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## PFHS-380.665 FAMILY PLANNING POLICIES AND PROGRAMS

### Paying for Family Planning: Costs, Cost Recovery, and Cost-effective Investment Strategies

#### W. Henry Mosley

#### A. Why subsidize family planning services? (Ref: Lewis, M., 1986)

Reduced fertility has high social benefits as well as individual benefits. But even though individuals have a desire for fewer children, their “demand” for family planning is constrained by their resources, both material (money) and non-material (time, knowledge, beliefs, values, etc.). Because of these constraints, the free market price for contraceptives will generally not meet the social welfare objective. Therefore government subsidies are required to equalize individual and social preferences.

#### B. What are the User “costs”?

1. Search costs for acquiring correct information
  - a. about methods
  - b. about reliable and trustworthy sources of supply
2. Time costs
  - a. travel (including multiple trips for closed/empty clinics)
  - b. waiting times for services
3. Method variety costs (not getting choice)
  - a. limited methods available
  - b. provider biases
  - c. provider incompetence (technical)
4. Administrative costs
  - a. age, parity, marriage requirements; spousal consent
  - b. needless examinations
  - c. regulatory/bureaucratic restrictions
  - d. unpleasant/unfriendly environment (lack of privacy)
5. Social/cultural costs
  - a. cultural insensitivity (no female providers)  
family opposition
6. Health and psychic costs
  - a. anxiety due to contravening cultural norms
  - b. physical side effects of the contraception
7. Monetary costs
  - a. for travel
  - b. for services
  - c. for commodities

**C. What are usual provider costs?** (Ref: Barberis and Harvey, 1997)

Mode of service delivery	Average Cost per CYP US\$
Social marketing	2.14
Sterilization	1.85
Clinic services with sterilization	3.89
Clinic services without sterilization	6.10
Community-based distribution	9.99
Clinic services with CBD	14.00

**D. What is Elasticity of Demand to Price Changes?**

**Definition:** The price elasticity of demand for a good is the proportional change in the quantity demanded of the good relative to the proportional change in the price.

**Example:** Matheny (2004) cites 5 studies of the overall price elasticity of demand for contraceptives which showed elasticities in the range of 0 to 0.15. That is, for every 100% increase in the mean price of contraceptives, the contraceptive use decreased by 0% to 15%.

Price elasticity is influenced by many factors including:

1. Type of contraceptive
2. Initial price versus cumulative cost
3. The role of substitutes
4. Non-monetary costs
5. Economic situation
6. Perceptions of value

**E. What is the cost-effectiveness of investments in alternative interventions to improve FP use?** (Matheny, 2004)

1. Depends on the elasticity of alternative investment strategies – e.g., what will be the proportional change in FP use with a given investment in a FP strategy?:
2. For the most part, data are very poor or not available at all.
3. Where data are available, Matheny (2004) provides the following estimates:
  - a. The low elasticities of contraceptive demand with contraceptive price subsidies (as summarized above) lead to an estimate of \$61 per couple year of protection in Indonesia, if investments are just made in price subsidies.
  - b. Media campaigns in Egypt, Turkey, and Zimbabwe have given estimates of \$3.26, \$1.36 and \$3.57 per CYP.
  - c. Strategies to improve quality appear to be very cost-effective, but good empirical data are lacking.

**F. Social Marketing – Engaging the private sector to promote and distribute a “public good”.**

**Definition:** the design, implementation, and control of programs calculated to influence the acceptability of a social idea and involving considerations of product planning, pricing, communications, distribution, and market research.

1. Contraceptive social marketing:
  - a. uses existing commercial/retail channels
  - b. subsidizes prices (by government/donors) or recover partial costs to:
    - . achieve high distribution
    - . reach low income groups
2. Coverage and costs
3. Issues
  - a. management must fit local circumstance
    - . examples of managers
      - family planning organizations
      - private sector organizations established specifically for CSM
      - quasi-governmental agencies
      - government agencies
  - b. potential customers
    - . market segmentation
  - c. products
    - . condoms, orals, spermicides, IUDs, injectables
  - d. pricing
    - . a balance between assuring wide availability, retailer profitability and cost recovery
  - e. promotion
    - . promote products (brands) and providers
    - . target promotion to consumers and providers
    - . continuous promotion
  - f. evaluation
    - . sales
    - . couple-year-of-protection (CYP)
    - . coverage
    - . cost/CYP

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