

Making Insurance Work for The Mass Market – Case Study of Hospital Cash Benefit

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CASE STUDY

It was the 29th of June, 2013, one of the hottest days of the year in Chak no. 27, a small locality 60 km south west of Kasur. Hamida Bibi, a 37 year old mother of five, was on her way to the local market place in Kasur for her weekly shopping of raw material for her home made artificial jewelry business. Hamida had started her business six months ago through a micro loan of Rs. 25,000 from the Micro Finance Institution (MFI) in the hope that she would be able to make it successful and contribute to her household income. Her husband, who is a worker at a local sugar mill, makes a meagre Rs. 5,000 per month, which is not sufficient to run the household.

Six months into launching the business, Hamida is well positioned in her locality and with business acumen, has been able to create tie-ups with a few large garment stores in the central shopping area of Kasur. She provides them with her jewelry creations – bangles, earrings, necklaces - for sales in their stores for a pre-agreed commission. Business is growing and her husband can also see that she is now contributing regularly to the household income. Hamida is very particular about repayments of her loan and ensures that she is able to pay her monthly installment by the 10th of each month to MFI.



It was the morning of 17th September, 2013, when Hamida felt acute pain in her lower abdomen and contracted high fever. It was necessary for her to go the hospital for treatment. Hamida recalled that at the time of processing the loan, the loan officer had informed her that she and her spouse were covered under a health insurance plan and she could avail health services through any of the panel hospitals without any charge. Hamida's husband was able to find the brochure that listed the hospitals and to their dismay, the nearest hospital was in Lahore, which was about 120 kms or a 4 hours road journey. The pain was unbearable and Hamida didn't have the option of travelling so far for the treatment. She eventually got treatment from a local private hospital and was

admitted for 5 days. Unfortunately she had to bear the entire expenses of the treatment as the health insurance she had did not cover the treatment in out of panel hospitals. Hamida wondered what good the health insurance was if it didn't help her in the time of her need...

Issue Statement:

Offering sustainable Insurance solutions for the mass and micro market segment is a challenge for insurers. This case study discusses how a simple concept which fitted in with the basic needs of the market was converted to a sustainable insurance solution that has made a positive difference to the lives of many.

Abstract:

EFU Life helped a microfinance institution improve its insurance experience by designing an innovative product that enabled the microfinance institution and its members understand insurance in a much simpler way and utilize its benefits. The solution improved the utilization of insurance benefits and helped to increase the claim ratio from previous 5% to 50%, reduced the claim processing duration by 5 times, and created mass level awareness amongst the members of the MFI. In addition, the new product was designed in such a way that it caters to the masses at the bottom of the socio-economic pyramid which helped us in achieving the satisfaction of corporate social responsibility.

Client Details:

The client is a non-profit, non-governmental Micro finance Institution (MFI) working for alternative development at grass-root level in Pakistan. It is an alliance of social scientists, philanthropists and professionals from various fields having significant experience of working with NGOs in and outside Pakistan. Their four pronged strategy comprises of education, micro-financing, training capacity building and skill development of community groups, research and documentation. The organization concentrates on the social and economic uplift of communities, especially in rural areas/urban slums, by encouraging them to ascertain their own needs. This leads to build capacity and local resources to an extent that enables them to eradicate the real and most tangible problems.

The emphasis of the MFI therefore is on such programs that concentrate on activities for integrated, self-reliant and long-term development of the communities through various programs of education and health, enhance the cause of women development by initiating programs for income generation, provision of credit and awareness of their legal and basic rights and train and support human resources for devising, implementing and overseeing development projects and programs.

Background & Challenges:

The MFI built a health insurance solution as part of its micro-financing proposition for females. Due to the low utilization of the health services offered by the product, the MFI was re-evaluating its approach to this value added benefit. The key concerns of the MFI with their existing health insurance scheme structure was the non-availability of the network hospitals in areas where the customers of MFI resided, low or no awareness about the benefits and how to avail this service, hassle in operating this service at the hospitals and the high claim processing time which at times extended to as much as a few weeks.

Solution Provider- About EFU Life:

EFU Life is the leading life insurer and family takaful operator in the private sector of Pakistan. Having started operations in 1992 as the first private sector life insurance company, over a span of 24 years EFU Life has established itself as a trusted brand name in providing all types of financial planning solutions. The Company markets its business through three main distribution channels – Sales Force, Bancassurance and Group Benefits. Through its distribution channel outreach, the Company has presence in all parts of Pakistan and is able to spread the message of financial protection and savings to the general population with a focus on the emerging middle class for its retail products. Through the Group Benefits setup, corporate clients are tapped for insurance protection and savings solution. The company has a market share by premium of over 40% in the private life insurance sector and is the largest asset manager in Pakistan with client funds in excess of Rs. 87 billion.

Business Context:

“The Microfinance Institution creating value for its customers”

The MFI had evolved a customer centric vision to achieve a holistic view of the policy holder’s profile. Their objectives

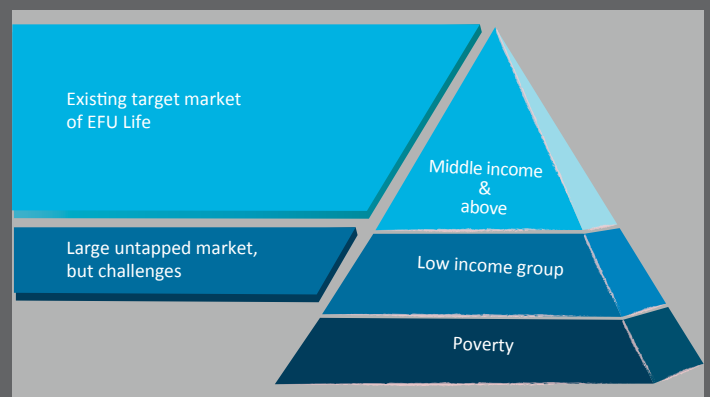
were: to enable a solution that takes into account the health needs of their customers; increase the awareness and usage of this service amongst the customers; create an efficient claims process by empowering the users with necessary tools to pursue the usage of this product. The organization was also looking for a professional, cohesive and appealing proposition to support and strengthen their objective of providing a need based solution to their customers. The client approached EFU Life due to the strong brand name for a viable solution and requested the company to drive this critical objective

EFU Life – entry into mass market segment

EFU Life, as part of its business strategy had focused on the middle income and above socio-economic group for its retail products. When the MFI contact EFU Life for a viable solution which catered to their key pain points of the existing health insurance coverage, EFU Life decided to offer the solution through a pilot program. Prior to entering this customer segment, the Company carried out detailed research of the market to identify opportunities for a viable business case which could also have a social impact on the masses. Preliminary research indicated that micro/mass level solutions needs an understanding of the customer segment, their needs and a shift of the target segment. It’s not limited to offering a product but the overall proposition is important.

Shift to middle of the pyramid

The socio-economic pyramid below shows the placement of EFU Life’s existing customers which mainly at the middle income and above of the spectrum. The challenge was to focus attention on the much larger middle segment of the pyramid which is the low income group.



Research Findings:

1. Healthcare in Pakistan:

- Estimated morbidity rate is around 17-20% of the overall population.
 - Women in reproductive age and elderly fall sick.
- Annual per capita healthcare expenditure PKR 5000 of which around 1/3rd is provided by the state and the rest between 65-70% is managed by

the individuals themselves.

- Average healthcare expense is considered around 4% of people living in urban areas and 5% of those living in rural settings.
- On an estimate, 2/3rd of urban and 1/3rd of rural population visits private healthcare provider in the time of need.

2. Common Reasons requiring healthcare:

| Non Chronic | Chronic |
|---|---------------------------------------|
| Malaria and fevers – most prevalent | Diabetes |
| Pneumonia | Renal |
| Gastroenteritis – most prevalent | Hepatic |
| Tuberculosis | Hypertension |
| Typhoid | Cardiac |
| Bronchitis/ Acute Respiratory Infection | Psychological and mental disorders |
| Diseases of genito-urinary tract | Skin disorders |
| Skin disorders | Diseases of bones, joints and muscles |
| Dental | Diseases of eyes |
| Diseases of eyes | |
| ENT | |
| Injuries | |

3. Key Hospitalization Expenses:

- Hospitalization Fee.
 - Average PKR 500-650 per visit to a lower tier hospital.
 - No fee applicable if patient Basic Health Unit, Rural Health Center, District Headquarter Hospital or other free government/ mission/ military/ trust hospitals.
- Cost of drugs and medical supplies.
 - Approximately PKR 200 to 300.
- Food and nutrition.
 - Cost of special diets (juice, soups etc) PKR 50 to 100 per day.
- Transportation cost for a commute to and from healthcare facility.
 - Bus (PKR 50), Rickshaw/ Qingqi (PKR 100-200), Taxi (PKR 300-500).

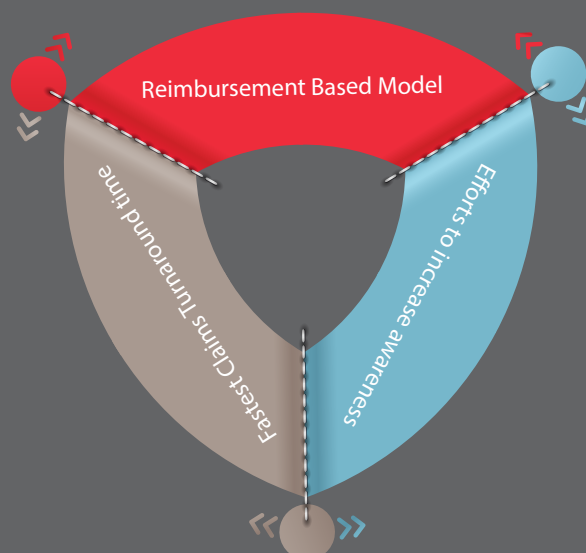
Solutions to the challenges faced by the MFI

The MFI wanted to offer a value added benefit; the solution which was linked to the health needs of their customers. However, the health insurance solution that had been tried and tested by the MFI was marred by extremely low utilization which was evident from the 5% claim ratio. The key performance indicator to judge the success of any service is through its usage. For increasing the usage, the main challenge was how to increase the network hospital coverage to 2nd and 3rd tier rural cities and towns, where most of the customers of the MFI reside. At the same time, what steps should be taken to increase the awareness about health insurance since most of the times,

the loan officer didn't even mention about this benefit to the customer at the time of loan disbursement as they didn't themselves believe in it.



When the MFI approached EFU Life for a solution, the product management team knew the exact pain points and which features of the existing product had to be addressed and the research that was conducted by the team supported this fact. It was leading to the point that offering a similar “cash less” products through panel hospitals was not the answer as the prospect of enrolling health care providers in the rural areas to increase the reach of the product had its own significant challenges, which would have made the proposition unworkable right from the start. EFU Life took the route of the “reimbursement model”, which was considered a risk in itself as it required the customer to bear the expense first and then claim from the insurance company. In addition, the customer base of the MFI was used to a cash-less arrangement, however the counter argument was that only 5% of the customer base had utilized the cash less health insurance services, so this concept was not that prevalent in any case. EFU Life adopted a strategy for this product was three pronged:



Learnings

During the implementation phase of this three pronged strategy, many different lessons were learned by EFU Life which proved very useful in understanding this segment of the population i.e. Understanding this market which was unexplored previously, shifting in the mindset of all stakeholders since the target market of the population changed and the traditional ways to handle the process was no more workable and viable, this required several meetings with the internal key stakeholders such as operational processing unit on limiting the documentation, product pricing unit on revisiting the exclusions since it was important to make them realize that this product will only work if it is hassle free, easy to understand and easy to utilize. The claims handling process required a 360 degree shift since previously the department was always used to handle the claims that were of low frequency and high amounts now the claim size was smaller but the frequency was significantly high, even the way of handling these claims were different. To make the overall transformation smooth, the product management team at EFU Life arranged an exclusive training from an international expert for the claims department on how to handle and deal with such type of claims. The next main challenge after the proposition was launched was to increase the awareness of this product, trainings of the loan officers were conducted and they were assigned a coordinator with whom they could coordinate for form filling, benefits, claims etc.; for increasing the awareness to the customers, specific documentaries were created and displayed in groups. Real life word of mouth marketing was used whenever the claims were paid. The key performance indicator of the company was changed where EFU Life realized that for such markets the commercial viability of the company cannot be ascertained on the premium size rather it should be evaluated on the number of lives

Conclusion

- EFU Life delivered a flexible and need based solution that improved the customer satisfaction owing to better communication and usage of the product that enabled the customers to avail this service without any hassles.
- The pilot got successful and within the span of 6-8 month the complete organization moved to this model where over 100,000 lives got covered with EFU Life.
- The usage of the product increased from 5% to 50% among the customers which was a key performance monitoring indicator for the client.
- Improved matrices and analytics for underwriting management and sales team
- Greater operational efficiency owing to automation

in correspondence between the customers and EFU Life, intelligent routing of tasks based on pre-defined rules, easier tracking and management of claims which reduced the 85% of the claim settlement duration.

- After the completion of one year term of the policy EFU Life proactively introduced a reimbursement on C-Section benefit which was taken very positively by the client and the client renewed the policy with EFU Life.

Feedback from client

On the occasion of policy renewal, Chief Operating Officer of the organization said:

“This policy has brought a positive impact to the lives of the people who need this the most. I never thought that Insurance can be this easy and that my borrowers will understand it and get benefits out of it. Now this service has been auto integrated in their lives and can’t be detached. I am very thankful to EFU Life for understanding the needs of my clientele and for providing a win win solution for all the parties”

Hamida’s story Cont.....:

When Hamida went to the MFI on 5th May 2014 to pay the final installment on her loan and take out a new loan for further expansion of business, she was informed that the health insurance coverage had been revamped. She could now go to any hospital in her locality and claim reimbursement of the expenses from EFU Life upto Rs. 1,000 per day of hospitalization. Hamida was skeptical now, considering her earlier experience when she couldn’t avail the health insurance service at all.

It was only three months later, 17th August 2014 when Hamida had high fever and stomach aches. She was admitted in a local private hospital for treatment of severe gastroenteritis lasting 4 days. On her discharge from the hospital, Hamida contacted the claims helpline of EFU Life to lodge the claim. Her complete details were taken on the phone and she was asked to send the Hospital discharge slip to EFU Life. She was surprised to note that even a picture of the discharge slip though her smart phone was acceptable. Still skeptical about whether her claim of Rs. 4,000 would be entertained and paid on time, she sent the required documents to EFU Life. It was 25th August 2014, 2 days after she had lodged the claim when she received a call from the MFI informing her that the claim had been processed and she could collect the payment of Rs. 4,000 from her local branch of the MFI. From that day onwards, Hamida’s and many thousands of members’ belief in EFU Life’s solution has grown stronger. They know that this is the health benefit that really works and is there in the time of need.