SUSTAINABLE HEALTH SOLUTIONS FOR PEOPLE LIVING IN POVERTY IN LATIN AMERICA

A multi-country case study on building market-based models to deliver access to health services for low-income communities in Latin America

GLOBAL PARTNERSHIPS

FOMIN
Multilateral Investment Fund
Member of the IDB Group

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EXECUTIVE SUMMARY

The development of the microfinance sector into a sustainable, commercially viable global industry serving more than 130 million poor individuals around the world[1] demonstrates that business models exist to deliver critical products and services to the world's poor. Microfinance institutions' (MFIs) most valuable asset is the trusted relationship they hold with their clients, particularly those clients living in remote, rural areas with little access to information and marketplaces. Thousands of MFIs around the world have developed sustainable business models capable of covering the cost of operations through profit from their loan portfolios. At the same time, the most forward thinking MFI leaders continue to press forward exploring new products and services that provide additional benefits to their clients.

1 International Finance Corporation http://www.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Industries/Financial+Markets/MSME+Finance/Microfinance/

OUR FOCUS

This report will provide guidance and best practices to MFI and social enterprise leaders interested in expanding their product and service offerings aimed at improving clients' health. We focus on how to deliver sustainable, scalable health solutions to a client base comprised of predominantly poor women. This report will also provide guidance to individuals and institutions on how to effectively fund, manage and measure success of market-based health initiatives, particularly those models based on microfinance.

Our key findings are based on more than three years of learning from Global Partnerships' (GP's) Health Services Initiative. With support from the Inter-American Development Bank (IDB), Linked Foundation, the Netherlands Development Finance Company (FMO) and other key stakeholders, GP's Health Services Initiative aims to develop sustainable business models for the delivery of health services to 100,000 women in Latin America and the Caribbean.

GP worked extensively with three impact-focused, forward-thinking MFIs and one nonprofit to research, design, pilot and scale market-based health products and services. In this report, we distill key recommendations for MFI leadership and market-based health initiative funders based on our learning from our partners' work. Four enterprise-level case studies follow, examining specific business models with four partners and highlighting important lessons learned.

EVALUATING IMPACT

Understanding client-level impact is a critical component of evaluating the effectiveness of a given health initiative. When considering adding or expanding an existing health program, it is important that implementers and investors alike define the impact they hope to deliver as well as the outcome and output data that will enable them to track progress toward that goal. Impact evaluation should be woven into program design, articulating what tools make sense to use and when, taking resource constraints and project maturity into account. For example, in addition to measuring organizational outputs, several partners in GP's Health Services Initiative are administering client surveys. For some partners this decision made sense during early piloting, thus capturing valuable market data as well as baseline indicators against which follow-up studies can be compared. For others, surveys are being used post pilot to better understand utilization rates and inform program design as they scale. The takeaway is that impact measurement is difficult, costly and occurs over a long time horizon. Furthermore, programs often go through several iterations before they perfect their product and service offering, in turn gaining clarity on metrics. An ongoing, but flexible evaluation plan is important to maintain focus on impact.

With much of this work still ongoing in GP's Health Services Initiative, this report does not intend to provide a rigorous impact study on client-level outcomes. It will focus instead on enterprise-level findings in developing and rolling out health services. The report will outline the connection between poverty and health, and set context for the learning discussed in the case studies to follow. We then outline significant strategic decisions MFI leadership should consider in designing a health program, including a discussion of business considerations to establish a sustainable model. We have summarized important lessons learned through case studies from each partner's implementation efforts as an example from which other MFI leadership teams can learn.

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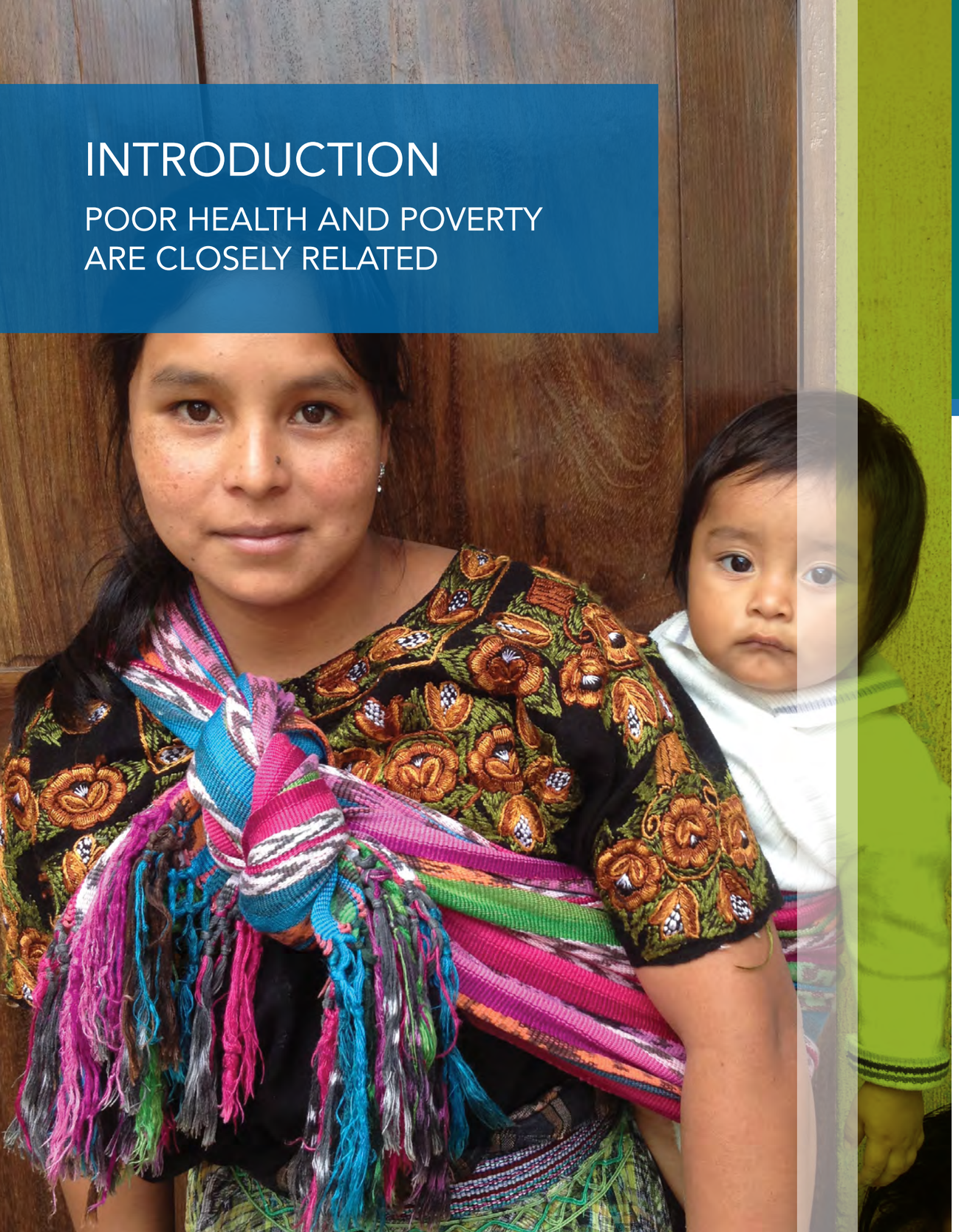


INTRODUCTION

POOR HEALTH AND POVERTY ARE CLOSELY RELATED

An estimated 1.3 billion people worldwide have no access to effective and affordable health services.[2] We know that the single biggest driver behind lack of access to health services is poverty. As the World Health Organization puts it, "The world's biggest killer and the greatest cause of ill-health and suffering across the globe is… extreme poverty. Poverty is the main reason why babies are not vaccinated, why clean water and sanitation are not provided, why curative drugs and other treatments are unavailable and why mothers die in childbirth. It is the underlying cause of reduced life expectancy, handicap, disability and starvation. Poverty is a major contributor to mental illness, stress, suicide, family disintegration and substance abuse."[3]

2 Global Economic Symposium; http://www.global-economic-symposium.org/knowledgebase/the-global-society/financing-health-care-for-the-poor/proposals/improving-access-to-health-care-for-the-poor-especially-in-developing-countries

3 World Health Report 2013; World Health Organization; http://www.who.int/whr/en/

Compounding the challenge faced by the poor in accessing quality, affordable health services is the fact that health problems persistently make poverty more difficult to escape. A single health crisis event can be a tremendous setback to a family living in poverty. Availability and quality of care is low in poor regions. Families living in poverty face difficulty on multiple fronts: they must have the knowledge to seek quality care, find effective care, and then have the resources to pay for consults and medicines needed to help a family member cope with both one-time and chronic health problems.

Individuals around the world bear a significant cost of health services directly out of pocket. Of global expenditures on health in 2012, government spending amounted to just over 10% of gross domestic product — a substantial figure in absolute terms. And yet individuals have borne more than 17% of total health services spending globally through direct out-of-pocket payments.[4] Despite government resources spent on health services, individuals continue to bear most of the burden of health services costs, a reality that hits the poor hardest. To ensure that access to quality health services becomes available to more than one billion people in need around the world, financially sustainable models for quality health services must be explored.

4 World Health Organization; Global Health Observatory Data; http://www.who.int/gho/health_financing/en/

ABOUT GLOBAL PARTNERSHIPS

GP is a nonprofit impact investor with a mission to expand opportunity for people living in poverty. We invest in organizations delivering products and services benefiting poor households in a financially sustainable way. GP currently invests in a portfolio of 47 MFIs, social businesses and cooperatives in 11 countries in Latin America and the Caribbean.[5] Our investments are focused on four impact areas: health services, rural livelihoods, green technology and microentrepreneurship.

Across these impact areas, women currently comprise a majority (60%) of the people our partners serve. GP's Health Services Initiative specifically targets women clients. Since its inception, GP has invested 162.3 million USD in 80 partner organizations that deliver sustainable solutions, helping clients save time and money, increase productivity, access affordable health services and earn a stable income.
GP's work in health focuses primarily on using established MFIs as a base for launching and scaling new health products, though this report will also discuss a nonprofit's efforts in extending access to medicine to the rural poor.

5 Numbers updated quarterly; current as of May 2015

$162.3 MILLION (USD)
AMOUNT INVESTED IN 80 GP PARTNER ORGANIZATIONS

GLOBAL PARTNERSHIPS' HEALTH SERVICES INITIATIVE

GP's Health Services Initiative was launched in early 2012 with the goal of guiding partner organizations through the process of researching, designing, piloting and scaling market-sustained business models for the delivery of health services to 100,000 low-income women in Latin America and the Caribbean. GP worked with a total of five organizations, with one partner (Fonkoze) exiting the portfolio in early 2014. A brief discussion of Fonkoze's work in health is included within this report.

GP evaluates the success of the Health Services Initiative across three dimensions: product/service quality, sustainability and scale. Although each MFI will have unique metrics to measure success across these three dimensions, we have found that these three focus areas provide a valuable framework for new products and services. A discussion of each follows:

PRODUCT/SERVICE QUALITY

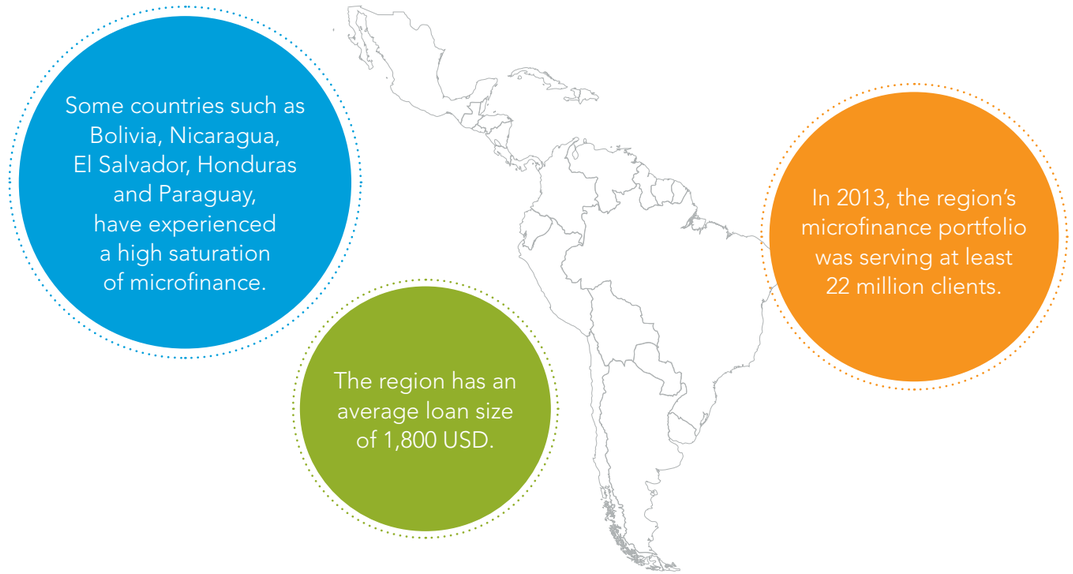
Often the most difficult dimension to adequately measure, this examines the degree to which a given set of products and services will deliver the desired impacts. Whether the goal is behavior change, improved health outcomes, and/or progress out of poverty, we look to understand how value is created and delivered to clients. This may, for example, come in the form of understanding how to recruit, train and incentivize front line workers or determining which payment plan encourages usage.

SUSTAINABILITY

Though measurement of financial sustainability is fairly straightforward, a richer definition of sustainability is needed to ensure a new health product takes root within its local context. Client satisfaction can be an indicator of sustainability. GP measured the percentage of clients that rated health services as satisfactory or better. GP also examined business model sustainability through financial projections, assessing MFIs' ability to break even and receive limited profit from health programs at scale.

SCALE

GP evaluated a simple output metric — number of clients reached — to measure scalability of new health products. When this metric was not available, as in the case of FUDEIMFA, GP measured the number of community pharmacies established and estimated end clients reached using data on local population.



SETTING CONTEXT: MICROFINANCE IN LATIN AMERICA

Microfinance has developed into a mature, sophisticated industry in Latin America. In 2013, the region's microfinance portfolio grew to more than 40 billion USD, serving at least 22 million clients. The majority of MFIs in the region — over 1,000 in total — are regulated. The region also has an average loan size of 1,800 USD, a figure higher than other regions in the world, including sub-Saharan Africa and Southeast Asia.[6] This is reflective of the relatively higher income levels in Latin America as compared to other impoverished parts of the world. Additionally, Latin American microfinance tends to be more focused in urban areas and has a higher concentration of individual loans than other regions that focus more on group lending models.

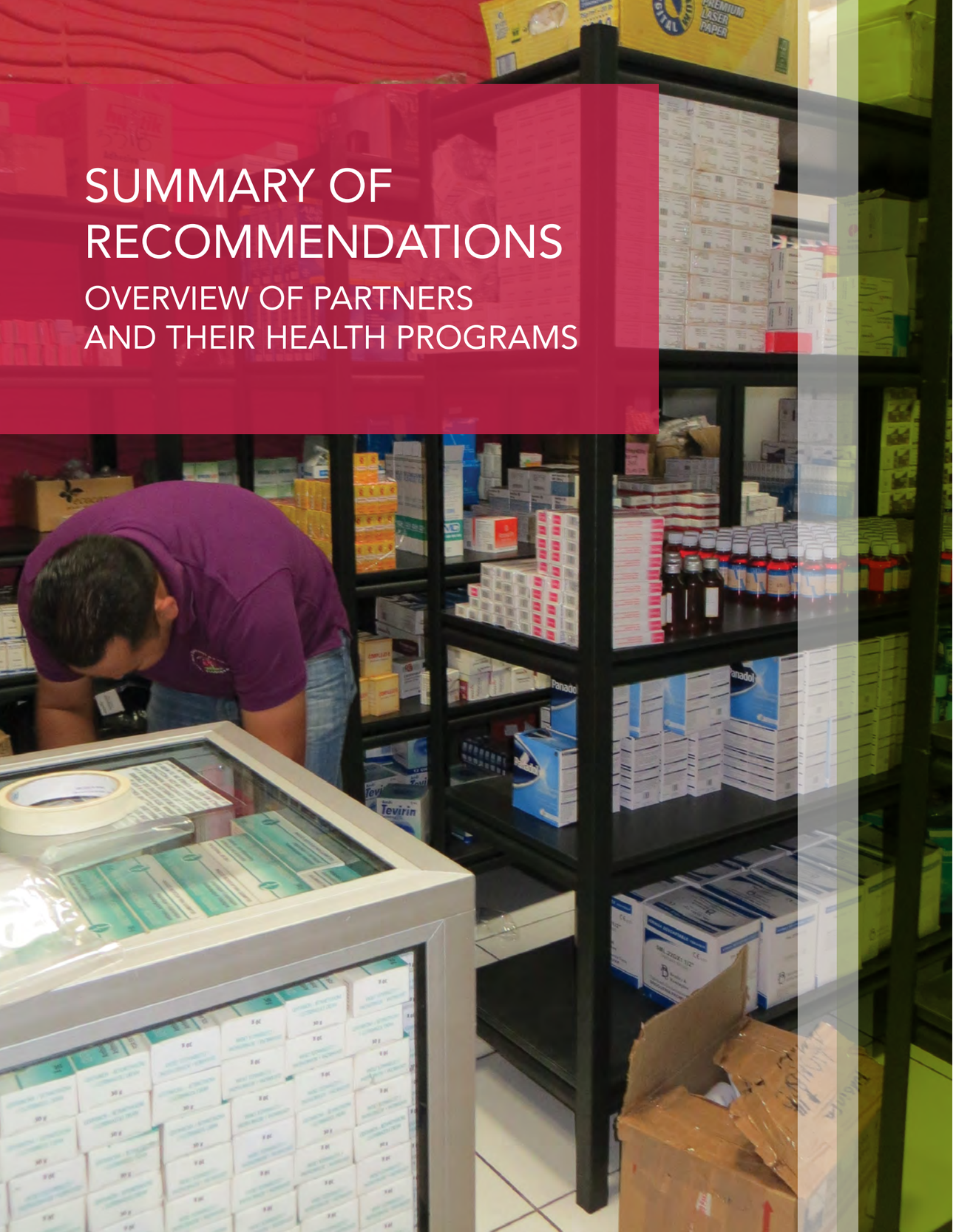
Latin America also has some of the highest income inequality in the world. The Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution.[7] In 2000, Latin America had an average Gini index of 54 — compared to 30 in the European Union and 46 in Asia.[8] By 2010, the region had made progress with an average Gini index of 50. Yet income inequality remains relatively high, a dynamic that makes progress out of poverty more difficult. Integrated solutions that address key drivers related to poverty, like health and education, are necessary to provide the poor with a suite of tools that empower them to live healthier, more productive lives.

Relative to other regions of the world, the microfinance market in Latin America is more commercially driven. As stated in a white paper from the Micro-Capital Institute, "Microfinance in Latin America has been characterized over the years by a clearly profit-driven and competitive landscape that differs widely from the peer-group style lending championed by Grameen Bank of Bangladesh and other Asian and African models."[9] In part due to pressure from commercial investors to provide a risk analysis relevant for an individual client only, the peer-based group-lending model has declined among the more commercially oriented microfinance groups in the region. At the same time, some countries have experienced high saturation of microfinance — particularly Bolivia, Nicaragua, El Salvador, Honduras and Paraguay.[10]

These dynamics present an opportunity for a mission-focused, efficiently managed MFI to differentiate itself through the provision of products and services outside of traditional microcredit, including health insurance, health education, health services, financing for agricultural loans and financing for student loans.

6 Financial Inclusion in Latin America and the Caribbean: Data and Trends; Inter-American Development Bank; http://www.fomin.org/en-us/Home/Knowledge/idPublication/118563.aspx
7 World Bank; http://data.worldbank.org/indicator/SI.POV.GINI
8 International Business Times; http://www.ibtimes.com/latin-americas-inequality-improving-usis-most-unequal-country-west-1278679

9 Micro-Capital Institute; http://www.microcapital.org/downloads/whitepapers/Latin.pdf
10 Micro-Capital Institute; http://www.microcapital.org/downloads/whitepapers/Latin.pdf



SUMMARY OF RECOMMENDATIONS

OVERVIEW OF PARTNERS AND THEIR HEALTH PROGRAMS

A high-level overview of each partner's health program and client payment component follows. A more in-depth examination of each health program and business model will be provided in the individual case studies. It is worth noting that the client payment component does not fully cover the cost of health programs as many partners also cover the cost partially through portfolio yield.

PARTNER	HEALTH PROGRAM	CLIENT PAYMENT COMPONENT
Fundación ESPOIR Ecuador, MFI	Health education delivered in loan repayment meetings Health care services delivered through a network of third-party providers and one Fundación ESPOIR clinic	Mandatory health microinsurance purchased by Fundación ESPOIR clients; cost bundled with microcredit loan repayments
Pro Mujer in Nicaragua MFI	Health education and basic screenings delivered in loan repayment meetings Health care services delivered through Pro Mujer in Nicaragua clinics and third-party providers	Optional prepaid package of health services purchased by client Fee-for-service paid by client for individual health services
FUDEIMFA Honduras, Nonprofit organization	Community pharmacies operated out of women's homes that sell essential medicines in rural communities	Rural clients purchase medicines from community pharmacies
Friendship Bridge Guatemala, MFI	Health education and mobile health services delivered in loan repayment meetings	No additional charge to client as cost is included with microcredit loans

FONKOZE: ATTEMPTING TO BUILD A SUSTAINABLE "HEALTH IN MICROFINANCE" MODEL IN HAITI

Fonkoze is a family of organizations providing financial and non-financial services through a network of 45 branch offices reaching all 10 departments in Haiti. The MFI services over 200,000 savings accounts, and works with close to 60,000 women borrowers. GP started working with the Fonkoze Foundation in 2011, as the organization was interested in developing a financially sustainable program that could address its clients' health needs.

GP and Fonkoze jointly developed and pilot-tested a program combining several health services at two of Fonkoze's branches. One component of the program consisted in having nurses train Center Chiefs — clients elected to leadership positions by their peers — on a curriculum approved by the Haitian Ministry of Health.

The Chiefs then offered health education sessions at credit group meetings. Another program offered a subscription-based health service package that included up to three primary care consultations, and access to limited but commonly needed diagnostic exams and prescription medicines. These would be provided by third-party clinics and be available to the client or her dependents.

Despite the desperate need for health services in Haiti, the lack of an underlying business model, infrastructure and viable partners throttled the potential for the programs' success. Clients were initially interested in the health services packages, but having to rely on a third-party provider with poor infrastructure ultimately yielded poor services. Clients were consequently unwilling to continue to pay for access to services that they found unsatisfactory. Additionally, the MFI's loan portfolio did not generate enough revenue at that time to cover the additional costs of health training.

Global Partnerships' learning across the health portfolio indicates that MFIs succeed when they take advantage of their strengths.

After an 18-month trial period, we jointly concluded that finding a financially sustainable model that could scale to all of Fonkoze's branches was not feasible at that time. Nevertheless, both organizations continue to have a committed interest in health services, and continue to learn and seek opportunities to provide health services and education to those in need.

STRATEGIC OPTIONS

An MFI has a range of options for designing a health-related program for its clients, and this section will discuss considerations for MFI leadership in designing a health program that suits the local context.

HEALTH PROGRAM OPTIONS

MFI-based health programs cover a variety of client-focused products and services. First, MFIs can develop and deliver education services focused on making clients aware of key health issues and how to address those issues. This is a common service provided by each partner in the Health Services Initiative, as the MFI partners deliver education in loan repayment meetings and FUDEIMFA trains community pharmacists on basic knowledge needed to help rural clients purchase appropriate medicines. Some partners also deliver basic preventive screenings in loan repayment meetings or in their own clinics to help diagnose and prevent common diseases.

Second, MFIs can implement programs that enable access to health services and medical consults. Medical infrastructure, including clinic space and medical staff, is required to deliver these services, and an MFI can either build this infrastructure itself or work with an established network of third-party providers. For example, Pro Mujer in Nicaragua operates clinics co-located with branch offices, while Fundación ESPOIR operates one clinic and focuses on enabling access to medical consults to a majority of its clients through a network of third-party providers.

Finally, GP works with one nonprofit with no microfinance activity, FUDEIMFA, to extend distribution of essential medicines to rural areas through a network of community pharmacists. This type of program could be replicated by an MFI.

An MFI can cover the cost of delivering health programs in a variety of ways that this report will discuss in greater detail within individual case studies. MFIs play a valuable role in structuring payment plans that meet the needs of poor clients with small, irregular incomes, and there are several ways to structure these payment plans. For example, Fundación ESPOIR includes a mandatory microinsurance product with all microcredit loans, and clients pay installments of the insurance premium along with loan repayments. Pro Mujer in Nicaragua offers an optional prepaid package of health services to clients, with different payment options including incremental charges added to the loan payments.

GP's learning across the health portfolio indicates that MFIs succeed when they take advantage of their strengths, including understanding of client needs, creation and facilitation of payment plans, and trust built with clients. Interventions that address education and the packaging and pricing of health services can be scaled more easily than building health clinics because they leverage existing operations already in place at an MFI, including loan repayment meetings and loan servicing and collection processes.

There is no "one size fits all" model for an MFI to follow. Instead, an MFI must consider the dynamics of its local market when taking into consideration the lessons learned within this report.

BUILDING VERSUS PARTNERING TO DELIVER HEALTH SERVICES

The decision of whether to build health services or partner with third-party providers is perhaps the most important strategic decision an MFI must make when launching a health services program. A summary of key considerations follows:

	BUILDING PROPRIETARY HEALTH SERVICES	PARTNERING WITH ESTABLISHED THIRD-PARTY HEALTH SERVICE PROVIDERS
QUALITY	MFI can better control quality of services delivered	MFI can focus on core competency of working with poor clients, delivering education and facilitating payment structures, but MFI must still ensure quality of services delivered
COST	MFI can directly control costs, operations, staffing and overall client experience	MFI can avoid high fixed overhead costs associated with operating clinics, including facilities, supplies and staffing
SCALE	MFI can offer basic screening and other more prevention-based services more easily MFI can operate clinics in regions where public and private health centers may not exist	MFI can scale program more quickly without building its own clinic infrastructure
OTHER CONSIDERATIONS	MFI can build additional brand recognition through health services	

Operating health clinics is a very different business than operating a financial services organization; while establishing proprietary medical facilities is not out of the question for an MFI, significant financial resources are required. It can take a long time to promote proprietary clinics and attract sufficient clients to reach breakeven. Because of the time and financial resources required, establishing proprietary clinics is a much more challenging path to scale operationally and financially. Ultimately, it will take longer for an MFI to sustainably deliver health products and services to all clients if they choose this path.

Friendship Bridge examined the question of whether to partner with an established health services provider or carefully build its own health services. The organization undertook an extensive research and analysis process to consider potential partnerships before deciding to partner with an established organization to deliver mobile health services in clients' homes, where loan repayment meetings also take place.

CLIENT CONSIDERATIONS

If an MFI decides to partner with a health services provider to enable access to care for its clients, there are a few considerations to keep in mind when implementing a partnership. MFIs should consider the privacy of its clients and work to keep clients' health services information separate from the financial information that is used to determine eligibility for a loan.

Ensuring that health services are reliable and maintain a standard of quality is another important consideration for MFIs, whether they provide access through their own clinics or through a network of third-party providers. Though proprietary clinics can allow an MFI more direct control over quality, regularly monitoring quality of services should be built into the management and processes needed to run any health program. GP recommends negotiating service levels up front when establishing the partnership, and negotiating recourse when service levels are not met. Likewise, it is important to conduct regular client satisfaction studies to allow clients a feedback channel to complain about low-quality services. The MFI should address these concerns with the health services provider on behalf of its clients.

> When designing the Health for Life program one of the most important elements was to create a long-term sustainability model. We want to ensure our clients are receiving the best possible services at the lowest cost to them, which is why we are building the associated fees into our loan product. We also understand the complexity of delivering a service that faces numerous existing cultural and societal constraints, and feel that using a local Guatemalan organization, Maya Health Alliance, is the most effective, sensitive, and comfortable way to deliver the health services via mobile clinics to our clients.
>
> — Karen Larson, President and CEO of Friendship Bridge

OPTIONAL VERSUS MANDATORY HEALTH SERVICES PACKAGES

A second significant decision for MFI leadership is whether to make health services packages optional or mandatory to the MFI's existing microfinance clients. Both options offer benefits and challenges, as elaborated below.

OPTIONAL HEALTH SERVICES PACKAGES

- Allows clients to choose
- MFI can be more competitive with interest rates on traditional loans without additional cost included for health services package
- Can be more difficult to scale and make sustainable as fewer clients may opt to use services
- Requires larger sales effort and creative packaging to include highly valued services such as dental and vision in order to get clients to purchase packages

MANDATORY HEALTH SERVICES PACKAGES

- Easier to scale given full client participation in health services
- Financial sustainability can be more achievable with a full client base paying for portion of services
- MFI must ensure services offered are of value to clients to maintain client satisfaction; poor experience with health services could drive away clients
- Clients might end up with multiple health services packages from different MFIs if these services are common practice and clients have loans from multiple institutions

Our partner MFIs' experiences in making health services mandatory or optional offer valuable lessons for other MFIs considering offering health services. For example, Pro Mujer in Nicaragua initially made a health services package mandatory to clients. The organization found that clients in regions where it worked had a number of options in finding microcredit loans, and numbers declined as clients shopped for more competitive microcredit loans without the mandatory health services package. Pro Mujer in Nicaragua's health services package is now optional for clients.

Fundación ESPOIR's health services package is mandatory for clients, common for MFIs in Ecuador, so clients are less apt to shop competitively between different microfinance providers. However, some clients end up with multiple health services packages as they take on multiple microcredit loans from different institutions, some with duplicate services. It is worth noting that some countries' regulations prohibit bundling of traditional microcredit with optional health services or other products; this option may not be available to all MFIs.

Finally, Friendship Bridge has opted to provide a set of health services to all clients who reach their third loan cycle with the organization. Because Friendship Bridge includes fees within the microcredit loan structure, clients perceive the health services as a reward for continuing to take loans from Friendship Bridge, and the costs are less apparent. Other MFIs may position their services similarly, with the client's viewpoint in mind.

PAYMENT PLANS

Determining how best to package and price health services packages is one of the areas where an MFI can add significant value given its understanding of the unique cash flow challenges facing very poor clients. An MFI can negotiate with health services delivery providers or microinsurance providers on behalf of a large number of clients, gaining leverage in price compared to individual rates. The package can also be built based on clients' expressed needs and their capacity to pay. Several of our partners have structured their health services packages to include the most needed services and meet a reasonable price point for clients. Many have additional health services available for a fee in addition to the packages described.

Pro Mujer in Nicaragua opted for a prepaid model, where a client purchases a 35 USD health services package called Vida Sana that provides a basic set of services available immediately even if the client pays for the package through installments, described in more detail in the case study within this report. When using a prepaid model, Pro Mujer in Nicaragua has found that highly valued services must be included to drive client purchase numbers. For example, its package includes dental and vision care because these services are highly desired by clients. If a package simply offered preventive care services, encouraging clients to prepay for these services may become a more difficult proposition. Additionally, Pro Mujer in Nicaragua offered clients the ability to pay up front, through savings, or through a series of installment payments included with their existing loan repayment timeline. A majority of clients chose the third option.

Fundación ESPOIR facilitates client payment through a microinsurance model, a relatively nascent option in most countries. Fundación ESPOIR negotiated a package of basic health services along with an affordable premium for its clients through an insurance provider. The monthly premium is paid in installments simultaneously with loan payments, at village bank meetings.

Although FUDEIMFA is not a financial services provider, the organization's work in establishing the appropriate financing system with community pharmacists is an interesting model for other organizations to consider. FUDEIMFA manages a network of community pharmacists who sell medicines to rural clients. Unlike other microfranchise models, these community pharmacists are not required to finance any purchase of equipment up front, and instead work as volunteers who earn a percentage commission on medicines sales. FUDEIMFA has found that this model allows them to recruit community pharmacists based on the ideal profile, with less consideration given to financial circumstances; this becomes an advantage for the organization in terms of having the best community pharmacists in its network.

KEY RECOMMENDATIONS

GP's Health Services Initiative aims to improve access to quality health services for low-income women in Latin America by developing sustainable business models for MFIs to deliver these services. GP found that MFIs can be a platform for developing and delivering sustainable health business models, but success requires extensive focus and appropriate resources by an MFI's management team. The following are GP's recommendations for MFI leadership to take into account as they evaluate whether to launch such services.

MANAGEMENT AND ORGANIZATIONAL CULTURE

GP has found that the MFIs that are most successful in launching health programs carefully balance the health needs of their clients with the costs of providing such services, and take a pragmatic, business-like approach to addressing challenges. While health expertise is a necessary skill set to draw upon, combining health practitioner experience with experience in finance, project management and operations is necessary to build an impactful, financially sustainable model. In FUDEIMFA's case, the organization experienced a culture shift as it worked to make the community pharmacy model financially sustainable. Since the organization began as a nonprofit without production distribution experience, the business management and operational skills needed to run an effective community pharmacies program was not necessarily part of the organization's culture. By embracing a more commercial, business-oriented mindset, FUDEIMFA has made great progress in developing a financially sustainable model while maintaining a strong focus on its social mission.

From a management perspective, a new health initiative should be evaluated with impact, sustainability and scale in mind. Prioritization of the health initiative by senior management with board buy-in is critical to ensure an MFI does not have competing priorities that jeopardize the long-term viability of the new health program. Having a senior manager, empowered by MFI leadership, who continually manages key financial and operational metrics along with health outcome metrics is critical.

PROGRAM COMPONENT	COSTS	REVENUE SOURCE TO PAY FOR SERVICE
Health education	Training of loan officers and development of education curriculum	Paid for through portfolio yield
Basic screenings and preventive exams	Nurse or doctor time to deliver basic screenings, transportation costs and supplies	Additional premium and/or interest rate charges bundled with existing microcredit loans
Health services and consults delivered via proprietary clinics	Physical cost of clinic space, staff salaries of doctors and nurses, supplies and equipment	Additional premium and/or interest rate charges bundled with existing microcredit loans
Health services and consults delivered via third-party health services providers	Staff salaries needed to oversee and manage partnerships and reimbursements for incremental cost of services delivered	Additional premium and/or interest rate charges bundled with existing microcredit loans

FINANCE AND OPERATIONS

The most successful health programs incorporate a strong financial understanding of the project costs and revenues and manage those metrics accordingly. MFI leadership can call upon established financial expertise within the organization; for example, an MFI's CFO should be included in program design to assist in managing and monitoring key financial metrics.

A solid understanding of unit economics, the costs and revenues associated with the delivery of a product at the end-user level, provides the best financial base of knowledge needed to grow a product's reach. Variable costs associated with delivery of a product or service can then be predicted for each new client added. An MFI must also take into account fixed costs associated with delivery of a product or service; staffing and management of a health services program would fall into this category, for example. As more clients adopt a new product, fixed overhead costs become spread over a larger client pool.

For example, Friendship Bridge's decision to implement mobile health services allows the organization to avoid significant fixed costs inherent to building and operating health clinics. While a mobile clinic delivers fewer services than a full clinic, it does allow the MFI to start with a few targeted services and carefully control the costs, while still being able to scale services offered to all clients in a reasonable timeframe.

An MFI can estimate the breakeven point from a product perspective, and focus on the number of clients needed for a health initiative to reach this breakeven point. FUDEIMFA focused on reducing the largest cost drivers to reach breakeven, and on adjusting incentives to better link community pharmacy performance to compensation of the field team of community promoters responsible for overseeing these pharmacies. Aligning incentives with performance helped drive additional revenue at the community pharmacy level.

A Profit and Loss statement regularly viewed at senior management levels will help an MFI to continuously focus on managing the largest cost and revenue drivers associated with a health program. Below is a list of the major costs and revenues associated with different health program components to assist MFI leadership in considering health program design.

PRODUCT DESIGN AND DELIVERY

An MFI should build on its trusted relationship with the poor and work to develop health services packages with products and services that appropriately meet a client's needs. Friendship Bridge benefited from collective learning from GP's health portfolio and began its work by visiting other MFIs and also doing a baseline study in conjunction with a U.S. university on clients' understanding of their health needs.

Domain-specific knowledge of the health sector plays an important role in the design of health programs and products as this knowledge allows MFIs to focus on common diseases where prevention and knowledge have a big impact. One major study in seven Latin American urban areas estimated the prevalence of obesity at 23%, and prevalence of smoking at 30% of the population over age twenty-five.[11] Diabetes and cardiovascular disease, both exacerbated by poor eating habits and smoking, have also been on the rise. Fundación ESPOIR, Pro Mujer in Nicaragua and Friendship Bridge have all focused on providing education and basic screenings for blood pressure and Body Mass Index (BMI), as well as on management of common chronic diseases. FUDEIMFA has trained a subset of its community pharmacists to deliver basic blood pressure readings. Each case study will discuss our partners' results to date in delivering preventive services in these issue areas.

Another consideration an MFI should take into account is how best to deliver health services in a manner that respects clients' desires for privacy and comfort. For example, Friendship Bridge opted to provide mobile health services by a female nurse or doctor, in part because female clients expressed a desire to receive services from female physicians in a location of familiarity, specifically in women's homes where loan repayment meetings also occur. Pro Mujer in Nicaragua also responded to clients' desires by providing female nurses to conduct cervical cancer screenings. The organization has found that cervical cancer screening can be a culturally sensitive and unknown topic; one client who successfully treated cervical cancer after early detection screening has traveled to different group meetings to speak of her experience, demonstrating to other women the importance of preventive cervical cancer screenings.

HUMAN RESOURCES

Adding a new product to any business requires the right team leading and managing the initiative at a senior management level. Management helps ensure the health program is understood throughout the organization and prioritized by all staff. For example, Friendship Bridge's preparations to launch a health program began at the board and management level, driving continued focus on the program's development throughout all levels of the organization.

11 Health Affairs; Confronting The Chronic Disease Burden In Latin America And The Caribbean; http://content.healthaffairs.org/content/29/12/2142.full

Health products also drive change at the loan officer level, particularly when loan officers are the primary point of responsibility for delivering health education at group meetings. Both Pro Mujer in Nicaragua and Fundación ESPOIR have found that hiring loan officers from the outset with the right skill sets to learn and deliver this kind of information has been an important foundational piece to rolling out new services through group lending meetings. When an MFI hires loan officers based solely on the skill set needed to extend and collect traditional microcredit loans, adding additional training skills later on may be a challenge.

Although many of our partners have been successful in delivering health education during group meetings, one challenge identified by some partners is that clients begin to see the loan officer as a medical professional and may bring up questions or concerns beyond the scope of the loan officer's medical knowledge. MFIs should be careful to ensure loan officers are trained to refer clients to a qualified source when they are unable to answer a question, to make sure clients do not receive inaccurate information.

FUDEIMFA's work managing a network of community pharmacies run by local women offers powerful insights into how to best manage a network of volunteers as well as paid community organizers to oversee the volunteers. The financial incentive structure offered to community pharmacists allows FUDEIMFA to recruit women based on the optimal profile rather than on financial capability. The organization has focused on making women feel empowered and special in their roles as a trusted community resource; personal cards and Christmas and Mother's Day gifts are often delivered to community pharmacists to generate a sense of goodwill. Though FUDEIMFA's work to empower these women is a natural extension of its social mission, it is also a smart human resources strategy as it finds non-monetary ways to motivate the women. Other organizations can learn from FUDEIMFA and consider how best to engage and reward employees and volunteers in ways that make them feel appreciated and a part of a broader social mission. FUDEIMFA also found that a performance-based incentive structure was more effective in incentivizing community promoters that managed the volunteer network, a finding discussed in greater detail within the FUDEIMFA case study.

OUR PARTNERS' WORK IN DEPTH

The following four case studies provide a deeper look at different health services business models and provide a set of lessons learned for MFI leadership looking to adopt similar programs.

CASE STUDY

FUNDACIÓN ESPOIR

Fundación ESPOIR is an Ecuadorian non-governmental organization (NGO) specializing in communal banking for entrepreneurial low-income women. Fundación ESPOIR has been in existence since 1992, and began developing its focus on microcredit and education in 1998.[12] Headquartered in the capital city of Quito, Fundación ESPOIR operates six branch offices throughout the country. As an NGO, Fundación ESPOIR is not formally subject to Ecuadorian banking regulations.

12 Fundación ESPOIR; http://Fundación ESPOIR.org.ec/index.php?option=com_content&view=article&id=6&Itemid=4

Fundación ESPOIR serves primarily low-income women living in rural and urban areas of Ecuador. Though a majority of Fundación ESPOIR's portfolio is comprised of group loans,[13] the individual loan portfolio has been growing. Fundación ESPOIR's integrated services model offers financial services, including individual and village bank loans, and nonfinancial services, including education on different themes relevant to the clients' lives like medical and dental care and financial literacy topics. These services offer Fundación ESPOIR's clients working capital to strengthen their economic activities as well as the opportunity to share their new knowledge and practices amongst themselves, enabling them to build their own empowerment strategy.

51,586
ACTIVE BORROWERS
(41,375 women, 10,211 men)

As of December 2014, Fundación ESPOIR had 51,586 active borrowers (41,375 women, 10,211 men) with 61,184 outstanding loans for a total gross loan portfolio of 46,116,751 USD.[14] Of its borrowers, 37,480 were village bank clients. Though Fundación ESPOIR has always focused on delivering health education, GP's work with Fundación ESPOIR through the Health Services Initiative helped strengthen the emphasis on delivering health-focused education and enabling access to health services.

13 Kiva; http://www.kiva.org/partners/137
14 Boletín Microfinanciero Anual #45. Reporte Financiero, Social y de Mercado. Instituciones y redes miembros RFR. Diciembre 2014.

ECUADORIAN CONTEXT

The Ecuadorian government has put substantial effort into improving health services. The number of Ecuadorians covered by the national social security program has grown over the past few years, though it still does not cover the full population. Public health services have improved and are now more widely available. However, many people seek health services from the public sector, leading to overflowing clinics and long wait times. As a result, many individuals must turn to the private sector, which can be prohibitively expensive for the majority of the population. Some MFIs have differentiated their organizations by providing health products and services to clients.

Over the past ten years, Ecuador's microfinance sector has progressively become more regulated.[15] The industry is becoming more competitive and more dynamic, as in other Latin American countries, though Ecuador has some of the strictest microfinance regulations imposed by any Latin American government. Ecuador's government has imposed an interest rate ceiling for microfinance clients, which often does not cover the cost of servicing small loans due to the high operational costs inherent to the microfinance model. A number of MFIs and savings and credit cooperatives have seen a loss in revenues as they work to comply with new regulations. Adding client-focused products and services in new domains like health, may offer MFIs a pathway to generate additional profits if supported by a solid business model.

15 Supervision and Regulation of Microfinance Industry in Ecuador-USAID; http://www.microfinancegateway.org/sites/default/files/mfg-en-case-study-supervision-and-regulation-of-microfinance-industry-in-ecuador-usaid-salto-project-2003.pdf

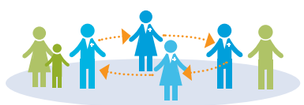
GP's work with Fundación ESPOIR through the Health Services Initiative helped strengthen the organization's emphasis on delivering health-focused education and enabling access to health services.

FUNDACIÓN ESPOIR'S HEALTH PROGRAM

Fundación ESPOIR's health program was initially designed around three pillars. Though not all pillars scaled to the level initially desired, the program components were conceived to meet client needs in a complementary fashion.

FIRST, trained loan officers offer education that promotes health-related behavior change to clients at regular village bank meetings. Education services were already offered to each client, with subjects ranging from health, business administration, empowerment and natural risk management, but Fundación ESPOIR increased preventative health education to 30% of all education sessions. Each client pays for the cost of this education with a fixed interest rate rolled into a client's existing loan package. This education teaches clients about health issues that can be prevented with the right actionable knowledge and empowers clients to be able to utilize health services and access care more effectively.

SECOND, Fundación ESPOIR's model enables access to health services through a mandatory microinsurance product and access to a nationwide network of health services providers. The insurance covers unlimited medical consults and free essential medicines for the client, spouse and children, as well as basic dental care for the client. The free medicines cover normal illnesses, but do not cover chronic diseases. The insurance product also includes a maternity fee of 75 USD when a child is born, and a life insurance policy for the client's family in case of the client's death. The insurance premiums are paid together with traditional loan installments at a price of 2.89 USD per month, which is one of the lowest rates compared to those of other MFIs who offer similar insurance packages. Since September 2012, this product has been mandatory for Fundación ESPOIR's village bank clients. The medical and dental consults are provided through a network of existing health services providers operating in the regions close to where village bank clients live.



FINALLY, Fundación ESPOIR addresses non-communicable chronic disease prevention by delivering preventive basic screenings and cervical cancer detection services through its own proprietary clinic and through medical campaigns organized in coordination with public and private health providers. Initially Fundación ESPOIR hoped to open and operate a clinic from each branch office to serve as part of the network of health providers, and to expand its program of offering preventive screenings directly to all village bank clients. Currently, Fundación ESPOIR runs its own health clinic in Portoviejo, which is also a member of the nationwide network of health services providers. In the future, Fundación ESPOIR plans to open two more clinics in branch offices where they have the most village bank clients.

FUNDACIÓN ESPOIR'S HEALTH BUSINESS MODEL

Fundación ESPOIR's client-centric model works through a series of partnerships, explained in the diagram below. A description of the role of each stakeholder follows:

Microfinance Institution (Fundación ESPOIR)

Fundación ESPOIR offers health education to its village bank clients and utilizes its existing loan collection capability to collect insurance premiums that are then paid to the insurance company in exchange for a commission. Fundación ESPOIR also offers a broader education service, employing a team of education promoters that train loan officers on delivering health education. Essentially, the MFI acts as a client lead generator for the insurance broker, facilitates payment collection and builds demand and knowledge among the client base. Fundación ESPOIR also acts as the health services provider through its proprietary clinic in Portoviejo, offering medical consults and basic preventive screenings to village bank clients in the branch where the clinic operates. Fundación ESPOIR also plays an active role in controlling the quality of service offered by the network of health providers. They established their own customer service line and system of registering complaints in order to be able to follow through on resolving client complaints.

Clients

Fundación ESPOIR's clients pay a monthly premium that is automatically included in their loan payments for the microinsurance. To use the insurance, the client must schedule a medical appointment through a call center.

Insurance Broker

Privanza, the insurance broker, worked with Fundación ESPOIR in the design of the microinsurance product and in the selection of the insurance provider to cover Fundación ESPOIR's clients. Privanza plays an important role coordinating between all stakeholders and guaranteeing the quality of service.

Insurance Provider

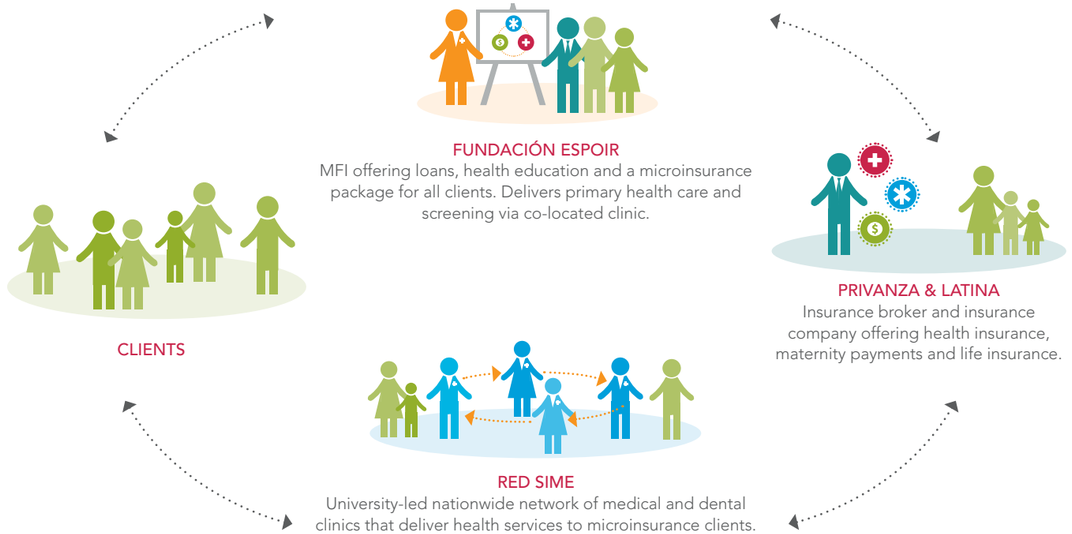
Latina is the insurance company, offering health insurance, maternity payment and life insurance to clients.

Health Care Provider Coordination

Red SIME is a program run by San Francisco de Quito University, and coordinates a network of private health providers. Red SIME receives a fixed payment per client to cover medical costs and medicines, prevent fraud and ensure quality control of health services providers. If services lack quality and client complaints accumulate, Red SIME can remove a provider from the network.

Health Providers

The network of health providers includes one proprietary Fundación ESPOIR clinic and 112 third-party health and dental clinics that deliver health services and receive reimbursements from Red SIME for each insured client they attend.



BUSINESS MODEL ECONOMICS

A breakdown of Fundación ESPOIR's cost and revenue structure follows:

	PROGRAM COMPONENTS			
	Health Education	HEALTH SERVICES		
		Third-Party Health Care Providers	FUNDACIÓN ESPOIR CLINIC	
			Treatment	Preventative Screenings
	ADMINISTRATIVE STAFF'S OVERHEAD TIME REQUIRED TO MANAGE THE HEALTH PROGRAM			
COSTS	Training of loan officers Development of training curriculum		Part of operational and staff costs associated with Fundación ESPOIR clinic, including office cost, nurses and doctors	Part of operational and staff costs associated with Fundación ESPOIR clinic Screening equipment and medical supplies Medical campaigns
REVENUES	Part of fees for education services included in the loans for clients	Commission on microinsurance sales	Reimbursement received for each client attended in clinic	Commission on microinsurance sales

RESULTS

Fundación ESPOIR successfully delivered preventive health education to an average of more than 37,000 clients per month, focusing on sexual and reproductive health, chronic non-communicable diseases and family planning.
The microinsurance component had a monthly average of 37,000 account holders (clients with active village bank loans) and an average of 120,000 beneficiaries of the insurance product. During 2013 and 2014, 68,450 medical consults were delivered (2,852 monthly average), and 16,785 dental treatments were delivered (699 monthly average). Over these two years, the average number of medical interactions per beneficiary increased from 0.21 to 0.32 in medical consults and from 0.14 to 0.25 in dental treatments. Translated into unique individuals, we see that in 2014, an estimated 25% of the beneficiaries used the microinsurance to seek medical attention, while 9% of the clients used it to receive dental care.

Further review of the data showed that the insurance payments were evenly split between purchase of medicines and coverage of medical consults and treatments, averaging 8.50 USD each. An average of five clients per month received some kind of life insurance payment, while 424 women received a maternity fee payment. While these numbers are low in absolute terms, the events constitute expensive, often catastrophic occurrences to the clients; the insurance product helps keep these events from being financially devastating.

Fundación ESPOIR's work providing a subset of clients with preventive screenings for blood pressure, glucose levels and BMI through its own clinics revealed that a majority of women were at high risk for diabetes and/or obesity. Within the group of women who sought screenings and had their BMIs calculated for the first time, 36% classified as obese and another 41% classified as overweight. While these results are concerning, diabetes and obesity have been on the rise over the past decade across Latin America, so this is not necessarily out of line with regional trends. Fundación ESPOIR has experience in using group meetings as a space for clients to discuss their health challenges, including weight.

The vast majority (90%) of Fundación ESPOIR's village bank clients are female, almost half of whom (42%) are single, divorced or widowed. Forty-five percent of the clients live in urban areas, 32% in semi-urban and 23% in rural areas. The majority (72%) have children under the age of 21. Ninety percent of clients have finished primary school and, of these, almost half have finished secondary school as well.

CLIENT STORY: Paola Mero Marín, 56

Paola lives in the town of Jaramijo, in the province of Manabí where Fundación ESPOIR opened its first branch office. She joined Fundación ESPOIR 18 years ago, not long after her husband left her with four children and a small home from which she ran a business selling school supplies. Over the years, Paola used loans from Fundación ESPOIR to expand her business and now owns the largest school supply shop in town. She attributes part of her store's success to the business skills she has learned during village bank meetings with Fundación ESPOIR. Two of the most important lessons she has learned are to set aside part of her savings exclusively for business expenses and to invest in a variety of products, so customers always find what they're looking for.

Paola suffered a setback a few years ago when her diabetes progressed and left her blind in one eye. She appreciated the meeting in which her credit officer provided education about diabetes in language that was easy for her and her group members to understand. When her credit officer explained the microinsurance in which all Fundación ESPOIR clients are enrolled, Paola learned that some of her diabetes medications were covered by the insurance. "Everything that Fundación ESPOIR offers is integrated and important," and even better, "I'm saving money on medicine with this insurance!"

SUSTAINABILITY

Within four months of launching the health access component, Fundación ESPOIR was able to offer access to all of its clients. This was in part due to Fundación ESPOIR's work developing a network of third-party health services providers in those regions. Fundación ESPOIR's health education service could also scale rapidly because it built upon an already established focus on delivering education inherent to Fundación ESPOIR's business model. Costs of delivering education are covered through the additional rate included with a client's microcredit loan.

Fundación ESPOIR only offered basic screening services in its own clinic and through sporadic medical campaigns. It was difficult to include preventive screenings through the private health provider network, because these services are outside the coverage included in the microinsurance policies, and the client would have to bear the additional costs.

At the overall level of the current program including education, access to health services via third-party providers and access to preventive health services via Fundación ESPOIR's clinic, the model is financially sustainable. Commissions received from microinsurance and payment for the medical consults given in Fundación ESPOIR's clinics cover all direct and indirect costs associated with the three components of the health program in its current form.

However, the clinics proved difficult to sustain at a unit level, because the revenue generated from reimbursements for medical consults held in Fundación ESPOIR clinics was insufficient to cover the cost of the clinics. Growing the number of proprietary clinics before addressing this issue could challenge sustainability of the overall system. Before growing the number of proprietary clinics, an MFI should consider the time required for each clinic to reach its breakeven point, which Fundación ESPOIR calculates to be 400 consults per month.

From the insurance company's point of view, sustainability is challenged as more and more clients utilize medical services, a dynamic common in any insurance scheme. In this initiative, the insurance company reported in the first year that 70% of revenue received from microinsurance clients was used to pay the costs of medical consults, medicines, maternity payments and life insurance payments. In the second year of this initiative, 81% of the revenue received was used to cover costs. As of the first four months of the current year of the initiative, this percentage had climbed to 83%. For this initiative, utilization rates of the insurance must remain low enough for the microinsurance product to be profitable to the insurance company. Otherwise, premiums may rise, and/or benefits and commissions may be reduced, a possible outcome Fundación ESPOIR and the other stakeholders may face in the near future.

LESSONS LEARNED

PRODUCT DESIGN

Making a health education and microinsurance product mandatory to clients is risky because a client can feel that it makes the MFI's credit undesirably expensive. It is necessary to do a general analysis on which costs clients are willing to pay, and to have a full understanding of competitors' prices and services. Relatedly, payment plans are of critical importance to sustaining health products. We recommend that payment plans be linked to established disbursement and collection of microcredit loans to make it easier for clients to pay for services over time.

The price of the microinsurance should be established with consideration of the client's ability to pay, as well as the sustainability of the overall health program. With a substantial number of clients paying for the insurance service, the total costs of the health program can be covered. It is also important to continuously monitor the price of the insurance premium and the degree of client satisfaction. The mandatory microinsurance model can scare away potential new clients in a very competitive environment where clients may be looking for the lowest cost loan. MFI leadership should also consider the regulations in their home countries. Some countries do not permit mandatory bundling of non-financial services with financial services, so this path may not be an option for all MFIs, particularly those operating as regulated financial institutions rather than as NGOs.

In Ecuador, a majority of MFIs include mandatory microinsurance, so Fundación ESPOIR is also able to make the product mandatory. However, many clients in environments where mandatory microinsurance is common end up with multiple microcredit loans, and therefore multiple insurance policies. This reinforces the importance of a customer feedback loop that helps the MFI understand which services are truly needed by the client.

Education does scale more easily than other products and services, so long as an MFI can effectively train loan officers to deliver quality education in group meeting settings. The scalability of these services can be attributed to delivery channels that piggyback on existing touch points the MFI has already established with the client. Educating clients also drives higher usage of other health services products offered.

Fundación ESPOIR's work developing a microinsurance product focused on meeting the needs of poor clients. Because the insurance is mandatory for clients, there is a natural expectation that the product meet the clients' needs accordingly. Fundación ESPOIR found that a majority of clients sought low cost, frequently used medical services. The microinsurance product excluded treatment of chronic, non-communicable diseases that have been on the rise in Ecuador and other parts of Latin America due to high costs associated with ongoing chronic disease treatment. However, Fundación ESPOIR separately offers basic screening for chronic diseases in its clinic and in medical campaigns.

STRATEGIC PARTNERSHIPS

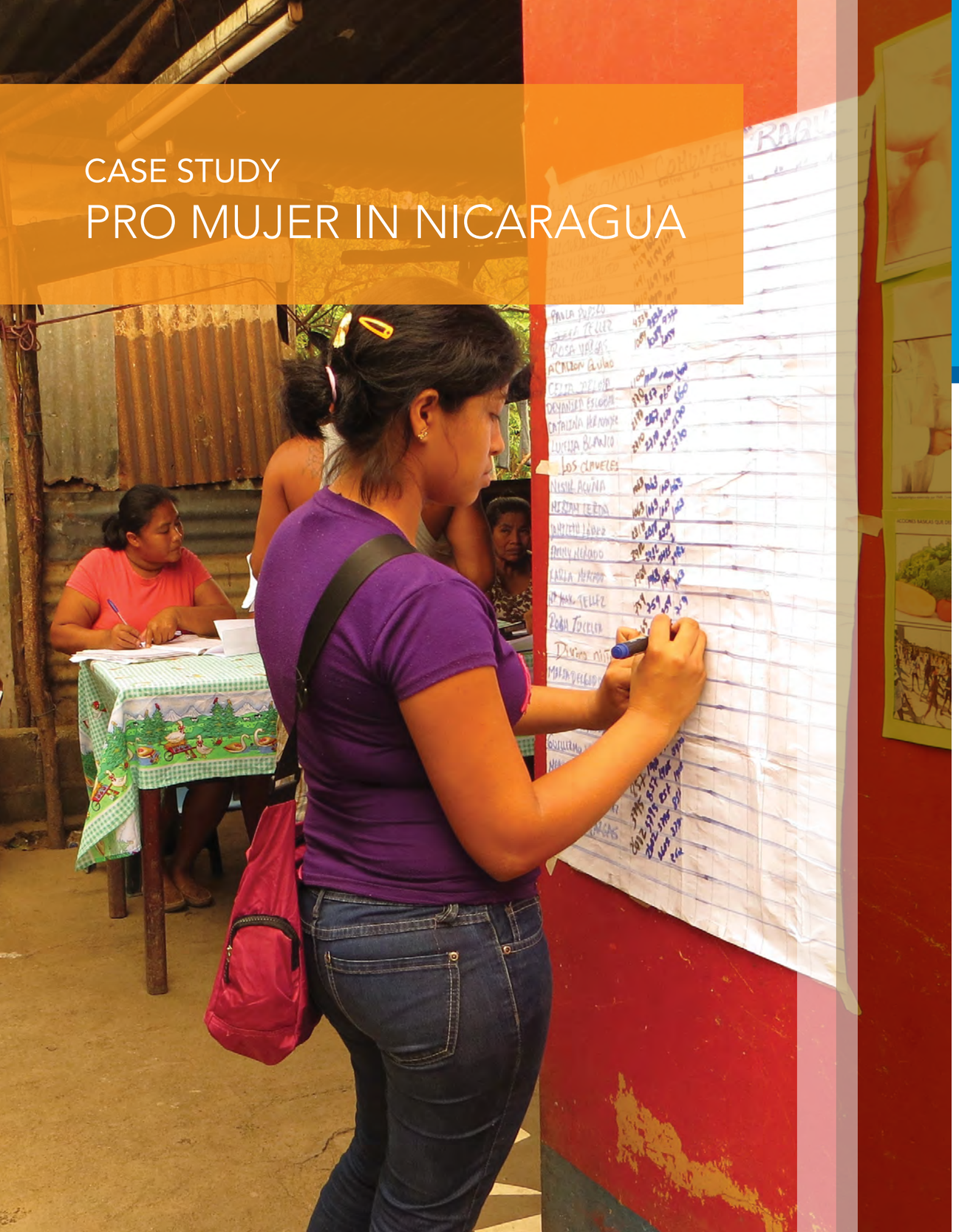
Fundación ESPOIR's work in health yielded tremendous insights into the challenges and benefits of strategic partnerships. Fundación ESPOIR's work to provide clients access to a network of third-party health services providers through a mandatory microinsurance product laid the groundwork for a scalable model that can make health services accessible and affordable. A related issue is that an MFI must also address quality control effectively. If mandatory insurance does not meet client needs, clients may feel mistreated, and the MFI's reputation can be jeopardized, affecting the core microfinance business.

Fundación ESPOIR worked with multiple partners, including an insurance broker, insurance company and a network of health providers. Paying commissions to multiple partners quickly adds up. MFI leadership should look to streamline roles of partners wherever possible.

Fundación ESPOIR's work in health yielded tremendous insights into the challenges and benefits of strategic partnerships. Fundación ESPOIR's work to provide clients access to a network of third-party health services providers through a mandatory microinsurance product laid the groundwork for a scalable model that can make health services accessible and affordable.

CASE STUDY

PRO MUJER IN NICARAGUA



Pro Mujer is an international development and microfinance organization with a mission to empower Latin America's low-income women. Pro Mujer delivers its integrated package of financial, training and health services via community banks, and the organization has operations in five countries: Argentina, Bolivia, Nicaragua, Peru and Mexico. Pro Mujer's operations in Nicaragua, its second country of operations, were established in 1996. Pro Mujer in Nicaragua has been a part of GP's Health Services Initiative since 2012, though GP has worked in some capacity with Pro Mujer in Nicaragua since 2009. GP partnered with Pro Mujer in Nicaragua to expand its existing health program into two new regions, Chinandega and Masaya.

A majority of Pro Mujer in Nicaragua's clients belongs to village bank lending groups, with a smaller minority involved in individual lending. Since Pro Mujer's inception in 1990, the organization has disbursed more than 1 billion USD in small loans across all institutions, as of early 2014. Pro Mujer has also provided business and empowerment training, preventive health education and primary health services to approximately 1.6 million women and their 6.4 million children and family members.[16] Pro Mujer in Nicaragua has more than 45,000 active borrowers and a loan portfolio of 17 million USD with an average loan balance of 303 USD per borrower, as of 2014.[17] Pro Mujer in Nicaragua today serves women across 11 municipalities, primarily in remote, rural areas.

OVER 1 BILLION USD

HOW MUCH PRO MUJER HAS DISBURSED IN SMALL LOANS ACROSS ALL INSTITUTIONS

In 2013, Pro Mujer in Nicaragua underwent a change in legal status and split into two entities, Pro Mujer, LLC and Pro Mujer, Inc. This split allowed Pro Mujer, LLC to function as the financial services provider and to comply with evolving government regulations requiring MFIs to be registered and regulated as financial institutions. Pro Mujer Inc., a nonprofit entity, oversees all health services. Profit generated by portfolio yield from Pro Mujer, LLC assists in paying for select health services provided by Pro Mujer, Inc. to Pro Mujer's village bank clients.

16 Pro Mujer International; http://promujer.org/who-we-are/our-history/
17 Pro Mujer International; http://promujer.org/where-we-work/nicaragua/

NICARAGUAN CONTEXT

Nicaragua is one of the poorest countries in Latin America, with nearly half of the population living on less than two dollars a day. The extreme poverty present in the country has a particularly detrimental effect on women, and more than 97% of Pro Mujer's borrowers are women, some of whom work as the heads of their households, taking care of children and other family members. Though microfinance had at one time been considered an attractive investment opportunity in Nicaragua, a "no payment" movement began in 2008 and widespread defaults on loans by borrowers spread. As a result, the total number of borrowers and the size of the loan portfolios decreased significantly between 2008 and 2010. Though the industry has been recovering in recent years, the Nicaraguan microfinance market is still vulnerable to perceptions of country risk. Additionally, a 2014 government ruling enforced a stricter risk analysis for MFIs in accepting new clients. This requirement barred clients who defaulted in the "no payment" movement from taking additional loans. However, demand is still strong in most parts of the country, and competition for clients is high amongst MFIs.

On the health side, Nicaragua has a tiered system reflecting the high level of poverty and income inequality in the country. With less than 12% of Nicaraguan individuals insured by the Nicaraguan Social Security Institute (a little over 700,000 people, as of March 2014), a vast majority of Nicaraguan citizens rely on public health services. As a result of very high demand for service and limited government resources available, public facilities are often overcrowded and understaffed. A majority of facilities are concentrated in urban areas, with little service provided to poor populations in rural areas. In response, Pro Mujer in Nicaragua has worked to build its own clinics co-located with branch offices.

PRO MUJER IN NICARAGUA'S HEALTH PROGRAM

Pro Mujer in Nicaragua's health program educates clients on critical health issues and provides health services. Pro Mujer in Nicaragua's health program is comprised of four main components, detailed below.

FIRST, clients receive health education during village bank meetings from cross-trained loan officers. This education covers information regarding cervical cancer prevention, breast cancer awareness, diabetes and hypertension prevention, respiratory disease concerns, family planning and reproductive health and other topics.

SECOND, Pro Mujer in Nicaragua delivers basic health screening services through a network of nurses employed by Pro Mujer in Nicaragua. These screenings monitor glucose levels, BMI and blood pressure. Nurses typically attend loan repayment meetings and offer these optional services to clients after wrapping up the lending portion of the meeting. Pro Mujer in Nicaragua also offers these services through its own clinics, co-located with branch offices.

THIRD, Pro Mujer in Nicaragua offers clients an optional prepaid package of services called Vida Sana, which is priced at 35 USD per year. Vida Sana is a health services package that allows either the client or a family member to receive unlimited primary care consults. The package also allows clients to receive other services, including cervical cancer screening, preventive dental care, dental filling or extraction, a vision exam and coupons that offer discounts for specialist services that can be used by the client or by friends and family. Clients can pay for this package up front, through credit-linked savings or through installments added to their microcredit loan. Health services are provided through a network of Pro Mujer in Nicaragua doctors and third-party providers.

FINALLY, outside of the Vida Sana package, Pro Mujer offers all clients health services on a fee-for-service basis — both for clients who have purchased the Vida Sana package as well as for clients who have not purchased the Vida Sana package. These services include cervical cancer screening, medical consults and glucose testing as needed.

PRO MUJER IN NICARAGUA'S HEALTH BUSINESS MODEL

Pro Mujer in Nicaragua's model is executed through a network of partnerships, explained in the diagram below. A description of the actors follows.

Microfinance Institution (Pro Mujer in Nicaragua)

Pro Mujer Nicaragua, LLC

As the financial services branch, Pro Mujer Nicaragua, LLC assumes responsibility for cross training loan officers to deliver health education to village bank clients, and for providing incentives to loan officers to sell the Vida Sana health services package. Pro Mujer Nicaragua, LLC also reimburses Pro Mujer, Inc. for each basic screening delivered in a loan repayment meeting for a total of 1.35 USD per screening, a figure incorporating the direct costs for services delivered.

Pro Mujer, Inc.

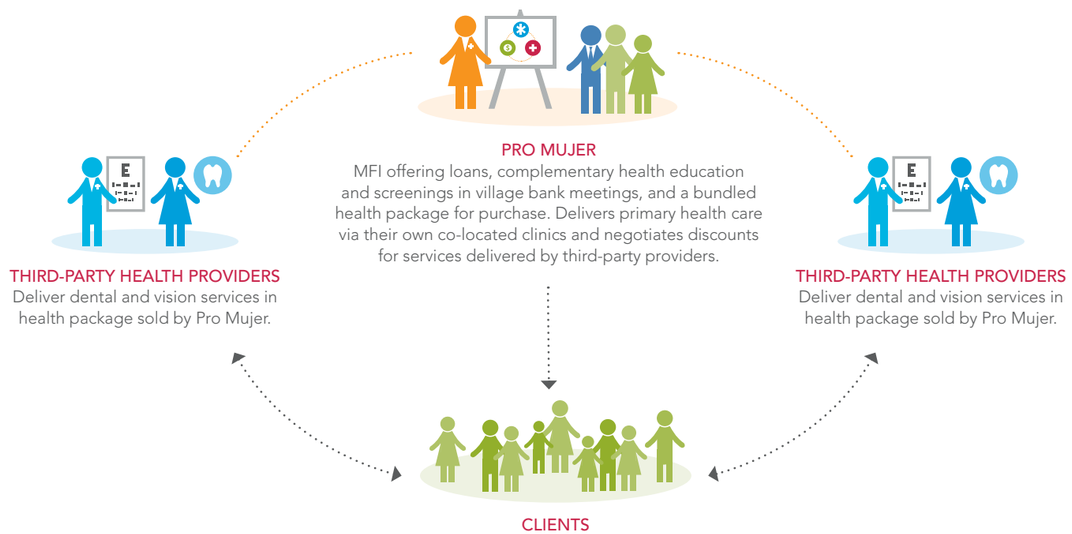
Pro Mujer, Inc. assumes responsibility for the delivery of health services, operating seven clinics in total throughout the country, with clinics in León, Chinandega, Masaya, Estelí, Matagalpa and two clinics in Managua, the capital city. The Vida Sana package is currently available in four regions. Pro Mujer, Inc. employs a health manager and a health coordinator at the national level to oversee all health activities, along with 1-2 doctors, two nurses and one administrative assistant per clinic. Many village bank clients receive basic screenings and medical exams at these clinics when they come to the branch office to receive their loans. Pro Mujer, Inc. also delivers basic screenings through loan repayment meetings, and receives partial reimbursement for costs incurred from Pro Mujer, LLC.

Client

Pro Mujer in Nicaragua's clients receive free education and basic screenings prior to the loan collection portion of regular loan repayment meetings. Additionally, clients can purchase the optional Vida Sana package described above for 35 USD, with a set of options on how to pay for these services. Clients and non-clients can also purchase a range of fee-for-service health services as needed.

Third-Party Health Care Providers

Pro Mujer in Nicaragua works with a network of more than 70 third-party health services providers that offer services at a discounted price. These services include optical and dental care, ultrasounds, pediatric care and laboratory exams. At its most rural branch office, in Jinotega, Pro Mujer in Nicaragua does not have a large enough client base to sustain its own clinic, and consequently delivers care through staff who travel from Matagalpa to conduct health campaigns. Pro Mujer in Nicaragua initially owned and operated dental equipment in its clinic in León but, in order to reduce costs, it now partners with a network of dental providers near Pro Mujer regional centers.



BUSINESS MODEL ECONOMICS

A breakdown of Pro Mujer in Nicaragua's cost and revenue model follows.

	PROGRAM COMPONENTS			
	Health Education	Basic Screening	Vida Sana Package	Optional Consults
COSTS	Loan officer time dedicated to providing education Training of loan officers to provide education	Nurse time Supplies Transportation required for nurses to attend village bank meetings Cost of operating clinics, employing doctors and nurses and associated supplies	Cost of operating clinics and employing doctors and nurses Reimbursement to third-party providers when necessary Medical supplies delivered in consults	Administration, supplies, staff and operational costs required to deliver optional consults Reimbursement to third-party providers when necessary
REVENUES TO PAY FOR SERVICES	Portfolio yield on village bank loans	Portfolio yield on village bank loans	35 USD per client per year for package of services	Fee-for-service paid by client depending on service provided

RESULTS

Pro Mujer in Nicaragua focuses substantially on ensuring client satisfaction, and regularly surveys clients to assess their happiness with services provided. The most recent survey, completed in 2012, indicated that 88% of the organization's clients reported that they were satisfied with the health services provided. Pro Mujer in Nicaragua is conducting a new customer survey to be completed by Fall 2015.

Since 2012, more than 32,000 women have received cervical cancer screenings, a positive indication that education has encouraged women to receive screening. The Vida Sana package includes access to either cervical cancer screening or a lab test; a majority of women opt for cervical cancer screening. Clients without the Vida Sana package can purchase cervical cancer screening at a discounted rate.

BMI results for the more than 25,000 clients tested in 2012 and 2013 were alarming, with 70% of clients screened having a BMI that classified as overweight or obese. This finding matches results of BMI testing in other Latin American countries. Pro Mujer in Nicaragua has responded to these findings by focusing heavily on preventive education on obesity in loan repayment meetings.

Pro Mujer in Nicaragua has made great progress in making the full health services package available, currently reaching 83% of its client base. Though current levels of access are high, rolling out services to new branches did take longer than anticipated. Once Pro Mujer in Nicaragua was able to secure a countrywide health manager to effectively manage the full program, expansion proceeded at a more expedient rate.

All branches and clinics of Pro Mujer in Nicaragua now deliver education to clients. Availability of the basic screening package has grown more widespread, steadily increasing from 2012 to 2014, increasing by over 22% from just over 37,000 clients in 2012 to more than 45,000 clients in 2014. Pro Mujer in Nicaragua estimates the total cost of providing health education at about 2.00 USD per client, per year. Pro Mujer in Nicaragua believes the value is high and thus ensures access to health education for all its clients by building the expense into the cost of a typical microcredit loan.

88% of Pro Mujer in Nicaragua's clients reported that they were satisfied with the health services provided.

SUSTAINABILITY

Pro Mujer Nicaragua has made great progress in reaching financial sustainability at the health clinic level. As GP has seen across the Health Services Initiative, financial sustainability for MFI-owned and operated clinics takes a long time to achieve, due to the costs associated with delivering quality services at a price point affordable to their clients. As part of its sustainability targets, Pro Mujer in Nicaragua aims to have 30% of the village bank clients opting to purchase the Vida Sana health package. As of September 2014, 22% of Pro Mujer in Nicaragua's existing client base had purchased the Vida Sana package. About 40% of the Vida Sana packages sold were sold in Masaya, the largest branch office. Pro Mujer in Nicaragua projects a stronger financial future as the MFI begins to sell Vida Sana packages to its clients in the northern branch offices of Matagalpa and Estelí. Pro Mujer in Nicaragua's clinics needed sufficient time to build trust with clients and build a client base to begin tracking toward financial sustainability.

Another consideration in examining financial sustainability is whether the health services package is mandatory or optional for clients. In the past, Pro Mujer in Nicaragua made purchase of the Vida Sana package mandatory for clients, but felt that clients then had a higher incentive to take microcredit loans from competitors that did not require a mandatory health services package. Pro Mujer in Nicaragua then made the product optional, typically a more attractive proposition to clients but more challenging to scale quickly. To address this challenge, Pro Mujer in Nicaragua included highly demanded services like vision and preventive dental work, as clients tend to pay for these services more readily than basic preventive services. Pro Mujer in Nicaragua continues to monitor client needs and satisfaction levels to refine the health services package and increase clients' willingness to pay.

CLIENT STORY: Maria Eugenia Sanchez, 46

Maria, age 46, is the mother of three children. She lives in Monimbo, a small town about 15 minutes from Masaya, a city in central Nicaragua where Pro Mujer operates a branch office and a primary care clinic. Maria has been a client of Pro Mujer in Nicaragua for more than 16 years, ever since hearing about the organization's mission and credit and education services from a close friend.

Maria remembers when Pro Mujer first offered medical screenings and consults. She looked forward to her trip to the branch office every six months, where she would pick up her new loan disbursement and also drop by the clinic, which is located in the same building. She had Pro Mujer medical staff measure her blood pressure, BMI and blood sugar, administer a PAP and provide her with a personal medical consult.

Two years ago, Maria's loan officer offered the Vida Sana health package to her village bank group. She eagerly added it to her next loan and, because the cost was added to her monthly payments, she says she doesn't notice it. Since purchasing the package, her nieces have been able to see a pediatrician, and she's received several dental treatments and an ultrasound. The most important component of Vida Sana, though, has been the unlimited medical consults. "In the hospital, they didn't explain anything and they send me home without doing anything," she said. "In the Pro Mujer clinic, the doctor calls you by your name. She's patient and she treats you very well."

LESSONS LEARNED

OPERATIONAL CONSIDERATIONS

Pro Mujer in Nicaragua has focused extensively on building necessary operational support needed to deliver a health services package. The organization prioritizes hiring loan officers with a broader profile than solely financial experience, as it knew it would want to train loan officers to deliver health education and sell the Vida Sana package as well as other services. Pro Mujer's experience suggests that clients perceive higher value from health services after receiving basic education on health issues.

Offering appropriate incentives for sales of health services packages is important in reaching sales targets. Pro Mujer in Nicaragua offers a commission to loan officers for each Vida Sana package sold, ensuring sales remain a priority. At the organizational level, having a country-wide Health Manager overseeing the full health program with the appropriate management skills and connection to client-level feedback has been critical to scaling up availability of health services and education.

PRODUCT DESIGN, PRICING AND PAYMENT PLANS

In comparison to a health insurance based offering like Fundación ESPOIR's mandatory insurance package, Pro Mujer in Nicaragua's prepaid Vida Sana package offers the client a different value proposition and a different sustainability path for the MFI. With insurance, costs remain lower when clients do not use the services they may be entitled to through the insurance product. With a prepaid package, MFIs want to see clients using services included as an indication of their satisfaction and inclination to purchase the package again in future years. It is worth noting that purchases of the Vida Sana package increased significantly when Pro Mujer in Nicaragua redesigned the package to allow women to give coupons to other members of their families, demonstrating the need for MFIs to continually monitor client feedback and adapt accordingly.

Universal basic screening services are paid for with portfolio yield, through the reimbursement process previously described. Because Nicaragua does not impose interest rate caps for MFIs, efficiently managed MFIs are able to include additional services like health education, and still maintain competitive interest rates. However, this option is not available to MFIs in stricter regulatory environments.

The 35 USD cost of Vida Sana allows the package to deliver greater value to the client than if they were to purchase all services provided individually.

This price bundling strategy offers a few benefits in terms of impact and sustainability: a) by bundling highly desired services with other high-impact services not always prioritized by the client, utilization rates of these high-impact services increase as they have already been paid for by the client, and b) bundling services allows for some risk-sharing in terms of cost, as some clients will not utilize all services available to them. Finally, selling a prepaid annual package allows Pro Mujer in Nicaragua to develop a recurring revenue stream the organization can plan on over the course of the year.

From the client perspective, appropriate payment plans are critical to adoption of optional services. In the case of the Vida Sana package, clients have the option to pay in three ways: a) up front and in full, b) through their established credit-linked savings, or c) through installments paid along with their existing microcredit loans. Only 3% of clients purchasing the package out of pocket without using their existing microfinance accounts, 34% used funds from their savings, and the remaining majority opted to pay through future installments. Though Pro Mujer in Nicaragua offers the installment plan, clients are still able to access health services provided through Vida Sana immediately because the product functions like a prepaid package of services.

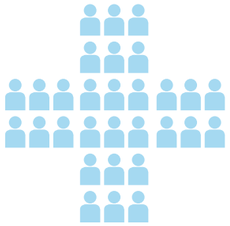
STRATEGIC PARTNERSHIPS

As with other GP Health Services Initiative partners, Pro Mujer in Nicaragua has experimented with operating its own health clinics as well as partnering with established third-party health services providers. Although Pro Mujer in Nicaragua hoped to open clinics in each region of the country where it has a branch office, the organization found that only urban regions had sufficient population to support operation of its own clinics, so the most rural branch office in Jinotega still lacks a clinic. Rural health delivery remains a challenge. This is because Pro Mujer in Nicaragua covers part of the cost of operating and staffing medical clinics through selling of the optional package and fee-for-service package; if the number of clients in a given region is not sufficiently large, operating a clinic becomes a financially challenging proposition. Without consistent clinic financial sustainability, Pro Mujer in Nicaragua has in the past relied on grants to subsidize the delivery of health services.

However, GP has seen strong success in Pro Mujer in Nicaragua's efforts to establish partnerships with third-party health services providers. All parties have respected established terms of agreement, and quality has been reasonably consistent. In the case of dental care, for example, Pro Mujer in Nicaragua originally purchased its own dental equipment and offered dental care in its own clinic in León with a third-party dentist operating the equipment and providing dental services. After spending significant funds on maintenance, the organization realized a lack of in-house expertise in managing dental clinics made the services financially challenging to offer, and opted to partner with existing dental practitioners to maintain the equipment and deliver dental care.

Pro Mujer in Nicaragua's Health Manager works to ensure the quality of services delivered by third-party providers, conducting periodic evaluations of the third-party providers. When clients complained about the vision service offered, for example, Pro Mujer's Health Manager intervened.

Though Pro Mujer in Nicaragua's proprietary clinics have taken years to get close to financial sustainability, the organization has been able to maintain a high standard of quality, and clients are generally satisfied with the services provided. On the other hand, Pro Mujer in Nicaragua has also effectively partnered with third-party health services providers to offer a range of additional health services to clients, continually maintaining a focus on quality of service.



Price bundling strategies can be used to increase utilization rates for services that have high-impact but not necessarily highly prioritized by the client.

CASE STUDY
FUDEIMFA

FUDEIMFA (Fundación para el Desarrollo Integral de la Mujer y la Familia) is a non-governmental organization based in Honduras with a mission to provide business education, technical assistance and access to health services to its beneficiaries, all women. The organization began as an extension of a savings and credit cooperative serving poor women, and now operates as a standalone nonprofit.

Though FUDEIMFA focuses on delivering a suite of social services distinct from the traditional savings and loan collection done by MFIs, the organization's health program is one that can be replicated by MFIs and non-MFIs alike. FUDEIMFA's program focuses on extending distribution of essential medicines to facilitate access to medicines for rural, poor customers, and an MFI could implement this type of model as it leverages core experience reaching rural customers. GP began working with FUDEIMFA in late 2012 to support expansion of an existing rural pharmacy operation. Together with GP, FUDEIMFA has grown the program and recently reached financial sustainability, which this report will discuss in greater detail.

HONDURAN CONTEXT

Honduras is the second poorest country in Central America, following Nicaragua. More than 64% of Honduran individuals live below the national poverty line.[18] Though the National Constitution includes access to health services as a fundamental human right, as in much of Latin America, limited government resources mean that the public health services system is strained. Public health centers operate with limited hours, and clients face long wait times and limited supplies. A World Bank report estimates that half of all household expenditures in Honduras, on average, go toward out-of-pocket health costs, including medicines and treatment.[19]

Poor families living in rural areas are hit particularly hard by limited access to health services and appropriate medicines. Forty-six percent of the Honduran population lives in rural areas;[20] many of these individuals suffer from higher rates of common infectious diseases, including diarrhea, malaria, dengue fever and typhoid. Access to medicines is particularly challenging for individuals and families in rural areas, as the time required to travel to a medical facility or pharmacy takes a substantial portion of an individual's day, often leading to decreased income due to lost working time and additional transportation costs.

18 World Bank 2013; http://data.worldbank.org/country/honduras

19 World Bank; http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1998/04/01/000009265_3980625103023/Rendered/PDF/multi_page.pdf
20 World Bank; http://data.worldbank.org/indicator/SP.RUR.TOTL

46%
of the Honduran population lives in rural areas.

Poor families living in rural areas are hit particularly hard by limited access to health services and appropriate medicines.

FUDEIMFA'S HEALTH PROGRAM

FUDEIMFA's health program focuses on extending distribution of essential medicines to the rural poor. Unlike the other programs discussed in this report, FUDEIMFA's community pharmacies program does not focus on improving or extending existing health services through its own clinics or through partnerships with third-party providers. Instead, FUDEIMFA operates a network of community pharmacists who sell essential medicines within their communities.

FUDEIMFA worked to recruit a network of 301 community pharmacists, primarily women with some previous experience in delivering health services. The community pharmacists are trained to deliver basic health information and sell commonly required medicines in their homes. FUDEIMFA provides the community pharmacists with a simple wooden cabinet stocked with basic medicines chosen in accordance with a list of essential medicines drafted by Honduras' Ministry of Health. These medicines include antibiotics, pain relievers, fever reducers, oral rehydration solution, cold medicine, heartburn medications, antihistamines and a handful of other basic medicines. The three top-selling medicines are antibiotics, pain relievers and medicine to relieve symptoms of respiratory illnesses like the common cold.

The community pharmacists are also trained on basic business skills needed to operate a successful business from their homes. For this work, they do not receive a salary but instead work on commission, earning 10% of the revenue generated from medicines sold. Unlike other models that rely on individual microfranchise operators, the community pharmacists do not have to finance the purchase of medicines, supplies and equipment up front. FUDEIMFA relies on a paid network of six community promoters to deliver medicines to community pharmacists once a month, collect revenue from medicines sold, monitor inventory and generally supervise quality of services provided by community pharmacists.

FUDEIMFA'S HEALTH BUSINESS MODEL

FUDEIMFA's health program is delivered through a series of partnerships, described in detail below and detailed in a diagram.

Nonprofit Organization (FUDEIMFA)

FUDEIMFA manages the overall community pharmacy program and coordinates relationships between the different actors involved. First, FUDEIMFA purchases medicines in bulk from local suppliers at wholesale prices, holding medicines in a central warehouse until community promoters distribute supplies to all points of sale. FUDEIMFA also assumes responsibility for training community pharmacists and providing ongoing business support. FUDEIMFA provides a network of medical professionals that can be reached by phone 24 hours a day, seven days a week, in case pharmacists have questions or require advice. Finally, FUDEIMFA secures the necessary operating permits from municipal governments, ensuring the legal compliance of the community pharmacy operation.

Community Pharmacists

A network of community pharmacists provides the backbone of FUDEIMFA's community pharmacy program. Women are recruited by FUDEIMFA's community promoters and maintain a cabinet of medicines in their homes. The women are trained on correct diagnosis and dosages, and some are also trained to deliver complimentary services, including blood pressure tests and nebulization services for acute respiratory infections.

Pharmacy Customers

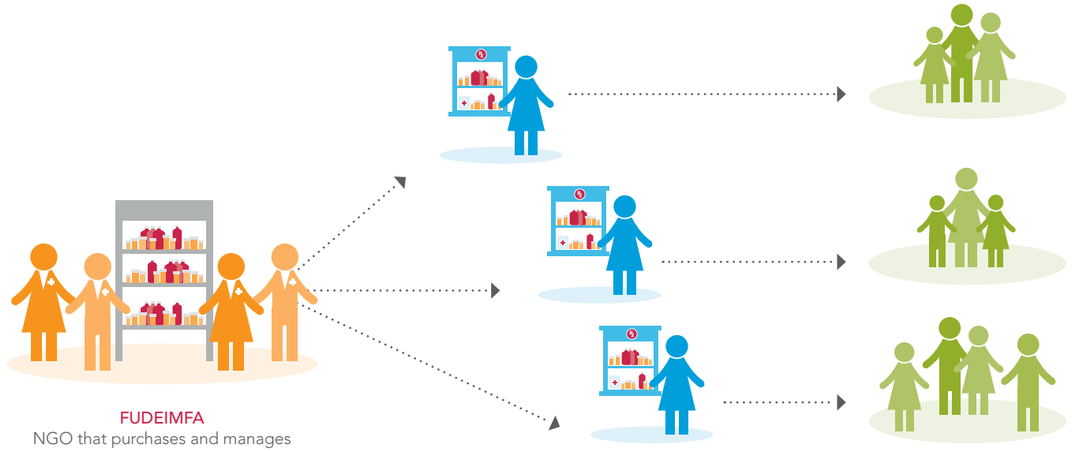
Customers living in rural communities where community pharmacists operate purchase medicines directly at established prices. They also receive complimentary health services offered by some community pharmacists.

Medicine Suppliers

FUDEIMFA works with a network of local pharmaceutical providers selected based on factors including price, quality, quantity, lead time requirements, delivery policies and exchange policies for soon-to-expire medicines.

Ministry Of Health

The Ministry of Health works with the community pharmacy program by sending doctors to participate and assist in workshops focused on training community pharmacists. The Ministry of Health also issues sanitary licenses and regulates the conditions of the community pharmacies. Public health center doctors and nurses employed by the Ministry of Health refer their patients to community pharmacies for medicines, particularly when public health centers do not have sufficient medicines in stock.



FUDEIMFA
NGO that purchases and manages medicine inventory, distributes medicines to all pharmacies, trains and supports pharmacies.

COMMUNITY PHARMACISTS
Volunteers that sell medicines from home. Some offer basic complementary medical services (nebulizers, blood pressure, injections).

CLIENTS

BUSINESS MODEL ECONOMICS

A breakdown of the costs and revenues associated with FUDEIMFA's health program follows, broken down in two categories: variable costs that change with the units of medicines sold, and fixed costs representing the administration and overhead costs needed to operate the program. It is important to note that different MFIs may establish their own definition of fixed and variable costs; the table below discusses FUDEIMFA's definition of fixed and variable costs.

FUDEIMFA's largest cost drivers are wholesale purchase of medicines, staff salaries and transportation. Because the program relies on a single source of revenue — the sale of medicines to rural customers — FUDEIMFA must appropriately manage the cost side of the equation to reach financial sustainability. It is worth noting that reaching sustainability with this type of program often requires a certain level of scale to ensure fixed costs are spread across a wide network of distribution points; that said, optimizing the model before growing too significantly is important to ensure long-term viability.

VARIABLE COSTS	Cost of goods sold (wholesale price of medicines purchased by FUDEIMFA) Commissions paid to community pharmacists for sale of medicines Commissions paid to promoters for sale of medicines
FIXED COSTS	Staff to manage and coordinate all aspects of program Transportation costs associated with delivering medicines to rural pharmacies Training of community pharmacists
REVENUE	Sale of medicines to rural customers

RESULTS

Since partnering with GP in 2012, FUDEIMFA has made great progress in scaling the community pharmacies program, reaching a current total of 301 pharmacies. Together, these pharmacies sell more than 100 types of medicines to address preventive and curative health. FUDEIMFA estimates that access to medicines has been improved for more than 410,000 Hondurans living in the 301 communities where the pharmacies operate.[21] Eighty-two percent of communities served are classified as rural, with the remaining 18% classified as peri-urbanor urban areas.

An April 2015 customer satisfaction survey covering 60 communities in which pharmacies operate indicated that more than 75% of those communities lacked any other location where a customer could purchase medicines. Twenty-nine percent of customers surveyed indicated that the community pharmacy saved them up to one hour of travel time, and another 20% of customers surveyed saved more than an hour of walking time that would be otherwise required in order to access medicines. Beyond the time saved, the community pharmacies also save transportation costs typically incurred by customers in need of medicines. Feedback from this survey also indicated that customers see the medicines as more affordable than typical commercial market prices, allowing them to keep more money for household savings and other critical uses.

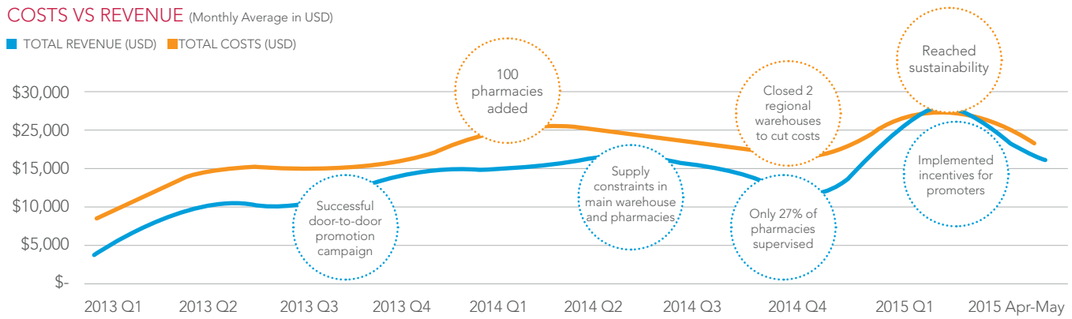
21 This estimate is based on the 2000 census of population size of the communities in which the community pharmacies operate

SUSTAINABILITY

FUDEIMFA trains all community pharmacists and, with the participation of doctors from the Ministry of Health, conducts annual multi-day training sessions. FUDEIMFA has also trained a subset of community pharmacists to provide basic screenings and tests, deploying 80 blood pressure monitoring devices and 25 nebulizers to address respiratory illness in small children.

FUDEIMFA has been progressively working toward a fully sustainable operation where revenues from medicines sold cover all the costs of administering the program. The organization reached the breakeven point on the overall program for the first time in early 2015, demonstrating the sustainability potential of this type of model. A graph demonstrates FUDEIMFA's progress in reaching this goal and key milestones are discussed in this section.

COSTS VS REVENUE (Monthly Average in USD)



FUDEIMFA estimates that each community pharmacist must average approximately 100 USD in monthly medicine sales for the program to break even on the whole. A portion of community pharmacies does not reach this level, while a portion reach monthly sales even higher than 100 USD a month, allowing for some subsidization of less-profitable community pharmacies.

When GP began working with FUDEIMFA in 2012, FUDEIMFA had a number of existing pharmacies already in place, but had not established a sustainability model to support the network. FUDEIMFA then grew rapidly to 301 community pharmacies while working to implement a system to measure and monitor sustainability. A sharp increase in variable and fixed costs combined with the time necessary for each pharmacy to begin building sustainable revenue led to sustainability challenges over the following years.

To build revenue in 2013, FUDEIMFA organized a door-to-door campaign in which promoters worked with volunteer pharmacists, knocking on doors in local communities to make people aware of the community pharmacy service. As demand increased, supply constraints became a challenge over the course of 2013, and the sales were not consistently sustained due to lack of available supplies. Inventory management has been a consistent challenge for FUDEIMFA over the course of the community pharmacy program.

FUDEIMFA also focused on cutting operational costs to achieve program sustainability. As an example, FUDEIMFA moved to close down two costly regional warehouses in 2014. In late 2014, the organization negotiated a return policy for expired medicines, helping further reduce costs associated with the program, particularly given that the purchase of medicines is the largest cost driver of the overall model.

Though FUDEIMFA's model reached financial sustainability for the first time in early 2015, the organization still finds it difficult to maintain a consistent level of sales. To ensure long-term sustainability, FUDEIMFA is planning a marketing campaign to further raise awareness about the pharmacies in communities with high potential, to drive additional sales.

CLIENT STORY: Estebana Centano, 41

Estebana lives in the rural community of Omoa of Southern Honduras with her seven children. The community pharmacy first came to Omoa in 2011 and Estebana's friend from church was the volunteer who oversaw it. When she moved from Omoa in 2013, she did not want the pharmacy to leave the community and asked Estebana, a trusted member of the community, to take it over. Since then, Estebana has been a part of 3 training sessions organized by FUDEIMFA, during which she learned about the medicines she sells, how to explain their proper usage, and business skills on how to attend to customers and register sales.

Omoa is accessible only on foot, and residents have to walk over 3 hours to reach the nearest town with a pharmacy and health clinic. In 2013, an epidemic of dengue struck the residents of Omoa. Estebana recalls being awoken from her bed to attend to her friends and neighbors who came at all hours in search of medicine for their children and family members. "I like everything about this job," she said, "It's a service to the community, because it has all the medicines that we need."

LESSONS LEARNED

FUDEIMFA's work offers a number of insights into best practices for extending the availability of medicines and basic screenings, a program that can be replicated by MFIs and non-MFIs alike.

OPERATIONAL AND FINANCIAL CONSIDERATIONS

At a high level, FUDEIMFA did not yet have a solid understanding of the costs and revenues associated with each community pharmacy before partnering with GP and growing the program to 301 pharmacies. Having a solid understanding of key cost and revenue drivers at the unit level is a necessary foundation for building a scalable program.

As FUDEIMFA progressed toward a breakeven point on the community pharmacy program, the organization struggled to find the optimal cost-cutting strategy that balanced day-to-day financial considerations with long-term viability of the model. For example, the organization considered reducing costs by reducing training provided to pharmacists. FUDEIMFA found that reducing training jeopardized sustainability of the program over the long term, as poorly trained pharmacists will ultimately be less successful in building trust with clients or in selling the appropriate medicines. This in turn would reduce revenue and generate a need to reinvest down the line in training for community pharmacists to recover lost revenue.

FUDEIMFA has also sought to find an optimal pricing strategy that balances the organization's social aim of making medicines accessible to low-income customers with a need to make the program financially sustainable. For medicines to be purchased at sufficient volume by the target low-income customers, prices must be low enough for customers to afford them, and for FUDEIMFA to be competitive with other pharmacies. At the same time, FUDEIMFA must set the prices at a level providing sufficient profit margin to cover fixed and variable costs associated with the program; the organization must frequently find ways to cut costs to maintain accessible pricing with sufficient profit margin. As an example, FUDEIMFA's work negotiating a return policy with suppliers to return soon-to-expire medicines, a component that had previously accounted for 6% of total program costs, helped reduce direct costs of the program.

HUMAN RESOURCES

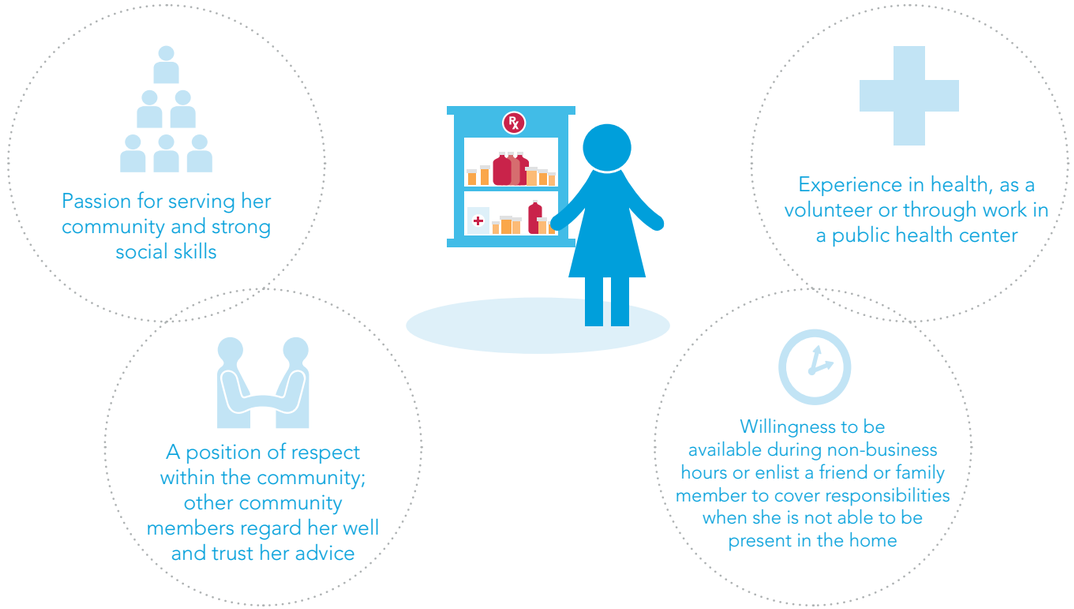
Some of the most powerful insights from FUDEIMFA's health program come in the area of human resources, as the organization leverages a volunteer-based community pharmacy model. Creating appropriate incentives is critical to ensuring that staff costs are appropriately tied to the performance of the community pharmacies.

After years of working with hundreds of community pharmacists, some more successful than others, FUDEIMFA understands the key traits of a successful community pharmacist, allowing them to recruit strategically. Because the model is volunteer-based and does not require any upfront purchase of equipment by the community pharmacists, FUDEIMFA is able to recruit women based solely on the optimal profile rather than on their ability to purchase supplies and business materials.

Working with volunteers does come with a cost, as volunteers require management, support and non-monetary incentives to be effective community pharmacists. FUDEIMFA has focused on making the community pharmacists feel respected, empowered and motivated; FUDEIMFA staff sends community pharmacists gifts for Christmas and Mother's Day and occasionally visits or calls community pharmacists. This is an important consideration for other organizations looking to incentivize community-based individuals, as social incentives can be as powerful as financial incentives.

Appropriate supervision of the community pharmacies has also been a challenge. Because community promoters were originally compensated through a flat salary, they lacked a clear incentive to monitor all community pharmacies. In early 2015, FUDEIMFA implemented a program utilizing community promoters to supervise their local community pharmacies; promoters now receive a bonus if they supply 100% of their pharmacies with medicines and earn a 1% commission on revenues generated by the pharmacies in their supervisory regions. Performance has improved under this new program, and the community pharmacies have become more profitable on the whole.

FUDEIMFA'S Ideal Volunteer Characteristics Include:



CASE STUDY

FRIENDSHIP BRIDGE

Friendship Bridge is a nonprofit microfinance organization with a mission to empower impoverished Guatemalan women to create a better future for themselves, their children and their communities through microfinance and education. Friendship Bridge has been in existence for 17 years in Guatemala, and operates eight branch offices working primarily with indigenous populations in rural areas where poverty rates are highest. Friendship Bridge's focus is a "microcredit plus" product that combines small loans, 350 USD on average, with education on a variety of topics including business, health and self-esteem. To date, Friendship Bridge has provided this product to more than 20,000 clients through a group-lending model. One hundred percent of Friendship Bridge's clients are women.[22]

22 Friendship Bridge; http://www.friendshipbridge.org/who-we-are/

GP began working with Friendship Bridge in late 2013 to provide financial support and technical assistance as Friendship Bridge worked to plan a health program for its clients. Friendship Bridge has created a health program designed for long-term sustainability, and as a more recent partner of GP, has had the benefit of learning from the past experience of other partners in the Health Services Initiative. Because Friendship Bridge's program is still in its early stages, concrete results of the program are not yet available, so this case study will not focus as heavily on results.

GUATEMALAN CONTEXT

As in many Latin American countries, private health services in Guatemala are expensive, often prohibitively so for low-income individuals. Although public health services are offered at no cost, the public health system is severely underfunded and facilities are often overcrowded. Patients see additional costs accrue quickly after a consult. Miscellaneous fees for service are often applied and the cost of medicines can be too high for an individual or family with low and irregular income. For individuals living in very rural areas, where Friendship Bridge focuses its work, access to health services is particularly challenging given the limited presence of health services facilities, medical personnel who do not speak the local indigenous languages, and long lines and facilities that are undersupplied and often lack essential medicines and equipment.

Guatemala's microfinance landscape is highly fragmented, as a range of institutions from nonprofits to banks to cooperatives provide financial services for the poor. Regulation of the microfinance industry in Guatemala is not as strict as in many other countries, with no interest rate caps and a set of broad regulations with few specifics geared toward different types of institutions. That said, regulations have been proposed numerous times that could require a number of the largest microfinance providers to become regulated financial institutions. This dynamic could pose challenges over the long term for some of the country's NGOs serving primarily indigenous, rural populations.[23]

23 http://www.citi.com/latinamerica/en/community/data/2014_Global_Microscope-EN.pdf

Guatemala's microfinance landscape is highly fragmented, as a range of institutions from nonprofits to banks to cooperatives provide financial services for the poor.

FRIENDSHIP BRIDGE'S HEALTH PROGRAM

Friendship Bridge's health program, called "Health for Life," focuses on women's health and chronic diseases since there is a high burden associated with these health issues and the effects of a woman's ill health impact her ability to care for her children. Friendship Bridge is able to provide effective interventions within these issue areas. Friendship Bridge invested significant time and effort in planning, researching and learning from other MFIs' experiences before launching a health program, a path we recommend other MFIs follow in launching their own health programs. The "Health for Life" program is two-pronged.

FIRST, Friendship Bridge delivers health education during a series of four loan repayment meetings. Topics addressed include the importance of client health, cervical cancer prevention, family planning and diabetes. This education component is delivered by cross-trained loan officers and focuses on addressing constructs that influence the clients' likelihood of seeking health services. Some of these constructs include clients' knowledge, beliefs, awareness and social support structures.

SECOND, Friendship Bridge provides access to health services through mobile health services delivered in a woman's home where loan repayment meetings also occur. These services are provided by a partner organization, Maya Health Alliance, a nonprofit offering high-quality, evidence-based medical services in indigenous Mayan languages to rural Guatemalan communities. Together, Friendship Bridge and Maya Health Alliance developed a health services package that focuses on chronic disease prevention and women's health. The services offered as part of the package include tracking height and weight, blood pressure checks, screenings for diabetes and sexually transmitted diseases (STDs), breast exams, cervical cancer screening, pregnancy tests and family planning. For both chronic and acute conditions that are diagnosed through use of the health services package, treatment and disease management packages are available, while Maya Health Alliance absorbs complex cases such as cervical cancer into its existing programs.

Though Maya Health Alliance is much smaller than Friendship Bridge and did not initially offer mobile health services in all regions where Friendship Bridge has offices, Friendship Bridge worked with Maya Health Alliance to develop a sustainable business plan to extend the reach of its services by operating mobile health clinics in communities where Friendship Bridge clients live.

FRIENDSHIP BRIDGE'S HEALTH BUSINESS MODEL

A description of the actors involved in Friendship Bridge's health program follows, along with a diagram explaining the roles of various actors:

Microfinance Institution (Friendship Bridge)

Friendship Bridge provides health education directly to clients, and provides access to health services through a partnership with Maya Health Alliance. Friendship Bridge compensates Maya Health Alliance for basic mobile health services delivered to clients, and covers this cost through the interest rate structure included in all Friendship Bridge loans. As part of the MFI's strategy to improve client loyalty, the organization provides clients with a tiered system of interest rates that rewards longevity with Friendship Bridge. For the first three loan cycles, Friendship Bridge charges a flat interest rate, but drops the interest rate for clients when they reach their fourth and 11th loan cycles.

Client

All clients receive health education sessions. Clients in their third or later loan cycle with Friendship Bridge have access to the mobile health services package. Clients requiring follow-up care can purchase additional treatment packages through Maya Health Alliance, and Friendship Bridge will provide additional health services loans to assist in financing this treatment. It should be noted that clients who have not yet reached their third loan cycle also have access to the health services, when available in their communities, for a small fee.

Maya Health Alliance

Maya Health Alliance provides mobile health services covering the health issues mentioned above, and assists with curriculum development and the training of Friendship Bridge loan officers to lead the health education sessions with clients. Maya Health Alliance offers add-on health services and referral services in the event that Friendship Bridge clients need specialized care. Friendship Bridge chose Maya Health Alliance for its commitment to offering services in a culturally sensitive manner; all of the nurses are women from the local communities and communications are in indigenous languages.

FRIENDSHIP BRIDGE
MFI offering health education and loan products, including supplementary health loans.

MAYA HEALTH ALLIANCE
NGO that develops curriculum and trains Friendship Bridge staff on health education. Delivers health services directly to MFI clients via mobile clinic.

CLIENTS

BUSINESS MODEL ECONOMICS

A breakdown of costs and revenues associated with the Friendship Bridge health program follows:

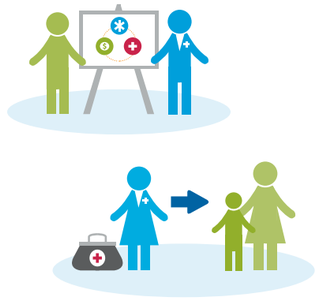
	PROGRAM COMPONENTS	
	Health Education	Access to Health Services
COSTS	Loan officer time needed for training and delivery of health sessions with clients Staffing management and coordination of program and its partnerships	Reimbursement to Maya Health Alliance, covering specifically: • Cost of training loan officers and developing curriculum • Health care provided in basic health services package • Supplies and transportation for mobile medical clinics
REVENUES TO PAY FOR SERVICES	Following the pilot period, cost of each component is paid for through portfolio yield and included in existing interest rates	

LESSONS LEARNED

Because Friendship Bridge is still in the pilot rollout phase of this health program, detailed results on the program are not yet available. However, broad lessons learned can be seen through Friendship Bridge's deliberate approach to planning a health program, taking one year to develop the program with a full-time staff member focused on program design. Friendship Bridge's considered approach is a compelling model for other MFIs to follow.

Friendship Bridge decided at a board level, with staff input, to focus on health services for clients, ensuring the program was a priority for the entire organization. Friendship Bridge's implementation plan includes a number of considerations incorporated directly from lessons learned from other MFIs' experience delivering health programs:

- Maintaining a focus on developing a sustainable business model by estimating and incorporating expected costs and revenues into program design, and specifically including the cost of services within the interest rate structure for clients.
- Conducting a market research study on health needs of the target population to deliver the most relevant health services; Friendship Bridge addresses prevention and management of chronic diseases commonly seen with its client base.
- Limiting the suite of services provided in a package to a level where the cost of could be covered by the MFI's interest rate structure.
- Focusing on core competencies and opting to partner with an established health services provider rather than building a proprietary health services infrastructure.
- Offering services in a culturally sensitive manner and in the indigenous languages spoken by the clients.
- Using the trusted position of the loan officer to provide the initial health education and encourage clients to use the health services offered.
- Incorporating access to the health services package into the existing client retention model; providing the package to clients in their third loan cycles, followed by a reduction in interest rate makes it seem like a reward and incentivizes client longevity.



Friendship Bridge's decision to partner with Maya Health Alliance helps to ensure program sustainability by reducing infrastructure investment costs. Providing access to health services for clients in an environment in which they are already comfortable is also a significant client benefit; loan repayment meetings take place in women's homes and these settings provide a safe environment for sensitive medical care. This model is worth investigating by other MFIs considering the best way to enable access to health services for their clients.

CONCLUSION

MFIs can effectively leverage their trusted relationship with the poor to deliver financially sustainable health programs that improve health outcomes, making an important dent in the challenges faced by poor individuals globally. We hope this report provided a comprehensive set of recommendations for MFI leadership looking to undertake a similar program. GP is grateful to our partners for their time, effort and dedication in sharing key learnings from their own experiences delivering health services to the poor.

MFI leadership should take away the following lessons from this report:

1. Health programs can be delivered in a financially sustainable manner as long as MFI leadership manages the program as a business as well as a social program.

2. A critical strategic decision is whether to build proprietary health services clinics or partner with established health services providers. GP recommends trying first to partner with established health services providers before developing proprietary clinics, as this is a more costly endeavor and is slower to scale.

3. The decision of whether to make health services packages mandatory or optional for existing clients offers advantages and disadvantages for both paths. An MFI should determine the best path according to its goals.

4. MFIs should leverage their relationships with clients to create health services products and services that meet client needs and allow for payment plans suited to the irregular cash flows inherent to poverty.

5. Managing a health program as a business requires consideration of operational, cultural, financial and human resources to create a long-lasting health program for clients.

MFIs have a variety of paths to choose from in creating a sustainable business model to support the delivery of health services. Understanding client-level outcomes is important to ensure effectiveness of health services, and addressing financial sustainability allows MFIs to scale services to reach large numbers of clients. It is GP's belief that a focus on financial sustainability is necessary for MFIs to begin helping the millions of people living without access to quality health services. Much as microfinance institutions pioneered the concept of financial services for the poor and proved a business model to support this work, now forward-looking MFIs can build additional products and services in a sustainable manner to help benefit the millions of people living in poverty.

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