

# Willingness to Pay for Health Insurance in Malawi

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# Outline

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2. Motivation
3. Methodology
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# 1. Introduction



# Introduction



- The *ticky* debate and cabinet crisis of 1964
- Health Policy and EHP
- EHP and service agreements



## 2. Motivation

Health Care financing



# Motivation: Health Care Financing

- Malawi's per capita GDP is now at US\$250
- Malawi's per capita health expenditure has grown from US\$12 in 1998 to US\$ 15 currently
- Yet figure is below the US\$34 (us\$28) recommended by the World Health Organisation.
- Total health expenditure as a percentage of gross domestic product (GDP) increased from 9.9% in 2002/03 to 12.8% in 2004/05
- 
- Yet Malawi is the most donor-dependent country in healthcare financing (donors give 60%)



# Motivation: Health Care Financing

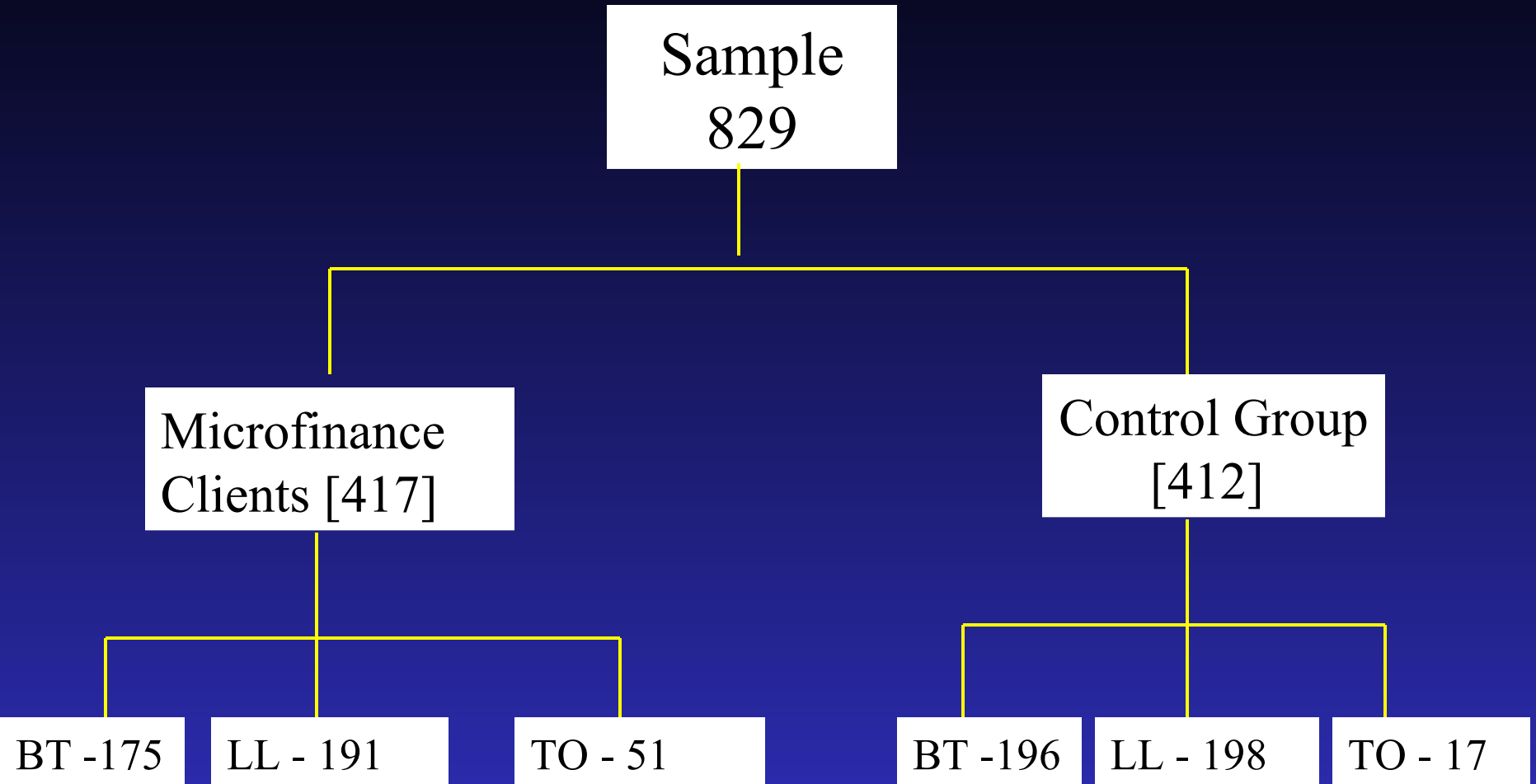
- Private sector health care financing accounts for 27 percent of the total health expenditure
- Prepaid and risk pooling provides on average 15 percent of the private health expenditure (or 4 percent of the total health expenditure).
- OOP expenditures average 34 percent of the private health expenditure (or 12 percent of total health expenditure).
- At what price will Malawian households be willing to convert their out-of-pocket health expenditures into pre-paid health expenditure?



# 3. Methodology



# Survey Design



# Contingent Valuation Method

- 3 stage bidding game
- Stage 1: Binary Declaration of WTP
- Stage 2: Bidding on individual reservation price
- Stage 3: Bidding on family reservation price (or premium)



# 4. Willingness to Pay

## Descriptive Statistics



# Ease of paying for medical bills (%)

	Sample	MFI Clients	Control Group
Very Easy	19.59	24.04	15.09
Easy	26.24	30.29	22.14
Indifferent	12.33	11.54	13.14
Difficult	28.66	23.56	33.82
Very Difficult	13.18	10.58	15.82
	100	100	100



# Willingness to Pay

- 97% were willing to pay for health insurance
  - Individual WTP = MK192.81
  - # of members willing to insure = 3.72
- ✂ ⇒ Family WTP should  $\approx$  MK717.25



# WTP for services

- It appears people are aware of EHP and not willing to pay for services in EHP (e.g. maternity)
- Hospitalisation, transport and loss of salary were the highest ranked services people were willing to be insured against



# Willingness to pay

	Sample (MK)	Treated (MK)	Control (MK)
Individual WTP	192.81	215.53	173.46
Initial family Price	662.35	771.69	552.21
WTP for family	720.17	889.27	655.90



# Reality Check!

- WTP = MK192 / person or MK720/family
- MASM Charges per person/month
  - Econoplan - MK520
  - Executive Plan - MK1,500
  - VIP Plan - MK3,500.



# Preferred Frequency of Payments

Period	Frequency	Percent
Weekly	25	3.05
Monthly	701	85.59
Quarterly	71	8.67
Biannually	11	1.34
Annually	11	1.34
	819	100



# Willingness to Pay I

<b>Annual Income Range (MK'000)</b>	<b>Mean WTP (MK)</b>
$\leq$ K73	359.22
K73- K125	498.59
K125- K207	529.90
K207- K367	841.75
K367- K622	1101.97
$\geq$ K622	1018.27



# Willingness to Pay II

## Determinants of WTP



# Model

1. Logistic selection Model of decision to join health insurance scheme
2. OLS Model of determinants of the amount people were willing to pay



# Variables

- SEX
- AGE EDUHSIZE
- LNINCOM
- CREDU
- OCCUP
- CHRONILL
- ILLEPSD
- HQPLOC
- MEMBE
- AHI



# Willingness to Pay II: Determinants

Probability of Selection to buy insurance rises  
with income

and falls with membership in credit union,

Improvements in perceived health quality and

Membership in community groups

See table 2



# Determinants of WTP

- Positive and significant impact variables
  - Education of h/h head,
  - Household income
  - Household size
  - Employment in formal sector



# Determinants of WTP

- Negative and significant impact
  - Age
  - Subjective assessment of the quality of public health services



# Determinants of WTP

- No Statistical impact
  - Illness episodes
  - Chronic illness
  - Prior insurance information
- See table 3



# Conclusion



# Conclusion

- Malawians are willing to pay for health insurance
- Members of Microfinance organisations are willing to pay more for health insurance
- WTP is more a function of socio-economic characteristics of respondents than health variables



# Food for Thought

- Can an economically viable scheme be designed at these WTP?



Thank you

