LEARNING & ANALYSIS BRIEF

PharmAccess FOUNDATION

SPOTLIGHT ON KENYA

RESULTS AND LESSONS LEARNED FROM THE MEDICAL CREDIT FUND

This brief describes how the Medical Credit Fund (MCF), a non-profit health investment fund, deploys capital from public and private parties to provide assistance to small and medium-sized private health facilities. This support enables them to work to increase access to better quality care for low- and middle-income populations in selected African countries. This brief spotlights Kenya.

Since MCF started operations in Kenya in early 2011, it has provided technical assistance to more than 500 private healthcare providers and disbursed USD 7.2 million in loans. The Kenyan portfolio is by far the most dynamic (in terms of disbursed loans, lead times, loan top-ups, etc.) and best performing of MCF's portfolios with a low average yearly loan loss of 2.8%. MCF's own team, third-party technical assistance partners, and since last year, partner banks all recruit Kenyan facilities into the program.

MCF pursues a triple bottom line:

- Financial: The total available amount of capital for healthcare is increased, at a return for investors.
- Clinical: Achieved quality improvements are measured and evaluated according to international standards.
- Social: More low-income people get access to better quality healthcare services.

Main findings

1a. Overcoming challenges that private health small and medium enterprises (SMEs) have in accessing finance

The majority of clinics joining the MCF program in Kenya applied for an Entry Loan. This is a small-size unsecured loan (USD 1,000-5,000) used mostly on renovations, purchase of basic medical equipment, and replenishing drug stocks. Further, there are no collateral requirements for the applicants, and the banks granting the loans carry no risk, as the loan is secured by MCF. 85% of Entry Loan applications are approved and disbursed (success rate). The purpose of Entry Loans is to get healthcare facilities used to working with banks and vice versa, and to build a credit track record necessary for a larger secured Follow-up Loan. Entry Loans are used to address basic needs, such as having management accounts, patient files, basic medical equipment, and undertaking simple renovations.

Among all the clinics that received an Entry Loan, 58% qualified for a secured Follow-up Loan based on willingness and readiness to borrow. Banks take a substantial risk share of 25%-50% in these secured Follow-up Loans, and therefore require collateral as per bank policies. Most of the clinics that did not qualify had insufficient collateral for a regular SME loan, and some dropped out after defaulting on the Entry Loan.

Among clinics that qualified for a secured Follow-up Loan, only 56% had loans disbursed, resulting in an overall loan graduation of 33% from Entry Loan disbursement to disbursement of a

PROGRAM FACTS

FUND
hybrid debt fund combining grants for technical assistance with loan capital

USD 28.2 m
committed

USD 5,000 - 350,000
targeted investments in loans through local banks

1,452
active clinics in program

USD 10,629,525
in loans disbursed

96.3%
loan repayment performance

10
African banking partners

– Data until September 2015.

RESULTS IN KENYA

525
active clinics in program

USD 7,225,776
in loans disbursed

97.2%
loan repayment performance

– Data until September 2015.

Figure 1 **Loan graduation.**

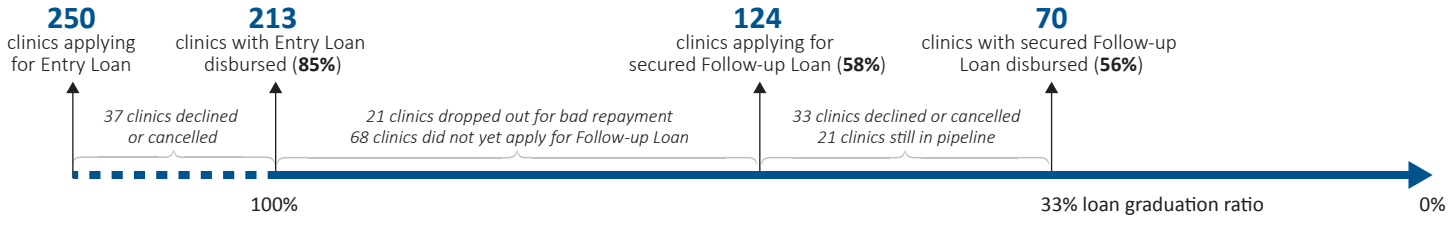


Figure 2 **Risk sharing by local banks in Kenya.**

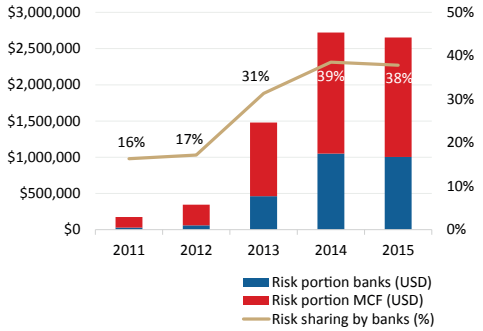
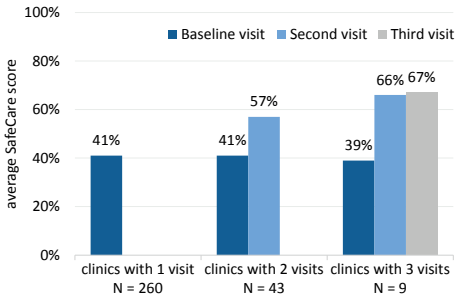
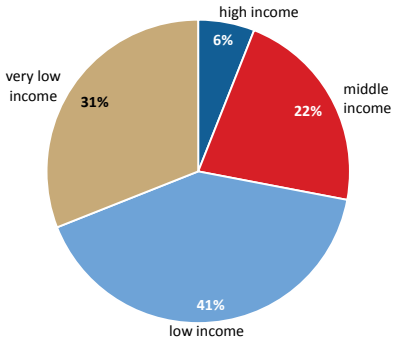


Figure 3 **Quality improvement.**



This data represents averages of SafeCare standard asessment results.

Figure 4 **Division of patients per income group (N=352).**



secured Follow-up Loan. This arguably low rate reflects the risk aversion of local banks for the private healthcare market, recurring collateral related issues, and the general challenges that private health SMEs face in accessing finance.

1b. Increased risk sharing by local partner banks

MCF's partner banks in Kenya have become increasingly interested in financing private healthcare. From 2011 to 2015, their risk share increased steadily from 16% to 38% (Fig. 2). In 2014, MCF partner banks officially launched a health loan product. In addition to working with existing clients to provide them with secured Follow-up Loans, they began independently recruiting facilities and enrolling them in the MCF program. The bank initiatives represent an additional recruitment channel for MCF. This has had a significant impact at the operational level and is recognition of a strong partnership and commitment.

2. Increase in quality improvement

MCF uses the SafeCare stepwise improvement methodology to benchmark the service quality of participating clinics. SafeCare uses an improvement score expressed on a scale from 1-100 as the most accurate indicator of actual quality improvement.

Facilities in the program receive a baseline SafeCare assessment first. Based on this, a 2-year Quality Improvement Plan (QIP) is developed. The assessment evaluates the structures and processes that guide the delivery of healthcare services. The QIP outlines specific improvement areas to address that need financing. On average, 50% of a disbursed loan is used for investments in infrastructure and medical equipment, 30% on computer software and fixed assets, and 20% on general expenses. After 2 years, facilities receive a follow-up SafeCare assessment.

Results from Kenya show that, on average, clinics achieve a 16-percentage point increase between the SafeCare baseline and follow-up assessments. For instance, at baseline 58% of the Kenyan facilities had essential drugs in place to treat common illnesses. At follow-up, this had risen to 98% of assessed facilities. The proportion of facilities with HIV guidelines in place increased from 37% to 90%.

For the nine clinics that have received three SafeCare assessments, the overall increase in percentage points from baseline was 28 points. Strikingly, almost all of this improvement (on average 27 out of 28 points) was accomplished over the first assessment period. So far, quality improvement scores in Kenya are higher than in the other countries where MCF is operational.

3. Private healthcare facilities provide services to low-income groups

The MCF program uses a SafeCare monitoring tool to collect self-reported clinical and financial data from all the Kenyan facilities every 6 months. Here, facilities are asked to indicate the percentage of clients in each income group according to the SAARF Living Standards Measure. Data collected from the latest monitoring visit on all clinics in the Kenyan program indicate that 72% of the patients belong to low-income and very low-income groups (Fig. 4). This average has been fairly stable over time.

Lessons learned

Over the last three years, the private healthcare sector in Kenya has shown an increased appetite for borrowing money to improve healthcare services. MCF partner banks have shown increased interest in the private health SME market. However, access to finance remains a challenge for lower-tier private healthcare providers, mainly because they lack collateral and/or a credit history. MCF successfully introduced a fully funded Entry Loan that serves as a first step toward a longer-term commitment between the clinics, the banks, and MCF/SafeCare.

MCF addressed loan graduation challenges via an intermediary loan product (Small Loan) for facilities that do not qualify for a Medium Loan after repayment of their Entry Loan. Further focus should be put on developing products that address collateral bottlenecks.

Quality improved strongly between the first and second assessment at many of our clinics. The nine clinics that have received a third SafeCare assessment improved mostly during the first period with no subsequent decrease.

Concerning its social objective, MCF has been able through its participating clinics to reach a significant number of people from low- and middle-income groups.

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MORE INFORMATION

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PharmAccess mobilizes public and private resources for the benefits of patients and doctors through quality improvements and clinical standards, loans for healthcare providers, health insurance, health infrastructure consultancy, HIV/AIDS corporate programs, mHealth and impact research.