FINTECH FOR HEALTH
CASE STUDY

HOW CROWDFUNDING PLATFORMS ARE SUPPORTING THE LOWER-INCOME SEGMENT FINANCIALLY TO MEET HEALTHCARE NEEDS

Executive Summary

Out-of-pocket (OOP) payments are the principal source of financing for healthcare expenses throughout India[i]. OOP has a high prevalence of catastrophic payments and an enormous impoverishing effect because they absorb a significant fraction of household resources. Research estimates show that around 150-199 million[ii] additional people will fall into poverty due to the ongoing COVID-19 crisis at 5% to 10% of assumed contractions in per capita consumption expenditure and rising healthcare inflation at ~15%. It means an overall upsurge in poverty by 15-20%, making around half of the country's (India) population poor[iii]. When people reach the limits of their insurance policies or spending capacity, they turn to family, friends, or strangers on the web in the hopes of raising money to pay for treatments.

Medical crowdfunding is a socio-digital practice and a process of people coming together virtually to donate and gather funds for medical treatments. Using the USP of person-to-person helping and the credibility of highly controlled platforms, crowdfunding is now one of the acceptable healthcare fintech options. Here the donors do not seek any form of returns for their contributions. While the reliability of medical crowdfunding for individual needs might be low, the platform played a crucial role during the COVID crisis in channelizing donor-funded money to the disadvantaged groups in society.

The outpouring of global solidarity and the response has helped Milaap, India's oldest crowdfunding platform, raise more than USD 156Mn for Covid-19 causes from 3.5 lakh donors. Ketto raised over USD 150Mn through its campaigns related to Covid-19 and registered a 4X growth during the lockdown[iv]. ImpactGruru, another such platform, saw donations double per minute post COVID averaging 2.5 donations per minute now. Faircent, a P2P lending platform, disbursed loans worth USD 1.5Bn between April 2020 and March 2021[v].

Introduction:

India ranks among the top 20 of the world's countries in its private healthcare spending[vi]. In 2021, household out-of-pocket spending accounted for around 63%[vii] of healthcare expenses. Government schemes accounted for another 27% of expenditures for medical care. With healthcare costs constantly rising at 8-10% a year[viii], patients rely on their life savings for healthcare expenses as insurance coverage is low or falls short of the cost of treatment in private hospitals. A study conducted by the Public Health Foundation of India (PHFI) reported that a casual worker in India needed to work 481 days to cover one episode of intensive care treatment in a hospital[ix]. An Indian in regular employment needs to spend 124 days' wages to afford Covid hospital isolation. ICU treatment in the hospital would cost self-employed workers and regular employees 318 days and 232 days of work, respectively. The financial planners believe that minimum coverage of up to USD 32k

through health insurance is required to meet the cost of medical treatments and avoid financial hardships[x].

In the fiscal year of 2021, nearly 514 million[xi] people across India were covered under health insurance schemes. The highest number of people were insured under government-sponsored health insurance schemes. In contrast, individual insurance plans had the lowest number of people. India has nearly 30% or 42 crores of its population devoid of health insurance, with actual numbers being higher due to gaps in the existing scheme and overlap between them. Private voluntary health insurance is designed for high-income groups-it costs two to three times above the reasonable level of the missing middle-class people. Moreover, the insurance plans are not enough. With the premiums ranging from $117-$262 per month, policies still do not cover everything one needs.

The National Sample Survey (NSS)'s 75[th]round shows that most Indians continue to depend on private healthcare facilities. Private healthcare spending in India is estimated at $119 billion per year[xii]. About 63% of all medical emergency costs are out-of-pocket expenses. Some 55% of Indians availed treatment in private hospitals, while 42% of the population went to government hospitals. In the case of rural areas, 52% of people went to private hospitals, while 46% opted for treatment in government hospitals. In urban areas, only 35% of people opted for government hospitals[xiii]. In-state hospitals, where treatment is supposed to be essentially free, patients buy consumables and medicines from private pharmacies because the hospitals do not have enough supplies.

Insurance companies cannot refuse to offer coverage to people with pre-existing illnesses. However, they can charge more and add exclusions that make the policy worthless. To cover healthcare expenses, about 5%[xiv] of the households in India meet their health expenditure by selling assets and livestock, and 26% are dependent on borrowing from different sources. This is where crowdfunding plays a vital role, bridging the gap and

making it easy to ask for and generate financial assistance. The industry is already worth several million dollars. As per Statista, the transaction value in the crowdfunding segment is projected to reach USD 7.3m in 2022[xv]. The crowdfunding platform helps individuals and organizations to raise funds for costly medical treatments such as open-heart surgeries, NICU care, bone marrow transplant, and cancer treatments, among other diseases.

Solution:

Milaap, a crowdfunding platform, was started in 2010 by Anoj Vishwanathan and Mayukh Choudhury. In the first years, the platform focused on providing micro-lending solutions for SMEs in rural areas to set up solar systems. Today, it is a go-to platform to raise funds for medication and treatment for low to middle-income segments. The primary objective of about 85% of all the fundraising campaigns on the platform is to fund healthcare costs. A small amount of capital can have a massive impact on the lives of the lower-income segment, especially those not included in the formal financial sector or underserved. Milaap has named it "Community Capital" - a no collateral, risk-tolerant, low-cost fund.

Milaap addresses the many challenges of crowdfunding, both from patients' and donors' perspectives. Patients find it difficult to raise funds in a reliable and dignified way, while donors have a hard time trusting the donation process and the ultimate use of money.

Milaap CEO and co-founder Mayukh Choudhury believe that the crowdfunding projects highlight citizen initiatives across India. They are working to mitigate the financial crisis vulnerable families face and support those on the frontlines with the monetary resources they deserve. Their larger objective is to inspire people to look within their circles and neighborhoods and support the vulnerable in their hour of need.
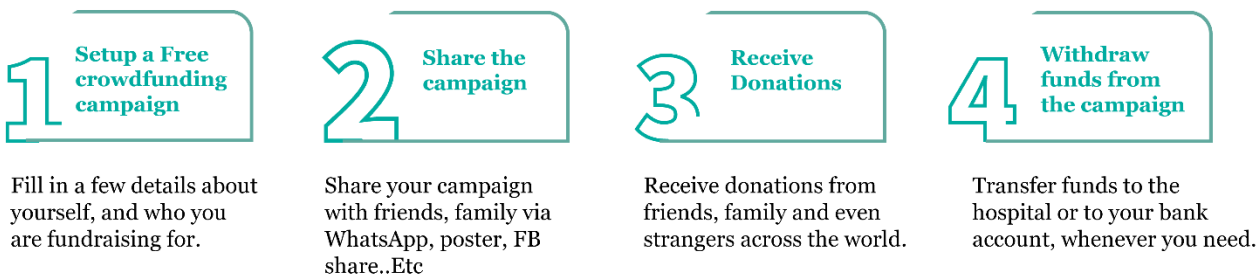

The platform is constantly striving to take the concept of online fundraising to meet the needs of the lower-income segment. Backed by the increasing social media penetration and the popularisation of digital payments, Milaap has quickly become India's most trusted platform to raise funds for personal causes.
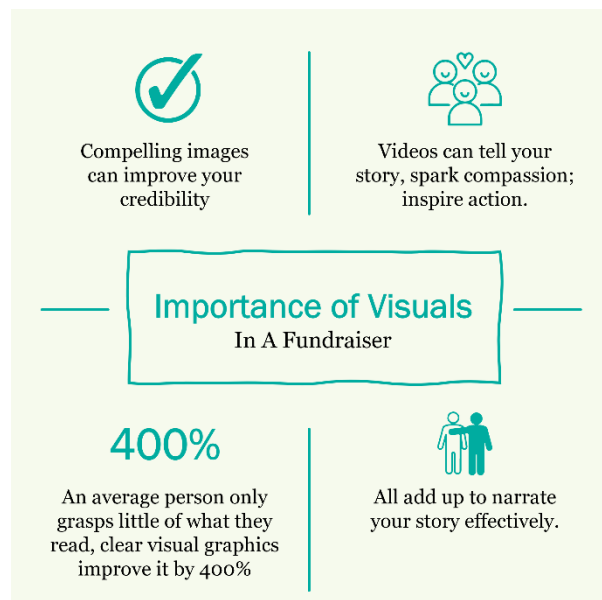
Client (Patient) Journey:

Milaap makes the process of fundraising a seamless journey. The fundraising campaign can be set up in simple steps. An account can be created using a valid phone number and identity card. The campaign page is live once the cause (the story) and pictures are uploaded.

How to start a fundraising campaign on Milaap

1 Setup a Free crowdfunding campaign

Fill in a few details about yourself, and who you are fundraising for.

2 Share the campaign

Share your campaign with friends, family via WhatsApp, poster, FB share..Etc

3 Receive Donations

Receive donations from friends, family and even strangers across the world.

4 Withdraw funds from the campaign

Transfer funds to the hospital or to your bank account, whenever you need.

The fundraiser can track the campaign's progress in real-time and share the campaign page on various social media platforms – WhatsApp and Facebook. The platform allows the fundraiser to update the fundraising page with documents, images, and videos. Funds, once donated, do not reach the beneficiary immediately. The funds are held in a unique virtual account, an 'escrow' account owned by Milaap. The beneficiary can request the fund

Compelling images can improve your credibility

Videos can tell your story, spark compassion; inspire action.

Importance of Visuals
In A Fundraiser

400%
An average person only grasps little of what they read, clear visual graphics improve it by 400%

All add up to narrate your story effectively.

Jennifer Needs **Your Help** To Save Her Son from **Deadly SMA**

Help A Mother

transfer as and when there is a requirement for the funds. However, the Milaap team has a verification process before transferring funds to the beneficiary to prevent misuse. When the patient does not own a bank account, the money is transferred to the hospital providing treatment.

One of the significant advantages to the fundraiser is that they do not have to pay any fees to the Milaap platform for running the campaign.

On the other hand, as donors' experience is paramount in participatory financing, Milaap has ensured that the platform inspires confidence and is not complex to use.

Donors are typically the friends, family members, or the social media community who relate to the cause of the campaign. The Milaap platform raises confidence among donors for the correct use of funds and encourages a hassle-free payment system. Milaap platform has integrated with multiple payment gateways –

- Banks (for net banking, IMPS, NEFT, RTGS transactions),
- Visa, Mastercard, AMEX, Rupay (for credit and debit card transactions),
- Paytm, UPI apps, and other payment wallets charge a small fee for this service ('payment gateway charges').

Payment gateways charge their prices as a percentage of the donation amount made. It varies based on the mode of payment and service provider. These charges on crowdfunding websites are unavoidable and are typically borne by the donor. Some generous donors also provide tips to the Milaap platform, which allows it to remain sustainable.

Only donations made to fundraisers set up by legally registered non-profits (NGOs) or charities may be considered eligible for donors to claim as a tax deduction. Donors can look for a note '80G tax benefits for INR donations' below the 'Donate Now' button on the fundraiser.

Who are the donors:

The NRI community has shown a tremendous amount of support, 85%, especially in the second wave as the global focus turned towards India. Regarding NRI donations, the US is the largest country in total transactions, followed by 15% contributions from the UAE and UK.

Verification process

Milaap has an extensive team and several safeguards to verify the authenticity of the stated campaign. Three questions need to be answered for verification:

- Does the beneficiary exist?
- Does their need exist?
- Is what they are raising aligned with their condition and the beneficiary.

To answer the above questions, the Milaap team has developed extensive connections with 2500 hospitals all over the country to ensure the validity and credibility of the campaigns within 24 hours. A thorough eKYC (Know Your Customer) is done by the Milaap team. The KYC verification is followed by a call from the Milaap team to the fundraiser. Additional background details and documentation such as Permanent Account Number, Aadhar Number, Passport, Driving License, Voter Id are required. The documents are essential, especially for the e-campaigns that raise more than $653.
The campaign money directly goes to the verified bank account of the fundraisers. If the account is unavailable, the fund goes to the hospital clinic, increasing the credibility of medical campaigns, as per the bills or any relevant documents provided by the fundraiser and verified by Milaap

The platform allows the fundraiser to post regular updates about the campaign. This includes the treatment outcomes, supporting documents such as hospital bills, diagnostic tests, and any other document that can prove an expense has been incurred or will be incurred. The inbuilt transparency in the platform enhances donors' trust in the system. Milaap team works closely with organizers, beneficiaries, donors, and an extended network to ensure that fundraisers are accurately represented. If suspicion is raised regarding a fundraiser, Milaap investigates by requesting supporting evidence. If a fundraiser is found fraudulent or illegal, the fundraiser is removed and barred.

Milaap also has the policy to issue refunds for some "exceptional" scenarios. These include:
- A campaign has been identified as fraudulent or violating the terms of service. No funds have yet been transferred to the recipient towards the same.
- A donation has been identified to have been initiated using an unauthorized payment instrument not belonging to the donor, and the user wishes a refund.
- The campaign organizer has posted an update that the intended purpose of the fundraising campaign is no longer possible, and no funds have yet been transferred to the recipient towards the same.

Challenges:

Even though crowdfunding platforms can help people get funds, there are chances of medical crowdfunding campaign failure. Failing to build a community can lead to an unsuccessful fundraiser. It is vital to have a significant reach so that people can donate. The Milaap team supports the campaign set-up and regular monitoring. However, to get donations, the fundraiser's job is to circulate the campaign on different social media and keep the donors engaged.

Scams and information fraud are the second biggest problem on crowdfunding platforms. Renowned platforms claim that less than 0.1% of campaigns on their site are frauds, although some believe the number is much higher. Deceitful campaigns hurt the trust of the donors and have a negative impact on the overall fundraising activity

As with all other fintech platforms, crowdfunding platforms risk money laundering. The online nature of the payments makes them easier to integrate into the financial system than proceeds from cash transactions. However, electronic payment systems used in crowdfunding platforms can reduce this risk to a certain extent by implementing internal AML(Anti Money Laundering) systems. The practical implementation of laws against money laundering in the country where the platforms are located can almost eliminate this risk.

And as necessary as it is to identify and eliminate scams, it is not easy to do without breaching people's privacy. Requiring personal medical information to prove that someone has a genuine need for help is intrusive. Many people are hesitant to provide sensitive medical documentation to corporations such as crowdfunding sites.

Government regulations:

In India, payment of donations or grants (no financial return if the form of yield or return on investment) is governed by Income Tax Act. Under the act, contributions to certain relief funds and charitable organizations can be claimed as deductions. Not all donations are tax deductible and depends on the amount, type of institution, and the cause donated for. The deductions can be claimed by any taxpayer- individuals, companies, firms or any other person.

Milaap is not an NGO and is only a custodian of funds; hence cannot provide tax exemption. However, many NGOs run campaigns on the platform to attract donors and offer tax deductions as a benefit.

Impact:

The Milaap platform has raised $271 million through 636,000 campaigns and 7.9 million donations. Three leading causes for fundraising are medical, education, and memorial. Medical campaigns represent 85% of all fundraising campaigns.

The major impact of the platform was seen during the second COVID wave in April- May 2021, when India was batting a severe shortage of oxygen and hospital beds. The Milaap platform has registered a three-fold increase in the number of fundraisers compared to the pre-pandemic era. The outpouring of global solidarity and the response has helped raise more than USD 156 million for Covid-19 causes in 2020 and 2021.

The number of people seeking financial help for medical treatment has increased after the pandemic struck, say non-governmental organizations[xvi]. They include those who could not seek treatment for non-Covid ailments either because hospitals had prioritized treatment for Covid-19 patients or lacked finance. The mobile internet and payments revolution has sped up the growth. The number of Milaap users doubled yearly in the last three years. The month-on-month and year-on-year growth of Milaap have been 2X between 2020 and 2021. It has been recording around 20,000 campaigns on average every month. Currently, they have over 6,36,000 fundraisers on the platform, over 150k+ app downloads, and raised over USD 2.71bn[xvii] from 7.9 million donations.

Conclusion

One's economic position influences one's medical outcomes, which is grossly unfair. To its credit, medical crowdfunding can reinforce existing societal inequities. It can at least offer the potential for some patients to cover costs that they would otherwise never have had the opportunity to cover. Crowdfunding has been a nameless weapon saving lives for many years, but it took a pandemic to get its recognition. While there are specific challenges of consistently raising funds, medical crowdfunding is a feasible option to finance volition, reciprocal, experimental, and treatments not funded by the health insurance. With the progress of crowdfunding technology, it is now viable to open a medical fundraising campaign in less than five minutes, and the success rate of campaigns is much higher. The platforms can introduce more options like monthly/yearly payments for the donors to cater to medical emergencies where every minute counts. With the capacity of fast beneficiary verification, crowdfunding can make healthcare more accessible for the lower-income segment.

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