SERVICE SUSTAINABILITY STRATEGIES IN SEXUAL AND REPRODUCTIVE HEALTH PROGRAMMING

User fees

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Resource Centre for Sexual and Reproductive Health

There are a number of different rationales behind charging fees for sexual and reproductive health services. These include cost recovery, improved equity, greater efficiency, and protecting the poor and marginalised. There is evidence to both support and refute these rationales, but there is still insufficient research to create empirical models for the introduction and management of user fees schemes for sexual and reproductive health services. However, there are a number of programmatic issues – relating to user fees – that service providers should consider in existing and prospective programmes.

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The rationale for user fees

COST RECOVERY

GREATER EFFICIENCY

IMPROVED EQUITY

PROTECTING THE POOR

Cost recovery

Generation of revenues through cost-recovery strategies that depend upon user fees is based on the practice of charging for part or all of the costs associated with providing a service. Most commonly, the objective is to cover operational costs, with the revenue either applied to the service from which it is generated (to improve the service and/or to subsidise care for poor clients), or used to support the establishment of services in underserved areas.

Greater efficiency

Advocates of user fees argue that charging fees attaches value to a product or service and increases demand by increasing perception of quality. It is often assumed that increasing perceptions of value and quality by charging will reduce wastage and deter unnecessary use of health care systems. Numerous studies have aimed to show that quality is more important than price. Increased quality outweighs the negative effects of user charges, and when charges are introduced, clients come to expect quality services, that are tailored to clients' needs.

Selective user fees can also encourage clients to use appropriate outlets and service delivery points. Indeed, the aim of correct pricing schemes is to signal to consumers to use health resources effectively and efficiently. They serve as a warning that those who choose to bypass the referral system and head directly for hospitals should be prepared to pay the entire cost of the service. So user fees could contribute to efficiency by providing signals about appropriate points of entry to the health system. And cost effectiveness should be enhanced by reducing the use of expensive personnel and facilities and encouraging local service delivery points to offer less costly services. However, this theory will only work if introducing fees goes hand in hand with improved quality of services, and while new markets may encourage new quality-based competition among service providers they may also exclude poorer clients.

Improved equity

Equity encompasses the concept that the poor should have as ready access to services as the non-poor. Some research suggests that universal subsidised (or free) health care reinforces inequitable distribution of resources by providing much greater access to services to well-off and urban populations at the expense of the poor and rural communities. Inequities arise when the provision of subsidies to those who do not need them places such a drain on resources that subsidies cannot be provided for those who do. Proponents of this view argue that user fees avoid the provision of subsidies to those who can afford to pay all or some of the costs, and in doing so free-up funds to pay all or part of the costs of services for those less able to pay.

A dominant theme in the equity debate around fees is that subsidies should reduce expenditures only for those unable to pay the full cost of health care and products, and should only be available to those who would otherwise not use services or products because the cost is too great. However, this argument fails to distinguish between willingness to pay and ability to pay. In paying for services or products many poor people will divert funds away from the purchase of food or other essential items, or sell off assets vital for future physical well being. Willingness to pay does not necessarily indicate ability to pay without incurring other hardships.

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Some advocates of user fees argue for the pursuit of equity by removing subsidies from the wealthy through market segmentation, whereby different delivery approaches serve different income groups. Market segmentation is seen as allowing subsidised government or non-governmental programmes to provide for underserved lower-income groups, with modern private sector providers catering to the wealthier.

Protecting the poor

In assessing the impact of user fees on poorer people, there are a number of questions that must be addressed.

- Do the poor stop using services or purchasing products when prices are increased or introduced? Do they stop altogether or switch to lower-cost providers?
- At what level of price and what level of poverty does stopping using services become a reality?
- What factors other than price – quality of care, travel time and costs, waiting times etc – act as constraints to use and what is the relationship between these factors?
- How do we measure ability and willingness to pay for services?
- Can fee waiver/exemption systems be implemented effectively and fairly?
- What happens to revenue collected from user fees? Is it used to improve equity by investing in services for the poor and improving efficiency by reducing waiting times, stock-outs etc?

Exemptions, targeting and market segmentation

Fee exemptions, market segmentation and targeting are all used in an attempt to ensure access to services and products for the poorest or most needy.

Although exemption schemes may appear the most equitable way to protect the poor, setting up systems to collect, account for and use the revenue is costly, and exemption schemes are cumbersome to implement and strain already strained administrative systems. User fees are seldom administered and collected efficiently. The absence of capacity to manage, account for, and use revenues from user fees is a major constraint. Further, schemes aimed at providing the poor with fee exemptions often miss the intended beneficiaries. The management and monitoring of exemptions requires an efficient administrative system, constant access to guidelines on who is eligible for exemptions, and the routine collection of data on who should be eligible for exemptions.

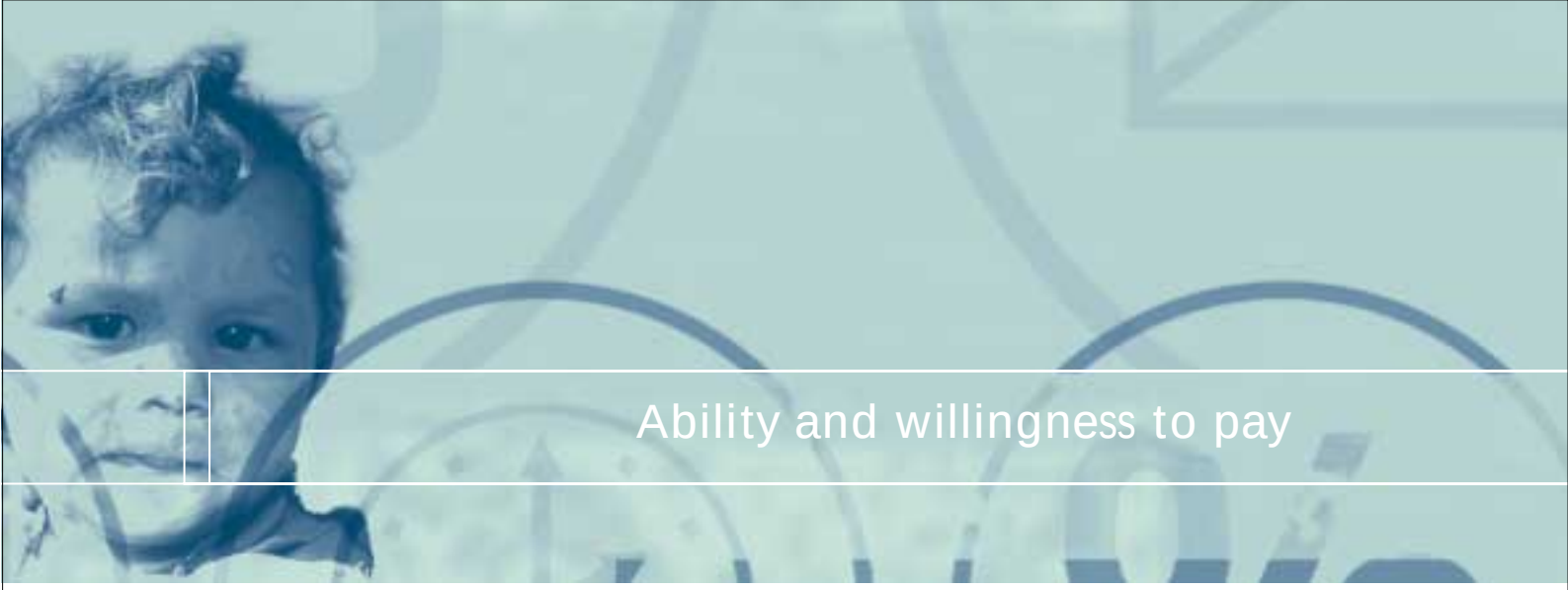
Striking a balance between an organisation's need for funds and the ability and willingness of clients to pay for services is difficult. When user fees are introduced the charges must clearly be low enough to be affordable but also high enough to compensate for the added administrative burden of collecting and reallocating fees. Net revenue can only be generated if gross revenue minus collection and reallocation costs is greater than zero.

Targeting is often used to help distinguish the poor from the non-poor to form the basis for an exemption scheme, but not without problems:

- Defining and measuring the poverty line (means testing) depends largely upon household income data. The paucity of such information can lead to inappropriate or subjective assessment.
- Household income may not reflect the ability to pay of an individual within the household because of intra-household distribution of income.
- Incomes fluctuate, especially seasonally.
- As measures of poverty become more sophisticated the costs of their calculation rise. At some point budget constraints must bite and thus limit the accuracy of measuring poverty.

These problems may combine to make targeting expensive and ineffective and the expenses incurred in targeting may undermine the revenue generated from the implementation of user fees.

Self-selection for exemptions has been suggested as a means of avoiding costly targeting schemes. Self-selection operates through market segmentation, allowing clients and customers to choose whichever section of the market suits their financial and other circumstances. Self-selection also allows programmes to cross-subsidise and to price products and services at different levels. However, self-selection does not address issues of lack of information, quality of product, or stigma (which often act as a constraint to people using free or low-cost services or products). Self-selection (as an exemption strategy) must be accompanied by a market option that is affordable to the poor – the most obvious being the provision of free services.



Ability and willingness to pay

Attempts to introduce user fees will only succeed if clients are willing and able to pay for services. Any assessment of ability and willingness to pay must look beyond the price or fee charged for services. The real cost of services must also take into account other costs such as travel to clinics and waiting time which may have financial implications for the client. Convenience, confidentiality and quality are also important determinants. Real affordability of a product or service must also account for women's often-limited access to money. Charging clients for sexual and reproductive health services can generate income, but can also deter the most vulnerable and the poorest.

Some advocates argue that evidence of ability and willingness to pay the costs of health care lies in households' and individuals' out-of-pocket payments for health care, such as those made to traditional healers. However, it does not follow that poor people will be willing or indeed able to switch from paying traditional practitioners to paying user fees or charges to providers of modern health services. Indigenous practitioners play a number of roles, which modern health care providers are unable to provide, including

- accepting payments in kind
- allowing clients more control over the nature and duration of practitioner-client interactions
- being fairly ubiquitous in rural areas which reduces client travel costs
- providing holistic diagnosis and treatment
- fulfiling spiritual and social roles in the community

Conclusions

- Despite gaps in knowledge of the specifics of the impact of user fees on the poor, there is extensive empirical evidence that (as currently implemented) such schemes appear to be differentially restricting access to services for the poor and most vulnerable.

- Improved quality (in terms of reduced waiting times, reduced travel, better service etc.) may negate the effect of charges on all but the poorest.

- There remains inadequate understanding of the most appropriate fee system. A range of different types of payment systems exist: flat fee or differentiated fee; fee per episode or fee per item of service; prepayment or payment at time of use etc. Should programmes charge for all contraceptives/drugs or just some? Should fees vary throughout the day to encourage attendance when staff are less busy? Should fees be applied to products, to services, or to both?

- Sexual and reproductive health services and products produce significant externalities i.e. benefits to people other than those who actually use the service or product. Continued subsidies in the form of universal free services at the point of delivery will help to compensate for under-utilisation that comes from a lack of awareness or willingness to use services or products for wider external benefits.

- Rather than focus their efforts exclusively on cost-recovery through user fees, NGOs and their partners (including donors) should pursue sustainability through one or more of the following three strategies.

Address

as a first priority improving accessibility and quality of service. Reject the assumption that additional revenues from user fees will lead to increased quality and equity. Much more work is needed on developing systems of care, standard setting, logistics, training, client monitoring etc, in order to be able to establish equitable quality services.

Emphasise

in their mission statements and fund-raising strategies the important externalities derived from the provision of reproductive and sexual health services and seek to provide all such services and products at no cost to the user/client. More effort needs to be placed on the collection and analysis of data on sustainable outcomes and benefits of sexual and reproductive health services.

Concentrate

on reducing operating costs and improving efficiency rather than cost-recovery. The key to reducing costs is making better use of existing resources and improving and sustaining the efficiency of service delivery, which will translate into a lower cost per unit of output. Several studies conclude that a better alternative to user fees is improving operational and management efficiency because of the limited potential of direct user charges as a financing source in poor countries, and the inefficient cost structures in those countries.

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