



BERTHA CENTRE



INVESTMENT THEME: ACCESS TO HEALTH SERVICES

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ACCESS TO HEALTH SERVICES

Overview

Africa's health system is burdened by its ongoing battle with communicable diseases that other regions of the world have largely eradicated, while at the same time dealing with an increase in the prevalence of lifestyle and chronic diseases. As country governments struggle to provide basic sanitation, clean water and adequate nutrition, the growing need for services that cater to a burgeoning middle class are straining already overburdened health systems.

Two-thirds of the disease burden in the African region is caused by communicable diseases. HIV/AIDS leads the causes of death, followed by lower respiratory infections, diarrhoeal diseases and malaria.ⁱ According to the World Health Organisation (WHO), Africa accounts for 60% of the global malaria burden and 66% of the global HIV/AIDS burden. This high incidence of communicable diseases contributes to statistics that confound global averages: high neonatal mortality (31 neonate deaths per 1000 live births compared to the global rate of 20), high infant mortality (60 infant deaths per 1000 compared to the global rate of 34), and low life expectancy (58 compared to the global average of 71).ⁱⁱ

Over the last decade, however, several countries in the African region, alongside multinational partnerships, developmental agencies and non-governmental organisations (NGOs), have made concerted efforts to improve health outcomes, in particular through the implementation of measures to help meet the Millennium Development Goals (MDGs). The period since 1990 has seen a dramatic increase in child survival rates, reduction in the maternal death rate, and steady improvement in the access to lifesaving anti-retrovirals and rollout of HIV prevention strategies, which have contributed largely to the decline of HIV incidence in many African countries. Despite these encouraging improvements, not a single African country is expected to meet the health-related MDGs by the end of 2015.

Key to improving African health outcomes is strengthening its systems. African health systems are plagued by poor infrastructure, a shortage of skilled professionals and geographic and socio-economic inequalities. The number of hospital beds in a region is used as a proxy for availability of health services. In the African region, the number of beds is 10 per 10,000; in the European region, the number is 63 per 10,000.ⁱⁱⁱ Human resources also poses a significant barrier to achieving healthcare at scale. Sub Saharan Africa hosts just 3 percent of the world's health workers, yet still exports a larger number of its health professionals to other countries who can afford to pay higher salaries.^{iv} To put this in context: globally, there are 13 physicians per 10,000 population; in the African region, there are only two.^v Healthcare provision in Africa is also challenged by the geographic dispersion of the population, and the breadth of services required to care for a rapidly growing population.

The sheer magnitude of the health challenge in Africa has led to the realisation that improving healthcare outcomes will require the collaboration of both the public and private sectors.

HEALTH SECTOR IN SUB SAHARAN AFRICA

Average life expectancy:

58 (compared with global average of 70)

Adult mortality rate:

320 per 1000 (compared with global average of 156 per 1000)

Infant mortality:

63 deaths per 1000 (compared to global average of 35)

Births attended by a skilled health professional:

~50% (compared with 74% globally)

Number of hospital beds:

10 per 10,000 (compared with global average of 30)

Number of physicians:

2 per 1000 (compared with global average of 13.9)

Public expenditure on health:

US\$101 per capita (compared to US\$1,173 per capital globally (PPP))

Investment Opportunity

Investments in health lead to higher productivity, which can be translated into expanded economic growth and greater opportunities. As reported by the WHO, “it is estimated that for every 10% increase in life expectancy at birth there is a corresponding rise in economic growth of 0.4% per year.”^{vi}

Sub Saharan Africa, with 24% of the world’s disease burden, only accounts for 1% of global health expenditure of US\$6.5 trillion per year.^{vii, viii} Per capita spending on health globally is US\$1,173^{ix}, while many African countries cannot even meet the \$34-40 per capita that the WHO considers the minimum to provide basic healthcare.^x Out of pocket spending accounts for about 60% of this expenditure^{xi} while donors make up 11%, and government expenditure makes up the remainder. Since the Abuja Declaration in 2001, African countries have pledged to devote at least 15% of their national budgets to health, however most countries have not met this target.

Health outcomes are positively correlated to expenditure, however, public and donor financing for healthcare in Africa cannot adequately support health care provision. This gap in financing provides an opportunity for private investment that can meet Africa’s healthcare needs. In healthcare in particular, there is opportunity and appetite to engage in public-private partnerships that can shore up public resources to meet healthcare demand.

A 2007 study by McKinsey & Company estimated that over the next decade, US\$25-30 billion in new assets will be needed to meet the growing demand for healthcare in Sub Saharan Africa.^{xii} The biggest opportunities exist in direct healthcare provision, including building and improving the sector’s physical assets, as 550,000-600,000 new hospital beds will be needed in the region in the coming ten years. Service provision also requires investment into human resources (physicians, nurses, community health workers) and the purchase of pharmaceutical and medical supplies. While provision of health services accounts for half of the investment opportunities, the remaining opportunities will be in insurance, pharmaceutical manufacturing, distribution and retail, and training.

Healthcare in Africa is also ripe for innovation and “leapfrogging” whereby new methods and technologies are adopted more quickly because of resource scarcity. These innovations can take many forms, including mobile health, where mobile technology is used to provide health services and information; risk pooling, where micro-insurance providers tailor solutions for lower-income markets; and service provision, where services are re-engineered to achieve quality yet affordable care for the bottom of the pyramid.

Successful investment into African healthcare will need to accommodate relatively small deal sizes. McKinsey estimates that the “vast majority” of investment opportunities will be found in the small and medium enterprise sector, with three-quarters of the opportunities valued at less than US\$3 million. Beyond size, the industry is also diverse and fragmented, with wide variation in quality and consistency. However, with an eye toward partnership and locally-driven due diligence, impact investment in healthcare offers promising opportunities for both financial reward and substantial social impact.

INDUSTRY SEGMENTS & KEY PLAYERS

Physical infrastructure and service delivery

Hospitals (national, regional, and specialised), clinics, community health centres; Health facilities can be publicly-run, privately-run or hybrid

Human resources

Doctors, nurses, community health workers, specialists, technicians

Training providers

Medical colleges, training institutions

Manufacturers

Pharmaceutical manufacturers, medical equipment manufacturers

Technology

Developers and distributors of hardware and software for the healthcare industry; mobile health providers

Distribution and retail

Pharmaceutical distributors and retailers, medical supplies and equipment distributors and retailers

Financiers

Government, health insurers

Quality assurance

Standards setting, quality assurance

CASE: GIFTED MOM



Overview

GiftedMom is the first mobile health platform in Central Africa, empowering rural women with the information and support to improve maternal and child health. In Cameroon, where only one in five pregnant women see a physician during pregnancy, GiftedMom's platform acts as a gateway between pregnant women and mothers and specialist medical advice and services.

Business and Impact Model

GiftedMom's services include follow-up of pregnant women, antenatal care SMS notification, tracking of vaccinations, teen health and sex education, family planning and contraception, outreach campaigns, and mobilising community health workers. GiftedMom's revenue stream is through the sale of its automated SMS scheduling platform, as well as provision of data collection services and analysis solutions to NGOs working in maternal and infant health. Women register for GiftedMom services by texting a code or a health question, which triggers sign-up and a reply from a doctor. GiftedMom charges a once-off fee of \$1 per user, which covers the costs of the short code number. GiftedMom is also developing voice technology to provide services to the 17% of Cameroonian women who are illiterate.

GiftedMom is currently impacting over 3,000 pregnant women and mothers and is targeting 5 million women across Africa by 2018. GiftedMom has trained and engaged over 200 medical students and community workers, and will reach 500 by the end of 2015, with the ultimate goal of training 30,000 students and health workers in the next two years.

Investment

ALN Ventures selected GiftedMom as one of 8 ventures out of 275 applications from 30 African countries and the diaspora. The program takes a 5% equity stake in its portfolio companies in exchange for a 9-month incubation program that includes a 2-week intensive business building workshop, a US\$20,000 cash injection and a showcase at the annual African Leadership Network conference. The aim is to provide portfolio companies with the financing, skills, mentorship, network, exposure and support services necessary to grow their businesses and receive larger scale financing. According to founder, Alain Nteff, the ALN relationship has been instrumental in helping him to build a formal board of directors who ensure good governance, develop a sound business model and pitch decks, as well as obtain legal assistance and early stage financing.

COMPANY PROFILE

Company: Gifted Mom

Website: www.giftedmom.org

Legal structure/ownership: Private company

Industry segment: Mobile health

Business model: GiftedMom sells its SMS platform, data collection services and analysis solutions to NGOs working in maternal and infant health

Countries: Cameroon

Customers: 3,000 pregnant women and mothers, as well as 200 medical students and community workers

INVESTOR PROFILE

Investor: Africa Leadership Network (ALN) Ventures, a Pan-African, early-stage business incubator which identifies promising African entrepreneurs and links them to mentors, coaches and investors

Website: <http://africanleadershipnetwork.com/aln-ventures/>

Investment type: Equity

Investment size: Various contributions in kind, as well as US\$20,000 in cash. As an accelerator, this is not a traditional equity investment and should not be used to value the company as such

Investment date: 2015

Investment return: Undisclosed



Overview

BIMA has pioneered the mobile-delivered insurance model, creating access to affordable insurance policies through mobile technology and allowing payments through prepaid airtime credit or through postpaid bills. BIMA's insurance offering covers life, personal accident and hospitalisation coverage and starts from as little as US\$0.20 per month. BIMA currently services 18 million people worldwide, including 4.5 million people Africa-wide.

Business and Impact Model

BIMA partners with insurers and mobile operators to offer customers insurance products that are accessed via their mobile phones. The aim is to provide an affordable option for those living on less than US\$10 per day, while also creating loyalty for mobile operators seeking to provide value-add services to their clientele. BIMA also offers clients the ability to access expert medical advice through consultations over-the-phone with their tele-doctor services. BIMA's product offering is combined with a dedicated agent team that provide vital consumer education, strong customer service and a rapid claims payment process, which typically pays out legitimate claims within three days.

Investment

LeapFrog Investments has invested a total of US\$9.8 million into BIMA. LeapFrog's investment has been used for general business expansion and has enabled BIMA to grow its operations substantially, extending into multiple new markets and reaching new customers. This has been achieved through capital and operational expertise, including the use of LeapFrog's Profit with Purpose measurement framework that drives social and financial performance together. LeapFrog has helped BIMA deepen its customer understanding through joint customer surveys, the development of new products, and the facilitation of partnerships amongst its portfolio companies. LeapFrog introduced BIMA to Express Life, a leading pension provider in Ghana and, at the time, a LeapFrog portfolio company. Through this partnership, the two companies created a high-impact health insurance product launched with Tigo Mobile. The product provides protection against financial losses incurred during hospitalisation, with cover starting as low as US\$0.70 per month, and customers receive a payout when they spend a minimum of 2 nights in hospital.

COMPANY PROFILE	INVESTOR PROFILE
<p>Company: BIMA</p> <p>Website: www.bimamobile.com</p> <p>Legal structure/ownership: Private company</p> <p>Industry segment: Financial services</p> <p>Business model: Micro-insurance product with mobile operators acting as intermediaries, offering a range of paid and free products</p> <p>Regions: Africa (Ghana, Senegal, Tanzania and Uganda), Asia, and Latin America and the Caribbean</p> <p>Customers: 4.5 million people in Africa</p>	<p>Investor: Leapfrog Investments, one of the world's largest impact investment funds focusing on Africa and Asia</p> <p>Website: www.leapfroginvest.com</p> <p>Investment type: Equity</p> <p>Investment size: US\$9.8 million</p> <p>Investment date: March 2013 (Initial investment)</p> <p>Investment return: Undisclosed</p>

CASE: C&J MEDICARE



Overview

C&J Medicare is a leading provider of healthcare in Accra, Ghana, providing medical services for the employees and dependents of over 100 leading corporate clients, including on-site clinics for companies such as Coca-Cola Bottling Company, Pioneer Food Cannery and Cargill Ghana. The group operates 8 healthcare facilities and 20 specialist clinics, with a focus on comprehensive health, including many services for women's health.

Business and Impact Model

While private medical care accounts for nearly 50% of healthcare spend in Ghana, private facilities are usually focused on general practice and gynaecological services. Alternatively, C&J Medicare provides comprehensive medical services that are easily accessible and cost-effective in facilities equipped with state-of-the-art equipment. C&J Medicare operates a "hub and spoke" approach, with smaller, streamlined clinics in lower-income areas feeding into fully-equipped hospitals in areas with more infrastructure and access to qualified personnel. This allows for all population groups to access comprehensive care when necessary. Low-income patients, typically those earning less than US\$2 a day, account for approximately 60% of C&J Medicare's clientele. C&J Medicare also conducts regular, free health screening drives.

Investment

Abraaj's 2011 equity investment of US\$4.5 million into C&J Medicare enabled the hospital group to expand to a new facility in Accra, acquire over US\$2 million in medical equipment, including new radiology equipment for MRI and CT scans, and recruit new clinical and managerial staff. The new facility expanded specialist care in psychiatric health, cancer screening and cardiology that was not previously available in the area.

COMPANY PROFILE

Company: C&J Medicare

Website: <http://candjhospital.com>

Legal structure/ownership: Private company

Industry segment: Health service provision

Business model: Inclusive business model through cross-subsidising and hub and spoke models

Countries: Ghana

Customers: 5,000 patients (3,000 base-of-pyramid)

INVESTOR PROFILE

Investor: Abraaj Group, a leading private equity investor operating in the growth markets of Asia, Africa, Latin America, the Middle East and Turkey

Website: www.abraaj.com

Investment type: Equity

Investment size: US\$6 million

Investment date: 2011

Investment return: Undisclosed

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