BULLETIN

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THE PRICE IS WRONG

Charging small fees dramatically reduces access to important products for the poor.

Medical research has identified many cheap and simple life-saving and life-improving interventions that combat infectious and communicable disease, but even low-cost interventions are often prohibitively expensive for poor families in the developing world. Where families are unable to afford the full cost, governments and NGOs often provide health products either for free, or at highly subsidized prices under "user-fee" or cost-sharing programs. In recent years, there has been substantial debate about whether to charge user fees or to distribute basic products for free.

User fees and cost-sharing have been advocated for many years to promote sustainability of health services, to help ensure that goods and services are not wasted, and to provide a source of flexible revenue to those in frontline services to replenish supplies and pay for clinic repairs. More recently, social entrepreneurs have argued that small fees can help fund marketing networks that bring socially important products to the poor in a sustainable way and that people are more likely to use products they pay for. Those arguing against charging for basic services point to the massive increases in the take-up of public services that have accompanied the abolition of user fees for schooling and healthcare in many countries.

What does the evidence say? How big a barrier to access are user fees in education and health? Does charging for health and education products encourage people to use them? Do fees screen out those who do not intend to use the product and target it to those who need it the most? Or does charging simply screen out the poor? Ten randomized evaluations tested how take-up and use of education and health products for non-acute care respond to price. Evidence from these studies suggests the following:

Charging small fees in an attempt to balance access and "sustainability" may be the worst of both worlds, as small fees raise little revenue, but dramatically reduce access to important products for the poor.

- **Relative to free distribution, charging even very small user fees substantially reduces adoption.** When a program in Kenya moved from free dewormings to charging an average of 30 cents per child, take-up fell from 75 to 19 percent. Similar declines were seen when charging for water disinfectant and long-lasting insecticidal bednets.
- **There is no evidence that the act of paying for a product makes a recipient more likely to use it.** A common claim is that people are more likely to use what they have sacrificed for, but two studies designed to test this found no effect.
- **In general, cost-sharing does not appear to concentrate adoption on those who need products most.** Families with children under five are not more likely to buy water disinfectant; pregnant women who buy long-lasting insecticidal bednets appear no sicker than average; and parents of children with high parasitic worm loads are no more likely to purchase deworming pills.
- **Receiving a product for free can even increase willingness to pay for it later.** While some argue that giving something away makes people less likely to pay for the product in the future, those given a free long-lasting insecticidal bednet in Kenya were more likely to buy one later, as were their neighbors, presumably because they learned about the benefits of the product.
- **There may be other reasons to charge.** User fees may incentivize service providers to stock supplies and come to work, and the importance of these potential effects needs rigorous evaluation. Even if user fees serve these purposes, there may be better ways to incentivize service providers than user fees, which restrict access for the poor.
- **The question of whether to charge fees for clinic visits or acute care is not addressed by the studies summarized here.** There is little rigorous evidence on this question, and existing evidence is quite mixed.

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