

The Case for M4P in the Healthcare Sector – Lessons Learnt by DFID’s Private Sector Innovation Programme for Health in Kenya

The for-profit private sector cannot be ignored if an overall healthcare system is to function well. Take Kenya, where healthcare spending is dominated by the private sector. According to World Development Indicators 61.9% of health expenditure is private¹ – and most low income people use the for-profit private sector when seeking care. A similar pattern can be found in many emerging economies such as Nigeria.

A comprehensive strategy for healthcare delivery to low income people should combine public, private, and hybrid systems. The private healthcare sector complements and supplements the public sector; the two structures coexist.

However, past programming funded by the development community has tended to consider only the public health agenda. The for-profit private sector is often viewed as an opportunistic outsider and marginalised in overall healthcare strategy. Whereas the private sector has regularly been used as a vehicle to deliver public goods (i.e. PPPs), very little development programming has considered healthcare as a complex market system that incorporates a business agenda.

In 2013, DFID launched an innovative new project in Kenya to explore the markets in which poor people pay for-profit providers of healthcare. The Private Sector Innovation Programme

for Health (PSP4H) is an action research project with the objective to learn lessons of how a market systems approach might benefit pro-poor health interventions.

When PSP4H launched, M4P in health was an almost undocumented field with scant research literature, and only two health programmes in Africa followed the methodology.

A year later, the experiences of PSP4H show that M4P in health does indeed work and is a valid approach for technical assistance to the for-profit private healthcare sector. The market systems framework does not need to be radically altered to operate in the healthcare sector.



A Pharmnet-branded Private Chemist in Nairobi

An initial lesson learned by PSP4H is that market systems programming must be properly positioned. Some health areas are crowded with free and subsidized services, both public and private: donors, NGOs, faith based organisations and social enterprises are significant market players in healthcare and direct provision of goods and services, subsidies and grants are common. This distorts the market and crowds out, rather than crowds in, commercial investors.

¹[//data.worldbank.org/indicator/SH.XPD.PUBL/countries](http://data.worldbank.org/indicator/SH.XPD.PUBL/countries)
 sed 14 October 2014

Funding agencies should map the donor competitive landscape well in advance of programming M4P in health to discover which areas are heavily crowded with direct provision – the lesson being to avoid these areas with M4P programmes. Light-touch, facilitative market systems programmes which depend on private investment for sustainability cannot compete with free money. On the other hand, research shows that conventional direct assistance programmes are seldom economically sustainable².

Once the landscape is understood, the good news for market systems proponents is considerable. Commercial opportunities in healthcare exist in not-so-obvious spaces; although the healthcare playing field is full of non-commercial players, they tend to be crowded into the same corners of the field (e.g. HIV, family planning, malaria), leaving vast areas uncovered.

PSP4H research shows that low income consumers can identify a wide range of unserved health needs that underscore commercial opportunities for the private sector. The project is focusing efforts on areas where pro-poor interventions employing a market systems approach can operate effectively and sustainably, such as the pharmaceutical supply chain, maternal health, low-cost delivery systems, and non-communicable diseases.

The key benefit of using a market systems approach is sustainability, which is a prominent issue for development funders. PSP4H interventions are designed to be market-sustainable from the beginning.

We start with the approach that low income consumers are active market players who can be mainstreamed into commercial healthcare models.

Our research identified and quantified this underserved segment³: out of a population of 44 million there are approximately 20 million Kenyans paying out-of-pocket for healthcare who can receive better access, quality, and value from the private sector.

Further key benefits of M4P in health are leverage and value for money, again issues of note for development funders. PSP4H's initial portfolio of M4P interventions shows remarkable reach and leverage potential for development investment when compared to conventional direct interventions. The implications for wider use of M4P in health in the future are encouraging.

www.psp4h.com has more about the Private Sector Innovation Programme for Health (PSP4H) and its pioneering work. Our research reports, policy briefs and implementation notes – 22 in all – may be freely downloaded from the Resource Centre <http://www.psp4h.com/resource-centre>



Implemented by Cardno Emerging Markets in partnership with Insight Health Advisors, Oxford Policy Management and Mannion Daniels.

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² Private Sector Innovation Programme for Health (PSP4H). 2014. *A Study on Sustainability Outcomes of Donor-Funded Healthcare Programmes*. Nairobi: PSP4H.

³ Private Sector Innovation Programme for Health (PSP4H). 2014. *The Kenyan Poor and Their Use of the Private Health Sector*. Nairobi: PSP4H.