POLICY BRIEF

Seven years later: Hospital utilization and financial protection under an established inpatient insurance scheme

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MAIN FINDINGS

1. Most households that are aware of their insurance are highly likely to use it upon hospitalization and this translates to lower out-of-pocket expenditures. This effect is driven by private hospitals.
2. With a large fraction of the population still unaware of their coverage by the scheme, the main challenge to the programme's impact is awareness and this should urgently be addressed. Individuals that are aware of their coverage are more likely to use inpatient care, in particular in private healthcare facilities.
3. People are generally highly satisfied with the scheme, with a strong preference for including outpatient services prevailing.

BACKGROUND & MOTIVATION

Study objectives. Seven years after the first introduction of hospitalization insurance in Northern Pakistan, the following questions remained open:

- Does usage of the Social Health Protection Initiative reduce out-of-pocket expenditures?
- What are the bottlenecks that hinder the programme from developing its full impact on the population?

Context. Since 2016, households in Khyber Pakhtunkhwa (KP) can obtain inpatient treatment at selected hospitals free of charge under the Social Health Protection Initiative (SHPI). Whereas only the poorest households in selected districts were covered at first, this inpatient insurance scheme has meanwhile been extended to include the whole population.

Existing evidence. A previous rigorous impact evaluation -conducted one year after the insurance roll-out by members of our team- revealed that beneficiary households were more likely to visit private than public hospitals in response to being insured.[1] However, awareness about the scheme was limited, and enrolment was incomplete. As a result, the scheme's impact on out-of-pocket expenditures (OOPE) could not be identified with a sufficient degree of precision.

METHOD

Survey mode & sample. Using a phone-based survey, we re-interviewed households in eight districts of KP who were also participants of the above mentioned previous evaluation. Since phone numbers were collected in 2017, the contact rate was expected to be limited and indeed we reached only a third of our initial sample and of these, only every second respondent consented to participate in the phone survey. Consequently, the results in this brief are based on responses from 654 households with a total of 4,512 members.

Sample description and limitations. With 91%, the majority of our respondents are male. The average respondent is 47 years of age and lives in a household of 6.9 household members. Importantly, 37% of our respondents report that their household experienced at least one case of hospitalization within the past twelve months. This is significantly higher than estimates in similar research[2] and suggests selection bias. That is, households that recently experienced a health shock were more likely to participate in our study which help us analysing cases of inpatient care.

RESULTS

Lesson 1: Households that are aware of coverage are highly likely to use it upon hospitalization and this translates to lower out-of-pocket expenditures. This effect is driven by private hospitals.

In order to take advantage of SHPI coverage of out-of-pocket expenditure, individuals currently have to identify themselves using national identification numbers, the SHPI card, or a child registration certificate upon hospitalization. Among households that are aware of their coverage by SHPI, three out of four used the insurance in this way when a household member was hospitalized in the previous year.

Importantly, the main cost positions (diagnosis and tests, medicines, and other fees and documents) are significantly lower for individuals who used the insurance and this effect is mostly driven by private hospitals. This pattern is also visible in our 2017 data, as depicted in Figure 1, but has only become significant now that insurance usage has increased. Note that the insurance reduced the cost of medicines in private hospitals more than in public ones. A potential explanation is the better availability of drugs and medicines at private facilities (as evidenced in other studies)[2,3], whereas patients of public facilities have to buy medication from outside sources.

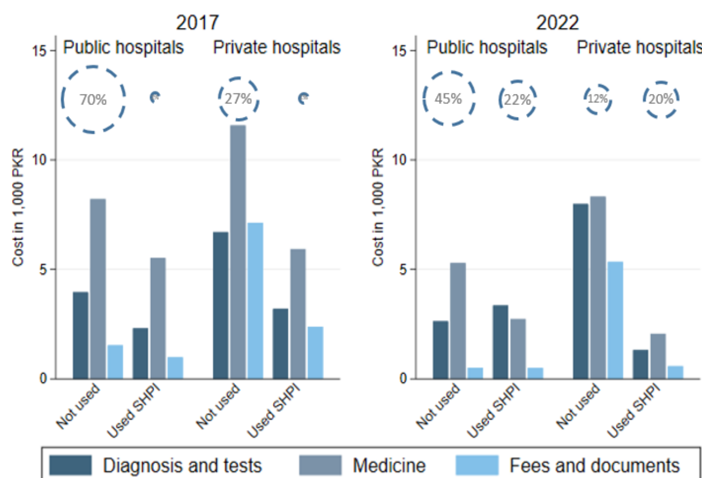

Figure 1: Out-of-pocket expenditures by year, provider type, and SHPI usage

To finance their hospital costs, most households took loans from relatives (63%) and/or used their savings (36%). However, when households used the insurance to cover (parts of) their OOP expenditure, households were significantly less likely to take loans from relatives. Overall, the project seems to have decreased the financial burden of health care for those households who used the insurance upon admission to a hospital.

Lesson 2: Awareness of coverage is a considerable bottleneck in reaching the programme's objectives.

Among our respondents, one in three has heard of health insurance. This marks a steady increase, up from less than 7% in 2015 and 25% in 2017 among the same households, and indicates a positive trend in basic financial literacy. Though 2/3 remain hence unfamiliar with the general term health insurance, virtually everyone is aware of the specific SHPI programme.

Despite official coverage being universal since February 2021, almost half of our respondents do not know that the programme covers the health expenses of any of their household

members, and a further 14% responded that only some household members are covered. This leaves only 37% of our sample knowing that the whole household is covered. Whereas we do not find any gender differences, children are least likely to be reported covered. As suggested by Stelter et al. (2022), this might be due to challenges in obtaining birth certificates.[4]

Among households unaware of coverage, 6.5% of individuals experienced at least one case of inpatient care during the past twelve months. This increases to 8.3% among households aware of coverage, suggesting a positive impact on access to care, which is large in relative magnitude (28% increase). This difference is statistically highly significant even when controlling for gender, age, and education and is mainly driven by the increase in using private hospitals, as depicted in Figure 2.

We find no indication of differences in other patterns of hospitalization usage, such as the number of admittances, the number of nights spent in the hospital, or whether the patient was referred to the hospital.

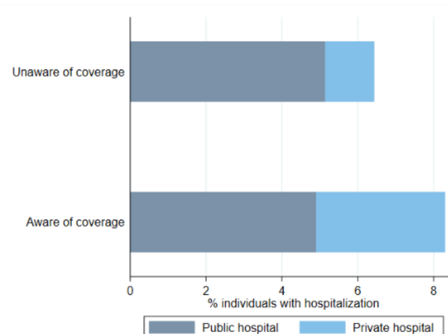

Figure 1: Hospitalization by type of health

Lesson 3: Satisfaction with SHPI is high and the new programme extension is in line with reported needs.

Most households are very satisfied with the programme, with 74% rating their experience with the insurance as "very good" and another 20% as "good".

Non-coverage of OPD services as well as (home) medicines and non-surgical procedures were reported as obstacles by 15% of households who never used the insurance. Similarly, almost 20% of households who have previously used the card suggest including OPD services and medicines. This suggestion for improvement ranks second after the call for including more facilities and matches the new phase of the programme, which will pilot an extension of coverage to outpatient facilities.

Recommendations

- Policymakers should urgently address the challenge of limited awareness by informing beneficiaries that all family members are covered through the insurance and how they can make use of the insurance upon hospitalization. This is particularly relevant for children but extends to other family members as well.
- The extension of the scheme to include also outpatient services is well in line with the demands of beneficiaries and a renewed awareness campaign could tie in with the extension.
- Tackling the awareness challenge would not only ensure that a large population group benefits from the programme, but might also increase accountability on the provider side. Due to the central importance of this aspect, we recommend monitoring and evaluating the effectiveness of any awareness campaign.

References:

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