

PN-ACC-554

Case Study of

INSALUD

*A For-Profit Healthcare Enterprise in
Guayaquil, Ecuador*

A Summary

Private *Initiatives* for Primary Healthcare Project



Research & Training Institute
1616 N. Fort Myer Drive • 11th Floor
Arlington VA 22209

This document was produced by the Private Initiatives for Primary Healthcare Project under Cooperative Agreement No. HRN 5974 A 00 2053 00 with the U.S. Agency for International Development Global Bureau Office of Health and Nutrition September 1997

TABLE OF CONTENTS

Forward	4
Introduction	6
Country Context	7
Founders	10
Developing the Enterprise	11
Forging Partnerships	12
Planning Services	13
Financing	15
Operations and Management	17
Services	17
Decision Making	17
Personnel	18
Financial Management	20
Procurement and Inventory	20
Other Management Issues	21
Performance	23
Financial Data	23
Service Delivery and Utilization	26
Marketing Results	28
Conclusion	30
Effectiveness	30
Sustainability	31
Replicability	33

FORWARD

As populations increase and competition for shrinking public resources becomes more fierce, governments around the world are urgently seeking ways to maximize quality health care delivery while reducing costs. Ministries of Health in many developing countries are exploring how the private sector can meet health needs of their growing populations. Though the private health sector operates in most developing countries, little is known about who it serves, its efficiency and effectiveness in service delivery, and the quality of the services it provides. The Private Initiatives for Primary Health Care project (Initiatives) was designed to examine how private providers can deliver quality basic health services to low-income urban residents and remain financially viable.

Initiatives prepared case studies of five organizations in Africa and Latin America to better understand the factors influencing their success. Case studies are an appropriate approach to documenting and disseminating the organizational and development process. By recording an organization's genesis and development, case studies allow insights into how and why the private provision of basic health services is a viable approach for reaching low-income urban populations.

The subject of each case study is a social enterprise, or a private organization that is dedicated to providing social services to largely disadvantaged populations that are not adequately served by public agencies or private markets. Social enterprises maintain or improve social conditions in a way that goes beyond the financial benefits created for the organizations' funders, managers, or employees. Concurrently, such enterprises must find effective ways to address financial pressures, including decreasing dependence on donors, as they develop ways to continue meeting their social objectives.

These case studies focus on the effectiveness, sustainability, and replicability of each enterprise. In looking at effectiveness, the studies place emphasis on service delivery, specifically on the enterprises' ability to remain

focused on the target population blend health needs with client demands and merge technical quality with superior service In examining sustainability or the capacity of the enterprise to continue to provide services the studies explore factors including efficient enterprise management and operation financial viability adaptability and community support Replicability determining whether or not the initiative group models can be transplanted is both a function of effectiveness and sustainability as well as external factors that include markets the policy environment in which the groups operate external assistance in terms of technical and financial aid and the presence or degree of the government support or opposition

The case studies integrated both quantitative and qualitative data analysis and utilized multiple data collection methods such as facility studies focus groups medical records participatory research observation interviews market surveys and project documents

Initiatives is making the series of five case study summaries available This case study of Insalud Ecuador was prepared by Ronald B Seligman A synopsis of the study was prepared by Sharon Shultz The summary contained in this booklet was based on the report synopsis and edited by Raisa Scitabine

INTRODUCTION

The Institute for Integral Health (Insalud Cia. Ltd) was created in May 1994 to provide high quality basic health services to low-and medium income urban and peri urban populations at a reasonable price

The INSALUD clinic based in the Guasmo area south of Guayaquil Ecuador is eventually expected to serve a population of about 360 000 people and provide training for health professionals

INSALUD a local initiative was conceived as a private for profit enterprise that would be self-financing setting fees appropriate for the target area's economic level. Its formation was based on the premise that it would be financially sustainable through the eventual establishment of a multi-facility service network which would foster cross-subsidization of cost centers

As a social enterprise INSALUD relies on the goodwill of people who contribute their time skills and money but would use business practices to accomplish its goals

COUNTRY CONTEXT

Despite vast natural resources, a strong private sector, and a democratically elected leadership, poor health conditions and poverty are widespread in Ecuador. Ecuador has one of the worst income distributions in the Latin American and Caribbean region and is one of the least developed countries in South America. Four million Ecuadorians, or about 35 percent of the 12 million total population, fall below the poverty line, with 1.7 million people (15 percent) living in extreme poverty.

Ecuador is experiencing a period of prolonged economic stagnation, increases in the number of people in absolute poverty, very high (though decreasing) inflation, and high levels of public debt. At the same time, increases in the cost of public health care and substantial increases in life expectancy have placed financial pressures on the health sector. The Public Health Ministry (MOH) system is able to service only 30 percent of the population.

To meet Ecuadorians' constitutional right to universal health coverage, the government has undertaken a major health sector reform program. A central element of this program is to allow the private sector to take an increased role in providing basic health care services to low-income populations. Recent evidence that Ecuadorians are turning more frequently to private providers supports this goal. The health sector reform program is intended to address the current weaknesses in the public system, including incompetence, poor quality, insufficient supplies, inadequate coverage, and inequality of access to service delivery. Results of the reform efforts to date are questionable, but it appears certain that the government of Ecuador will be pressured to continue the reform process and that there are ample opportunities for the expansion of the private sector to meet the basic health care needs of the low-income population.

The public health care system in Ecuador consists of three major providers: the Public Health Ministry, the Ecuadorian Social Security Institute (IESS), and the Military and Police Social Security. The current ratio of 12 doctors per 100,000 members of the population is one of the highest in Latin America. As of 1995, there were 10,560 private physicians in Ecuador, an increase of more than 300 percent since 1982.

Although consumers are clearly interested in private sector services, they have limited purchasing power. Private sector health care—private practitioners, private hospitals and clinics, nongovernmental organizations, and traditional healers—currently reaches more than 30 percent of the population of Ecuador, and 33 percent of the annual health care expenditures flow through the organized private sector.

Private group health care organizations offer services in small on-site clinics or small outpatient facilities. These services are often financed through prepaid medical plans offered by employers for the employees as a complement to the IEES insurance plan. However, it is estimated that such private health insurance plans benefit less than 0.5 percent of the population.

Ecuador has no special credit provisions for private health providers. Firms or individuals must acquire capital financing through one or more of the commercial banks. Prevailing interest rates are extremely high, and most banks require rigid collateral guarantees. There are local development financing programs that finance private commercial development ventures, but these have rarely been used to support social enterprise activities.

Ecuador has very high infant mortality and maternal mortality rates. Fifty-five percent of children under

five years old are chronically malnourished. Large proportions of women do not have access to adequate prenatal and postnatal care. Eighty percent of the population has no form of public or private insurance coverage.

FOUNDERS

The four INSALUD founders — three physicians and an entrepreneur— not only share common concerns but also possess complementary strengths. Dr. Glenda Martinez Penafiel, for example, is a specialist in community level health promotion and health personnel training for primary health care. Dr. Giaffar Barquet Abi-Hanna is a private practitioner and Chief of the Medical Service for the National Beer Company, designing prevention and occupational health assistance programs. Dr. Gustavo Ramirez Amat is a psychiatrist both in public and private practice. Mr. Carlos Santana Veliz is an industrial engineer experienced in business development and promotion.

The founders, disillusioned with public sector services and the cost of private health care for the majority of the population, contemplated establishing an alternative center for basic health services in the low-income areas of Guayaquil for over 10 years.

This dream became a reality in February 1993 with technical assistance from the USAID-supported Private Initiatives for Primary Healthcare Project (Initiatives) managed by the JSI Research and Training Institute. Initiatives sponsored a series of workshops and tutorials, supported the development of financial and business plans, and helped arrange for appropriate market research. Initiatives also enabled INSALUD to benefit from lessons of other projects such as Prosalud in Bolivia in planning its services, actions, and policies.

DEVELOPING THE ENTERPRISE

Through Initiatives INSALUD was able to draw on the services of groups such as Rolf Stern & CIA Ltd MARKOP and PRINCON to hone its approach

The auditing and management consulting firm Rolf Stern & CIA Ltd helped shape INSALUD's business plan in 1995 MARKOP a Quito-based market survey organization conducted a series of qualitative market studies in 1994 including focus groups with local beneficiaries in the Guasmo to better determine service mix pricing, payment options and current levels of demand for private and public health care The results provided the basis for the development of INSALUD's Social Marketing Plan PRINCON a consulting group based in Quito did a quantitative overview of the health market in the Guasmo area The study provided insights into characteristics required for long-term sustainability that can be used to determine where INSALUD would require improvement or redirection to meet its marketing goals

The USAID-supported CARE/APOLO (Local Organization Support Group) Program was able to assist INSALUD in developing a rapid feasibility study CARE/APOLO provides technical and managerial assistance to local Ecuadorian private health care groups

A monitoring plan and an evaluation plan were developed to ensure that the impact of INSALUD would be assessed regularly the execution of planned activities would be monitored and feedback would be provided for planning The monitoring plan would include regular activity reports produced by in-house staff under the guidance of the INSALUD General Coordinator

Staff would also collect information appropriate to evaluating consultation quality Resource productivity

(output per fixed unit cost) and activity unit costs were to be evaluated yearly and compared to similar primary health care entities in the area. Interviews and reviews of sample cases were proposed to evaluate and improve technical performance.

FORGING PARTNERSHIPS

A number of institutions provided important actual and/or potential support for the INSALUD program.

Catholic University

INSALUD signed a 10-year rent-free lease with the Catholic University in August 1995 to administer an existing health clinic in the central Guasmo area of Guayaquil. That clinic, which closed in late 1994 due to a lack of operating funds, was known as the Emergency Medical Center for Children (CUMINFUC). INSALUD's plans were to repair and maintain all damaged equipment in the clinic.

INSALUD took over the defunct clinic and re-opened it with partial services in February 1996. The agreement with Catholic University specified that medical students in the Faculty of Medicine would provide outreach and educational activities in the clinic and the surrounding target zone. Professors and alumni would help in field research and outreach. An undetermined percentage of any profits would be paid to Catholic University for furthering field work and training.

Ministry of Public Health

The Ministry of Public Health has been supportive of INSALUD activities in the Guasmo given its own very limited capacity and resources to meet the huge demand. Local Ministry of Health authorities provided INSALUD with training and educational materials, vaccine for children

from 1-5 years medical and dental interns (through 6/96)
micronutrients for expectant mothers and access to
statistical information

Fundacion FinanBanco

FinanBanco the nation's second largest bank created its
own foundation in 1987 to provide free curative health care
services through a national network of 24 small clinics.
Four are operating in Guayaquil. A joint venture between
the foundation and INSALUD is being explored. It could
benefit both organizations given their interest in cost
recovery and increased levels of client coverage.

Inter-Institutional Health Committee

The Ministry of Health requires all medical areas to
establish Inter-Institutional Committees to serve as local
advisors in the development of new and improved services.
Nine such satellite health centers operate in the Guasmo.
Representatives of the centers attend committee meetings
weekly to develop action plans, execute specific activities,
and monitor and evaluate interventions. INSALUD is
represented on the Committee.

PLANNING SERVICES

The Guasmo has a lower-to-middle income population of
about 140,000. Only about 27 percent earn the minimum
family income required for purchasing the Ecuadorian
government's basic family goods and services.

Health service providers in the Guasmo included such
public sector providers as the Maternal Child Hospital of
Guasmo, Cotopaxi Health Center, and Union de Bananeros
Health Center. Private providers in addition to INSALUD
included six private medical clinics, two dental clinics, and
15 pharmacies.

While about 55% of the low income families used free Ministry of Health services research showed that the remainder would turn to private services if the prices were lower

Many private practices in the Guasmo had the same deficiencies as their public sector counterparts: impersonal attention, tardiness, lack of complementary services, poorly paid staff, dysfunctional equipment, and excessive costs for medical supplies and related examinations.

The challenge was to meet the demand while improving market share in areas of currently satisfied demand. INSALUD planned to increase market participation in each of its first three years of operation based on its distinct characteristics: high quality, low price, easy accessibility, personalized attention, and an integral demand-based service mix.

According to projections, pharmacy services, pediatric consultations, health promotion for women, laboratory services, and children's health promotion had the greatest potential to produce income, since they represented the most significant volume of potential clients.

The demand for curative services was estimated at 56% and preventive services at 40% of the total demand. INSALUD projected to see an 80% increase in the use of its services within 5 years. The enterprise expected to break even with 58,491 paid contacts.

INSALUD's social marketing plan targeted women and men of reproductive age, with a focus on those with children under 12 years. INSALUD proposed offering services to all age groups, even though the defunct CUMINFUC center had only offered services to children under 13 years.

INSALUD established prices based on local area price surveys and in relation to the MOH price lists. Prices are set to be competitive with those of other local private sector health providers.

INSALUD planned to train medical students from local universities to provide home visits, growth monitoring and health education for mothers. Agreements were to be signed with local units of the MOH, volunteer health associations in the Guasmo area, private health organizations and training institutes to improve service delivery, quality and coverage.

FINANCING

The investment capacity of the founders was limited. It was therefore necessary to seek capital support for start-up costs and ongoing operational expenses during the first years of operation. A seed loan for \$75,000 was unsuccessfully sought in 1995 from PATH in Seattle, Washington. An attempt to acquire a US\$30,000 loan from the Social Investment Fund of the Ecuadorian government was similarly unsuccessful. Equity from other investors was not available because of the high risk of the operation, its newness, and the lack of similar experiences in the local market.

Other sources, such as endowments, deferred giving, donations, and grants, did not seem feasible during the start-up.

Once operations began in February 1996, two INSALUD founders requested a one-year personal loan from a commercial bank for about US\$2,000 at 48 percent annual interest. These funds were to prove insufficient.

to meet daily operating and capital expenses. This was to affect both INSALUD's daily client service volume and its ability to reach projected self-sufficiency within 2 years.

SERVICES

The package of services offered to the community was determined by the board of directors. Although it was clear that most clients wanted 24-hour service for emergencies, the clinic began by operating from 8:00 a.m. to 3:00 p.m. from Monday to Friday (same as the MOH Center) and Saturdays from 8:00 a.m. to noon 52 weeks per year. The clinic is closed Sundays and legal holidays.

The following services are offered:

1 Infants under 5 years neonatal care, vaccinations, feeding program, weight and growth control, emergencies, and respiratory and digestive systems control.

2 Children 5-12 years Infectious disease control, emergencies, medical certificates, and gastroenterology.

3 Women 15-44 years Family planning, birth control, pre/postnatal care, cancer detection, gynecology, and normal deliveries.

4 Men 18 years & above Infectious diseases, emergencies, dental care, dermatology, and gastroenterology.

5 All age groups laboratory (blood, urine, feces, pap tests), minor surgery, accidents, poisoning, first aid, and dental cleaning, cavities, and extractions.

DECISION MAKING

The INSALUD board of directors consists of its four founders who make key decisions by consensus. The board defines policy, conducts strategic planning, and manages daily operations. Changes of board members are possible only if approved by all members.

The governing team has a strong interdisciplinary make up and its members hold key positions in the public and private sectors. The board made critical decisions at INSALUD's start specifying the service mix, pricing, and staffing.

What role INSALUD's staff can play in decision-making is not clearly defined. There are no clear lines as to what type of decisions can be made by whom. All major decisions concerning daily operations are referred to the board or the general manager.

The informality of the current decision-making system promotes rapid actions that facilitate service delivery and increase coverage, as indicated by high rates of repeat client visits and satisfaction. At the same time, this system can lead to some overstepping of boundaries of authority because staff functions are not clearly delineated.

The decision-making process could be formalized by conducting regular board meetings, developing a mechanism to ensure that consensus is reached, promoting self-evaluation, clearly delineating responsibilities, and prioritizing activities.

Formalization of the decision-making process, while recognized as important for organizational development, is a secondary concern because of financial matters.

PERSONNEL

INSALUD on site staff includes six full-time persons: the clinic administrator, a dentist, the chief medical practitioner, a laboratory technician, a nursing aide, a receptionist/cashier, and a janitor/pharmacy aide. The temporary assignment of medical interns to INSALUD

was terminated in August 1996 because the revised national health policy now allows their assignment only in rural areas

Staff have been recruited through contacts with board members but none have written contracts or job descriptions resulting in no clear definition of roles and responsibility. The lack of job descriptions makes it difficult to ensure staff accountability. For example, staff do not strictly comply with hours of work.

Clinic staff report to the Administrator of INSALUD. Supervision is the responsibility of the general manager who visits the clinic regularly. The clinic administrator has the authority to manage the petty cash fund, and the medical officer determines the most appropriate type of health intervention required.

INSALUD staff do not have labor contracts nor receive any social security benefits as required by law. Staff are compensated according to a shared-risk formula rather than with a standard monthly wage. This method computes compensation based on a percentage of the gross income generated by the clinic and was adopted as an incentive to create high production levels. There are realistic concerns about income in times of low service volume, such as during the Christmas holidays and school vacations, or during any worsening of the economic recession.

In spite of the low pay, lack of formal contracts, insufficient job delineation, and lack of ongoing staff orientation and training, morale is surprisingly high. The atmosphere is positive, with all staff working to make the clinic viable. Staff are committed to working for the institution because of their personal contacts and excellent relationships with the founders. Most are very concerned about their low wages and want to help make the clinic more profitable. A highly productive working

relationship exists with the general manager who comes to the clinic at least three times per week to follow up on major problems and plan targets for the short term. Saturday morning staff meetings address morale and interpersonal job skills. It is anticipated that authority and responsibility will increasingly be passed on to staff.

Staff structure has remained stable since operations began, although the chief medical practitioner post has changed three times because of the low remuneration. The frequent turnover of this position is troublesome for the future of the clinic because this key post attracts the majority of patients and offers the opportunity for parallel services such as laboratory tests and pharmaceutical services.

FINANCIAL MANAGEMENT

The general manager prepares monthly financial reports. An accountant was hired on a monthly basis in December 1996 to prepare detailed balance sheets, income statements and cash flow analyses. A company bank account has yet to be opened for check writing because of the large deposit requirement (minimum US\$ 1,000). All financial transactions are done through a private checking account of the general manager in his personal name. Once cash flow improves, an official company account will be opened.

Board members receive monthly reports to monitor enterprise development and to make relevant decisions.

PROCUREMENT AND INVENTORY

INSALUD acquired a fully equipped clinic under its agreement with Catholic University. No equipment purchases were necessary. Much of the equipment, however, is outdated and needs maintenance. All equipment is tagged and a master list of inventory exists.

for control purposes. When funds are available, repairs are undertaken based on the competitive bids from recognized suppliers.

Drugs are sold through the pharmacy on site, but only brand names are offered, although generics are available in the market at 60% less cost. Brand-name pharmaceuticals are purchased by the general manager within limits approved by the board. Given the very limited volumes of drug sales, no bulk purchases are made, nor are drugs subject to repacking. Great interest exists in the possibility of offering generic drugs to the community at prices that would be at least 30 percent to 40 percent less than those currently offered.

Other consumables required for dental and medical interventions are purchased from the petty cash fund, which is replenished as needed. No controls exist for these items beyond the receipts provided by the suppliers.

OTHER MANAGEMENT ISSUES

While the business plan frequently mentions quality control, few standard indicators reveal compliance. The facility needs remodeling; staff do not strictly comply with the hours of work; pharmaceutical products are highly limited and provide no marginal benefit to the buyer over local outlets; demand for curative services occupies a significant percentage of time versus health promotion and prevention; there is limited coordination between operational, financial, and administrative aspects of the facility; policies and procedures are inadequate for all services; and there is no routine assessment of services.

Little control is being exercised over the fulfillment of medical standards for both quality assurance and positive patient outcomes.

Supervision by medical experts is limited to the occasional visit and the use of standard protocols has been confined to those provided by the MOH. Treatment procedures are not controlled by third parties nor have reporting procedures been formalized above the basic requirements of the MOH. Evaluation plans that contemplate medical audits using standardized technical procedures have yet to be instituted. Household visits have been postponed because of other clinic priorities, thereby limiting INSALUD's ability to assess sanitary conditions, common health disorders, follow-up requirements, and to establish updated epidemiological profiles.

Systems need to be developed for monitoring, evaluation, and quality assurance. There is, for example, no on-going system to determine client satisfaction. Nor are systems designed to monitor changes in the market, price fluctuation among competitors, new services offered in the target community, or reasons for changing health providers.

FINANCIAL DATA

To date no financial reports have been externally audited

The shared-risk concept for staff in order to minimize fixed costs has enabled INSALUD to cover its costs and pay off the commercial bank loan that was taken out at the start-up of the operation

Income has stabilized during the first year of operations at approximately US\$ 1 212 per month but it is about 23 percent of the projected income stipulated in the CARE/APOLO rapid feasibility study. The large shortfall is due to both lower-than-anticipated pricing and reduced service volume.

Given the lack of capital for marketing and competition from the public and private providers in the Guasmo, INSALUD has not achieved its intended market share. The clinic has been able to stay at the break-even point only by minimizing expenditures. This shortfall resulted in inadequate staff payments and limited funds for service expansion, equipment repair, and site improvement.

Table 1 summarizes the overall revenues and expenses situation for the period February - August 1996 revealing the gross profit or deficit at the end of each of the corresponding months

	Feb	Mar	Apr	May	June	July	Aug
Sales Revenue	1 386	4 222	4 407	3 256	4 047	3 265	4 136
Staff Payment	0	1 120	2 412	2 562	2 022	2 630	2 085
Material Supplies	244	210	167	185	25	126	42
Medicines	479	377	1 025	1 494	118	652	1 048
Other Expense	262	508	228	172	432	851	651
Bank Loan				773	1 000		
TOTAL COST	985	2 215	882	5 186	3 667	4 329	3 833
Gross Profit/ Deficit	401	2 007	575	(1930)	380	(364)	303
Cost Recovery	1 41	1 21	1 15	0 63	1 10	0 22	1 06

Projected revenues were overestimated in the business plan. Actual gross revenues reached only 6.8 percent of expected gross revenues. Pharmaceutical sales reached only 2.0 percent of the target because of low volume of consultations, use of nongeneric medicines, limited selection of brand names, minimal cost savings for clients, lack of promotion and advertising, and limited operating hours. No payment is made for rental of the premises where services are offered, nor for the 24-hour security guard service. These costs would easily amount to US\$1 212 per month, given the facility's size, equipment, and location.

Table 2 illustrates that projected revenues were tremendously overestimated in the business plan as actual gross revenues only reached 6.8% of expected revenues

Service Type	Proposed	Actual	Proposed %Distr	Actual %Distr	Variance Amount	%
General Consult	19 176	1 099	2.6	2.2	(18 077)	(94.3)
Dental Consult	34 424	4 238	4.7	8.6	(30 186)	(87.7)
Child Consult	57 260	12 672	7.9	25.6	(44 588)	(77.0)
Gynecol Consult	9 652	1 495	1.3	3.0	(8 130)	(84.5)
Deliveries	38 727	-0-	5.3	0	(38 727)	(100.0)
Emergencies	61 964	2 254	8.6	4.6	(59 710)	(96.4)
Child Promotions	15 146	0	2.1	-0-	(15 146)	(100.0)
Women Promotions	26 335	-0-	3.6	0	(26 335)	(100.0)
Laboratory	82 619	20 429	11.4	41.3	(62 190)	(75.3)
Pharmacy	344 246	7 236	47.6	14.6	(337 010)	(98.0)
X Rays	34 424	0-	4.8	0-	(34 424)	(100.0)
TOTALS	723 948	49 423	100.0	100.0	(674 525)	(93.2)

Laboratory services performed well beyond expectations in relative terms with 41.3 percent of gross revenues. They constitute by far the highest percentage of all service types even though they attained only 24.7 percent of the proposed revenue target. Profits are used to cross-subsidize other less lucrative services such as primary and preventive care.

Child consultations attained only 22.1 percent of the proposed revenues even though they generated 25.6 percent of overall revenues versus the planned 7.9 percent. The lack of desired coverage and revenue in this category undermines the primary health care function of INSALUD. It may impact on basic health indicators over the long term thereby compromising the mission and objectives of the enterprise.

Funds invested in the start-up were insufficient to meet the operating and capital requirements of the clinic affecting its ability to meet daily client service volumes and to reach financial self-sufficiency as initially projected. The lack of capital for investment in promotion and advertising resulted in the clinic's limited ability to attract new clients thereby contributing to the low levels of utilization.

Each of the four founders has invested tremendous amounts of time and energy in the development of the enterprise without any financial benefit to date—which is typical of social enterprise ventures—and none wished to obtain further personal loans for the project.

SERVICE DELIVERY AND UTILIZATION

Between February and August 1996 the clinic served an average of 11 clients per day. Each month during this time the clinic provided an average of 246 child consultations, 22 general consultations, 25 gynecological consultations, 33 dental consultations, 19 emergency consultations, 130 laboratory examinations, and 63 pharmacy prescriptions.

Table 3 Service Utilization By Type per Month (2/96-8/96)

<i>Service Type</i>	<i>Ave/Mth</i>	<i>Projected Annual Level 1996</i>
Child Consult	246	2952
General Consult	22	264
Gynecological	25	300
Dental Consult	33	396
Emergencies	19	228
Laboratory exams	130	1560
Pharmacy Prescriptions	63	756
TOTAL Activities	540	6456
Avg No Patients/Day	11	n/a

An exit survey administered in December 1996 to 70 male and female patients of all ages and incomes clearly showed that the vast majority of patients is generally satisfied with INSALUD including its services, hours, prices, and staff. Repeat visits are expected.

INSALUD operates at 9.9 percent of the consultation levels projected in the 1995 business plan. This shortfall reflects the inaccuracy in the plan's assumptions regarding utilization and service mix, which undermine projections of the financial plan. Pharmaceutical services differ most from the projections, attaining only 2.9 percent of 1996 target. Best coverage performance is in child consultations, which reach 33.5 percent of the proposed target. Low prices and the excellent image of the clinic while under the former CUMINFUC administration may account for this.

Table 4 demonstrates the INSALUD utilization is only 9.9% of the projected levels in the 1995 Business Plan.

Service Type	Proposed	Actual	Variance		Activities/Day	
			No.	%	Proposed	Actual
General Consult	2,750	264	2,686	91.0	11.7	1.0
Dental Consult	2,648	396	2,252	85.0	10.5	1.6
Child Consult	8,800	2,952	5,850	66.5	35.0	11.7
Gyn Consult	1,481	300	1,181	79.7	5.2	1.2
Deliveries	100	0	199	100.0	0.8	0
Emergency	2,383	228	2,155	90.4	9.4	0.2
Child Promos	5,826	n/a	n/a	n/a	23.1	n/a
Women Promos	6,753	n/a	n/a	n/a	26.8	n/a
Laboratory	6,355	1,560	4,795	75.4	25.2	6.2
Pharmacy	26,480	756	25,724	97.1	105.1	3.0
X-Rays	1,324	0	1,324	100.0	5.3	0
TOTALS	65,208	6,456	58,752	90.1	258.8	25.6

Small numbers of consultations result in high average fixed costs and inefficiency which can impact on the possibility of future loans, grants, and joint ventures with third parties. Facility underutilization is a major concern. It remains to be determined how operational efficiency can be increased given the current projected financial constraints and the limited discretionary income for health services within the target population.

Other factors affecting service delivery levels include the projections of visits per year per person and market share. For pediatrics, INSALUD's actual share is only some 42 percent of the projected market. Overestimation of market share may have also occurred in other areas such as adult dental and gynecological consultations.

MARKETING RESULTS

The actions recommended in the 1994 INSALUD marketing plan are reviewed and compared with actual outcomes.

Pricing Low cost cash-for-service only since the local population does not have experience with or interest in pre-payment, deferred payment or insurance schemes. Actual pricing is below the figures recommended in the study given the low-cost services of the nearby public and private sector providers. The Board of Directors recognizes that increasing the volume of services offered is the key to meeting the costs of the operation. Great interest therefore exists in using a variety of marketing techniques.

Staffing High quality human resources dedicated to achieving the mission of INSALUD with in-house training and quarterly supervisory reports. Actual training is limited to orientation several Saturday mornings per month.

Service Hours Current hours are from 8 a.m. to 2 p.m. with recent adjustments since December 1996 to open

until 6 00 p m However evening service is not offered and service is also not available on Sundays holidays or Saturday afternoons No permanent emergency service is offered

Location While INSALUD is well located on a major paved street with three bus lines offering regular daily service the facility has not taken full advantage of these assets The facility needs to be remodeled and upgraded Its location can provide a competitive asset if it is aggressively marketed

Promotion Projected service increases of 25% in the first year (1996) were contingent upon organized promotion events a mass information campaign education on health prevention activities, and a set of communication interventions using local voluntary resources The recommended public relations person has yet to be recruited To date there has been no radio television or print advertising A simple black-and-white brochure is distributed to new clinic clients No advantage has been taken of the local inter-institutional committee for informing and motivating potential users Even bulletin boards have not been meaningfully exploited to promote new activities hours or services

New clients generally come to the clinic because of word-of-mouth recommendations the clinic s excellent image and the clinic s location

CONCLUSION

EFFECTIVENESS

Effectiveness of INSALUD can be judged on the basis of services used and the impact they have had

Effectiveness was assessed in four areas

1 Serving health needs and demands—INSALUD's service mix meets health needs and service demands based on surveys of the local target group despite emphasis on curative services at the expense of prevention activities. Operating only one facility has precluded the increased revenues that would be generated by serving higher-income groups in other areas. Capital limitations prevent the clinic from expanding other services for example prenatal and maternity care

2 Providing quality services—According to a December 1996 exit survey most clients thought that the services offered were of high quality of reasonable cost and within their budgetary capacity. Clients often return because of the clinic's location, cost, image, and quality care

These perceptions held despite factors that affect the quality of services including the deteriorated condition of the premises both internally and externally, the lack of adequate stocks of either brand-name or generic medicines, and the lack of maintenance and/or repair of equipment such as the X-ray machine

3 Defining new targets and responding to the needs of new markets—INSALUD focused on developing basic financial and management tools to ensure that it is able to meet costs and repay debts. Emphasis will continue on the consolidation of services, revenues, and costs for the clinic rather than expanding prematurely into new markets in Guayaquil

4 Achieving specific health outcomes—Improvement of the health status of the community has always been a major priority. Access to a service mix based on projected demand has improved because of the clinic's low prices, accessible location, and perceived high quality. However, the clinic suffers from a high degree of underutilization, low levels of efficiency, and limited technical quality control. It is very difficult to determine specific outcomes on key health indicators based on less than a year of operation. Given the liabilities mentioned above, the clinic's impact could be expected to be minimal, considering the current trends, even though its services do indeed respond to most of the real needs in the community.

SUSTAINABILITY

INSALUD has a poor to average probability of achieving long-term sustainability unless significant improvements can be made. Management functions are clearly deficient in most key areas of the operation. Only the most basic record keeping is done regularly, and monthly reports on utilization levels and financial data are produced on an irregular basis. Administrative, financial, and personnel records are not retained under any type of formal record keeping system. While only minimal data is collected on service provision, even that is not used adequately for the purposes of program management, planning, and evaluation.

The fact that INSALUD has been able to cover costs during most of its first year is largely due to the subsidized nature of its operation. INSALUD enjoys a 10-year rent-free lease of a facility that is fully equipped and furnished. Actual coverage levels of service are below 10 percent of the targets set in the business plan, and prices of services have remained at their 1995 levels, despite the 26 percent increase in the cost of inputs caused by inflation.

Not obtaining the loan from PATH was a major setback that severely affected the founders' ability to undertake improvements in infrastructure, purchase of equipment and supplies, and repairs of technical equipment.

Overestimates of market share, levels of concentration, and potential demand for primary health care have seriously eroded INSALUD's capacity to establish a market niche in the area, despite pricing that is very competitive and services that are perceived to be of high quality and are within the reach of the community.

The public sector remains a serious competitor because of its low cost and accessibility in off-hours. Updated market penetration studies would be useful to assess current and projected market shares. No systematic efforts have been made to cost services, although an average of 60 percent of all revenues are paid to staff in the risk-share scheme. General business operations could be seriously affected because there is insufficient cash flow and no reliable cash forecasting tool. Budget variances are not regularly examined, and actions are not consistently undertaken to reconcile budgets with actual operational results.

The only formal mechanism for community participation in the development of the facility is the Inter-Institutional Committee. Members of the committee have a very positive impression of the clinic and its service mix and have indicated their willingness to promote INSALUD within their respective barrios. However, INSALUD has made no concerted effort to use its contacts on the committee to determine whether the clinic's services are in line with the real needs of the community and whether the service mix, prices, and hours of operation respond to potential demand. INSALUD has not taken advantage of this potential support, and interest may fade unless real benefits are forthcoming for the committee members and their communities.

National government policy in Ecuador remains strongly supportive of private sector initiatives to increase the provision of basic health care to low-income urban populations. The recently announced national Economic Program emphasizes the need to increase coverage of basic health care to low-income families through the creation of a national health insurance program. Such a program could portend a positive future for INSALUD-type providers because fee-for-service payments would be largely replaced by prepaid insurance premiums throughout the country.

REPLICABILITY

There are several formidable obstacles to the replicability of the INSALUD model. Most important is a severe national recession and large increases in the number of unemployed persons. Accessibility to basic health care has been constrained because of a lack of cash to pay for even the most needed services. Real demand was constricted in all sectors of the economy in 1996 and it remains to be seen whether 1997 will see an improvement. In addition to compete for the ever-shrinking real demand, local providers have been forced to maintain prices in spite of inflation so they can sustain a competitive advantage over neighboring low-cost health facilities.

Limited demand increases the riskiness of such social enterprise ventures, further exacerbating already limited credit—both local and international. This is a key constraint on the successful replication of other private health care providers seeking low-income clients through basic service provision.

External technical assistance from Initiatives and APOLO played a significant role in the development of

the INSALUD business plan and rapid feasibility study. Unfortunately, the impact of this support was severely undermined because of the reality of the actual operations during the first year of service delivery. Serious efforts are required in the future to ensure that more reliable and consistent projections of demand, growth, prices, costs, and market share are rigorously applied to projected health center sites seeking similar technical support for social enterprise endeavors.

ABOUT INITIATIVES

Private Initiatives for Primary Healthcare (*Initiatives*) is a project funded by the U S Agency for International Development (USAID) and managed through a cooperative agreement with JSI Research & Training Institute. The project promotes access to quality basic health services in developing countries by strengthening local private groups' abilities to provide basic health services. The project specifically targets low-income residents of urban and peri-urban areas.

Working in Ecuador, Guatemala, Nigeria and Ghana, *Initiatives* strengthens the financial and institutional capabilities of local provider groups. In these countries, the local groups encompass a range of service models, including independent physicians and nurses, networks of providers, and traditional and non-traditional insurance schemes. *Initiatives* provides technical assistance through business development workshops and individual consulting in the areas of strategic, business and financial planning, marketing assistance and capital acquisition.