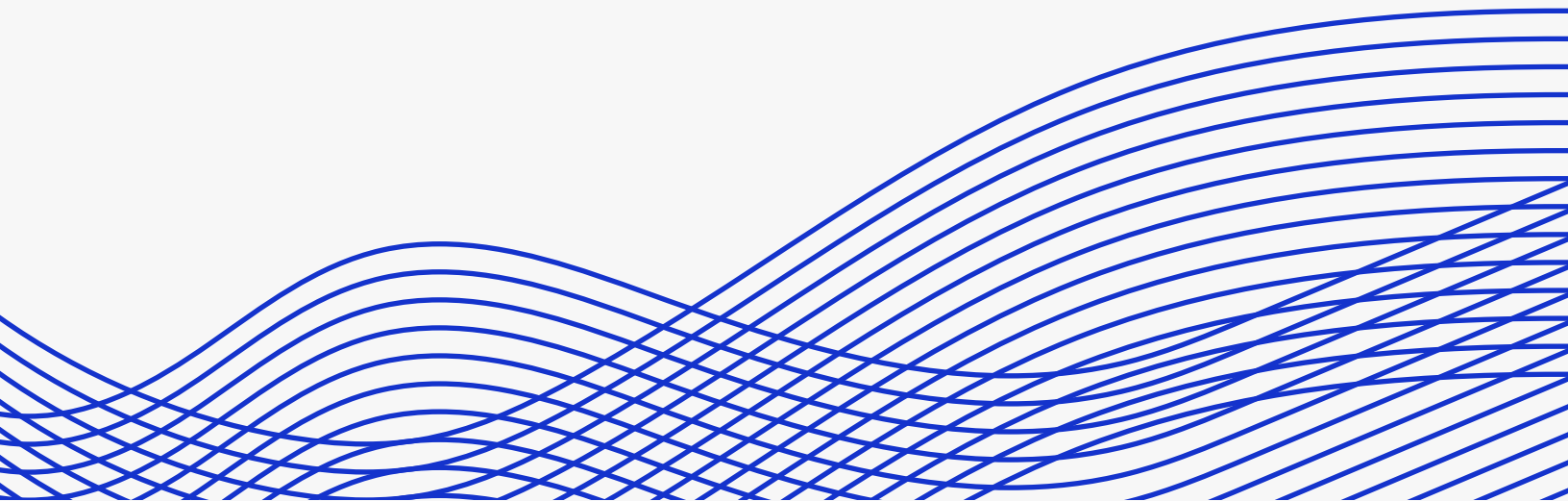




How digital healthcare payments can drive access and affordability in Nigeria



This paper examines the potential for digital payments to help address healthcare affordability and access constraints in Nigeria and outlines five steps to drive benefits for patients, providers, and government stakeholders across the sector.

ADANNA CHUKWUMA[†], LEANNA FENG[‡], LAURA HERMAN[‡], CARL MANLAN[†], LAURA MCEOWN[‡],
DEE MILLER[†], & CHIAGOZIE NWABUEBO[†] | FEBRUARY 2024



Acknowledgments

The authors would like to thank Michelle Gethers for her executive sponsorship. We would also like to thank the following colleagues for their input and review: Chiedu Adudu, Bilal Alavi, Chidozie Arinze, Michael Berner, Adeola Conde, Esha Dutta, Aleksey Elenskiy, Olufunmilayo Fagbulu, Tania Garcia-Millan, Rajiv Garodia, Ilya Glazachev, Chad Harper, Louise Holden, Kristin Krajecki, Jacob Levy, Grace Lykins, Kimathi Marangu, Mary Pat McMahon, Nkebet Mesele, Geraldine Mitchley, April Niemiec, Helen Ossai, Stefan Daniel Andreas Roos, Winny Rutto-Too, Harsha Sathyanarayana Naga, Svyatoslav Senyuta, Gregory Sheppard, Natalia Sifuentes, Andrew Uaboi, Natalia Uniyatova, Harold Van Eeden, and Steven Zeisel. Andrea Linsky provided editorial assistance and Notion provided design support.

About the Visa Economic Empowerment Institute

VEEI is a non-partisan center of excellence for research and public-private dialogue established by Visa.

VEEI's overarching mission is to promote public policies that empower individuals, small businesses, and economies. It produces research and insights that inform long-term policy within the global payments ecosystem. Visa established VEEI as the next step in its ongoing work to remove barriers to economic empowerment and to create more inclusive, equitable economic opportunities for everyone, everywhere.

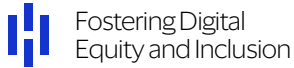
Visit: visaeconomicempowermentinstitute.org

About Visa Inc.

Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable, and secure payment network—enabling individuals, businesses, and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network, and scale to reshape the future of commerce.

For more information, visit About Visa, visa.com/blog and [@VisaNews](https://twitter.com/VisaNews).

©2024 Visa. All rights reserved.



How digital healthcare payments can drive access and affordability in Nigeria



Visa Economic Empowerment Institute



Introduction

In Nigeria, thousands of women visit health clinics each day, facing a complex interplay of challenges along the way. Many have no personal savings, bank account, or health insurance. Many face high costs for procedures and prescriptions. And with most healthcare providers still transacting in cash with limited flexible payment options, many are left unable to receive the care they urgently need.

These issues are pervasive, with six in ten Nigerians not receiving adequate care each year (Mwai, 2023). Chronic underinvestment in the public healthcare system has left 97 percent of Nigerians uninsured (Osakwe & Onyedika-Ugoeze, 2020). As a result, 70 percent of healthcare spending is out of pocket, displacing essential spending on food and shelter, particularly for those who are lower income. Underinvestment in service delivery and an overextended healthcare workforce has created significant variation in quality of care and reduced trust in the system, with only five percent of consumers describing it as “trustworthy” (PwC, 2016).

While there is no perfect solution, Dalberg and Visa collaborated to examine the potential for digital payments to help address healthcare affordability and access constraints in Nigeria. We hypothesized that healthcare payment digitalization could help address challenges of affordability by easing the ability for patients to save, access credit, and enroll in insurance programs. In turn, greater financial inclusion could help patients access more and better healthcare, while also increasing revenue and driving efficiencies for the healthcare system as a whole—not just in Nigeria, but potentially in other cash-based economies.

In Nigeria, 90 percent of all transactions are still conducted using cash, indicating a significant opportunity to accelerate digitalization (Onu, 2023).¹ Reliance on cash not only creates challenges for patients, but also puts pressure on the broader healthcare system including patients, providers, and the government. *For patients*, reliance on cash limits their ability to save, and limited access to credit requires them to pay upfront and in full for procedures and medications. Cash-based payments also make it more difficult to track spending and budget for the future, resulting in unexpected health expenses for cash-reliant households. *Providers and pharmacies* struggle with inefficient bookkeeping, leakages, and limited credit, curbing their expansion potential through limited abilities to access grants or loans. Cash can also be easily lost or counterfeited, with limited opportunities for recovery. *Public and private insurance providers*

1. The assumption is that the percentage of overall spending that is cash is the same the percentage of healthcare spending that is cash.

face difficulties in scaling premium collection, as cash-based payments present major difficulties for processing recurring payments. Lastly, *governments* generate lower revenue as cash payments typically go untaxed and limit the ability for them to offer direct transfers or subsidies to lower income patients.

Digitalizing health payments alone cannot solve these healthcare challenges. However, our analysis revealed that digitalizing payments could drive significant benefits for patients, providers, and governments, when pursued in tandem with financial inclusion and literacy initiatives, catered to unbanked or underbanked individuals. Below, we outline key benefits of digitalizing healthcare payments for stakeholders across the ecosystem and offer recommendations on how public and private actors can work together to support this transition towards a digital healthcare payment ecosystem.

Patient benefits

- **Create payment flexibility to enable greater access to healthcare:** Digital installment plans can make it easier for patients to pay for medical expenses over time, reducing the upfront costs and driving greater affordability through incremental payments.
- **Improve financial autonomy, especially for women:** Financial autonomy is strongly correlated with health autonomy (Osamor & Grady, 2016). Women who can track, plan, and control how they spend money are more likely to seek health services for themselves and their children. Access to digital payment mechanisms can help increase women's financial control through secure digital wallets.

Healthcare provider benefits (i.e., hospitals, clinics, and pharmacies)

- **Reduce leakages:** The transition to digital payments can significantly reduce revenue leakages that often occur in cash-based systems (Pazarbasioglu et al., 2020). With digital records of transactions, there is less room for accounting errors and discrepancies.
- **Reduce security risks:** Providers benefit from electronic payments by not having to carry or handle large physical sums of cash, reducing their costs and susceptibility to theft (Ebeiyama, 2014).
- **Improve access to loans:** Traditional cash-based systems often hinder healthcare providers' ability to access credit from financial institutions. With digital records of transactions and financial stability, providers are more likely to be eligible for loans or grants to reinvest in their businesses, creating potential positive impacts for patients through strengthened healthcare systems (Pazarbasioglu et al., 2020).

Government benefits

- **Scale premium collections:** If launched in partnership with financial inclusion initiatives, digital solutions can dramatically improve the process for premium collection at scale, increasing the number of enrollees and driving higher government revenues (Okuzu et al., 2022). This could result in expanded coverage, ultimately making healthcare more affordable to those least able to afford it, as seen in Ghana (Mangone et al., 2021).

The transition to digital payments across the healthcare system will prove challenging and require concerted efforts from stakeholders across the ecosystem, including community leaders, pharmacies, providers, as well as non-governmental organizations, government, and the private sector. Below we outline key actions to help advance the digital healthcare payment transition and the role that each actor can play in accelerating digitalization:

1. **Invest in general, digital, and financial literacy training.** A crucial prerequisite to unlocking the benefits of digital payments for health will be building the foundational skills in literacy. Currently, only 36 percent of rural Nigerian women are literate, and only five percent own a mobile money account (Nielsen, 2021; World Bank, 2022). Providing training and resources to support women in bolstering these skills and increasing the accessibility of digital payment services will be vital to supporting this transition. Organizations such as Visa, the Global System for Mobile Communications Association (GSMA), Mercy Corps, Enhancing Financial Innovation and Access, and Yellow Cowries are already advancing initiatives to increase financial literacy and support capacity building to make digital and financial tools more accessible to the underbanked. For example, Visa's signature financial literacy products have educated millions of children and adults in 30 countries and are highly tailored to the learning needs of consumers in their specific context. Private sector players can partner with NGO training providers to scale these initiatives, advancing digital literacy skills for rural women and building their future consumer base in tandem.
2. **Invest in expanding the digital payments infrastructure to reach underserved areas, particularly in rural and peri-urban settings.** Through our research, stakeholders frequently spoke of the challenges that physical infrastructure limitations pose, including limited electricity, frequent power outages, lack of internet and mobile coverage, as well as system "glitches" driving incomplete payments, particularly in peri-urban and rural settings. To support the development of robust digital payments for the health ecosystem, the government, private sector, and NGOs should partner to invest in low-cost solutions to improve internet and electricity coverage in rural areas. Private sector actors can also work closely with the government and central banks to improve failed payment recourse mechanisms, particularly for lower income or rural consumers who often have fewer mechanisms for resolving failed payments, improving the customer experience, and strengthening trust in digital payments.
3. **Train and incentivize providers and community pharmacists to become digital payment advocates.** Providing technical assistance to providers and community pharmacists to illustrate the benefits of digital payments will be critical to successfully transition the health sector towards digital payments. Given the investment of time required to train staff on digital payment platforms and recordkeeping, our research found that hospitals and providers were more inclined to adopt digital payments when payment services were paired with training around budgeting, accounting, and bookkeeping. Technical assistance and capacity building are particularly relevant for smaller facilities and community pharmacies, where human resources may be more limited. For example, in Nigeria, TeasyPay has been a leader in this space, pairing digital payment options with technical assistance and capacity

building for providers—their digital payments program has helped hospitals increase their revenues by up to 300 percent through reduced leakages and improved bookkeeping. Governments can take a leading role in urging public providers to transition towards digital payments and partner with private sector players such as banks and financial service providers to deliver training and capacity building.

4. **Design inclusive financial products catered to the hardest to reach patients.** When it comes to product design, the private sector can play a vital role in developing digital products that reduce barriers in access to the un- and under-banked. Because only 32 percent of rural Nigerians have access to a smartphone, creating low-tech and low-data requirement products will be key for reaching underserved consumers (Shanahan & Bahia, 2023). Through technology such as Unstructured Supplementary Service Data (USSD)-enabled mobile money products, micro loans/insurance, and savings and installments products, players such as Visa has already begun to support this transition. Complementary initiatives should also be pursued to address barriers for un- and under-banked individuals, including easing access to digital credentials for individuals without identification, developing tiered pricing to cater to lower income brackets, and piloting alternative credit scoring approaches to enable access to formal financial products for the informal sector.

5. **Build trust through community leaders and increase awareness around the benefits of digital payments.** One of the biggest barriers to accelerating Nigeria’s transition to a digital economy is the lack of trust in digital payment options. Despite the government’s cashless policy, Nigerians maintain a strong preference for cash, both within the health sector and across the economy. Only 34 percent of the adult population has ever made or received a digital payment, and almost half of Nigerians indicate that a “preference for cash” is the main reason for not using mobile money (World Bank, 2022; Awanis et al., 2022). Overcoming this reticence to digital payments will take concerted efforts on the part of both local government and community leaders to build trust in digital payment mechanisms and increase awareness around the many benefits of digital payments, particularly in healthcare settings. Funding community healthcare workers and pharmacists can play a vital role in sharing information and raising awareness in communities around the benefits of digital payments for health and insurance to accelerate the transition. For example, in sharing learnings from Ghana and Malawi on their digital insurance product, HospiCash, Vision Fund et al. (2022) highlighted the critical role of leveraging local community structures in building trust and awareness of the insurance product to drive patient uptake.

Together, these five steps can help accelerate the transition toward a digital healthcare payment ecosystem, driving benefits for patients, providers, and government stakeholders across the sector. While building the foundational literacy skills, infrastructure, incentives, products, and trust will take time and concerted effort, supporting a digital payment-based healthcare system will help drive impact for patients and providers alike, increasing financial inclusion, strengthening healthcare systems through improved efficiency and revenue generation, and improving business operations for providers. In turn, these impacts could drive long-term improvements in the overall strength of the healthcare system.

Sources

Awanis, A., Lowe, C., Andersson-Manjang, S. K., & Lindsey, D. (2022). *State of the Industry Report on Mobile Money 2022*. GSM Association. https://www.gsma.com/sotir/wp-content/uploads/2022/03/GSMA_State_of_the_Industry_2022_English.pdf

Ebeyama, O. J. (2014). Effect of Cashless Economy on Micro and Small Scale Businesses in Nigeria. *European Journal of Business Management* 6(1). <https://citese-erx.ist.psu.edu/document?repid=rep1&type=pdf&doi=58cf6a0489e534bf3c9b-41644719claf6060f7f3>

Mangone, E., Riley, P., & Datari, K. (2021, February). *Financial Services for Health: A Global Evidence Review*. United States Agency for International Development (USAID). https://pdf.usaid.gov/pdf_docs/PA00XDJ7.pdf

Mwai, T. (2023). Six in 10 Nigerians lack access to primary health care services.

Okuzu, O., Malaga, R., Okereafor, K., Amos, U., Dosunmu, A., Oyeneyin, A., Adeoye, V., Sambo, M. N., & Ebenso, B. (2022). Role of digital health insurance management systems in scaling health insurance coverage in Low- and Middle-Income Countries: A case study from Nigeria. *Front Digit Health*. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9530809/>

Onu, E. (2023, March 21). Digital Currency Usage Soars in Nigeria on Cash Shortages. *Bloomberg*. https://www.bloomberg.com/news/articles/2023-03-21/nigeria-digital-currency-transactions-jump-63-on-cash-shortages?in_source=embedded-checkout-banner

Osakwe, F., & Onyedika-Ugoeze, A. (2020, March 1). 97% Nigerians are without health insurance – NDHS. *The Guardian*. <https://guardian.ng/news/97-nigerians-are-without-health-insurance-ndhs/>

Osamor, P. E., & Grady, C. (2016). Women’s autonomy in health care decision-making in developing countries: A synthesis of the literature. *International Journal of Women’s Health* 8. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4908934/>

Pazarbasioglu, C. Garcia Mora, A.,
Uttamchandani, M., Natarajan, H., Feyen,
E., & Saal, M. (2020, April). *Digital Financial
Services*. World Bank Group. [https://pubdocs.
worldbank.org/en/230281588169110691/
Digital-Financial-Services.pdf](https://pubdocs.worldbank.org/en/230281588169110691/Digital-Financial-Services.pdf)

PwC. (2016). *Restoring Trust to Nigeria's
Healthcare System*. [https://www.pwc.com/
ng/en/assets/pdf/restoring-trust-to-nigeria-
healthcare-system.pdf](https://www.pwc.com/ng/en/assets/pdf/restoring-trust-to-nigeria-healthcare-system.pdf)

Shanahan, M., & Bahia, K. (2023, October). *The
State of Mobile Internet Connectivity 2023*.
Global System for Mobile Communications
Association (GSMA). [https://www.gsma.
com/r/wp-content/uploads/2023/10/The-
State-of-Mobile-Internet-Connectivity-
Report-2023.pdf](https://www.gsma.com/r/wp-content/uploads/2023/10/The-State-of-Mobile-Internet-Connectivity-Report-2023.pdf)

Vision fund, World Vision, & Swiss Capacity
Building Facility (SCBF). (2022). *Savings
Linked Insurance for Resilience in Ghana and
Malawi*. [https://www.visionfund.org/sites/
default/files/2022-12/Savings%20Linked%20
Insurance%20for%20Resilience%20FINAL%20
30%20Nov%202022%20low%20res.pdf](https://www.visionfund.org/sites/default/files/2022-12/Savings%20Linked%20Insurance%20for%20Resilience%20FINAL%2030%20Nov%202022%20low%20res.pdf)

World Bank. (2022). *The Global Findex
Database 2021: Financial Inclusion, Digital
Payments, and Resilience in the Age of
COVID-19*. [https://www.worldbank.org/en/
publication/globalindex](https://www.worldbank.org/en/publication/globalindex)



Visa Economic Empowerment Institute

