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Rob de Lange

The man who founded PharmAccess is Joep Lange, the internationally celebrated Aids researcher who, with his partner, died tragically last year on flight MH17. His many research projects on the treatment of Aids, in Amsterdam and later in Africa, led him to an important conclusion: No prevention without treatment. He was vexed by the fact that even though considerable sums of money were being spent on healthcare in Africa, not a single donor or government was willing to finance the treatment of Aids. This is one of the reasons that gave him the idea to seek private funding.

Several multinationals, including Heineken, were interested in this new approach and entered into partnership with PharmAccess to provide their African employees with better access to healthcare through the mechanism of a privately funded insurance system.

Onno Schellekens, director of PharmAccess, calls Lange's idea "An important breakthrough in our way of thinking." He worked side by side with Joep Lange, building this foundation up from the ground, for thirteen years.

"We reached the insight that sustainable improvement of the healthcare system – not only the treatment of Aids – is only possible in Africa if supply and demand are both built up concurrently. That requires a form of health insurance and that kind of structure can only be built with private financing. At the same time we observed that people are only willing to take out insurance if the offered care is of sufficient quality, so it's a chicken and egg problem."

Another breakthrough was that after 9/11 the US wanted to keep the armies of African allies in good health, but were not comfortable transferring funds directly to questionable generals. Therefore PharmAccess was given the contract as a trusted medical administrator.

The means which were deployed to put their philosophy into practice were healthcare insurances for the population as well as a credit fund, involving quality standards, for doctors and clinics. "With the insurances we support the demand for care, and with loans and standards we stimulate the supply side. This yields higher performing institutions and increases confidence in the system. This two-pronged approach leads to reduction of costs and

a decreased investment risk. It clears the way for yet more investments and ultimately leads to better healthcare."

Private financing

Not everyone welcomed the foundation's plans with enthusiasm. Organizations which traditionally administered and spent the money for development cooperation had their reservations about the decision made by PharmAccess to focus not solely on the very poorest groups, but also and emphatically on the employees of large corporations. And they were dead set against allowing private financing into the realm of healthcare, particularly if those millions were to be allowed to mingle with public funds. Because while PharmAccess advocates that these development funds are still sorely needed, the organization sees them primarily as leverage to attract more private financing. Public funds are put into play as temporary subsidy to help make projects sustainable for the long term. "Instead of paying out of pocket when visiting a clinic, the money is better off being invested in an insurance plan. But it requires a subsidy to get the whole insurance system started."

Moving on without Joep Lange

It was a great shock for PharmAccess when founder Joep Lange died in the MH17 disaster last year.

Lange was praised for his skill at roping in investors. He was famous for his quip that if Coca Cola managed to distribute its wares to every village in Africa, it had to be possible for HIV medicines too. "Joep was a true hero in the world of health and development," Bill Clinton says.

"It was very difficult after Joep's death," Onno Schellekens says. "Do we want to keep going? I had to think that over for a long time. We are always looking for funding and Joep was terribly good at that. But a loss like this also brings you closer together. We had been working with Joep for thirteen years. So in the end of course you decide to keep going."



This innovative way of thinking surprised many people. So much subsidy on a reasonably simple product such as insurance? That couldn't possibly lead to a sustainable business model. Nonsense, says Schellekens: "We have shown that all objections, including the concern that private money is not spent well in healthcare, are simply unfounded."

It didn't take long before things started turning a corner for PharmAccess. The Ministry of Foreign Affairs approved a sum of €100m in 2006 to finance the continued roll-out of the insurance and quality assurance programs. Recently this roll-out was subjected to external review by the Boston Consulting Group, at the behest of the ministry, and received its stamp of approval. Meanwhile, Minister Lillianne Ploumen has decided to extend the ministry's financing for the next seven years.

Groundbreaking article

Many red-letter days were to follow. In a prizewinning article for the World Bank and the Financial Times, Schellekens and Lange in 2008 exposed the Achilles heel of the existing policies: a lack of regulation combined with investments that are poured into



A Kenyan mother pays for medical care with her mobile phone at a clinic in the Kibera slum in Nairobi.

weakly operating public healthcare institutions. Doomed for failure, was the conclusion of the authors. The article received substantial international attention. Two years later Schellekens received the G20 prize for the innovative character of PharmAccess's method of providing credit for the SME sector in Africa from US president Barack Obama. And in that same year, then princess Máxima inaugurated the PharmAccess health insurance program for entrepreneurs with microcredit in Dar es Salaam, Tanzania.

In the Netherlands this new approach of PharmAccess attracted the attention of Achmea, among others. This insurance company, the largest in the Netherlands, has been involved since almost the very beginning. To their great satisfaction, says Willem van Duin, Chairman of the Executive Board of Achmea and also board member of the foundation: "PharmAccess not only works on creating health insurance, but also on the structural improvement of the quality of care. The biggest problem is that far too little money is available for quality care in Africa. There is simply a need for more money in the whole system. PharmAccess shows how you can use public money to reduce the risks and the costs for all parties. This encourages private investments and it allows people with a low income to also participate in saving and insurance schemes for unexpected healthcare expenses. The recent evaluation

by the Boston Consulting Group concludes that it really works and as a member of the board I am really quite proud of that."

The prospects for 2015 are promising. The foundation is currently active in Nigeria, Ghana, Kenya, Tanzania, Mozambique and Namibia. More than 2,000 clinics are associated and are committed to the quality program of PharmAccess. The higher the quality, the lower the investment risk. Approximately two million people make use of the certified clinics every month.

One remarkable employee at PharmAccess is Ewout Irrgang. Three years ago he gave up his role in politics as Socialist Party (SP) member in the Dutch House of Representatives to become technical director in Dar es Salaam. Does this SP party member have any concerns about private money being spent in the healthcare sector? "Well," says Irrgang, by telephone from Tanzania, "to borrow a maxim from Chinese leader Deng Xiaoping: It doesn't matter whether a cat is white or black, as long as it catches mice. What I like is our unorthodox way of thinking."

Irrgang, who previously also worked at the Nederlandsche Bank, is responsible for the finances of the PharmAccess office. He emphasizes that PharmAccess does not want to act solely as creditor in providing loans. "Countries have to do it themselves. We work together with local banks as much as possible. When they can

carry a loan, we take on half to bridge the gap. It starts a flywheel spinning. Patients start feeling confident that there will actually be a doctor and the medicines that may be needed if they go to a clinic, and the doctors and clinics see an increase in patient visits and start to invest and expand. It's just a matter of time before our financial contribution will no longer be needed."

Kilimanjaro region

Irrgang describes a project in the Kilimanjaro region as an example. The population here has been given the opportunity to take out a health insurance plan of which the money can only be spent at associated clinics. "The first results are exceeding our expectations. More than 37,000 people have enrolled already. And the best part about this is that the product covers its own costs. The only parts we are still helping with are marketing and administrative support."

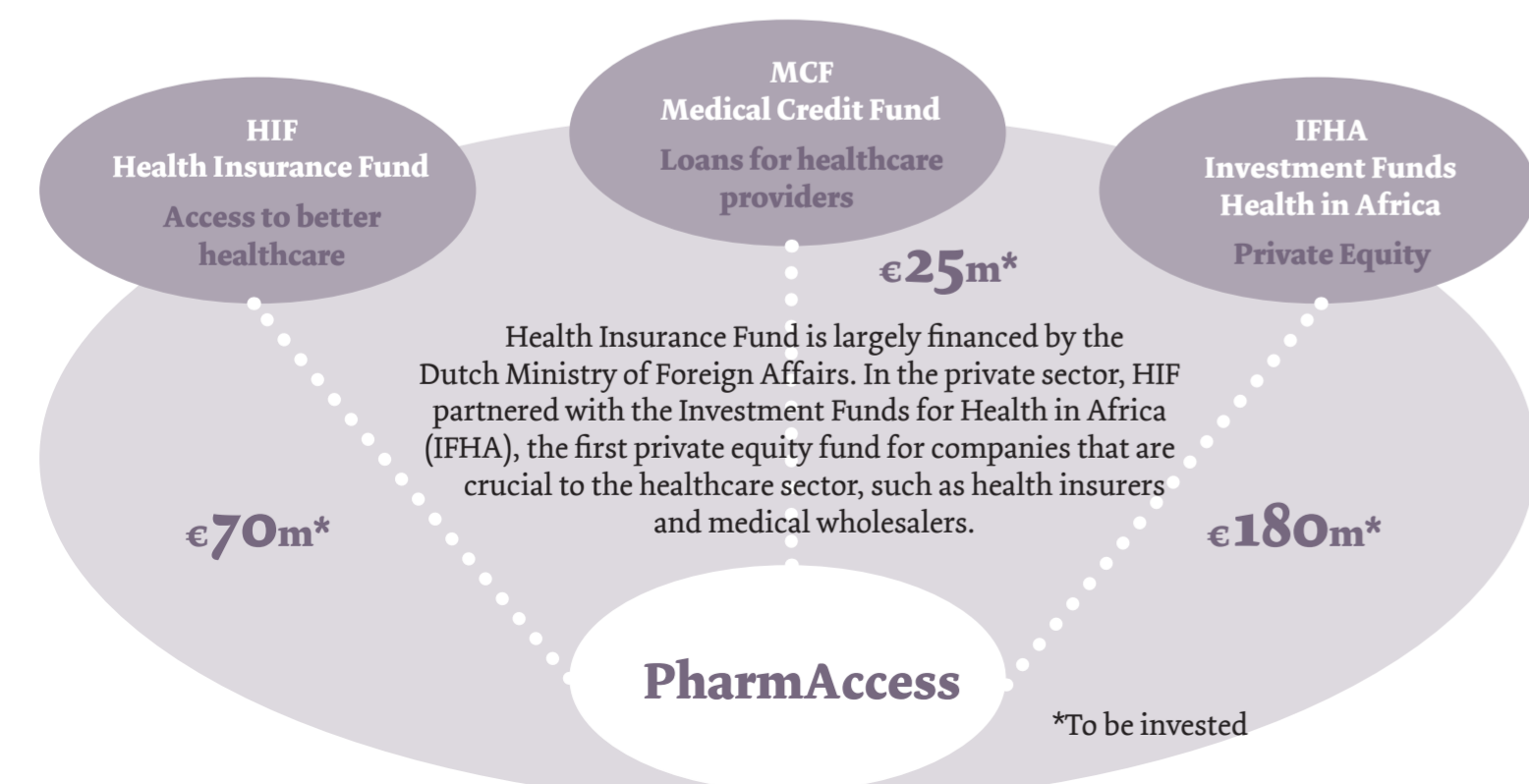
New technology is going to give the insurance model wings, predicts Irrgang. The African continent is going to leapfrog into the technological era. For PharmAccess this development offers unprecedented opportunities to provide people with access to improved care on a much larger scale. For example there is the health wallet, a product that has been developed with M-Pesa, a subsidiary of Vodafone, and with 22 million users the largest mobile payment system in the world. Irrgang enthuses: "The health wallet lets you pay only at clinics that are certified. This is a key issue for donors and investors. And we are going to be seeing many more developments; this is just the beginning. It would be a good idea for the Dutch insurance system to keep an eye on what's happening here. In the Netherlands you wait six weeks to get an indecipherable invoice from the hospital. Our system will be functioning in real time, it is transparent because of the direct relationship between the doctor and the patient, and it reduces transaction costs by 30 percent."

For director Schellekens the first priority remains Africa for now, but he often discusses his African experience with innovative healthcare companies in the Netherlands. "This technology is going to become available in the Netherlands too and it will have consequences for the healthcare sector. It might still take a while, but when the time comes we want to be involved."

Is this the reason that Achmea, or more specifically Willem van Duin, is so closely involved with PharmAccess? His response is also carefully worded: "We are keeping a close eye on developments. It's great that such innovations for solidarity in healthcare are now originating in Africa."

"All objections to our healthcare model turned out to be unfounded"

If you manage to capture the attention of Bill Gates, Queen Máxima and diverse multinational companies, you must be doing something special. PharmAccess, the foundation working on improving healthcare in Africa, has a magnetic effect on many investors. By means of private investments and mobile technology, it is reinventing the healthcare system in Africa.



PharmAccess Financing

Dutch investors in PharmAccess are Dutch Postcode Lottery, Achmea, Shell, Heineken and Unilever, who make funds possible in various ways:

- » **Health Insurance Fund** makes health insurance and quality healthcare possible in Africa. Money from the Health Insurance Fund is used to build local public private partnerships. The goal is to create structurally better healthcare for people who are currently not able to afford it.
- » **Investment Funds for Health in Africa (IFHA)** is the first private equity fund for companies that are crucial for the healthcare sector, such as health insurers and medical wholesalers. This fund has attracted capital from Goldman Sachs, FMO, APG, IFC and Pfizer.
- » **Medical Credit Fund** provides loans to smaller clinics that need to meet quality requirements to achieve certification, which in turn attracts new investors.