

Willingness to Pay for Health Insurance in Malawi

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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
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- Yet Malawi is the most donor-dependent country in healthcare financing (donors give 60%)



Motivation: Health Care Financing

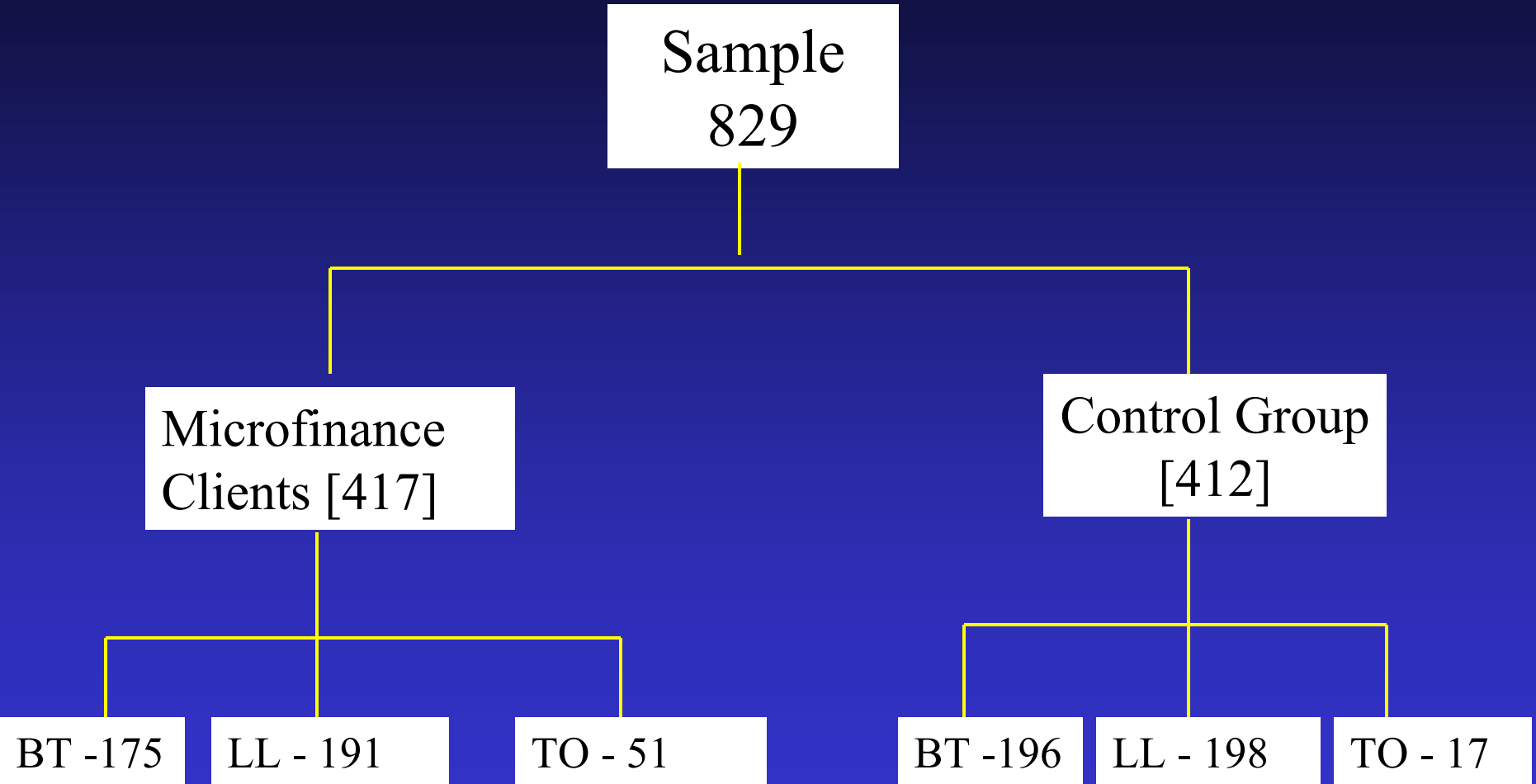
- Private sector health care financing accounts for 27 percent of the total health expenditure
- Prepaid and risk pooling provides on average 15 percent of the private health expenditure (or 4 percent of the total health expenditure).
- OOP expenditures average 34 percent of the private health expenditure (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
- \Rightarrow 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

Annual Income Range (MK'000)	Mean WTP (MK)
\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

