

RURAL ETHIOPIAN HOSPITAL TRANSFORMING THE HEALTH INSURANCE LANDSCAPE

After participating in FSD Africa's BimaLab Insurtech Accelerator Program, Saglan Wajee General Hospital in Holeta Town, Oromia, will soon become the first full-fledged health insurance company in Ethiopia. Driven by a simple purpose to "enhance quality of life", the private hospital in West Ethiopia is determined to model affordable health insurance thus significantly impacting the local healthcare landscape.

The hospital's CEO, Dr. Yeraeifirae Sileshi aka Dr Raei, emphasizes the importance of health insurance in a region where financial barriers often hinder access to healthcare. "Our vision, not just for Holeta, but for the entire Ethiopian healthcare system, is to have health insurance," he states.

Dr. Raei's passion for health insurance motivated him to join FSD Africa's BimaLab Insurtech Accelerator Program. BimaLab offers hands-on venture-building support to high impact insurance technology startups and scale ups that are already involved in improving the resilience of underserved and climate-vulnerable communities. The program opened networking opportunities and direct exposure to companies that are already involved in health insurance, like Jubilee and AAR of Kenya.

Saglan Wajee's most treasured accomplishment in the Bimalab Program happened by what the doctor perceives as a coincidence. In practice, the program invites insurance regulators from the participating countries with the anticipation that they would significantly drive improvements in their respective national regulatory environments. But for Saglan Wajee, participating in the program with the National Bank of Ethiopia opened a door that the regulator had shut.

The hospital had unsuccessfully sought the bank's license to become a mainstream health insurance company. The National Bank stopped issuing such licenses 14 years ago, after an aspiring health insurance company launched and failed. Six months after BimaLab, the bank licensed Saglan Wajee, which will, in four to six months' time become the first health insurance company in Ethiopia.

Growth After BimaLab

Spurred by knowledge from BimaLab, the hospital upgraded an insurance product it launched two years ago. Created to provide affordable healthcare to various community segments, particularly low and middle-income families, Efoy 1.0 was the first micro-health insurance product of its kind in Ethiopia. It covers a wide range of medical services without the typical financial limits imposed by conventional insurance companies. The new version, Efoy 2.0, has all the features of its predecessor, plus segmented customer services tailored to chronic patients, families and individuals. This has enhanced its coverage, accessibility and affordability.

The hospital's team gained crucial knowledge on customer segmentation and marketing of insurance services from BimaLab. Previously, the team focused on understanding the insurance sector that they did not market or promote Efoy. However, patients who had taken the insurance did word-of-mouth marketing. According to Dr. Raei, one of the reasons most people shun insurance products is their lack of instant gratification, i.e., the thrill that one gets from a good or service paid for.

To increase instant gratification, Saglan Wajee Hospital's cash register was set to automatically reduce an insured patients' fees by 99.9%. For example, a patient's payment invoice of 2000 (17.4 USD) birrs would automatically bill one cent or two cents. "The instant gratification was great, it caused the patients to talk about our product," recalls the doctor. In the end, Efoy 1.0 attracted over 1,200 customers in its first year.

Café owner, Nurae Gutu Chala, and her family (husband and four children) were among the first to buy Efoy health Insurance. They paid 400 birr (4 USD) per child per annum, and double that amount per adult. "I'm glad that my family can afford the health insurance," she states. Nurae quickly adds that a segment of people in her community can't afford the relatively low cost of Efoy Insurance. "It would be better if the hospital created an opportunity for such people to get these medical services," she offers.

The number of insurance-seeking clients has grown significantly after the upgrade and from the efforts of the hospital's dedicated marketing team. "We have reached around 900 more patients after the upgrade to Efoy 2.0. The sales volumes are growing faster, we're nearly accomplishing last year's total numbers in just one quarter," discloses Teklu Belay, the hospital's marketing director.

Nurae's family did not hesitate to renew the insurance in 2024 even after the costs shot up to 960 birr (9.5 USD) per child, and 1920 birr (19 USD) per adult. "They increased services," she says gladly, and implores the hospital to keep adding services such as MRI and medicine to the cover when they can. She is willing to pay increased rates provided the services are available.

BimaLab's hands-on venture building support entails a five-cycle capacity building program, mentorship and one-on-one support meetings. Dr. Raei was glad to meet a mentor whose record of accomplishment he already admired. The mentor has molded the hospital team's vision and processes towards establishing an insurance product. He has also challenged and cheered them on when they encountered discouraging barriers in the market. "There is a high return on the BimaLab Program investment," he asserts.

The accelerator also builds strong innovation ecosystems by activating investors, partnership networks and collaborations to unlock capital, attract talent and share knowledge about insurance solutions tailored to the needs of respective communities. Saglan Wajee's was among 23 competitively selected ventures in the 2023 program. Being a hospital made its profile among FinTechs unique. Dr. Raei suggests that BimaLab should include more insurance sector firms to provide a detailed understanding of the industry, beyond product design.

To increase experience and stimulate the growth of participating firms, Raei also suggests that BimaLab introduces a phase where participating firms apply knowledge gained and actively receive feedback and suggestions on what areas to improve. This phase, he adds, would function even better if BimaLab alumni were actively involved.

A Fulfilled Dream

As a practitioner, Dr. Raei believes that health services should be available to everyone, irrespective of their financial status. While studying in China, two developments inspired Dr. Raei's resolve to return home to implement health insurance. The first was the Chinese health insurance model covering 95% of patients. He never met a Chinese national who couldn't access treatment or surgery because they couldn't pay the treatment bills. By contrast, the Ethiopian context bore glaring health financing needs.

The second set of events happened as he did summer internships in Ethiopian hospitals. Dr. Raei frequently encountered patients who could not afford one aspect or another of

health care. “We had to take care of such situations out of our pockets. Imagine students organizing donations each week to save patients’ lives...,” he nursed only one desire: health insurance. “If our people can have health insurance, then we shall have accomplished something,” he states. Dr. Raei has invested time and resources towards achieving this vision and has in the process become the first and only Ethiopian doctor to become a certified member of the Chartered Insurance Institute.

Insurtech Policy

BimaLab motivates insurance firms and regulators to include innovation in their business and regulatory frameworks. “We seed innovation into the market, equip regulators to know the new trends and technologies, and help them align their policies and frameworks with the new innovations and technology. Technology is evolving rapidly,” shares Elizabeth Njambi, Engagement Manager, for FSD’s Risk and Resilience Pillar, and part of the BimaLab team.

Like other firms in the program, Teklu says that Saglan Wajee aspires to pursue insurance technology. In the meantime, the health service provider has the delicate task of transitioning its customers who rely on its brick-and-mortar business model. “If we decide to only advertise online, chances of our target patients viewing it, trusting the online platform, and subscribing are very low,” adds the marketing director.

The process is currently entirely manual. Customers fill-in forms at the hospital, pay the premiums by cash or through bank transfers, and use a physical card to access services. The sales and marketing services are also largely face-to-face, with additions like toll-free calls, and social media handles, like Telegram and Facebook.

“BimaLab is technology targeting, but technology alone can’t be the solution,” asserts Raei. For success, firms must first identify the solution to an actual problem before transferring the solution to technology. For instance, Saglan Wajee identified its customers’ problem as access to finance for health insurance. “Therefore, we must solve this problem first before engaging technology. Technology is just a platform.” Meanwhile, the hospital is developing an insurtech policy to support collaborations with other insurtech firms and explore new ways to reach underserved customer segments.

Looking ahead, the Saglan Wajee Hospital plans to launch a new branch in Addis Ababa and to integrate 130 health facilities into its insurance network. It is also working on

implementing its insurance company, Family Medical Network, leveraging partnerships and financial support to build a sustainable and impactful healthcare system in Ethiopia. The upcoming Family Insurance will support micro- and comprehensive insurance to increase the pool of insured individuals. It will also offer a wider range of products thus effectively absorbing losses. “In the next five years, we’ll be the biggest risk holders for healthcare in the regional market... and in 10 years, we’ll be Jubilee’s and AAR’s biggest competitors in the market. I promise,” states Dr. Raei.