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If You Want To Go Far ... Go Together.

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Community health mutual funds offer a real-time, bottom-up approach by helping to sustain community solidarity and individual responsibility through an inclusive risk-pooling mechanism.

The Idea Behind Community Health Mutual Funds

Health is the most interesting risk to work on because of its strong attachment to human behavior and decisions. When insuring a life or a catastrophe, the statement is clear, and the reason is often seen as fate or an act of God where man's hand has not much immediate power. As far as health is concerned, most insurance companies propose only hospitalization products and not primary health care or maternity products. This is because they lack the control of these contingencies in the system, known as moral hazards in insurance parlance.

The question is what will prevent an insurance client, who has paid a premium, from misusing the system and making its insurance utility systematically positive?

The insurance companies' answer: rules and exclusions.

Mutual funds' answer: other clients.

Insurance companies, so far, have neglected the risk-pooling factor in their system whereby they can invite communities to take a share in their own risk-management and decrease exclusions through en bloc enrollment. Why is it so? It's probably because profit-sharing clauses are not yet popular, and also because of competition.

In the paradigm of developmental work, the rhetoric of "community" has so often been used in letters, but not in spirit, that it has now become a cliché and inappropriate in today's emerging market-based economy where free market conditions are supposed to deliver the best results.

The Mutuals system is an effort to put people at the center of their own development and establish a democratic governance mechanism operated professionally and built up on solidarity, as well as individual responsibility, in securing protection for all. Presented here is the story of how all it began and where is it headed today.

In 2002, a group of women from Annapurna (Pune) faced the shock of a heart operation with which one of them had to cope. They decided to react and looked for solutions. When an insurer presented a product matching their capacity to pay (Rs50 per head per year at that time), the immediate question was: "Can we get the money back if we are not sick?" Upon receiving a negative answer from the insurer, they concluded that they had no incentive to be healthy in joining this plan. They understood very well the insurance pooling concept, not its management.

So they decided to set up six "Arogya Nidhis" and chose to contribute Rs50 per person per year, which was enough to bear hospital coverage of Rs5,000 per person in case of hospitalization.

This "Arogya Nidhis" idea flowed to Parvati Swayamrojgar (MFI in Pune) and Swayam Shikshan Prayog (Marathwada) so that today, about 35,000 people are pooling risk in their 19 health mutual funds. These Arogya Nidhis are physically situated in bank accounts with communities and facilitating organizations as the joint signatories. The organizations facilitating this Arogya Nidhi, against many odds, decided to set up a federal organization that would become the milestone for developing people-led, professionally managed, social security systems. It goes by the name of UpLift, which today houses resources, skills and competencies that are commonly shared: professionals, a network of 115 health care

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providers, encoders and a statistical unit, software development and testing, a call center and actuarial skills. Thus, a professionally managed system today is controlled via communities.

Evolving in a context where so much professionalism is expected, starting from the bottom, expecting decisions to be understood is often felt as more complex than just "selling the product." The whole effort in UpLift has been to keep the job simple and professional.

One systematic criticism given to a mutual is that it has no safety net in case of (the rarest) epidemics or other catastrophes. In UpLift, communities have made the choice clear, preferring to start from the bottom and build layers of coverage. Today, when there is a problem in one health mutual fund, other funds contribute. That is just simple enough to be understood by everyone. Yesterday they were not pooling the risk at all; today, risks are pooled over a few districts. That is already a major step, but members of the mutuals are conscious that the risk should be pooled further on a larger platform.

Such simplicity has its impact when talking about health: The community's incentive in keeping the fund balance positive triggers numerous discussions at claim-committee meetings pushing people to be more health conscious. The role of the field organizations/facilitators is to smooth the decision-making processes while ensuring transparent health mutual-fund management. Community representatives are the signatories of the physical fund; they validate all policy decisions and vote on accounts, and they make the final decision on claims paid. Their election is just one of the features of UpLift's vision of a democratic governance system where the community representatives (from among the members) are being systematically trained to take over the board management in days to come.

A steadily increasing membership, a positively controlled claim ratio, an ascending renewal ratio, and healthy reserves are promising snapshots of villager-controlled schemes that manage to bargain good concessions from health care providers on the strength of their numbers.

To conclude on the mutual concept, the system is similar to the insurance industry, but here the risks are not transferred to an insurer, but shared under the community's responsibility.

MUTUALs—Management from Community to Communities

The management is kept simple: Yearly contributions are divided into 12 parts and whatever the fund is in that month is the money available for paying claims. Claims and claims rules are decided by the communities in monthly claim meetings according to the guidelines laid for the fund.

The contribution and the cover of the current product of the scheme is low (because it is based on people's paying capacity), UpLift Mutuals' strategy of negotiating discounts with health care providers without compromising on quality helps it to make the scheme relevant to the cost of hospitalization. The referral services provided by UpLift to its members to network services has saved 1.4 million rupees this year. With discounts on OPD, investigations and medicines, and organization of health checkup camps and health talks, the services part is one of the crucial components of mutual operations. A 24/7 helpline ensures that members get useful advice in times of emergency.

Target Group
• Informal sector, no specific selection of BPL • Urban slum dwellers + rural population
Districts
• Pune, Osmanabad, Solapur, Latur, Beed • To start: Mumbai, Pune Rual, Naunded, Buklana, Amravati
Risk Management Model
• Mutual: risk sharing (not a risk transfer) • Community based and managed
Enrollment/Selection
• Per family, with individual pricing • By group/community • No age bias/limit
UpLift Services
• Federative organization owned and controlled by member organizations • Around 100 health care providers (private and public under a signed MOU with negotiated rates/discounts • Back Office: (InHouse TPA Service + other services) training, enrollment encoding (BPI), Health Card, Claim Settlement, to start soon: Cashless, Call Centre • Technical Support: product design, marketing, operations setup, quality control, personnel recruitment and training • MIS: SYSLIFT with reporting for the organizations to be web-based

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Such services are controlled by the various organization members of UpLift through the board of directors (elected by the organizations and renewed by one-third every year). UpLift is a Section 25 nonprofit company.

These health mutuals so far have been able to ensure a 70 to 80 percent claim ratio. This generates a reserve fund that gives communities the ability to build reserves in case of epidemics or structural growth of the claim ratio, but also to have a solidarity fund to give more than the product's limits when claimants really are in trouble.

Syslift, a free micro-insurance MIS, allows for data encoding and management, and provides analytical results that are used to monitor the health and progress of the fund. This facilitates a transparent information system as monthly data of the fund operations (including all financial details) are shared with members in monthly committee meetings.

The Way Forward for Community-Led Social Security

As the self-help group (SHG) movement for providing finance with a peer control proved that the poor and women were bankable, we need in India a movement that involves the grassroots level in controlling risk, for health or other risks, as well to establish a comprehensive social security system to correct the ills that consume such contemporary European models.

Insured Pain Points	Mutual Benefits
Financial shock at the time of hospitalization	A solidarity-based financing solution for paying hospitalization costs
No access to timely quality health care	A network of health care providers whose acts are controlled, ensuring the proper delivery of health care
No one to trust when going to a hospital	A consumer-owned call center provides reliable health care guidance
No preventive guidance/health knowledge	Monthly meetings to review the health fund's activities and learn the analysis of health care troubles provided by a medical doctor
Difficult-to-trust insurers	Transparent system: A monthly financial report is available with all decisions; no hidden profit
Claims rejected/limited refund	A solidarity fund spent by a member's committee reviews the requests and provides additional support on an exceptional basis
Micro Insurance Practitioners' Pain Points	**Mutual Benefits**
Insurer keeps too many hidden profits	Transparent system: The collected contribution and co-contributions transparently finance the whole chain. Accounts are audited. No hidden cost in TPAs
Insurer's product doesn't match what the implementing organization wants to do	The participative management of the mutual develops solidarity aligned with the service purpose of the organization
Insurer's procedures and limitation associated with the organization's image	The organization and members decide together the procedures they want, under the guidance of UpLift to ensure a financial balance
No technical internal capacity to handle mutual	Technical capacity, MIS, and other requirements to allow mutual-fund management

The SHG size is not enough, but a 2,000-person village (Gram Panchayat) provides the critical mass to manage hospitalization insurance mutually when the claim limit is below Rs15,000 with at least 2,000 members. For a higher limit with lower frequency, the number to be pooled should be higher. Such policies with a Rs15,000 deductible are being quoted by insurers.

Therefore, UpLift, like many other grassroots-committed entities, proposes that Gram Panchayat should be the entity to control its risks. UpLift might in this context provide the model of mutual governance.

Members of UpLift are willing to associate with other organizations already well implanted in the rural sector. They are working with Gram Panchayat in the microfinance sector to expand the creation of a health mutual fund (tomorrow's social security fund) gathering all premiums for insurance from the village. Such a decision should be based on an "everybody or nobody basis" to avoid any adverse selection.

Gram Panchayat might decide then to outsource the whole premium to an insurer or to keep some part of it and outsource a higher layer to an insurer, or to a group with other villages to share a solidarity fund in the same fashion "UpLift Arogya Nidhis funds" share their risk today in Pune.

The government, scouting to find the effect of its huge social security measures, should take a role, as modest as contributing to the total amount of premium. Therefore, it's enabling the poorest to be part of the social security endeavor. Ensuring that the poorest become a part of the fund is the major effort required.

This endeavor of extending social security without exclusion to a whole community will need everybody to cooperate. If you want to go far … go together. □

Performance Indicators	Micro Health Insurance units
Ongoing Members	33,545
Contributions Collected	Rs 2,065,620
Amount disbursed	Rs 810,104
Reimbursement Ratio	77%
Reimbursement Rejection Ratio	15%
Reimbursement Frequency	1.5%
Renewal Ratio	55%
Reserves	Rs 708,458
Services Indicators	**Performance Data**
No. of IPD (hospitalization) referrals given	1,952
% of positive referrals	73%
Health Camps	79
Attendance	4,147
Health Talks	94
Attendance	1,263
Number of Out Patient referrals	2,112
Amount saved of members fund thanks to referral services	Rs 1,463,124

UpLift Performance for 2007