

FINTECH FOR HEALTH
CASE STUDY

EMBEDDED INSURANCE: MEETING THE HEALTHCARE NEEDS OF READYMADE GARMENT WORKERS



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Abstract

Though plagued with a history of poor worker welfare, unsafe working environments, and workplace hazards, the ready-made garment (RMG) industry in Bangladesh continues to thrive. Employing over four million workers, the garment export industry receives much international attention concerning the wages and welfare of the workers. Including social and financial struggles, workers also experience high rates of obesity and non-communicable diseases. Access to adequate healthcare services is also poor with little to no support given by employers for accessing high-quality care. According to a 2014 study¹, about 80.6% of the RMG workers suffered from one of the cardiovascular risk factors, because of the high prevalence of smoking in males and female workers at risk of diabetes, due to over-weight & central obesity. With an average income of BDT 9,580 (USD 112) per month², RMG workers struggle to make ends meet and risk financial catastrophe when a healthcare incident occurs.

Apon Wellbeing, an offline marketplace, address these challenges. RMG workers can purchase the groceries through the fair price stores located on the factory premises. Apon Wellbeing team has developed a model, where after a minimum purchase, the RMG workers are enrolled in free insurance coverage for inpatient, outpatient healthcare expenses, and life coverage.

The embedded insurance introduces and educates the workers about the benefits of the insurance product without spending additional income for the insurance premium. The first-hand experience of the financial coverage for healthcare expenses will build the trust for insurance and reduce the out-of-pocket healthcare expenses.

The Problem



The RMG industry can be dubbed the "backbone" of the economy of Bangladesh since the tag "Made in Bangladesh" has brought recognition to the country. Bangladesh is one of the world's largest garment exporters, with the RMG sector accounting for 84% of Bangladesh's export³.

To achieve the RMG export target of USD 80 billion by 2024⁴, the government and RMG owners are focused on business-related gains, workers' welfare, and job satisfaction.

The minimum monthly wage for RMG workers in Bangladesh is BDT 8000 (USD 90), with the average worker receiving BDT 9,580 (USD 112) per month⁵. RMG workers have limited access to nutritious foods, affordable housing, and health care services. About 80% of the workers – primarily women – have inadequate housing, though half of their wages are paid towards rent.⁶ Unhygienic living conditions, limited financial resources for primary care, smoking habits, long hours of sitting, and no exercise have put most workers at risk of non-communicable diseases.

In the workplace, RMG workers are exposed to diseases and health hazards such as safety issues, toxic dust, and overall poor working conditions⁷. Resulting illness from these conditions include coughs, fevers, jaundice, kidney failure, musculoskeletal problems, respiratory problems, and sexually transmitted infections. Experiencing any of these illnesses usually means that workers cannot continue working, reducing overall availability and productivity.

Only 1% of workers in the RMG sector have health insurance coverage.⁸ In addition, the average cost of visiting a healthcare provider for outpatient care ranges from BDT 500 (USD 6) and BDT 3722 (USD 43), depending on the municipality. For conditions requiring inpatient hospital treatment, the cost ranges from BDT 7,000 (USD 81) and BDT 40,000 (USD 465) for inpatient services⁹. Often, to pay for their health, RMG workers take loans or use their already limited savings to access healthcare. Research highlights that RMG workers' (male and female) first choice healthcare providers are usually local pharmacies due to the cost of accessing healthcare.¹⁰ Subsequently, this leads to challenges such as misdiagnosis and a lack of testing capabilities. While the government of Bangladesh is considering solutions amid many recommendations to address the high cost of healthcare for RMG workers, these problems remain.

The Solution

In 2017, in response to this problem, Apon Wellbeing designed and launched an marketplace specifically for RMG workers. Through the purchase of discounted groceries from an on-site Fair Price grocery store, workers can earn credits towards zero-cash health insurance coverage.



Setting up a Fair Price store

Apon Wellbeing has been setting a Fair Price store on factory premises, saving traveling time for RMG workers. The factory owners/employers are happy to allocate a designated space with a fully furnished and functioning grocery store to provide convenience to their workers. Bulk purchasing allows Apon Wellbeing to negotiate with food suppliers and offer products at a discounted price. Well-stocked fair price commissaries have approximately 2200 different products to cater to the daily needs of the workers.

Apon Wellbeing has partnered with around 69 suppliers, including multinational companies such as Nestle, Unilever, and others, to ensure product quality. Despite receiving requests from various vendors to leverage the price sensitivity of the RMG workers and propose low-priced products, Apon Wellbeing does not compromise on quality.

Shopping at a Fair Price outlet

The employee's journey begins by signing up and receiving an access card to purchase at the fair price outlet at the factory. Most products are discounted up to 10% except a few snack items and soft drinks to promote healthier shopping choices. Workers can also buy products on credit up to 30% of their monthly salary.

The store system is integrated with the factory payroll. This integration ultimately makes the reconciliation process automated and hassle-free for both parties to track the monthly ledger for the grocery. Quality products at lower prices, with a credit facility, have been beneficial for this group as taking a credit facility at the nearby retail shop is considerably expensive.

Access to free health insurance

For every BDT 100 (USD 1.16) spent at Fair Price outlets, RMG workers receive one point. After accumulating 75 points (BDT 7500/USD 87.21), they can access zero-cash health insurance coverage. This health insurance provides free medical diagnoses and prescriptions, life insurance up to BDT 35,000 (USD 407), and access to other health services from designated service points. Pragati Life Insurance Limited has underwritten the insurance offered by Apon Wellbeing.

To secure a 1-year health insurance benefit, a worker must purchase BDT 3000 worth of groceries from the fair price outlet within the first three months of signing up for the program. To continue enjoying the benefits of the health insurance, workers need to make monthly purchases from the outlets; however, from the 4th month until the end of the year, there is no minimum basket value that needs to be fulfilled.

Apon Wellbeing also offers the "Apon Card" which allows the worker to access healthcare services without having to use cash. The insurance company and the healthcare provider communicate directly to eliminate third-party administrators and reduce administrative costs. The inclusion of embedded insurance not only provides direct access to healthcare services for workers but also helps to boost loyalty to the Fair Price outlets.



"The focus has now shifted from the burden of costs to actively receiving affordable quality health care."

— Saif Rashid, Founder & Managing Director, Apon Wellbeing Ltd.

The innovative journey has helped to mitigate out-of-pocket health expenditure. It has allowed workers to support their medical costs up to BDT 15,000 (USD 174) yearly, in which BDT 3,000 (USD 35) is allocated for outpatient expenses. There is a life insurance component, up to BDT 35,000 (USD 407), to cater to the workers' demand.

Apon Wellbeing relies on grants, donations, and partnerships with retailers to make it financially sustainable. All Apon Wellbeing services are currently delivered via the Fair Price outlet with the digital integration with factory payroll. However, Apon Wellbeing is building a holistic digital platform (Apon app) to allow workers to access their account information (i.e., purchase history, credit amount, and health insurance details). Additional plans are to integrate knowledge-building resources within the app for the workers and their children to access educational content.

Apon Wellbeing has also noted that female workers want to have an option to keep their savings private. Since they often turn to informal community-based saving locations, the willingness and need of the female workers to have a digital banking facility on the factory premises was glaring. So, the Apon Wellbeing team plans on setting up a banking booth on the factory premises.

Challenges

The initial challenge for Apon Wellbeing was to prove the Fair Price concept and to get approval from factory owners, as substantial investment was required in building the Fair Price outlet. The model was proven between 2017 to 2018, after which Apon Wellbeing built a strong community of factory owners. As a result of the pandemic-induced disruptions to the RMG sector, the momentum of outlets has been severely impacted. However, the Apon Wellbeing team is still hoping to launch a few more outlets amid the pandemic, with the factories in line to build the Fair Price outlets.

The effect of the pandemic ultimately meant that while some RMG workers in Bangladesh lost their jobs, many others had to accept pay cuts, further shrinking their already low wages. However, the willingness and support of factory owners to build Fair Price outlets have increased awareness of the benefits and acceptance over time. Word of mouth among workers had been a significant driver for understanding and increasing footfall at the outlets.

Impact

Apon Wellbeing has taken strides in bringing real change to the quality of life of its customers. Using their stores, workers can purchase essentials at cheaper rates without compromising quality and access essential healthcare services. Apon Wellbeing has around 60,000 workers under their inclusive model, utilizing the fair price outlet and the health insurance benefits. The team aims to reach out to 1,000 factories and approximately 700,000 workers to provide access to nutritional food, health insurance, digital financial services, and education on financial health.

Conclusion



The customer-centric lens of Apon Wellbeing has led to the development of various solutions that meet the needs of the RMG workers. Combining real-life conveniences, such as offering the purchase of groceries closer to the workplace, with digital solutions that further healthcare access, has been key to the success of Apon's model. Seamless customer experience and quality service have been the pillars of Apon's model. While scaling such

solutions to the masses could be capital intensive, Apon Wellbeing hopes that offline solutions can be scaled with the right partnerships.

¹ <https://pubmed.ncbi.nlm.nih.gov/28299130/>

² <https://thefinancialexpress.com.bd/trade/rmg-workers-lose-500m-in-wages-in-three-months>

³ <https://www.mckinsey.com/industries/retail/our-insights/whats-next-for-bangladeshs-garment-industry-after-a-decade-of-growth#>

⁴ <https://www.tbsnews.net/dropped/trade/bangladesh-sets-80-billion-export-target-2024-356389>

⁵ <https://thefinancialexpress.com.bd/trade/rmg-workers-lose-500m-in-wages-in-three-months>

⁶ <https://www.thedailystar.net/opinion/open-dialogue/news/garment-workers-struggle-find-affordable-housing-1728472>

⁷ <https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-019-6388-y>

⁸ <https://www.textiletoday.com.bd/1-rmg-workers-health-insurance-coverage/>

⁹ https://snv.org/assets/explore/download/2020%23012_Feasibility_Health_Insurance_Emptiers_English.pdf

¹⁰ <https://onlinelibrary.wiley.com/doi/full/10.1002/1348-9585.12256>