CHANGAMKA

Changamka MicroHealth (Changamka) is a for-profit company in Kenya that has developed products that facilitate and improve healthcare financing for low-income Kenyans, with the ultimate goal of increasing access to high-quality health services. Changamka has developed three main products: an electronic health savings account called the Medisave program, an e-voucher program for maternal care, and a micro-insurance scheme. As of early 2013, the business is comprised of about 70% e-voucher customers and 30% Medisave customers; the full launch of the micro-insurance product is scheduled for April 2013.

HTTP://WWW.CHANGAMKA.CO.KE

RECOGNITION

Savings Lives at Birth: A Grand Challenge for Development Winner (2011)

Most Innovative Health Market Innovation: IT Category, Institute of Health Policy, Management, & Research (December 2012)

CIO 100, awarded by CIO East Africa (2012)

Featured in Al Jazeera (March 2013)

YEAR FOUNDED
2008

TYPE OF ORG
FOR-PROFIT

OFFERING
FINANCING (PAYMENTS AND INSURANCE)

COUNTRY
KENYA

THE STORY

Healthcare services in Kenya are organized in a pyramid, with local dispensaries at the base and two national hospitals at the top. Each of Kenya's eight administrative provinces is in charge of providing healthcare services for their own district. Public and private providers of health care and health insurance coexist, however systematic coordination of public health care strategies has been weak. In 2008, the Ministry of Health was split into two separate ministries, the Ministry of Medical Services and the Ministry of Public Health, which has led to redundancies, competition for resources, and a less cohesive approach to healthcare reform. Recently, the government has piloted programs to cut down on waste and move resources more directly to the point of care. This may enable the government to better partner with private healthcare providers.

The healthcare industry in Kenya is financed by the government, patients, and donors. Out-of-pocket expenditure as a percentage of total health spending is very high, at 42.7% in 2010. When considering only private expenditures on health, that rises to 76.6%. This cost, typically due at the time of service, puts healthcare out of reach for many. The high out-of-pocket costs are compounded by the lack of health insurance coverage in Kenya. As noted above, only about 10% of Kenyans are covered by insurance and even fewer have outpatient coverage. The National Hospital Insurance Fund (NHIF), created as a compulsory insurance program for civil servants, has undergone many transformations since its inception in 1966. NHIF is now open to all Kenyans 18 years of age and older, as well as their dependents, on a voluntary enrollment basis and offers expanded services, such as outpatient services, to certain groups. However, NHIF coverage remains low, especially outside urban centers.

Although Kenya has a relatively high number of healthcare workers in comparison with the other countries in the region, there are large disparities in the distribution of healthcare workers by level of care (concentrated in hospital settings) as well as geographic region. Healthcare workers and healthcare facilities are disproportionately located in urban areas, exacerbating the lack of access to healthcare in rural areas.

Recent data from the Kenya Household Health Expenditure and Utilization survey indicate that utilization rates of health care have increased in the last two decades. However, high out-of-pocket costs associated with quality care together with high transportation costs and understaffed public healthcare clinics, dissuade many Kenyans from seeking medical care when ill.

Changamka has established a provider network that is linked in with the existing health system in Kenya. The health ecosystem in Kenya has enabled Changamka's innovative work, both through availability of critical human capital, such as technology staff and solution developers for mobile platforms, and also work at policy level. However, public private partnership (PPP) frameworks are yet to be implemented and the bureaucracy can be stifling. The insurance regulatory authority has been slow to formulate a regulatory framework for micro-insurance and has relied instead on the macro-insurance framework.

Changamka has also found it difficult to secure financing for its business and has relied on personal funds and debt of its founders to develop and launch new products. In the last year, however, Changamka has benefited from a surge in development agency support for technology upgrades and service delivery, including being chosen as a USAID Saving Lives At Birth consortium member. Changamka anticipates that bringing the micro-insurance product to market will enable the business to achieve profitability in 2013.

THE INNOVATION

Changamka is an integrated health financing company that utilizes an electronic platform, accessible by mobile phones, to facilitate the financing of healthcare services for the working poor in Kenya. Changamka currently provides three distinct products, all using the same electronic

platform: 1) Medisave, a health savings account, 2) e-vouchers, enabling subsidized maternal care, and 3) a micro-insurance scheme, providing affordable comprehensive health insurance for low-income families.

All three products leverage widely available mobile phone networks and M-Pesa, a mobile phone-based payment and money transfer service. Changamka's products and services make healthcare affordable for low-income Kenyans, save providers money by reducing administrative burden and level of unpaid accounts, and enable accountable, transparent transfers of money from donors to finance healthcare.

The Medisave program, Changamka's first product, is a sequestered client-controlled health savings account. It originally launched as a physical smartcard but is now entirely electronic. Customers register for a Medisave account online or through mobile phones, receive a unique ID number, and then can transfer savings into their account using M-Pesa and use the card to pay participating medical providers for maternal care or general healthcare.

Changamka's e-voucher product provides a transparent mechanism for third-party payers to transfer funding for existing maternal care voucher programs that subsidize care. Pregnant women eligible for the voucher program are registered by community health workers through mobile phones accessing the online platform and receive a unique ID number from Changamka. This number can be used at participating providers to cover antenatal care, delivery, and postnatal care, as well as additional subsidies for transportation costs.

In 2012, Changamka launched a micro-insurance product that also uses the end-to-end electronic platform. Changamka is part of a consortium formed to deliver this revolutionary micro-insurance nationally and they hope to reach more than 3.5 million Kenyans in the next 3 years. The insurance is priced at Kes 12,045 (about $140 USD) per family per annum and offers inpatient and outpatient care with value-added products, including hospital cash and funeral assistance. The insurance covers all pre-existing conditions and has no exclusions.

Both of Changamka's founders have a long background in insurance in Kenya and were familiar with data from the Association of Kenya Insurers (AKI) indicating that only 3% of Kenyans were covered by private health insurers with another 7% to 9% covered by the National Hospital Insurance Fund (NHIF). This left up to 90% of Kenyans without formal healthcare financing. Changamka was created to help fill this gap and targets the working poor, with incomes between USD $1.50 and $10 per day. At 15 million people, this group makes up 35% of Kenya's population. The working poor are excluded from the conventional government and private insurance schemes and have essentially no access to affordable healthcare. Furthermore, payment inefficiencies due to bureaucracy and paperwork drive up healthcare costs, putting essential care further out of reach. Pregnant women among the working poor in Kenya often go without antenatal care and typically deliver at home, without a midwife or other health worker.

Changamka's program provides a mobile technology solution for payment that benefits both the healthcare provider and the patient. Providers benefit from efficiency gains by cutting out administrative costs of billing and payment, translating into lower healthcare prices and, ultimately, increases in access and utilization of healthcare services. Patients benefit from the opportunity to save money over time to cover future healthcare expenses, as well as access to an affordable micro-insurance product for those that want comprehensive coverage.

Changamka has also worked with development agencies to deliver maternal care to the poorer households using existing voucher schemes. Changamka's e-voucher system provides a transparent and accountable method to transfer donor subsidies to care providers for each registered patient at the time of care delivery.

THE MODEL

Changamka's operating model is based on the premise that low-income Kenyans will access quality healthcare if provided with easily accessible mechanisms that allow them to save or pay for it incrementally, over time. Under the original model for the Medisave program, Changamka sold physical smartcards in places people were already shopping, at kiosks, drycleaners and supermarkets. By 2011, within 3 years of launching the product, Changamka had incorporated 18 smartcard distribution locations and 30 accredited medical providers, and served over 13,000 patients across four cities in Kenya.

In 2012, Changamka upgraded its technology to a web-based Online Payer Provider Health Data Exchange Platform. Changamka's business, across all three current products, is now entirely based on this electronic platform that can be accessed online or through mobile phones, such as those used by community health workers, and interfaces with M-Pesa for easy money transfers.

The new micro-insurance product was designed with the same focus on low-income customer needs that characterizes the Medisave program. One of the barriers to insurance coverage in Kenya is people's inability to pay the full premium amount upfront, as required by law (insurance schemes are not allowed to charge monthly). The Changamka program enables customers to save the annual premium amount over time, transferring money into their Changamka account through M-Pesa. When they reach the threshold, the system automatically purchases their insurance and sends them a message to alert them that they are now covered.

Following regulatory guidance, Changamka has split its micro-insurance business into a separate company licensed as a Medical Insurance Provider (MIP), Changamka Microinsurance Limited. Changamka rolled out this product as part of a consortium, partnering with Safaricom, the dominant mobile network operator that also runs M-Pesa, and British American Insurance Company, one of the largest insurance providers in Kenya. The micro-insurance model leverages existing resources including provider networks, M-Pesa mobile money systems, and the customer database and marketing channels of Safaricom. Changamka capitalizes on the high mobile phone penetration in its target areas to distribute services throughout Kenya.

The Tunza Clinics (a medical franchise run by Population Services International) form part of the provider and distribution network for the micro-insurance product while other channel partners include banks and retail supermarket chains.

Outside of the micro-insurance product Changamka has a rigorous engagement with medical providers in quality assurance monitoring as well as standardized care delivery. To begin with, every Changamka-accredited provider signs up to the Standard Treatment Guidelines, which were developed to mirror and improve on the MOH guidelines. Changamka's agreements with providers accepting the Medisave accounts include health packages at pre-contracted discounted prices, listed by the medical provider. For example, the maternal

care package includes four antenatal visits, delivery, and three postnatal visits. Customers may use any of the Changamka-accredited facilities.

Changamka markets Medisave and the e-voucher programs through existing networks and community resources, such as community health workers, banks, and supermarkets. They have also co-branded Medisave marketing materials with the UN Development Programme (UNDP), which lends credibility to the project. Community health workers provide an ideal distribution network, as they are assigned to specific regions and know their customers well.

Consortium partner Safaricom will lead marketing efforts for the micro-insurance product and Changamka plans to again leverage community health workers, offering an incentive payment for each customer they register. As community health workers are largely volunteers, this model will help to incentivize their work and may result in increased health education activities in the communities where the micro-insurance product is sold.

Changamka is also experimenting with messages and program design to impact behavior change among its target population. For example, they are testing the efficacy of sending text reminders to e-voucher clients with the date and location of their next scheduled appointment. They are also testing different amounts of subsidies for the e-vouchers (90% and 100%) and transportation add-ons. They hope to also test new communication methods and savings incentives with the Medisave program to encourage savings and utilization of care.

Changamka's most utilized assets are its electronic platform and integrated systems, which are, for the most part, cloud-based at Safaricom. The organization's most prized assets are its staff members; the founders focus on providing continual opportunities to develop the staff's capabilities and develop every requisite skill. Changamka's staff of 14 includes in-house finance, technology and insurance skills as well as board-level medical oversight.

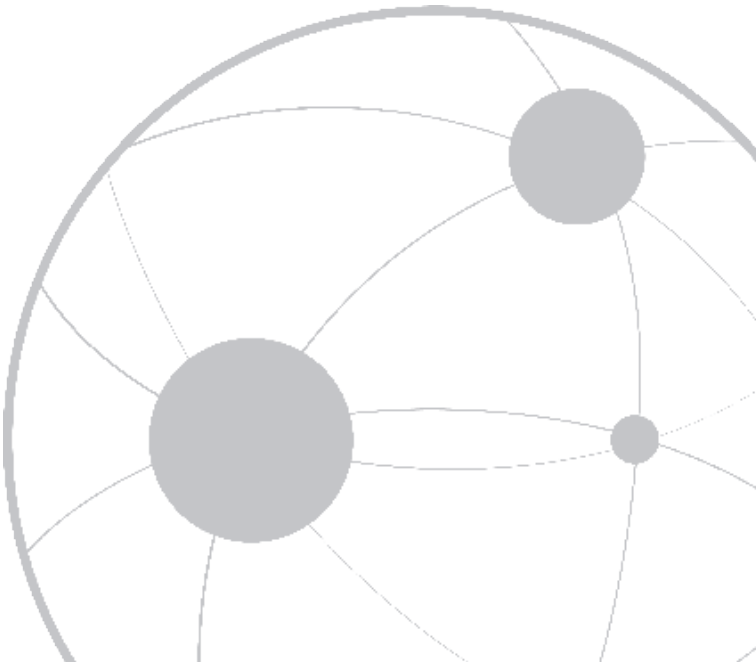
Changamka applies different revenue models for each of their three products. For the e-voucher program, the third-party payer providing the care subsidy pays Changamka to administer the financing mechanism. Using a paper-based voucher system, administrative costs are typically between 21% and 26%. Changamka's e-voucher system typically costs about 15%, making it a more cost-effective option for the payer.

The Medisave program charges the medical providers a fee, generally 10%, for each patient visit. Changamka's program increases patient volume, guarantees payment (reducing unpaid accounts), and eliminates providers' administrative costs for billing. Changamka estimates that participating providers save an average of 30% by accepting Changamka Medisave accounts.

With the micro-insurance product, Changamka receives a commission from the British American Insurance Company, the risk carrier.

Changamka is an entirely self-funded for-profit limited liability company and has recently also received financial support from the Grand Challenges program, Saving Lives at Birth (co-funded by USAID, the Norwegian Ministry of Foreign Affairs, The Bill and Melinda Gates Foundation, Grand Challenges Canada, and UK AID).

In early 2013, the business is primarily made up of e-voucher clients (70%), followed by Medisave customers (30%). The micro-insurance scheme was launched as a pilot in late 2012 and the full launch is scheduled for April 2013. Based on the positive results of the pilot, Changamka's founders expect that the micro-insurance product will quickly comprise more than 80% of their business. With the advent of the micro-insurance product, Changamka anticipates reaching profitability in 2013.



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Changamka provided the source data for this document and is responsible for the accuracy of the content.

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