Building viable businesses among private providers in the BlueStar social franchise network.

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African Health Markets for Equity (AHME) was a seven-year project funded by the Bill & Melinda Gates Foundation and UK Department for International Development. The project aimed to deliver high quality primary health care, particularly to the poor, through the private sector in Kenya and Ghana. The AHME partnership was led by Marie Stopes International in collaboration with Population Services International and PharmAccess Foundation. For more information on this brief, please contact Eric.Mireku@mariestopes.org.gh.

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Introduction

The African Health Markets for Equity (AHME) program, funded by the Bill & Melinda Gates Foundation and the UK Department for International Development (DFID), aims to deliver high quality primary healthcare through the private sector in Kenya and Ghana. The program seeks to improve the functioning of the health system in terms of quality, access, security of supply, sustainability and equity in ways that benefit the poor. The AHME partnership is led by Marie Stopes International (MSI), with Population Services International (PSI) and PharmAccess Foundation (PAF) as sub-contracting partners.

Figure 1: AHME's 5 market conditions

The AHME partnership identified five conditions that must be met for markets financed through national health insurance schemes to work for the poor. These five conditions underpin AHME's intervention strategies (Figure 1):

1. The poor are enrolled.
2. Key primary healthcare services are covered.
3. Accessible facilities are contracted.
4. Accessible providers offer quality services.
5. Providers run viable businesses.

Small and medium-sized (SME) private healthcare operators provide a significant proportion of primary health care services in low- and middle-income countries. However, they can face numerous hurdles related to navigating the regulatory environment, marketing their services, adhering to quality services provision standards and operating their health facilities; all of which affect their ability to sustain healthy viable businesses. Resulting cashflow challenges combined with business inefficiencies can take their toll on the services and the quality of care providers can offer to clients, with some facilities closing due to financial pressures.

Under the AHME program, Marie Stopes International Ghana (MSIG) and PharmAccess Foundation (PAF) partnered to deliver interventions that would support private SME providers within the BlueStar social franchise network (SFN) in Ghana to operate effective businesses.

This case study examines some of the challenges faced by private providers in running their operations and the impacts these have on high quality service delivery. It outlines the interventions undertaken to increase business viability within the BlueStar SFN and shares recommendations for implementers working with private providers of primary health care, based on the learning from the AHME program.

Private Provider Businesses

Private facilities make up an estimated 33% of all facilities in Ghana[1] and are an important part of the service provision mix. Through their work supporting a network of 100 franchised private providers in Ghana, AHME partners found that, as in many low- and middle-income countries, there are a number of common challenges to operating viable businesses for small and medium-sized health facilities; particularly those accredited in the National Health Insurance Scheme (NHIS).

Lack of business acumen

Many of the business owners in the BlueStar network and beyond are medical professionals by training who have limited formal education in basic business practices. They are focused on clinical delivery and often hire junior, inexperienced staff, with combined medical and administrative roles, to manage their business day-to-day. As a result, facilities often lack processes and procedures around asset management, record keeping and basic accounting practices. Where these do exist, they are reliant on the individuals who set them up and staff turnover or absence can lead to a breakdown of record keeping and accounting which gives rise to financial breakdown of the facility.

This lack of business acumen can make it hard for providers to translate their medical expertise into consistent high-quality service delivery. For example, poor business management can lead to stock outs, due to poor controls, of commodities or drugs; necessitating emergency local purchases of stock that can be more costly and of lower quality. This extra expenditure can exacerbate cashflow challenges that could have been reduced if better processes had been place.

Claims bunching and irregular payments

The way in which claims are processed and paid for leads to financial strain for SME health providers.

Of the BlueStar network, 85% are accredited in the NHIS. Rather than reimburse claims on a rolling basis Ghana's National Health Insurance Agency (NHIA) reimburses them in bunches, waiting until a batch of vetted claims has been compiled that reaches a size that justifies the administrative effort to process payment. This means that, especially for smaller providers with a lower volume of claims to pay, it can take a significant length of time (up to more than 12 months) for providers to receive their reimbursements. In a survey conducted by MSIG, all the participating BS facilities reported waiting at least eight months for claims to be paid and 36% reporting a wait of a year or more. As a result, all the providers reported that alternative or self-financing was required to maintain their facility's cashflow.

Claims are not always processed chronologically. Bunches may contain the claims, from multiple claims periods, that were more complicated to vet, leading to the reimbursements being made on non-consecutive months. For providers with poor, generally paper-based, record systems this makes it difficult to track and follow up on their claims.

MSIG's experience indicates inequity between more wealthy and poorer regions. Often regions with higher poverty levels (Volta, Northern and Upper East) serve more clients enrolled in NHIS, leaving these providers more vulnerable to delays in NHIA reimbursements.

Box 1: Pushed out of business

One BlueStar provider in the Ashanti region went out of business in large part due to the long delays in payment by the NHIS.

This midwife-led provider took out a personal loan to cover a short-term commodities gap, but then got further into debt as the NHIS trickle of repayments that she needed to keep her business solvent were only sufficient to service the loan repayments but left her with no funds to maintain cashflow.

Limited access to financing

Providers have limited access to funding to invest in their facilities or cover the gaps when NHIS reimbursements were delayed. To access conventional loans, facilities need such things as bank statements and good quality financial records to develop financial statements which are often not available for the smaller providers.

Without access to short-term finance facilities often cannot buy a full range of drugs to provide to clients or pay staff on time (contributing to high staff turnover). They write prescriptions for clients to take elsewhere, which constitutes a loss of potential income through their own dispensaries.

Some facilities take overdrafts and have to pay high interest. They turn to friends and family for loans or to community money collectives.

These challenges to facility financial stability affect the viability of SME businesses, threatening their ability to participate in expanding universal health care in the long run. Providers are being pushed towards going out of business, towards microcredit and informal lending, or to demanding out-of-pocket payments from clients – even those clients enrolled in NHIS.

Approaches to building viable businesses

Recognising the challenges these problems present to achieving Universal Health Coverage (UHC), AHME partners MSIG and PAF implemented the following interventions:

1. **Business training for franchisees:** Franchise owners were invited to a classroom training by MSIG with joint facilitation with PAF. This concentrated on financial and stock management, budgeting and decision making, forecasting and customer service. Priority was given to training providers to use EasyBooks Accounting Software and cashflow templates. Follow up was provided by MSIG a business advisor who worked with franchisees to develop business plans and provide ongoing advice and in-person support on making those plans a reality. Annual refresher training was offered to revisit topics where providers needed more support.
2. **Access to loans:** Extensive support was given to BlueStar facilities to identify and utilize alternative sources of funds to enable sufficient cash flow while awaiting irregular NHIS reimbursements. This included accessing loans, such as the Medical Credit Fund's (MCF) Receivables Financing (RF) loan[2]. This product was developed as a funding stopgap to address this particular cashflow challenge by using the NHIA vetted claims as collateral for the bank and access to term loans which usually require collateral.
3. **Provision of subsidized products:** In the case of some primary health care services the commodity cost is a significant proportion of the overall cost of delivering a service e.g. provision of a contraceptive implant. If this cost is passed on to the client at the market rate it can prove a financial barrier to uptake of that service. MSIG facilitates access to subsidised contraceptive supplies for franchisees. They also link franchisees to reputable companies that sell quality assured drugs.
4. **Demand generation:** Demand Generation activities focused on family planning (FP)[3] such as announcements in local communities, information centres, film showings and provider talk shows are organised for facilities. This activity drives a lot of clients to the facilities for FP and it gives providers access to a lot of clients and the opportunity to provide them with other primary health care (PHC) services. Some providers have learned demand generation techniques from MSIG and proactively incorporated them into their daily business.

Business response

MSIG saw a positive impact on the franchisees that they provided this package of support to. Providers reported that having access to finance and business support has enabled them to make improvements in how their businesses operate and to invest in health service quality.

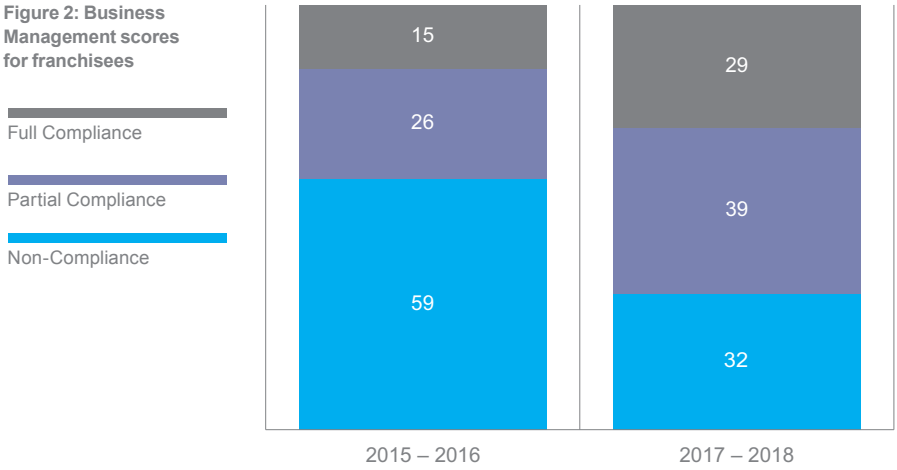
MSIG conducted a poll of service providers to evaluate the business support being provided. Among 99 surveyed providers, 92% said that the trainings met their needs.

The quality of business management in the franchisees improved over time according to assessments carried out by PAF and MSIG. Figure 2 shows a marked increase in the number of facilities that are compliant with AHME's business management standards.

Over 20 franchisees received a total of 4.84 million GHS ($US 1.2 million) receivable finance loans, with an average loan cycle of 2.5 months.

19 franchisees requested Term Loans (standard loans at preferential rate negotiated by PAF) and 15 providers received disbursements valued at GHS 2,287, 568

Figure 2: Business Management scores for franchisees



Recommendations

There is increasing recognition of the need for the public and private sectors to work more closely together to achieve UHC. However, SMEs are often side-lined in national discussions – despite providing a significant proportion of PHC services in many low- and middle-income countries. This will need to change if UHC is to be achieved.

Although social franchisors tend to focus on a particular set of health services, the franchisees themselves do not see their business through the same lens and, in order to deliver that particular set of services, need their whole business (and all the services they provide) to be viable. To make the franchisor-franchisee mutually beneficial and sustainable franchisors, or other entities working with private providers, should factor this into their (franchise) proposition and consider business training and support as a standard part of the package.

Purchasers and providers of health services should understand the significant impact of erratic payments and aim to reduce bunching of claims. To do this they can:

- Look to **move to digital claims submission** to enable responsive vetting and timely payment. The NHIS is in the process of doing this, rolling out an app called CLAIM-it which enables electronic claims submission.
- **Prioritise timely claims payment.** This is fundamental to successfully working with SME in health and reducing informal charges being made to clients. In line with digitisation of claims submission, payment by mobile money or another electronic method can speed up this process significantly.

Looking ahead

Based on learning from AHME, MSIG carried out a review and reform of its franchising approach in the final year of AHME and relaunched the brand to its members and clients in early 2019.

The new model combines AHME insights from the market conditions work into BlueStar's four pillars:

1. Quality – applying the SafeCare model;
2. Marketing – of a PHC package;
3. Regulatory – supporting franchisees to work with the NHIS and HeFRA and vice versa;
4. Business – business mentoring, income tracking and access to credit (MCF loans).

This fourfold approach ensures that BlueStar facilities continue to contribute to UHC while improving their businesses. Business support is a core part of the franchise benefits package. MSIG and PharmAccess are equipping BlueStar providers with tablets, training and follow up support to improve accurate and timely claims filing through CLAIM-it. The partners are also looking at developing a receivables financing product specifically for commodities, in collaboration with MPharma.

Under this new approach BlueStar sees itself as a market facilitator – improving the quality of services provided through a network of private providers and facilitating their interactions with regulatory agencies and purchasers of services[4].

Governments, development agencies and other purchasers of health services must recognise, and not shy away from, the fact that a functional private sector requires viable businesses. They should consider how they might enable this and support such market facilitators as BlueStar; for the benefit of the health market and, ultimately, every person who needs to access quality health care.

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[2] Loan to cover delay in NHIS payments – see https://www.hanshep.org/our-programmes/AHMEresources/snapshot-8-receivables-financing-in-ghana

[3] A focus for the BlueStar social franchise

[4] See also: Networking Private Providers in Mixed Health Systems – How AHME inspired changes in social franchising - https://www.hanshep.org/our-programmes/AHMEresources

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