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

Family Planning Policies and
Programs

W. Henry Mosley

Essential Definitions

- **Costs *versus* Prices**
- **Cost-benefit *versus* Cost-effectiveness**

Why Subsidize Family Planning Services?

- Fertility control has social benefits as well as individual benefits
- Individual demand for family planning services is constrained by resources (material and non-material)
- Free markets cannot meet social welfare objectives

**What has been the historical pattern
of public sector contraceptive
pricing and subsidies?**

See the following slides.

What is the experience with social marketing?

- **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.

Social Marketing

- **1. Contraceptive social marketing:**
 - a. uses existing commercial/retail channels
 - b. subsidizes prices and recovers partial costs to:
 - achieve high distribution
 - reach low income groups

Social Marketing Issues

- **1. Management must fit local circumstances**(examples of managers)
 - - family planning organizations
 - - private sector organizations established specifically for CSM
 - - quasi-governmental agencies
 - - government agencies

Social Marketing Issues

- **2. Potential customers**
 - - market segmentation
- **3. Products**
 - - condoms, orals, spermicides, IUDs, injectables
- **4. Pricing**
 - - a balance between assuring wide availability, retailer profitability and cost recovery
- **5. Promotion**
 - - promote products (brands) and providers
 - - target promotion to consumers and providers
 - - continuous promotion

Social Marketing Issues

- **6. Evaluation measures**
 - sales
 - couple-year-of-protection (CYP)
 - coverage
 - cost/CYP

What Are the Financial Issues of Concern?

- Program sustainability in the presence of:
 - Rapidly growing demand for contraception
 - Diminishing donor support
 - Constrained national budgets
 - Competing priorities
- Demand for program accountability
 - Growing interest in “evidence-based” decision making
 - Need for performance improvement indicators

Case Study

Impact of Contraceptive Social Marketing (CSM) on Contraceptive Prevalence and Cost in Honduras by Janowitz, et al., SFP 1992: 2, pp 110-117.

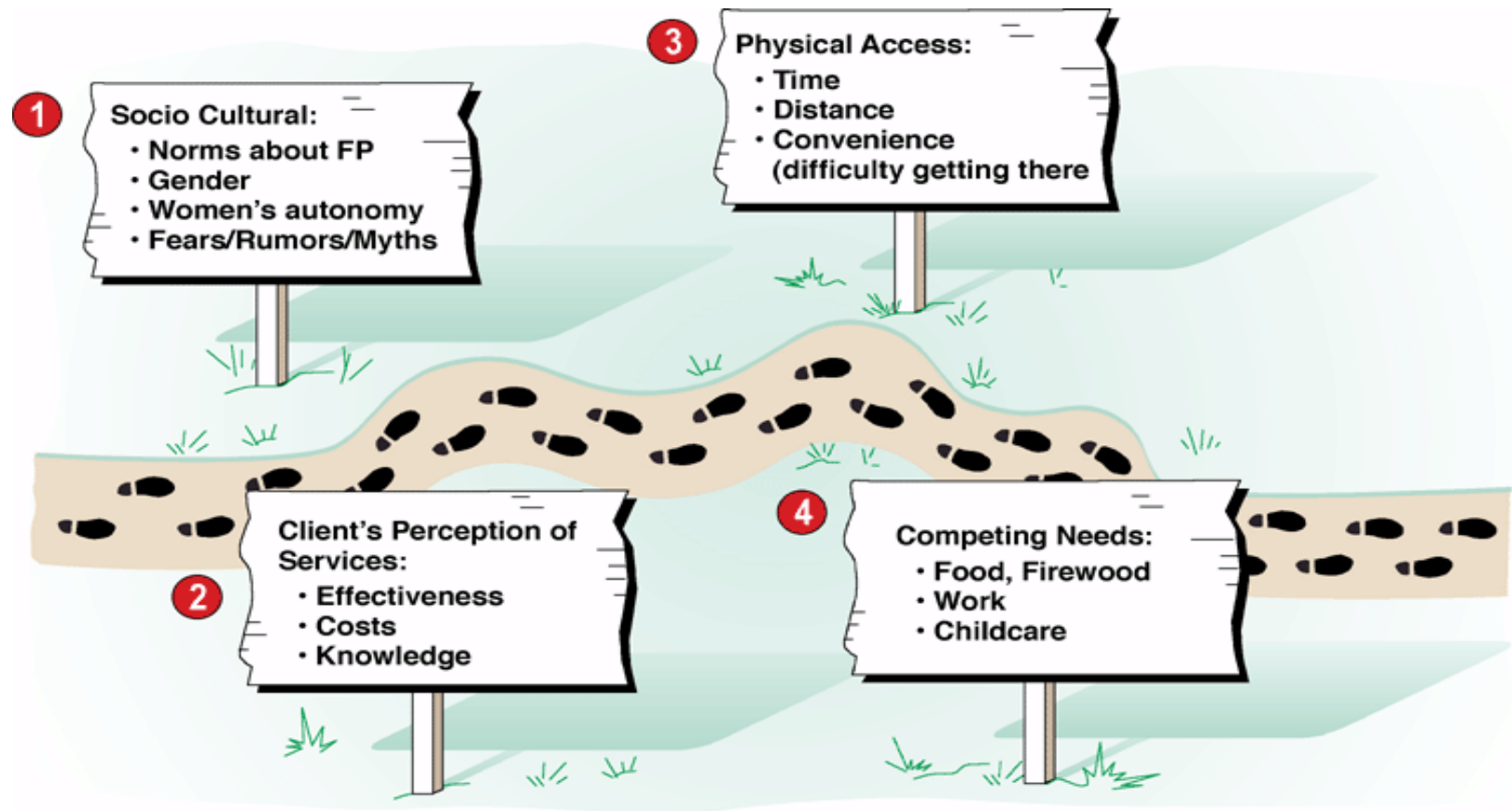
Key point: Introducing CSM may not make an NGO program more efficient if:

- Community-based distribution (CBD) users switch to CSM but CBD program still expands
- Private sector users switch to CSM

What are the user costs?

- Search costs for information
- Time costs
- Method variety costs (not getting choice)
- Administrative costs
- Social/cultural costs
- Health and psychic costs
- Monetary costs

The Client's Perspective: Getting to the Door



(Source: <http://www.maqweb.org>)

The Client's Perspective: Inside the Door



(Source: <http://www.maqweb.org>)

What is the Elasticity of Demand to Price Change?

- **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%.

Elasticity of Contraceptive Demand to Price Changes

- Sources of variation:
 - Type of contraceptive
 - Initial price vs. cumulative costs
 - The role of substitutes
 - Non-monetary costs
 - Economic situation
 - Perceptions of value

Key Points Regarding Contraceptive Costs and Prices

1. Costs of service delivery vary widely:
 - a) across countries
 - b) by program strategy within countries
2. Prices to consumers for services vary widely from very high to negative (subsidies).
3. Consumer uptake of services is price sensitive, but has never been systematically studied.

Key Points Regarding Contraceptive Costs and Prices

4. Empirical observations of price elasticity indicate that:
 - a) As prices go up
 - overall uptake may go down, but elasticity is sensitive to many external factors
 - poorer consumers may drop out with high prices
 - b) Negative prices (subsidies) *are* an inducement to poor consumers (*What are the ethical issues?*)

What is cost-effectiveness of alternative strategies to promote contraceptive use?

- 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.
- Media campaigns in Egypt, Turkey, and Zimbabwe have given estimates of \$3.26, \$1.36 and \$3.57 per CYP.
- Strategies to improve quality appear to be very cost-effective, but good empirical data are lacking.

Conclusion

Programs should conduct marketing research to identify local barriers to contraceptive use and determine the most cost-effective ways to lower these barriers.

The Keys to Program Sustainability

(Resource Allocation, Not Cost-Recovery)

1. Cost-benefit analyses to compete for funds *across* all development sectors in national budgets.
2. Cost-effectiveness analyses to compete for funds *among* alternative health sector investments in MOH budgets (e.g., using DALYs).
3. Cost-effectiveness analyses *within* the FP program to best allocate funds among alternative service delivery program strategies (e.g., using CYP)
4. Cost-accounting analyses *in* every service delivery program to maximize efficiencies.