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Community-Based Health Insurance (CBHI): The Perils of Reaching Out to the Informal Economy

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Social protection in low- and middle-income countries tends to focus one-sidedly on people in formal employment, while excluding informal workers. Policy responses to this coverage gap are constrained by fiscal and administrative challenges. In this context, there is growing attention for the potential of contributory social protection schemes that mobilize resources from within the informal economy. A prime example is community-based health insurance (CBHI), which is now a popular mechanism for extending social health protection to the informal and rural economy. At the same time, CBHI-schemes continue to face important challenges in relation to scheme uptake and premium collection. Relying on case study evidence from Senegal and Tanzania, this brief sketches how CBHI-schemes attempt to deal with these challenges, and makes a number of recommendations for external actors that wish to support the development of more effective systems of contributory social protection.

While social protection is now high on the international agenda, social protection systems in many low- and middle-income countries continue to be heavily under-financed and fragmented. Moreover, they continue to privilege a small minority of households in the formal economy, to the detriment of the majority that depend on the informal economy. According to ILO, nearly 70% of the global workforce is currently active in the informal economyⁱ, earning below-average incomes, and facing various employment-related health- and income risksⁱⁱ. At least in part, these risks are related to the fact that people in the informal economy are not, or only partially, covered by statutory systems of social protectionⁱⁱⁱ.

So far, policy responses to this coverage gap have revolved primarily around non-contributory schemes that are financed from national government budgets, sometimes with donor support. Yet the success of non-contributory schemes ultimately depends on the fiscal and administrative capacities of the state, which is often absent. This policy brief will therefore zoom in on the potential of contributory social

protection schemes that seek to mobilize resources from within the informal economy. Specifically, we zoom in on community-based health insurance (CBHI) in Senegal (the *mutuelles de santé*) and Tanzania (the Community Health Funds).

Social protection in the informal economy

While there are thus good reasons for extending social protection to the informal economy, reaching out to the informal economy is by no means an easy task:

- Low and irregular incomes limit the contributory capacity of informal workers;
- The diversity of the informal economy (in terms of types of activities, income levels, etc.) implies that different people have different needs and concerns;

The target population lacks clear representation, which greatly increases transaction costs;
- Employers could have an interest in perpetuating informality, and may resist attempts to increase social protection for informal workers;

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- People in the informal economy often rely on informal support networks, which may limit their interest in statutory forms of social protection.

Community-Based Health Insurance

In recent years, CBHI has gained popularity as a mechanism for organizing and financing health care in developing countries. CBHI is a broad term that covers a variety of schemes, which share a number of characteristics:

- CBHI is a prepayment scheme that pools health risks at the community level;
- CBHI is a contributory scheme that relies (partly) on membership contributions;
- With few exceptions, affiliation to CBHI-schemes is voluntary.

CBHI responding to the twin challenge of recruitment and revenue collection

Existing evidence^{iv} indicates that while CBHI can improve access to health care, important challenges remain in the domain of revenue collection and recruitment. In the end, these challenges risk undermining the sustainability of CBHI-schemes. We conducted case studies in Senegal and Tanzania, two countries where CBHI now plays an important role in national efforts to move towards Universal Health Coverage (UHC). While both countries have introduced a non-contributory element in the form of government subsidies, there are major problems with the payment of these subsidies, so that CBHI-schemes continue to rely on their autonomous capacity for revenue mobilization. Yet in both countries, CBHI-schemes continue to face important challenges when reaching out to their target population, which consists primarily of people in the informal economy. Hence, we tried to identify the strategies that CBHI-schemes deploy to improve their recruitment- and revenue collection. We were able to identify seven of such strategies.

- (1) **Use proactive recruitment strategies** such as door-to-door visits, community meetings, or recruitment campaigns in local markets. To be as effective as possible, these strategies should

be adapted to local socio-economic realities.

- (2) **Decentralized recruitment and premium collection** by individuals or even separate institutional entities at the village or neighborhood level. In this way, CBHI-schemes can expand their reach across the target territory.
- (3) **As much as possible, attempt to rely on professional staff** (e.g. managers, recruiters, collectors) that receives some form of compensation.
- (4) **Use flexible enrolment strategies.** While households remain the primary unit of enrolment, some CBHI-schemes are accepting ‘alternative groups’ (e.g. widows, students), or are even prioritizing group enrolment.
- (5) **Use flexible revenue collection methods,** such as mobile payments or payments in installments.
- (6) **Work through existing social networks and institutions^v** like women’s associations and religious associations, which can be key entry points for recruitment and premium collection.
- (7) **Critical collaboration with local politicians,** i.e., mobilize support while minimizing risk of instrumentalization.

What role for external actors?

Our (non-exhaustive) overview of enrollment and revenue collection strategies clearly shows that CBHI - as one possible illustration of contributory social protection - benefits from a certain degree of flexibility and professionalism, which allows them to respond to the complex realities of the informal economy. Yet flexibility and professionalism are not easy to realize given the small scale and limited resources at the disposal of many CBHI-schemes.

Based on our analysis of the situation in Senegal and Tanzania, we were able to identify three broad sets

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of recommendations for external actors who wish to support the development of more sustainable contributory social protection mechanisms. While the first set of recommendations revolves around the design and functioning of particular schemes, the

second and third set focus on their embeddedness in broader sociopolitical structures^{vi}.

POLICY RECOMMENDATIONS

Micro-level: targeted financial and technical support

- Provide trainings in recruitment or revenue collection
- Support for digitalization
- Support for process of up-scaling (e.g. support for CBHI-federations)

Meso-level: politically smart interventions

- Understand political context
- Develop strategies to deal with political uncertainty and ebbs and flows of electoral politics
- Stimulate synergies with local institutions and local social networks

Macro-level: towards a comprehensive approach

- Don't forget the supply side
- Mobilize broad and genuine political support
- Try to minimize (rather than enhance) fragmentation in social (health) protection

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ⁱ ILO – International Labour Organization (2018). *Women and Men in the Informal Economy: A Statistical Picture*. Available online at http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf

ⁱⁱ Chen, M. (2008). Informality and social protection: Theories and realities. *IDS bulletin*, 39(2), 18-27.

ⁱⁱⁱ ILO – International Labour Organization (2017). *World Social Protection Report 2017-2019: Universal social protection to achieve Sustainable Development Goals*. Geneva: ILO.

^{iv} There is a wide literature dealing with the (lack of) effectiveness of CBHI-schemes. A review of this literature can be found in the case study paper that was published as part of this research project. See Verbrugge, B.; Ajuaye, A.; & Van Ongevalle, J. (2018). *Contributory Social Protection for the Informal Economy? Insights from Community-based Health Insurance in Senegal and Tanzania*. Leuven: HIVA-KU Leuven.

^v This finding WCS confirmed by a recent series of field experiments in Kenya, see Chemin, M. (2018). Informal Groups and Health Insurance Take-up Evidence from a Field Experiment. *World Development* 101(1), 54-72.

^{vi} These recommendations are discussed in more detail in the case study paper and in the participatory planning- and assessment tool attached to that paper.

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