POLICY NOTE SERIES # 20

M4P and UHC: How M4P in Health Supports Development Policy Objectives and Universal Health Coverage

This brief explores how the M4P (Making Markets Work for the Poor) approach to technical assistance, previously untested in the healthcare sector, reinforces development policy objectives both in health and economic growth, supporting the path to universal health coverage (UHC).

M4P in Health as pioneered by The Private Sector Innovation Programme for Health (PSP4H) in Kenya is the latest generation of private sector healthcare development programming, taking into account the successes and failures of predecessor approaches. M4P in Health as a methodology and PSP4H as a programme stand at the intersection of economic growth and health.

The question is not whether to work with the private sector to achieve better health outcomes for poor people; contemporary development policy clearly incorporates the private sector. The question is *how* to work with the private sector most beneficially, and based on learnings from PSP4H the M4P approach provides an answer that should be more fully explored. As understanding of how M4P in health complements the path to universal health coverage increases among policymakers and practitioners, it is envisioned that more private sector programming will incorporate the M4P approach.

The Sustainable Development Goals

On 25th September 2015 the Sustainable Development Goals (SDGs)[i] were adopted at the UN Sustainable Development Summit in New York. The SDGs embody an overarching, shared set of policy objectives for global development over the subsequent fifteen years that encompass both health and economic growth. Implementation of the SDGs will bring together "Governments, the private sector, civil society, the United Nations system and other actors."

The crucial role of the private sector in accomplishing the SDGs is explicit: "We acknowledge the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals, and that of civil society organizations and philanthropic organizations in the implementation of the new Agenda."

Sustainable Development Goals

> Health

SDG 3: *Ensure healthy lives and promote well-being for all at all ages*

Target 3.8: *Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.*

> Economic Growth

SDG 8: *Promote sustained, inclusive and sustainable economic growth…*

Development Partners: UKaid/DFID Policy[ii]

Health

The UK's 2010 to 2015 government policy: health in developing countries[iii] states as its two top actions:

- We work with governments and health organisations to improve healthcare systems in the poorest countries.
- We work to make it easier for poor people to get access to and use healthcare services when they need them.

DFID's 2013 health position paper[iv] supports universal health coverage while expressly acknowledging the role of the private sector: "DFID plays an important role in helping countries to develop their national health systems in ways that address problems of access, equity and coverage and so to accelerate progress towards universal health coverage (UHC)."

"The approach…aims to maximise health gains through targeted, cost-effective health interventions that are delivered through strengthened, more efficient and effective health systems (including both public and private providers)."

"Non-state providers (for-profit and not-for-profit, formal and informal) deliver a large share of health services across the developing world and are an important partner in the health system of most countries…private providers can be much more sensitive to demand and sometimes offer better value for money than public providers. There are therefore great potential benefits from improving their incentives to deliver better quality services more equitably."

Universal health coverage (UHC) is defined as "ensuring that all people can use good quality essential health services when they need them without risk of financial hardship."[v]

Economic Growth

The 2010 to 2015 government policy: economic growth in developing countries[vi] states among its actions:

Helping developing countries to improve their provision of basic services – We work to improve private sector provision of basic services for the poorest by helping developing country governments and the private sector providers of education, health, water and sanitation.

Economic growth is an overall priority for DFID as reinforced by Secretary of State for International Development Justine Greening in a noteworthy 2014 address[vii] in which she stated "Economic development is now a core priority right across the department…By being smart about aid we can drive the kind of sustainable, inclusive growth that creates more and better jobs and raises incomes…To the development community, ignoring the role of business in development is no longer an option."

M4P in Health

M4P is a methodology, not an ideology. "M4P is an approach to develop market systems so that they function more effectively, sustainably and beneficially for poor people, building their capacities and offering them the opportunity to enhance their lives."[viii]

M4P as an approach is fundamentally pro-poor, facilitative, systemic, sustainable, and scalable.

M4P is pro-poor. By definition, M4P as an economic development methodology is inherently pro-poor. It is not a model for general economic or sector growth that expects benefits to 'trickle down' and benefit the poor; when implemented well, it is specifically targeted from the outset to benefit the poor.

Intervention screening models such as the R-I-E-D model implemented by the PSP4H programme[ix] reject any potential interventions that are not strictly pro-poor before they begin; further, the R-I-E-D model employs a Do No Harm filter to guard against adverse unintended consequences (e.g. products and services intended to benefit the poor that end up being used largely by upper income groups). Over its first two years, PSP4H finds that many healthcare innovation are technologically sound but not pro-poor, a primary reason the programme rejects potential healthcare innovations for assistance.

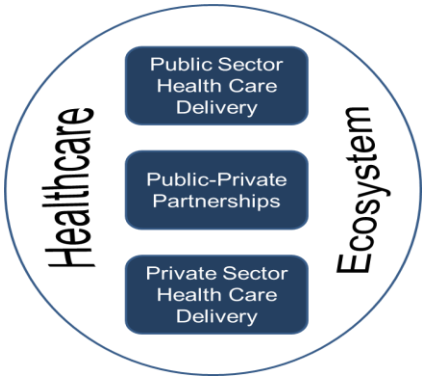
M4P supports systems strengthening. M4P begins with an objective market assessment which analyses the core supply and demand functions and actors, supporting functions, and rules and regulations which comprise a market system; it is a framework that can be applied to any economic sector. DFID's 2014 PSP4H Annual Review found that "M4P in Health is a valid approach for technical assistance to the for-profit private healthcare sector. The fundamental M4P market systems framework of a pro-poor, facilitative, systemic, sustainable,

scalable approach does not need to be radically altered to operate in the healthcare sector."[x]

Key to understanding any market system is an analysis of "who does and who pays". Fully supporting DFID's position, the healthcare market is viewed as an interconnected system where public, private, and hybrid PPP actors all play a role (Figure 1). The important role of the private sector in delivering healthcare is borne out by the evidence; World Bank indicators show that 58.3% of healthcare expenditures in Kenya went to the private sector in 2013.[xi]

Figure 1: The Healthcare Ecosystem

To deliver healthcare to the entire population, the system encompasses public sector, private sector, and hybrid players



Systems' strengthening includes enabling regulated private sector networks to leverage the public sector's enforcement capacity. For example, in Kenya a widely-cited statistic indicates that 30% of pharmaceuticals are counterfeit[xii], while up to 50% of drug sellers are unlicensed[xiii]. The problem of a fragmented, disorganized retail pharmacy market affects consumers and the public sector as well as legitimate private sector players. Poor consumers are affected the most, as good quality medicines end up at the top of the market and substandard ones at the bottom.

The PSP4H-supported *Pharmnet* initiative of the Kenya Pharmaceutical Association uses a private network of pharmacies owned and operated by qualified, licensed pharmaceutical technologists to provide only quality assured medicines and fight fake drugs and their sellers. In an article in one of Kenya's largest daily newspapers, Pharmacy and Poisons Board Deputy Registrar Fred Siyoi says the new initiative will enhance efforts of the Government to squeeze out illegal pharmacies and pharmacy professionals from the market. "This move is essentially self-regulation and if implemented well, it will be successful to ensure that Kenyans access only quality and safe medicines."[xiv]

M4P in health measures its impact in terms of improved access to and value of healthcare for the poor. PSP4H incorporates robust intervention logic based on the DCED Standard[xv] and measures progress of every intervention at each step against a results chain that leads from programme input to impact on target groups. All PSP4H-supported interventions must have impact targets that measure increased access to or better value of healthcare for the poor.

M4P in health works to reduce out-of-pocket (OOP) expenditures. Recognizing that almost half of Kenya's total health expenditures are out-of-pocket, and this burden disproportionately falls upon lower income families since the vast majority of Kenya's labour force works in the informal sector and carries no health insurance[xvi], PSP4H works primarily on the supply side of the equation to bring lower cost, better value healthcare products and services to the market. The supply side is often neglected; much more development emphasis is on demand-side, finance-driven solutions to healthcare access. However, reducing the cost and increasing the value of healthcare products and services is a no-lose situation – by implementing the India low-cost delivery model[xvii] in Kenya, for example. Out-of-pocket expenditures are reduced when consumers get better value for money.

On the demand side, PSP4H supports a low-cost health insurance and health savings model, *Afya Poa*, designed by and for the informally employed *jua kali* sector which numbers eight million in Kenya.[xviii] *Afya Poa* is designed with past failures in mind: it does not favour the formally employed; the risk pool is large; premium payments are matched to the income of daily wage earners; policies are sold through existing networks; administration is simple and

managed through a mobile platform. *Afya Poa* offers a healthcare financing alternative to those who currently have none and must pay entirely out of pocket.

Not all private sector development methodologies are created equal.

PSP4H's domain is the intersection of (i) pro-poor; (ii) private sector; and (iii) for profit, as depicted in Figure 2:

Figure 2: PSP4H/M4P in Health Domain

M4P in Health Lies at the Intersection of Pro-Poor, Private Sector and For-Profit Domains

Development programmes supporting the private healthcare sector are fairly common; the DFID-funded web portal The Center for Health Market Innovations inventories these (see http://healthmarketinnovations.org/). Most donor-funded programmes supporting the private healthcare sector use conventional direct-intervention methodologies such as grant funding and assistance to individual enterprises to reach impact, often at the sacrifice of sustainability; not always incorporating an *a prioiri* pro-poor screen as does PSP4H. Many private sector health programmes cover two of the three domains described in Figure 2, but no programme other than PSP4H covers all three. For example, there are for-profit private sector healthcare programmes that are not specifically pro-poor, supporting health sector innovation or Public-Private Partnerships in general, and there are pro-poor private sector programmes that work with not-for-profits rather than commercial enterprises.

PSP4H and use of the M4P approach in health must be differentiated from other private sector programmes that have different target audiences and different methodologies; this is difficult because widespread use of the terms "innovation" and "private sector" in programme titles tends to obfuscate specific assistance methodologies and confuse stakeholders.

Some Specific Pro-Poor Objectives Supported By M4P in Health

Access to affordable, quality healthcare.
UK Health policy Appendix 3: improving access to health services, states "We support international efforts to help countries move towards providing basic health services to everyone. We work to overcome the problems that stop poor people using healthcare."

Health systems strengthening.
UK Health policy Appendix 7: improving health systems, states "By strengthening the whole health system…countries can help to make sure that the basic health needs of their populations can be met."

The Private Sector Innovation Programme for Health

The Private Sector Innovation Programme for Health (PSP4H) is an action research project designed to explore a new area for DFID Kenya, namely the markets in which poor people pay for-profit providers and shop-keepers for healthcare. The overall objective of the PSP4H programme is to learn lessons of how a market systems approach might benefit pro-poor health interventions. PSP4H uses the M4P (Making Markets Work for the Poor) approach to strengthening markets to benefit poor people. PSP4H is the only fully dedicated M4P in Health programme in the world at the beginning of 2016.[xix]

Cardno Shaping the Future

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

Contact us at: Private Sector Innovation Programme for Health (PSP4H)
Email: info@psp4h.com | www.psp4h.com | +254(0)708 771 545

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Notes

[i] United Nations, September 2015, Transforming our World: the 2030 Agenda for Sustainable Development, A/RES/70/1. New York: United Nations.

[ii] Reference is made to the most recent health and economic growth policy papers published as of this writing (January 2016); new follow-on policy papers for the period 2015 to 2020 are imminent.

[iii] https://www.gov.uk/government/publications/2010-to-2015-government-policy-health-in-developing-countries/2010-to-2015-government-policy-health-in-developing-countries accessed 30 December 2015

[iv] Department for International Development, July 2013, Health Position Paper: Delivering Health Results. London

[v] Strengthening Health Systems in Developing Countries: Government Response to the Committee's Fifth Report of Session 2014-15 - International Development Committee, Prepared 21 November 2014, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/816/81604.htm accessed 4 January 2016

[vi] https://www.gov.uk/government/publications/2010-to-2015-government-policy-economic-growth-in-developing-countries/2010-to-2015-government-policy-economic-growth-in-developing-countries#appendix-1-helping-developing-countries-to-improve-their-provision-of-basic-services accessed 30 December 2015

[vii] https://www.gov.uk/government/speeches/smart-aid-why-its-all-about-jobs accessed 30 December 2015

[viii] Springfield Centre. (2008). A Synthesis of Making Markets Work for the Poor (M4P) Approach. Bern /London: SDC/DFID.

[ix] Private Sector Innovation Programme for Health (PSP4H). 2014. Intervention Screening – The R – I – E – D Model. Implementation Series No.2. Nairobi: PSP4H.

[x] PSP4H Annual Review 2014

[xi] http://data.worldbank.org/indicator/SH.XPD.PUBL accessed 30th December 2015

[xii] National Council for the Administration of Justice. 2014. Enforcement Manual to Combat Illict Trade in Kenya. Page 2. Nairobi: NCAJ.

[xiii] KPA statistic

[xiv] http://www.standardmedia.co.ke/business/article/2000186365/pharmacies-bet-on-joint-branding-to-lock-out-rogue-firms?articleID=2000186365&story_title=pharmacies-bet-on-joint-branding-to-lock-out-rogue-firms&pageNo=1 accessed 5 January 2016

[xv] DCED Standard for Measuring Results in PSD, Version VII, April 2015

[xvi] Private Sector Innovation Programme for Health (PSP4H). 2014. Health Spending Behaviour among Low Income Consumers in Kenya. Policy Series No. 15. Nairobi: PSP4H.

[xvii] Private Sector Innovation Programme for Health (PSP4H), 2014. Understanding the India Low Cost Model of Healthcare Delivery: A Review of the Literature. Nairobi, Kenya: PSP4H

[xviii] Jawabu statistic

[xix] At least two other DFID healthcare development programmes in Africa have M4P components.

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