

Financial Inclusion Opportunities for Micro Health Insurance in Nepal

An Exploratory Analysis of Health Incidence, Costs and Willingness to Pay in Dhading and Banke Districts of Nepal

This report is based on information collected in two districts of Nepal (Banke and Dhading) in early 2009 and concerns the launch of community-based micro health insurance units for members of Nirdhan and DEPROSC, two grassroots microfinance NGOs.

The baseline study and the analysis described in this report have proven the need for health insurance, and the feasibility of launching community based mutual insurance.

From the educational profile, computer literacy and prevalent access to microfinance, the report concludes that **the target population** in the Banke and Dhading districts of Nepal **can understand the value proposition of insurance, and could assume responsibility for the operation of their microinsurance**, once adequately trained.

"In 19% of reported episodes of illness and 53% of reported hospitalizations, households had to borrow money, and in another 5% of hospitalizations, households had to sell items in order to pay bills."

Levels of willingness to pay (WTP), while modest, make it possible to form several options of a benefits package, allowing prospective clients to choose among these benefits according to their priorities.

Our data confirmed that the very young and the elderly have a higher incidence of illness and therefore higher levels of health care

utilization. Most commercial health insurers exclude these "bad risk" groups. As our implementation model is "inclusive" (i.e. entails en-bloc affiliation of entire households and communities), **all premium calculations were based on the assumption that all age groups are covered by the insurance.**

The study analyses the data collected from a household survey of 2,008 households, 40 focus group discussions (with potential beneficiaries), in addition to 51 key informant interviews with healthcare providers.

With its **150 pages rich with tables and first-hand data**, this is the first published study available on the viability of microinsurance that tackle holistically and in full detail the socioeconomic status of the target population, incidence of illness and health-seeking behavior, the cost of healthcare, and the willingness to pay for health insurance in Nepal.

This study is the result of efforts by several players: *Save the Children* Nepal provided project management and logistics in Nepal; *Nirdhan* (in Banke) and *DEPROSC* (in Dhading), two grassroots NGOs that decided on launching microinsurance for their members and facilitated the meetings with respondents for this purpose; and *the Micro Insurance Academy*, which took the technical lead on survey design, selection of technical partners, data collection, analysis and writing this report.

The Report is freely available for download from the Micro Insurance Academy and Save the Children websites and paper copies can be ordered from mia@mia.org.in

