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Strengthening Family Planning تعزيز تنظيم الأسرة Project

JAFPP Financial Sustainability Assessment Findings

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Introduction

Under the Strengthening Health Outcomes through the Private Sector (SHOPS) Leader with Associates (LWA) Cooperative Agreement, USAID/Jordan issued an Associate Award to Abt Associates for a five-year program called *Strengthening Family Planning* or in Arabic, *Ta'ziz Tanzim Al Usra* (in short, *Ta'ziz*) in late July 2010. *Ta'ziz* aims to expand the availability, quality and use of family planning (FP) services through partnership with the private, non-governmental sector in Jordan. The project seeks to boost the role of NGOs in providing FP services, focusing on the Jordan Association of Family Planning and Protection (JAFPP). *Ta'ziz* will assist JAFPP in expanding and improving its clinics, introducing and promoting new FP methods to expand the available mix, strengthening management, governance, financial and administrative systems, and increasing its prospects for financial sustainability.

During February and March of 2011, the project conducted a financial sustainability assessment of JAFPP. The findings of that assessment and recommendations for consideration by the leadership of the Association are presented below.

Financial sustainability is a key issue for the Association. To ensure the Association retains its place in Jordan's family planning service market, there are a variety of options that can be considered to diversify and expand its revenue base. Reaching the goal of financial self sufficiency will take many years but the measures to get there can start immediately.

This report is presented in the following sections: (1) approach – describing the types of data gathered during the assessment; (2) findings - summarizing key opinions and facts identified during the assessment; (3) recommendations – outlining a series of possible interventions to assist the Association in its goal of becoming financially self sufficient; and (4) conclusions.

Approach

The *Ta'ziz* project undertook the following tasks in preparation for drafting this report:

- Analyzed the Association's financial health
- Assessed JAFPP's current position within the competitive landscape of family planning service provision in Jordan
- Met with clients and staff and discuss ongoing opportunities and challenges

The investigations took place with leadership, assistance, and daily interaction with Mr. Hakim Qaryoti, JAFPP finance and administration manager. The assessment team also conducted several meetings with Dr. Selma El Zubi, quality assurance coordinator, and Mr. Bassam Anis, JAFPP executive director. The team carried out clinic visits to Mahatta, Russaifa, Zarka, and Mafraq where the interviewed clinic staff and clients. The team also met with the JAFPP BOD president, Mr. Zafer Boustami and board member Khaled Shishani.

The study team's approach relied on both qualitative and quantitative data to make its recommendations:

Quantitative data - was used to analyze the Association's current financial situation, Data was taken exclusively from the Association's financial accounting systems and was considered highly reliable. An assessment of this data enabled the study to provide clear recommendations and offer expectations regarding changing internal systems and pricing.

Qualitative data - was obtained through interviews with staff, clients and competitors. Interview questions centered on the current delivery of services, quality and pricing.

Interviews were carried out individually and in groups. Group interviews with clients were carried out onsite at clinic branches. The study team also discussed new service offering alternatives with staff and clients and the potential demand for these services.

Together, this information provided the study team with a reliable picture of the Association's current level of operations including ongoing challenges and future opportunities.

Findings

Financial Snapshot

As reflected in Table 1 below, JAFPP's annual revenue does not cover its expenses. In fact, JAFPP's deficit has been growing since 2008 and was approximately 415,000 JD in 2010. Table 2 reveals two key ingredients to increasing deficits: decreasing returns from deposit reserves and increasing expenses.

JAFPP deficits are currently covered from its deposit reserve which stands at 2.4 million JD.¹ Due to the continued draw on these reserves, its interest income is also declining; as noted in the table below from 189,000 JD in 2008 to 91,000 JD in 2010. Coupled with this is JAFPP's increasing expenditure trend (15%) in the last three years that is not aligned with increasing clinical revenue (5%).

JAFPP's expenditures have increased by 15% while revenues by a mere 5% over the last three years

The conclusion from this snapshot is that: *If JAFPP continues its current pricing strategy, it will face a serious liquidity shortfall in four to five years.*

Table 1
JAFPP's Net Income/Deficit
(in'000 JD)

	2008	2009	2010
<i>Revenues:</i>			
Clinics Revenues	400	428	420
Interest Income (from reserve)	189	131	91
Donors Grants for Special Projects (IPPF, Japanese Embassy)	29	23	57
Other income	51	36	17
Total Revenues	669	618	585
<i>Expenditures:</i>			
Clinics Expenditures	658	672	757
Special Projects	20	6	43
Management- Overhead	212	211	200
Total Expenditures	890	889	1,000
Net Deficit	(221)	(271)	(415)

¹ These reserves were created under a previous USAID-funded project that paid for all of JAFPP's expenses, allowing them to retain income earned in a deposit account.

A detailed analysis of JAFPP’s revenue stream reveals that 70% is derived from four service categories. As shown in Table 2, below, JAFPP’s clinical income is generated primarily from IUD services, antenatal services, pap smear testing, and gynecological exams.

**Table 2, JAFPP’s Primary Service Income
(in JD)**

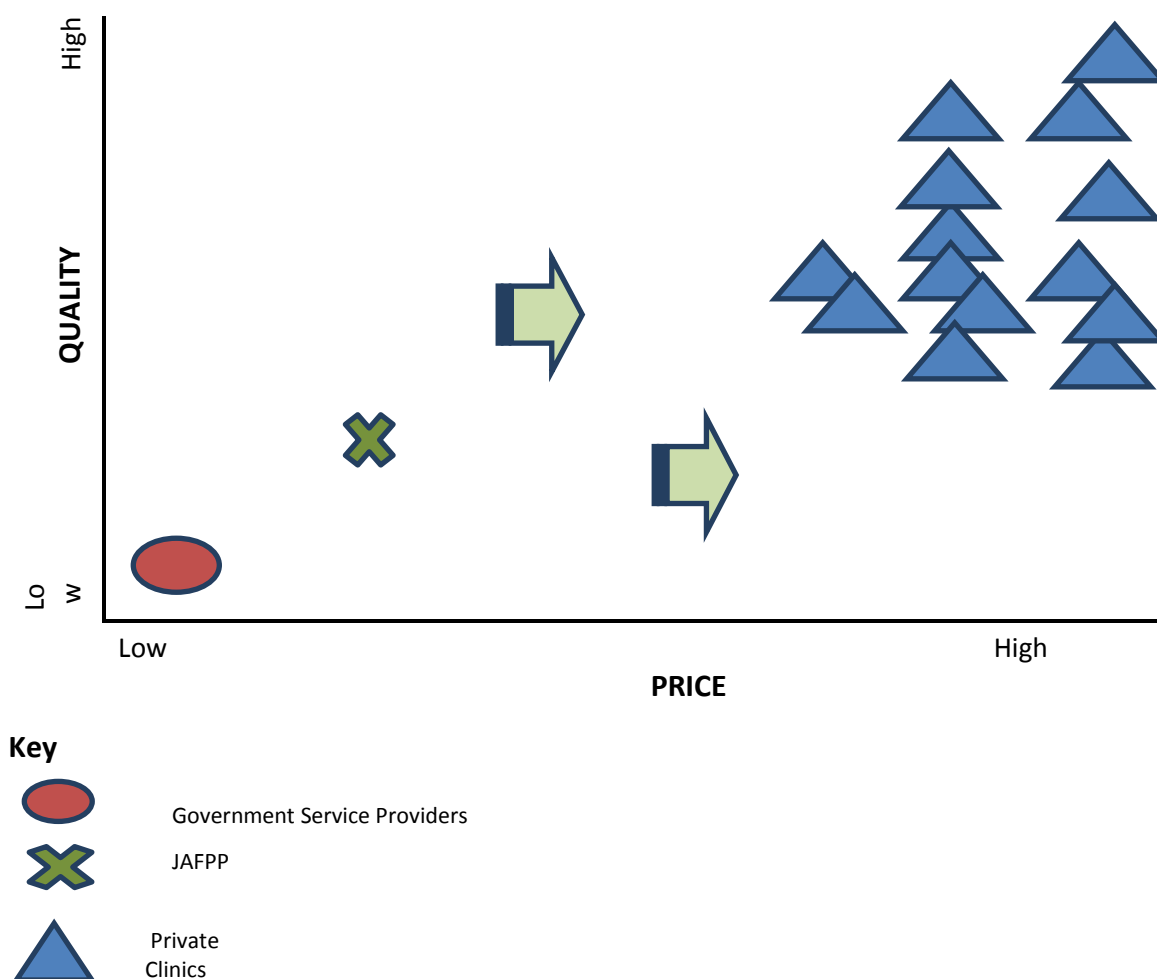
Service/Procedure	Revenue	% of Total Clinic Revenues
IUD related services	152,000	36%
Antenatal services	58,000	14%
Pap Smear services	52,000	12%
Gynecological exam	35,000	8%

This indicates that slight increases in only a few services could have a substantial, positive financial impact on JAFPP’s net income.

Competitive Landscape

Interviews with staff and clients offered an interesting glimpse of Jordan’s family planning competitive landscape. Interviews included conversations regarding *where JAFPP should position itself in the future* coupled with discussions on how to get there (e.g., increased quality of service provision, diversified range of service offerings). Please see Figure 1 for a graphical presentation from these discussions.

Figure 1: Family Planning Competitive Landscape in Jordan



In general, interviewees agreed that given the competitive landscape, the Association could increase its prices if this was done along with an increase in the quality of service delivery. It was an important step for JAFPP staff to recognize that their competition is not the public sector but *private sector providers* of family planning services. In general, many interviewees concurred that the Association was not charging enough for its services compared to the competition.²

Group interviews with JAFPP clients indicated that they considered its services of significant quality and value.³ Importantly, several of those interviewed indicated that they brought their children to the government hospitals but chose JAFPP for family planning services due to its comparative value for money. To these clients, high quality means clean, safe and affordable.

Competitor clinics were also interviewed to ascertain the demand for services, competitive pricing and the need for a broader range of services. The general conclusion was that there is a significant gap between JAFPP’s pricing and its relative competitors – from 5 – 15 JD per service. See Table 3 below for a comparative assessment of JAFPP with private, general practitioner clinics; clinics with specialist gynecologists charge double and even triple these amounts.

Table 3
JAFPP & Competitor Pricing
In Jordanian Dinars

Procedure	JAFPP	Market Prices
IUD Insertion	4.75	15
IUD Check up	2.5	10
IUD removal	3	10
Breast Test	1	10
Medical Counseling	1	10
Pap smear	5	20
GYN Exam	2.75	15
Ultrasound	1	7
Albothyl	5.5	15
Cholesterol/Lipids/C.B.C tests	2.0/each	7.0

Recommendations

Two fundamental issues are paramount to JAFPP’s financial sustainability, these are:

Increasing Revenue – mandate annual price increases (of all service lines, including laboratory services), product diversification, and increased client volume.

Increasing Efficiencies– explore opportunities related to cost savings generated from consolidating smaller clinics, improving the quality of service provision, increasing efficiencies, and terminating the use of the reserve to cover annual operating losses.

² Association Staff confirmed that it had not increased its pricing policy in over 7 years.

³ This corresponds with Ta’ziz research on the quality of JAFPP clinics, which indicated that 60% of clients rely on JAFPP because of its affordability and 50 % because of perceived provider competence.

Increasing Revenue

Three alternative scenarios are presented below with respect to increasing JAFPP's revenues:

- Review of current service pricing
- Expansion and diversification of services
- Develop business and financial plan for the Aqaba building

Pricing and Services

One of the key variables to becoming self sufficient is adjusting JAFPP's current pricing structure. Annex A presents a sensitivity analysis that will allow the Association to assess the following variables:

- Price per service, by clinic⁴
- Quantity of service provided, by clinic
- Revenue stream from the Aqaba building
- Revenue stream from JAFPP's reserve⁵

Annex A will allow JAFPP's Board and management team to 'test' different pricing theories and their financial impact. Table 4 offers one set of possible new pricing structures.

Table 4, JAFPP New Pricing Structure

Procedure	JAFPP Price	Market Price	Proposed Price
IUD Insertion	4.75	15	6
IUD Check up	2.5	10	3
IUD removal	3	10	6
Breast Test	1	10	3
Medical Counseling	1	10	3
Pap smear	5	20	8
GYN Exam	2.75	15	4
Ultrasound	1	7	3
Albothyl	5.5	15	8
Cholesterol/Lipids/C.B.C tests	2/each	7	4

These recommendations are made given the concentration of these services in terms of volume. Other services can be increased by 1 JD each. In addition, the new pricing will keep JAFPP's rates lower than its competitors which should prevent any potential client loss. Table 5 presents JAFPP's projected net income using these new rates assuming no reduction in the volume of services in each category.⁶

⁴ It is recommended that the custom of offering set prices for 'packaged' services be terminated to allow full price recovery for all services rendered.

⁵ Interest income from the reserve was approximately 90,000 JD in 2010; therefore, as the Association continues to draw on this reserve the additional income generated from interest will diminish.

⁶ This will include income from leasing the Aqaba medical complex.

**Table 5, JAFPP Annual Projected Net Income
(in ‘000 JDs)**

Clinics revenues after adjusted prices	770
Interest Income	70
Rent Income	50
Other income	20
	<hr/>
	910
Less:	
Annual Expenditures	1,050
Deficit	(140)

A final pricing structure should be determined only after the April willingness to pay survey has been completed. It is also recommended that JAFPP pilot test any pricing changes in several branches to carefully study the impact in terms of increased income and potential loss of clients. The staff should also use this pilot period to interview clients to garner their insight and assess the impact of these changes.

After the testing period, a full scale pricing strategy should be developed for JAFPP. This must be coupled with a marketing strategy that presents the new pricing structure along with improved service offerings – such as the ultrasound equipment that the SHOPS project is purchasing.

It is recommended that the pricing structure be revisited in 2012 in light of JAFPP’s financial viability and another series of increases be considered. At a minimum, JAFPP should institute a practice of annual inflation adjustments to its pricing structure.

Expansion and Diversification of Services

Service diversification is a complementary tactic for JAFPP to expand its revenue stream. There are a number of new types of services that JAFPP could offer that fall within its current mandate which are presented below. A variety of ideas will also likely be generated from the Ta’ziz project’s market segmentation analysis.

Service Expansion: Expanding the number of services offered by each clinic can assist in increasing JAFPP’s revenue stream. Adding new services must be carefully researched to assure adequate demand and associated income stream; this must be coupled with an assessment of the costs associated with additional staff training required for each new service. Given these conditions, JAFPP doctors suggested the following new services they felt had significant demand:

- (i) birthing classes
- (ii) sexual education and marriage counseling
- (iii) reproductive health advice and counseling
- (iv) infertility counseling and testing
- (v) bone density testing and screening
- (vi) mammogram testing
- (vii) domestic violence counseling
- (viii) nutritional advice and support
- (ix) kidney testing and screening

- (x) different types of lab testing for vaginal infections
- (xi) a wider range of IUD types

Lease-to-Own Equipment Upgrades: One new service which has significant market demand is mammogram exams. This new service would bring considerable income with minimal staff training. A recommended strategy to off-set the start-up costs of this new service includes:

- Purchasing mammogram machines in strategically located clinics; for example, one machine could be purchased for Amman with clients being referred to these locations if a mammogram exam is requested.
- Acquiring machines through a *lease-to-own arrangement* with medical equipment suppliers. These lease arrangements could be structured based on the income stream from each piece of equipment, allowing for repayment over several years.⁷

Business Voucher Outreach Strategy: Another strategy the Association may consider to attract new clients is a business to business voucher program. This program could include the Association selling voucher ‘packages’ to larger businesses who are interested in offering family planning and related care to their employees. Through a voucher program the company could pay one flat fee to have their employees gain access to clinic services.

Income from the Aqaba building

A business plan needs to be developed for the Aqaba building that will clearly delineate its use beyond the ground floor clinic. Items to be considered include:

- (i) offering its laboratory services for the entire city;
- (ii) creating a medical ‘center’ that would include a pharmacy, medical equipment rental, and a diversified range of medical offices (that allow patients to utilize the center as a one stop shop); and
- (iii) renting individual apartments as medical offices (with attention being given to renting to competitors)

The business plan should assess the financial pros and cons of each of these scenarios and make a determination regarding strategy. In addition, the business plan should include a competitor assessment, providing the Association with insight regarding the quality, service range, and pricing of alternative family planning services in Aqaba. Finally, the business plan should present a marketing and public relations strategy that supports the implementation of the business plan’s targets (which should include financial, quality, and service goals).

⁷ There are equipment companies that will consider providing the Association with new types of equipment free of charge and negotiate a repayment schedule based on income generated from the equipment.

Cost Reductions & Efficiencies

1. Consolidation of Smaller Clinics

It is important that as the Association plans to purchase selected new locations it assess opportunities for economies of scale where possible. One immediate opportunity is in Erbid, where the closing of Erbid 1 and 3 will permit the Association to open one larger office that can accommodate its existing client base.

It is recommended to explore consolidation strategies where possible. Consolidated clinics can house up to 3-4 doctors and be supported by 1-2 clerks and only one nurse. One larger office also creates efficiencies in terms of maintenance and overall support.

2. Improve Efficiencies

Based on discussions with JAFPP staff, below are a few suggestions to improve overall operating efficiencies and thereby lower annual operating expenses:

- Have clients pay their fees after receiving their services (clients now pay fees before they see the doctor often resulting in the clerk working with the same customer twice along with money being handled twice).
- Regional marketing and outreach – in areas such as Amman, where there are multiple clinics, the Association should look for ‘regional’ efficiencies. One suggestion is to use only 1-2 social workers for marketing purposes across the entire city.⁸ This will increase efficiencies and offer the opportunity to lower costs.
- Increase client case load at each clinic, such that each is working at capacity (e.g., approximately 40-45 clients/day). Clinic case load can also dramatically increase if a policy enforcing timed appointments is put into place. Timed appointments could increase the quality of services and the overall efficiency of clinic operations.
- Computerize operations to the extent possible and terminate manual financial reporting.
- Develop better communications systems among the clinics to share best practices, streamline procedures, and provide updates on evidence-based medical procedures.

3. Increase Quality of Service Provision

As the Association gradually increases its prices, it must consider its competitive positioning vis-à-vis the pricing and quality of other private clinics. As noted previously, many clients consider ‘quality of care’ to mean a clean, safe and affordable service. Some suggested approaches to increase clinic-level quality include:

- Increase continuity of care for all clients. For example, create formal linkages with maternity hospitals; call patients when their results are ready from a test and schedule an appointment for them to review these with the doctor; follow-up on critical care issues with phone calls or SMS messages.

⁸In total, social workers’ salaries are approximately 120,000 JD a year and are paid more than clinic nurses.

- Support staff training, in particular for social workers to ensure evidence-based advice and approaches are presented to clients
- Offer an incentive system for clinic staff⁹
- Offer non-financial benefits – such as an Employee of the Month program, merit-based promotions, etc.

These efforts should be done in tandem with a marketing and branding effort that improves JAFPP's profile among potential client groups.

4. Use of the Reserve

While the reserve has been an important source of financial support for the Association over the past few years, its dramatic decrease from over 4 million JD in 2006 to 2.4 million JD at the end of 2010 is a critical indicator. This plan recommends:

- Termination of the use of the reserve for operating funds by 2014
- Retention of an emergency reserve set at approximately 6-8 months of working capital
- Additional reserves should be placed into long-term investment instruments to maximize returns

Conclusions

JAFPP is poised to become financially self sufficient in the coming years if the necessary actions are taken. One of the most critical and necessary changes will be JAFPP's pricing strategy.

It is recommended that a new pricing strategy is determined that will enable JAFPP to lower its annual deficit. Pricing will need to be done incrementally so not to lose clients to competitor clinics; it also must be coupled with a marketing campaign that links the new pricing structure with improved service delivery.

JAFPP has several opportunities to expand its revenue stream through a diversification of its service offerings. Additional services must be carefully assessed in terms of demand, competition, and pricing.

The Financial Sustainability Plan also presents several suggestions regarding increasing efficiencies and reducing costs. These deal mainly with clinic management (e.g., timed appointments, computerization) and improving the quality of services.

⁹ Several previous incentive systems were attempted with varying results. These efforts need to be assessed and the results fed into a broader conversation with the clinic staff regarding how to incentivize better quality service delivery.

ANNEX A

JAFPP Pricing Sensitivity Analysis