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# Estimating the size of the unsubsidized private sector in Indonesia

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APHA 2007 Annual Meeting

Session: 5073.0 Policy Perspectives in International RH

November 07, 2007



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# Background: financial sustainability in doubt

- Declines in donor funding and limited local government funding
- Growth of private sector viewed as helping to solve problem
- But growth of private sector may not increase financial sustainability
  - NGOs included in private sector
  - Commercial sector may receive subsidies



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## For Example:

- According to the 2002/03 Indonesia DHS, 23% of women who got their IUDs in the private sector did not pay for the method



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# Objective

- Develop and test a methodology to determine percentage of “private sector” FP clients who actually received unsubsidized services



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# Methods

- Assumption : provider will not sell a product/service for which price < direct costs
- Women that paid a price  $\geq$  direct costs = unsubsidized private sector
- Direct costs include provider time, contraceptives, drugs, supplies



# Data

## 1. Direct Costs

- RH model: labor time for provision, counseling and salary data
  - Survey of earnings of midwives
- MSH's international drug price indicator: cost of contraceptives
  - But generics for implants and injectables available

## 2. Prices

- DHS provides data on price paid by method



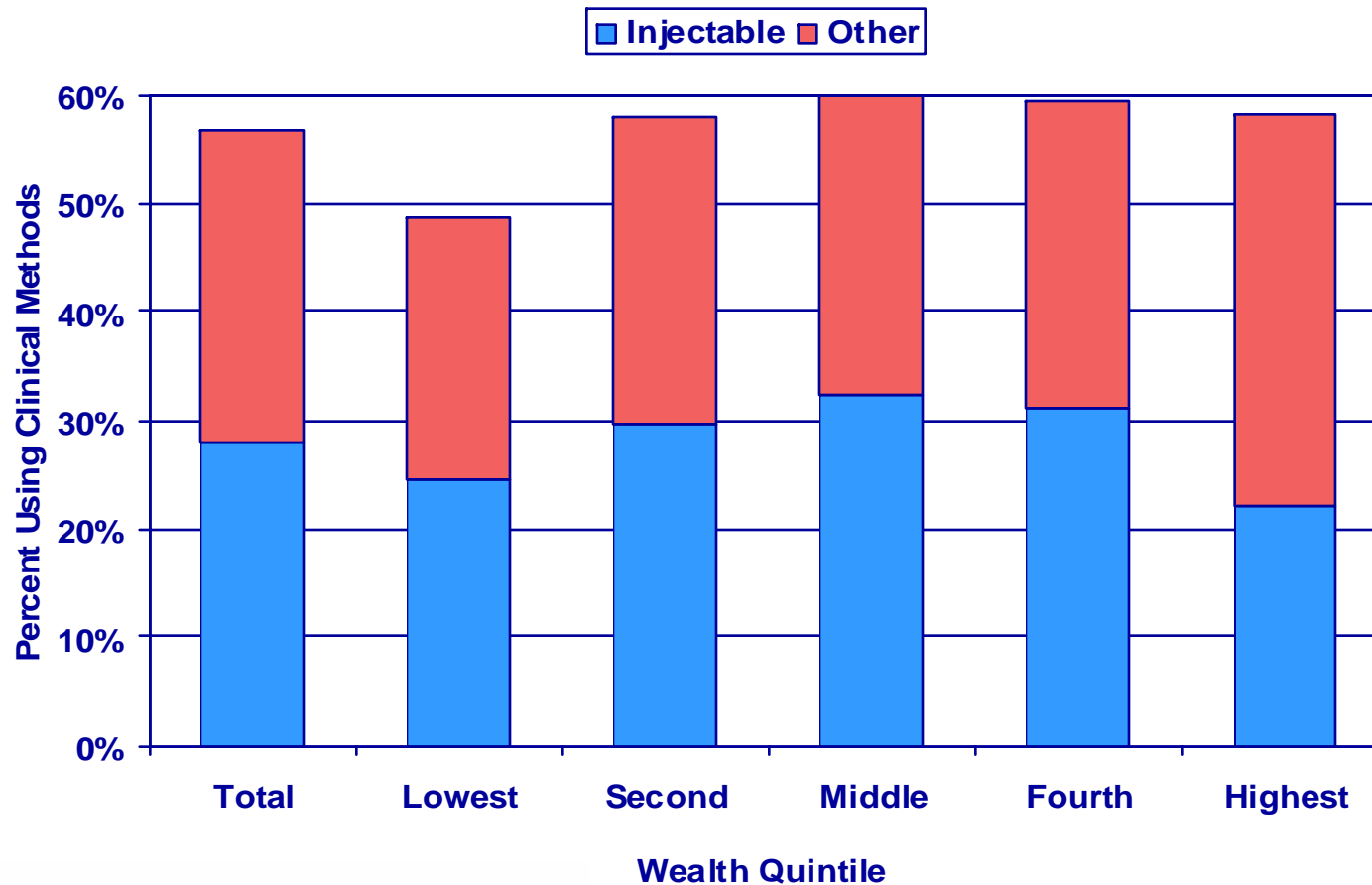
# Calculation of direct costs

- Direct cost of “average” visit

Estimate of Labor time (in minutes)  $\times$  Cost per minute  
+ cost of contraceptives  
+ costs of supplies

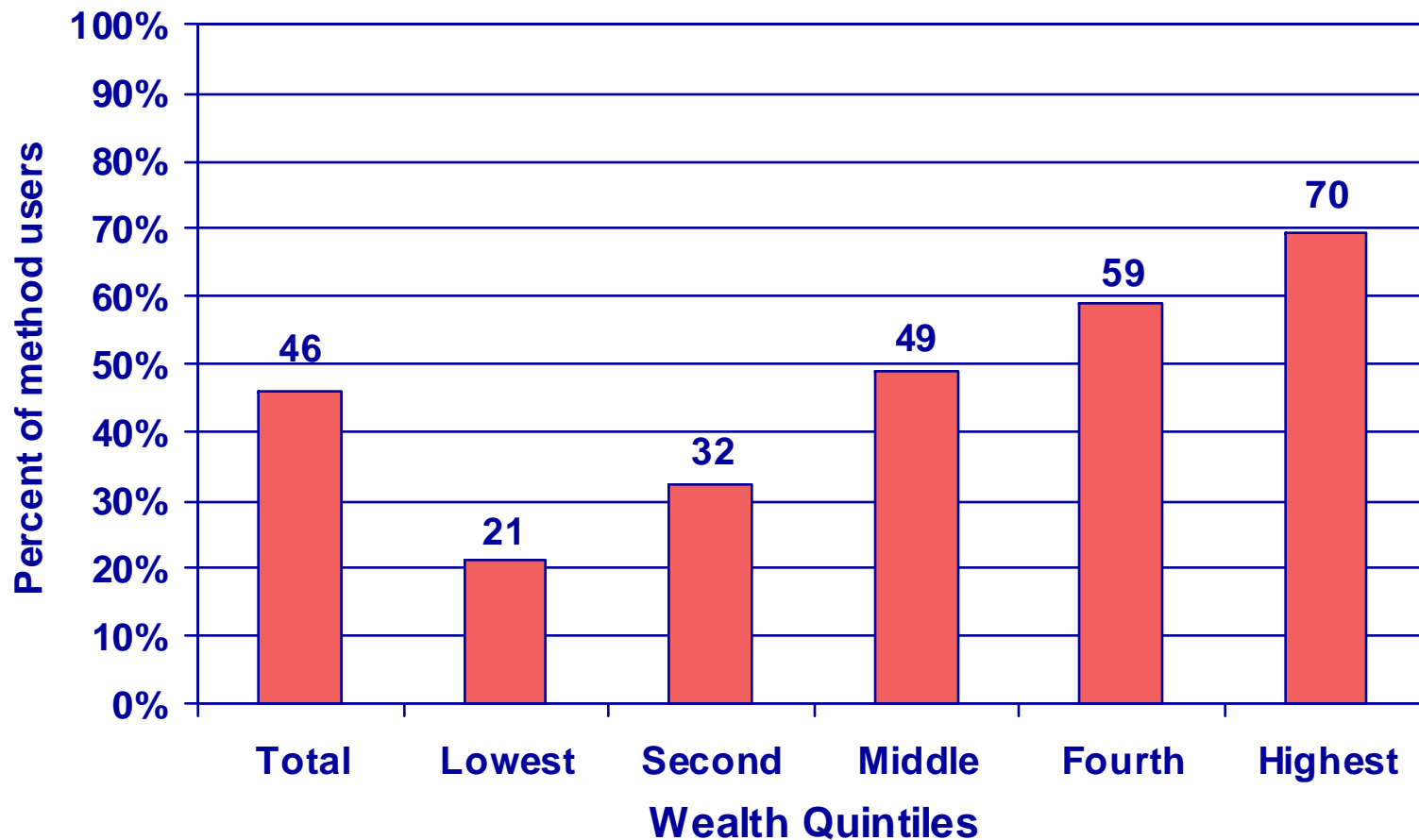


## Use of injectables and total modern method use among women in union in Indonesia by wealth quintile (2002/3)





## Percent of injectable users that got their method in the private sector, by wealth quintile



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## Direct cost of injectable service

Resource	Cost
<b>Labor</b>	
Nurse	\$0.35
<b>Supplies</b>	
Contraceptive method	\$0.55
Other	\$0.11
<b>Total</b>	<b>\$1.01</b>

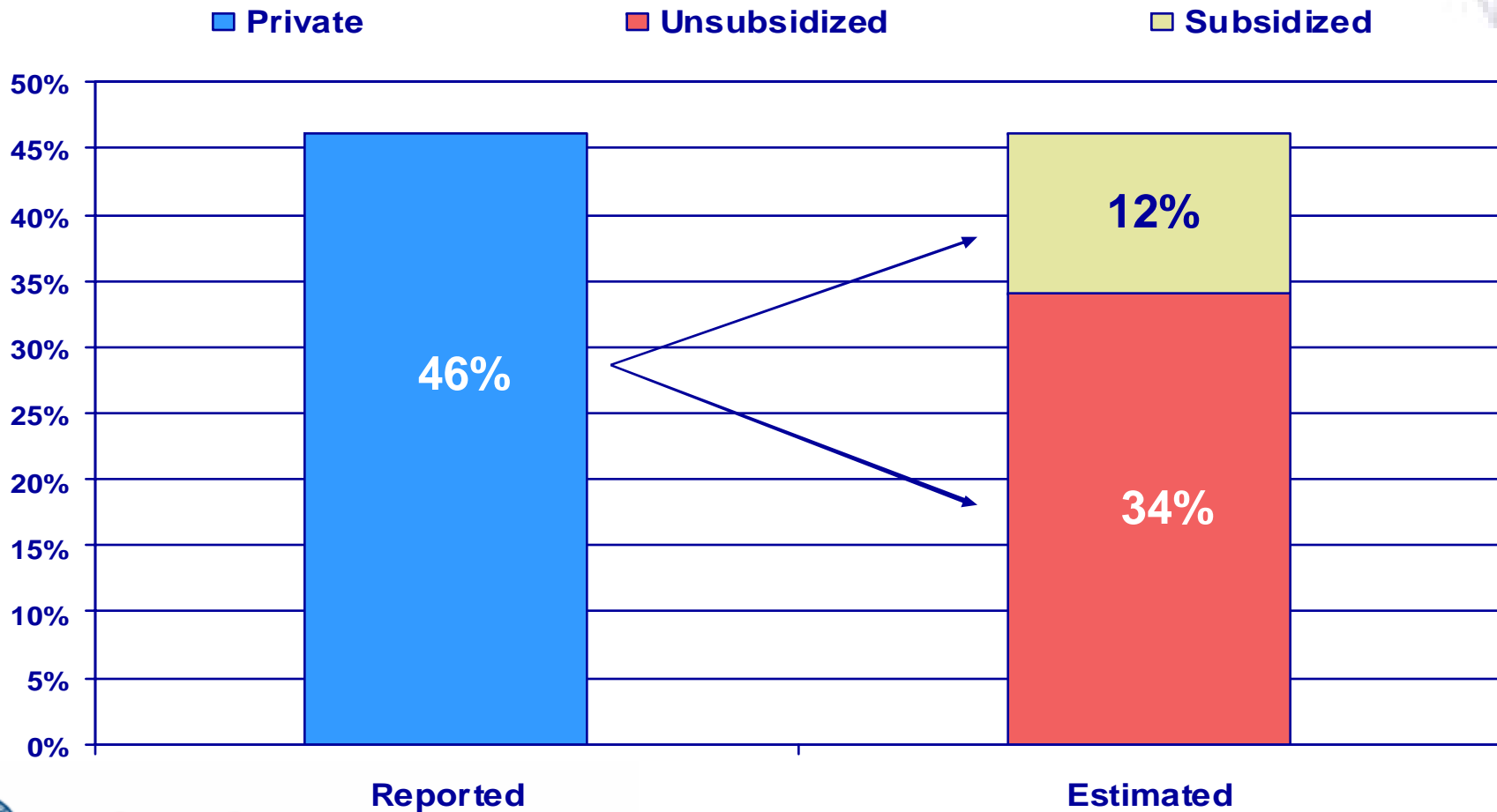


## Distribution of prices paid for injectables obtained from the private sector by wealth quintile

	Wealth Quintile					
	Lowest	Second	Middle	Fourth	Highest	Total
	%	%	%	%	%	%
Free	1	1	2	3	2	2
Less than \$1.01	39	37	29	18	12	24
<b>Greater or equal to \$1.01</b>	<b>60</b>	<b>62</b>	<b>69</b>	<b>79</b>	<b>86</b>	<b>74</b>
<i>Total percent</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
N	350	539	689	793	817	3188



## Estimated use of subsidized / unsubsidized private sector



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# Discussion

## Limitations

- Lack of data – especially on incomes of providers
- Misclassification of source



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# Discussion

- Need to be more careful in equating growth in the private sector with growth in financial sustainability
- Where source is categorized as public vs. private, information on prices can determine
  - Current size of unsubsidized services
  - Growth of unsubsidized services



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