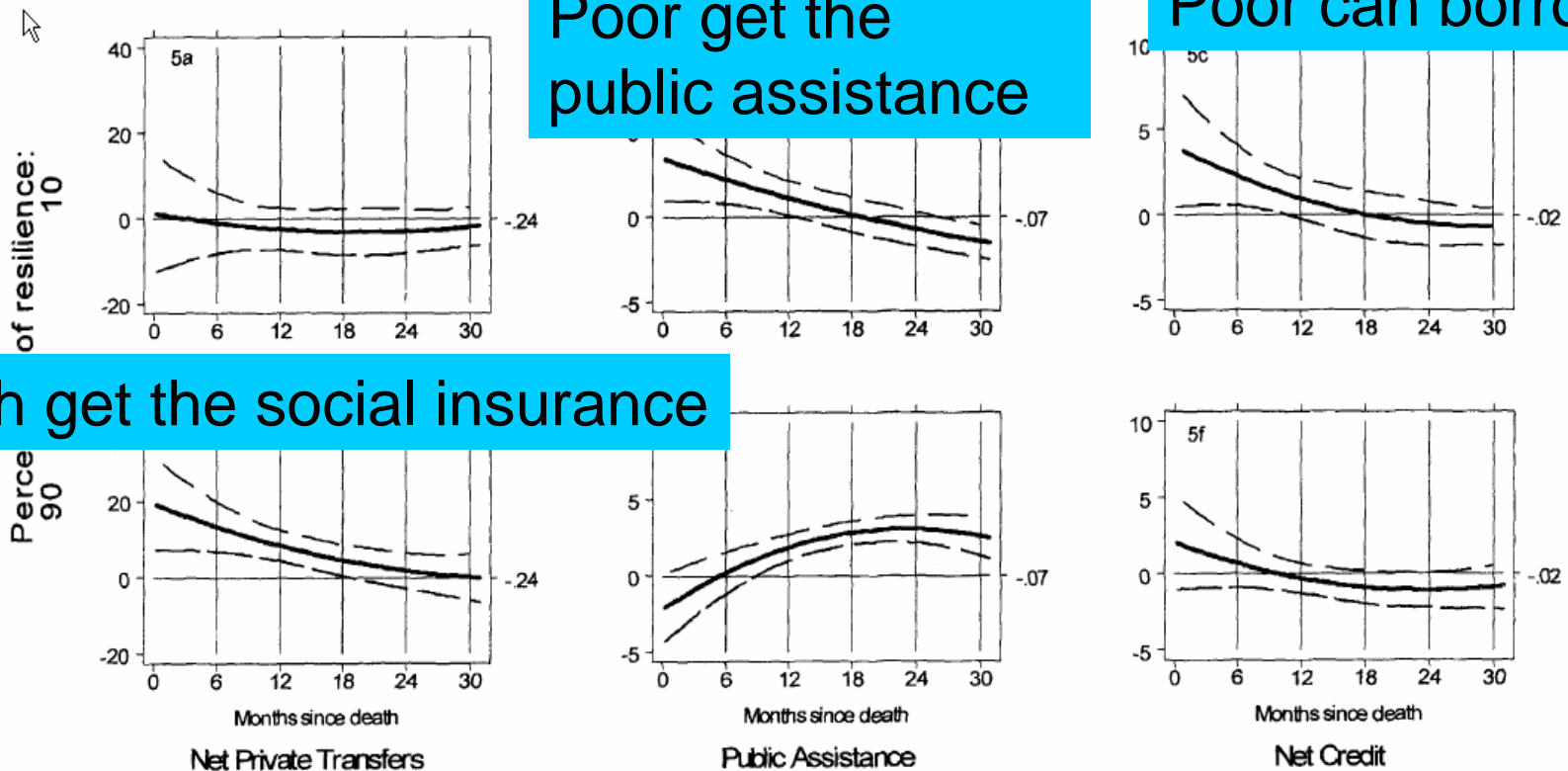
- The picture is dramatic, but width of “paint drips” creates the illusion of more than a 3.7 percentage point increase
- Absence of counterfactual: Without large health expenditures, household would have had less total expenditure
 - Thus many of those apparently “driven into poverty by health expenditures” would have been poor already.
- What looks like catastrophic household expenditure may often be evidence of a functioning informal insurance system

Social institutions substitute for formal insurance market

- Social institutions (Ravallion's "moral economy") can sometimes solve the moral hazard and adverse selection problems through monitoring and reputation
- However social institutions insure the rich more than the poor

After a death in Tanzania social insurance mainly helps the least poor

Figure 5. The Evolution of Transfers, Credit and Assistance Following a Death¹⁶



Source: Lundberg, Over, Mujinja, Sources of financial assistance after a death, *South African Journal of Economics*, December, 2000

Crowding out informal insurance may be a good thing

- Informal insurance networks may not help the poorest
 - Can we confirm that the informal insurance that is crowded out was mainly helping the least poor?
- Informal insurance networks may depend on sexual networking which is spreading AIDS
 - Can we confirm that formal insurance reduces sexual networking?