MEDICAL TREATMENT LOAN – An Inter-Sectoral Approach for Improving Access to Healthcare for the Poor as An Innovative Financing Mechanism in Bangladesh.

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BACKGROUND

Forty years since independence, Bangladesh is now in a position to make a credible claim that it has experienced a health revolution. Such achievements have been termed as "The Bangladesh Paradox" due to its exceptional health achievements, particularly in health related targets set through Millennium Development Goal despite poverty (Lancet, 2013). However, despite remarkable achievements in a number of primary health indicators, equitable access to comprehensive health services from reliable providers remains to be a critical public health challenge for Bangladesh. At the same time, rising proportion of aging population and growing burden of chronic, non-communicable diseases and injuries is creating more pressure on the limited budgetary allocation for health.About two-third of total health expenditure in Bangladesh isprivately financed through out-of-pocket payments and around 15% of total householdsface catastrophic health expenditure without effective coping mechanisms against health related shocks (MOHFW, 2012). High cost of treatment for emerging non-communicable diseases and health emergencies often induce low-income households to liquidate family and business assets. With a fast growing expenditure in health, and a large informal economy the traditional tax-based financing or social health insurance for universal health coverage (UHC) are not realistic in the near future. Community based approaches like micro-health insurance are yet to show any credible evidence as an effective alternative solution with adequate depth of coverage, scalability and sustainability.

In the absence of adequately functioning health facilities with comprehensive access to care, especially at the periphery, the patients have to travel to bigger cities and often all the way to tertiary facilities. The associated cost of non-medical expenditure and inconvenience of traveling as well as dependency on attendants create additional barriers to timely access to medical treatment from appropriate providers. As a result, informal providers turn out to be the initial and often the only point of care for the low-income households. Such phenomenon presents inequity and discrimination in access to quality health services in Bangladesh.

INTRODUCING MEDICAL TREATMENT LOAN (MTL)

Historical contexts in Bangladesh suggest that while state-led healthcare financing policy and delivery mechanisms retains its due importance, there are significant potentials for alternative health financing through multi-sectoral engagement. In view of such circumstances, BRAC, a leading non-state development organization in Bangladesh took the initiative ofdevelopinginnovative approaches and policy options. It was designed to diminish catastrophic payments, to improve access and quality of careand to create a set of interventions with a scope for integration into a universal coverage strategy.At the same time, as a pioneer of microfinance and one of the largest microfinance institutions in Bangladesh, BRAC assessed that healthshocksare often the cause of micro-credit default. Income shock resulting from medical emergencies is one of the primary reasons for families to fall deeper into poverty. Such realization led to a collaborative effort between Microfinance Programme and Health Nutrition and Population Programme of BRAC in designing and launching"Medical Treatment Loan" (MTL) scheme. This facility is primarily available for microfinance clients and their family members in 3 districts of Bangladesh with thefollowing objectives:

i. Improve timely access to reliable healthcare services for low-income households.
ii. Reduce financial constraints for seeking healthcare for low-income households.
iii. Minimize incidents of asset depletion and adverse indebtedness on account of catastrophic health events

This innovative low-interest loans approach aims to protect the poor from the vulnerability associated with catastrophic health expenditures and to assist them with effective referral and navigation support at the facilities. MTL offers opportunities for individuals/households affected by such payments to cushion or buffer the impact of catastrophic expenditures. Moreover, by securing institutional credit to pay back the expenditures over a reasonable period of time. This innovative post-payment mechanism is expected to spread the financial risk of health events over a long period into the future, making the required payments affordable.

PERFORMANCE OF MTL DURING THE PILOT PHASE OF YEAR 1

BRAC microfinance programme provides small loans to low income households, with a special focus on womenwho invest the money in their small businesses. MTL serves as a top-up loan to meet the treatment and associated costs incurred by the respective clients or their family members. Within six months of launching in October 2013, MTL was gradually made available for nearly 200,000 microfinance households located in 26 sub-districts under 3 districts of Bangladesh. In an event of illness within the family, a current microfinance member can apply for this loan. To avail the loan, borrowers are required to collect a referral slip from BRAC office, which entitles the client with a special discount from a list of empanelled local providers. Upon consultation, the doctor writes a medical advice with an estimated treatment cost. The microfinance team at the respective branch office then carries out a quick financial appraisal to determine the loan amount and duration before disbursing the loan. The client repays the loan along with his/her other loans through weekly/monthly installments (as applicable).The size of MTL ranges from USD 38 to USD 640. The repayment period varies between 6 to 24 months.

In a year, a total number of 1,467 clientsreceived MTLto finance the treatment cost for themselves/their family members. The primary purpose of the first year of operation was to set up the institutional structure, establishing the providers' network and design navigation support for the clients while seeking medical care. From the very beginning,one of the key activitiesof the project is to undergocontinuous evaluation to observe its performance in terms of achieving the three major objectives stated above. Periodic results from this continuous evaluation exercise will provide the managements with critical feedback for fine-tuning of the design and operational modalities of the scheme and its expansion strategies.

During the first phase of evaluation, the monitoring team collected information from 168 randomly selected households that received MTL. Data was collected on medical conditions of households who borrowed from BRAC, time required to get the loan, cost of treatment, sources of financing in case the loan was not adequate and utilization of loan. Simultaneously, health events in the last 12 months were also collected from the same household regarding, their

healthcare seeking behavior and means of financing before MTL was available. The following table shows a breakdown of health conditions from the sample in broad categories for which the treatments were financed by MTL:

Type of disease/health condition	% of MTL borrowers
I. Pregnancy and gynecological complications: e.g. Uterine prolapse, fibroid, PID	19%
II. Surgical Conditions: e.g. Appendicitis, cholelithiasis, tonsillitis, TURP, piles	18%
II. Injury: e.g. Femur, Hip joint, Implant remove, cut injury, RTA	4%
III. Internal Medicine: e.g. Asthma, PUD, vertigo, generalized weakness. Rheumatoid arthritis, LBP, Cervical spondylitis, Osteomyelitis, CKD, skin	49%
IV. Non communicable diseases (DM, HTN, cancer)	5%
V. Eye diseases	5%

Following is some of the basic information that was collected during the first phase of evaluation:

Average loan size	USD 96
Average amount from the loan utilized for treatment	USD 81
Average cost of treatment	USD 185
Average days needed to mobilize fund with MTL	7.31
Average days needed to mobilize fund without MTL	10.68

It has been observed that the loans that are disbursed on average, covers 52% of the treatment cost (including transportation, drugs, diagnostics, medical consultation, hospitalization if needed and costs incurred by the attendants). The key reason for incomplete financing for health expenditure through MTL was to avoid over-indebtedness through financial appraisal and assessment of the debt capacity of the borrower. Another finding was that on average, MTL borrowers could mobilize necessary resources three days earlier than the households without this scheme.

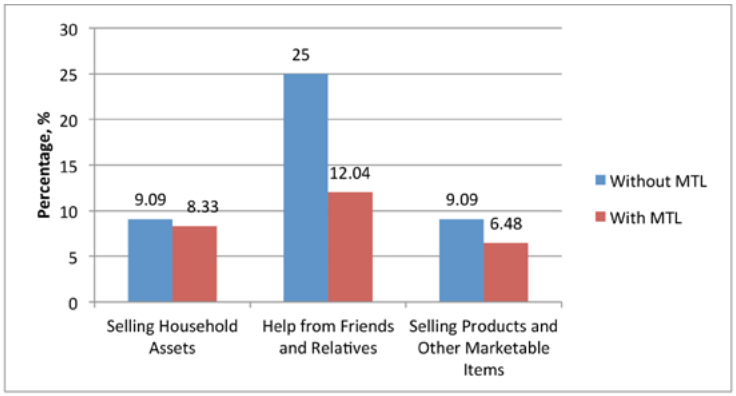
The following table gives a comparison between a subset of MTL borrowers in terms of how long it took them to mobilize financing for treatment and other associated costs:

Number of Days *	Without MTL	With MTL
1 to 3 days	0%	34%
4 to 7 days	40%	26%
7 to 10 days	16%	15%
More than 10 days	44%	25%

*Number of days required to arrange financing in the absence of adequate income and savings – i.e. the household will have to rely entirely on external support to address a health shock

In the absence of MTL, during health shock, households without minimum income or savings had to wait for more than 3 days to mobilize resources for treatment. On the other hand, with MTL, 60% of households mobilized resources within 7 days to initiate treatment, thus avoiding critical delay in seeking healthcare.

The following diagram shows a comparison in terms of coping mechanisms during health events:



The above diagram shows a slight improvement in the trend of asset retention and dependency on others for meeting health related expenses in the presence of MTL.

IS MTL ABLE TO ATTAIN THE KEY OBJECTIVES?

In order to assess the performance of MTL with respect to attaining its key objectives, there is a need for in depth research and trend analysis. Based on some early observations generated by monitoring and evaluation exercise, some early indications can be derived about the scope for MTL as an innovative and complementing health financing mechanism. As far as 'access' is concerned, BRAC has taken the strategy of creating incentives and providing the households with the choice of seeking treatment from a list of qualified practitioners with discount. The loan component has created a strong incentive for the households to receive treatment from qualified practitioner without delay, as this is a pre-condition for their proposal for MTL to be processed. Such incentive has been found to have clear implications in reducing delay when it comes to taking a decision on when and which provider to visit.

With respect to reduction in financial constraints in seeking healthcare, minimizing the incidence of asset

depletion andadverse indebtedness-the early evidencesare indicatingsome positive results of MTL. As mentioned earlier, 52% of average treatment costs are being financed by MTL. It has also been observed that average number of days required for mobilizing resources to cover treatment costs has reduced by more than 3 days when MTL became available. In terms of dependency on extended family members, relatives and friends to finance health expenditure there is more than 50% decline in such borrowing with the introduction of MTL.Finally, with the availability of MTL, there is a considerable decline in the selling off of marketable items such as crops, where the transactions often take place below market price due to distress selling.

FUTURE PERSPECTIVES

Considering the early nature of the scheme, initial findings from the research and evaluation exercises should be carefully interpreted before deriving final conclusions. Still, some of the key indicators related to operational performance and financial projections are showing strong potentials for MTL to be scaled up across the nation. The project has an impressive loan recovery rate of over 99.5% despite high risk of default on account of illness and death. Financial projections show that the programme will attain its break even at a scale of 1.5 million households havingaccess to this facility within 3 years. Such prospects for improving access to quality health services for the poor without relying on subsidies have encouraged BRAC to scale up this facility all over Bangladesh within five years. Accordingly, BRAC has already initiated the mainstreaming of MTL for all its microfinance clientele that consists of 4.63 million borrowers/ households.

The experience of MTL during its first year of operation indicates its strong potentials in getting integrated with the national health financing strategy in addressing the limitations of conventional mechanisms. One such mechanism is insurance in any form having limitations in terms of providing a comprehensive coverage without exclusion. Typical insurance schemes are also constrained by annual claim limits due to which the coverage does not finance the entire cost of treatment when the expenses exceed such limit. A supplementary financial instrument like MTL can address such limitations for both formal and informal mechanisms by virtue of its credible institutional method and strong presence at the grass-root level through microfinance institutions. As of 2013, microfinance sector in Bangladesh was supporting 33 million registered clients, most of whom represent low-income households (MRA 2014). The successful trend of community basedinitiativeswith credible institutional platforms in Bangladesh presents a strong platform for innovative approacheslike MTL to improve access to comprehensive health services for the poor - supporting the nation's journey towards Universal Health Coverage.

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