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# Sustainable Health Financing Innovations, Best Practices in Zambia and the Region



Empowered lives.  
Resilient nations.

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Improving district health service delivery



Medical Stores Limited dispatch facility UNDP constructed through the Global Fund



Newly constructed Warehouse at Medical Stores Limited, Lusaka

2018 Global Health Supply Chain Summit  
Lusaka, Zambia



# Background UNDP



*Empowered lives.  
Resilient nations.*

The United Nations Development Programme is assisting the Government of the Republic of Zambia to strengthen and expand the supply chain for life savings medicines and equipment in Zambia.

This is in support of national efforts towards the Sustainable Development Goals – to leave no one behind - and the attainment of SDG3 and SDG13 by promoting healthy lives and wellbeing for all ages.



# Agenda

This presentation will present a number of Health Financing Innovations, Best Practices from within Zambia and the region to:

- 1) Increase revenues;
- 2) Realize costs savings to provide high quality health services;



# Innovations to Increase Revenues

1. Social Health Insurance;
2. Sin Taxes and other Levies;
3. Systems to better coordinate and use of existing Donor Grants;
4. Social and Development Impact Bonds;
5. Corporate Social Responsibility Programs, Product Placements;
6. Remittances, Diaspora Financing;
7. Private Insurance Funds and Direct Co-Payments.



# 1) Social Health Insurance

Social Health Insurance model has been the dominant choice for health financing reform in low and middle income countries primarily due to:

- 1.the popularity of social solidarity concepts imported from Europe;
- 2.political motivation to rapidly protect populations against illness;
- 3.limits on revenue generation through tax-based schemes.

In the region, SHI has been introduced in a number of countries, including Ethiopia and Rwanda. Act No. 2 of 2018 signed by President Edgar Chagwa Lungu establishes the National Health Insurance Scheme in Zambia.





## 2) Sin Taxes and other Levies

Sin taxes are often cited as effective and important means to reduce harmful consumption and health-care costs, and represent a revenue stream for financing for development. For instance, the Addis Ababa Action Agenda recognizes that price and tax measures on tobacco can be effective.

Over the years, Zambia has already implemented a number of tax increases for harmful substances, for instance in 2014 Zambia increased in excise duty on clear beer from 40% to 60%.

At the launch of the NHSP 2017-2021, Minister of Health announced that the government will introduce "sin tax" for goods and products harmful to human health such as tobacco, alcohol and junk foods.





### 3) Systems to better coordinate and use of existing donor grants

Significant gains can be made from better use of existing funds committed to Zambia, through Government or external partners. This could be from efficiency gains through better coordination, avoidance of duplication, but also from better tracking and utilization of existing grants and programs.

A success story from the region in this regard is Rwanda. Key in this success was a well-established and effective aid coordination and management system operated by Ministry of Finance, including a Development Assistance Database and an annual Donor Performance Assessment Framework.



## 4) Social and Development Impact Bonds

Social and Development Impact Bonds are public-private partnership that allows private (impact) investors to upfront capital for public projects that deliver social and environmental outcomes.

An example from the region is the Department for International Development that is working on a Development Impact Bond to tackle sleeping sickness in Uganda.

In order to spur innovation in public service delivery, the UK has established impact bond funds (i.e. the Innovation Fund and the Fair Chance Fund) to finance a larger number of Social Impact Bonds. The United States set up a similar facility, the Social Innovation Fund, in 2014 to conduct feasibility studies and support transaction development.



## 5) Corporate Social Responsibility Programs, Product Placements

In Zambia there are a number of corporate partners which provide goods (food, blankets etc.) or services (transport, communication, small renovations) at central or facility level to supplement government resources as part of their Corporate Social Responsibility programs.

A relatively unexplored area in the Zambia context is the sale of specific branded products to consumers to raise additional resources for specific programs.

A good international example in this regard is RED to support the fight against HIV AIDS. RED was founded in 2006 by Bono and Bobby Shriver to harness the power of people and companies to help fight AIDS.



## 6) Remittances, Diaspora Financing

Remittances are private unrequited transfers (i.e. payments for which no economic asset or benefit is obtained) sent from abroad to families and communities in a worker's country of origin (or home country), but they can also be used by Governments as investment vehicles.

**Diaspora bonds:** These are traditional bonds sold by the home country to its own diaspora as an alternative to borrowing from capital markets. The first diaspora bonds were issued by China and Japan in the 1930s; In the 2000s Ethiopia, Nigeria and Ghana were the first in Africa to do so.



## 6) Remittances, Diaspora Financing (Continued)

**Diaspora investment, insurance and pension funds:** These funds can facilitate diaspora investment and retirement plans in the home country. Diaspora funds can invest in short-term debt securities and/or in equities. These types of funds are being experimented with in Kenya (Kenyans Abroad Investment Fund), and Rwanda (Rwanda Diaspora Mutual Fund and Global Diaspora Investment Fund).



## 7) Private Insurance Funds and Direct Co-Payments

Insurance products (i.e. health and life insurance policies) traditionally are sold directly to members, but there are innovations targeted at relatives (including diaspora) to directly contribute to healthcare costs of their families (abroad).

An interesting example of this model in the region is M-TIBA in Kenya. This application enables people to save, send, receive and pay money for medical treatment for others through a mobile health wallet on their phone. It's a closed loop with conditional funds that can only be spent on healthcare at selected providers



# Innovations to Reduce Costs

1. Providing health care together with the Private Sector;
2. Using Big Data to better target program delivery;
3. Task shifting;
4. Hospital Public Private Partnerships;
5. New models for building and maintaining staff houses;
6. Sharing Supply Chain Systems across Sectors;
7. Mixed financing models for lab and other equipment;





# 1) Providing health care together with the Private Sector

**Governments can cooperate with the Private Sector to bring Health Care Services to some of the most rural areas.**

In 2007, a national study in **Namibia** highlighted that rural employees and their dependents have limited access to health services. One of the greatest challenges for rural communities is the large distance. The study highlighted that 80% of employers would be willing to co-pay for their employees and that 41% would be willing to co-pay for dependents to receive health care if primary health facilities would be available within a 20km radius.



# 1) Providing health care together with the Private Sector (Continued)

In the second half of 2010, PharmAccess piloted the provision of mobile primary health care in the Otjozondjupa region. The pilot results were encouraging, 30 employers participated and the mobile clinic was able to facilitate 1,925 visits (average of 32 visits per day), with an average cost of USUS\$ 40 per visit. Although dependent on donor funding, part of the cost of the pilot was covered by commercial farmers and the MOHSS provided free vaccines.



## 2) Using Big Data to better target program delivery

**Data generated from the government or the private sector can be used to better target health program delivery.**

**Namibia** used data generated from mobile phone usage to target its malaria control program. Researchers analyzed close to 1.2 million anonymous phone records in Namibia to track population movements. Using these, Namibia was able to target health interventions to 80,000 people, rather than the 1.2 million the government had previously estimated were at risk .



## 2) Using Big Data to better target program delivery (Continued)

**Zambia and other countries in Africa** are using a software tool, M-Spray, that integrates Google's mapping technology with intelligent overlays, to show IRS spraying teams with cellular-enabled tablets where they are and where the next house is they need to find and spray. Similar applications can also be used for other health programs, for instance to estimate the populations affected by natural disasters or eligible for outreach programs.



## 3) Task shifting

**Task shifting not just to other staff, but to technology has a huge potential to save costs.**

Through its funding of **South Africa's** Right to Care project, the Global Fund has supported the development of the Pharmacy Dispensing Unit -- a machine providing antiretroviral drugs to people with HIV. A pilot effort is currently underway to install units in rural and densely populated parts of South Africa that are far from a doctor or clinic.



## 5) New models for building and maintaining staff houses

**Governments could look at innovative models to share the costs of construction and management of staff houses with external partners.**

An interesting pilot to learn from is currently being implemented in **Zambia** by SolidarMed, a Swiss organization for health in Africa. SolidarMed started in 2013 with renovating existing and building new staff houses in Zambia and renting these out to retain healthcare workers in rural areas. To ensure sustainability, SolidarMed has set up a Housing Cooperation, Limited by Guarantee in Zambia, owned by a specific investment vehicle SolidarInvest, which is collecting rents and overseeing all the staff housing activities in Zambia. As of 2017 SolidarMed has built 24 and upgraded another 12 houses, generating 15,000 USD in rental income.



## 6) Sharing Supply Chain Systems across Sectors

**Governments could work closer with the private sector to lower its supply chain costs and make its supply chains more effective.**

A good example from the region is Project Last Mile (PLM), that uses the Coca Cola system's logistic, supply chain and marketing expertise to help improve health systems across Africa in a sustainable way. As a result, Governments were able to lower costs and significantly improve availability of critical medicines throughout the markets they serve . For instance, in some areas in **Tanzania** where the initiative has been implemented, the availability of critical medicine has increased by 30%.





## 6) Sharing Supply Chain Systems across Sectors (Continued)

Project Last Mile teams have since worked with Ministries of Health in **Ghana, Mozambique, Nigeria and South Africa** to improve the availability of essential medicines and through a global partnership between the Coca-Cola Company, the Coca-Cola Africa Foundation, USAID, The Global Fund, and the Bill and Melinda Gates Foundation, PLM aims to expand its support to ten African countries by 2020



## 7) Mixed financing models for lab and other equipment

**Buying, leasing, and renting are traditional models for procuring equipment, but there are innovations in this area**

A number of suppliers and specialized financing companies in **Zambia and other countries in the region** have started to offer new mixed financing models, where machines are bought, but the maintenance and servicing of the machines is being paid for by add-ons to the price of the consumables, e.g. tests and reagents.

This type of arrangements can be beneficial, as supplier and buyer have a shared interest for machine up-time and utilization to improve, while costs are spread out during the lifetime of the machine. Similar arrangements can be made for other equipment, where the consumables are specific or protected by the supplier of the equipment.



# QUESTIONS?

2018 Global Health Supply Chain Summit  
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