

Digital Financial Services on Health Outcomes and Health Systems (RFA #2019-020)

Concept Note from Tomorrow Global

Executive Summary: Tomorrow Global seeks to develop a theory of change for digital financial services to improve health outcomes. By drawing on the literature in health and development economics combined with operational expertise from other sectors, we will delineate the causal pathways through which these products can protect households against the financial risks from illness as well as the evidence base to support the model's underlying assumptions.

Consortium Team: [Tomorrow Global, LLC](#), is a woman-owned boutique policy research and advisory firm dedicated to reducing health disparities worldwide. We help clients use evidence to advance equity within and between regions, sustainability across administrations and generations, preparedness for systemic risks, resilience against unforeseen shocks, and governance as accountability.

The project team would be led by economist [Jessica Pickett](#), who brings a deep academic understanding of household demand for primary care in low- and middle-income countries. Her research focuses on the intersecting role of consumer information, provider quality, and out-of-pocket spending. Co-founder [Alanna Shaikh](#) brings expertise with USAID's health systems work, including developing theories of change to guide programmatic investments. As an independent consultant to the project, [Michelle Kirby](#) would bring operational expertise in digital financial services in the agricultural sector. We are open to joining an existing consortium with partners who have more direct experience implementing digital financial services for health or could use a separate subaward to develop a complementary report.

Project Description

Problem Statement: Digital financial services cannot effectively protect households from the financial risks of illness without simultaneously addressing quality. Indeed, data shows that almost all patients already seek some kind of treatment when they fall ill. However, where households seek that care is determined by their expectations of price and quality -- both of which are highly uncertain.

True insurance – that is, pooling the risk of low-likelihood events across populations – is important but rarely used; most households will not adopt an app solely for that purpose, and

the legal and actuarial complexity of healthcare markets limits the feasibility of private companies expanding into that space even under more traditional terms without significant government backing. (Indeed, India's nascent microinsurance largely collapsed after their business models proved unsustainable.) Meanwhile, smoothing consumption over time for more frequent but unpredictable episodes of minor illness or injury does not require a health-specific product as opposed to a general savings or credit option, which can have other fungible uses as needs arise. However, there is evidence from behavioral economics that some households have time-inconsistent preferences, where earmarked prepayments serve as an effective commitment device to enable optimal investment. Companies like [myAgro](#) have capitalized on this in the agricultural sector, but are predicated on greater certainty about the timing and amount of those future expenses, as well as the corresponding outcomes -- i.e. settings in which there is compelling evidence that households are otherwise underspending. For that to hold true for health-specific products, though, analogous such products must simultaneously improve consumer information about their predicted expenses as well as steering them toward high-quality providers who will actually improve their health outcomes. Failure to address the supply side – or consumer information thereof – could perversely result in higher overall health spending without corresponding gains in non-medical consumption. Well-designed products should thus be equally focused on a) reducing unnecessary treatment, b) reducing the cost for appropriate treatment, and only then c) smoothing the remaining expenses over time and across populations.

Approach: A deep landscape analysis should focus not only on existing successes in the health space, but also a) lessons from failed attempts as well as b) examples from other sectors. Taking this wider lens will allow us to more clearly identify the specific preconditions for success in different contexts and flag related risks, with the goal of deriving an overarching theory of change that can effectively translate academic evidence into a coherent investment strategy and operational best practices.

A thorough literature review will inform structured interviews with existing program managers (and, where possible, analysis of their data), as well as a human-centered design approach to user research. In ongoing dialogue with USAID, these inputs will ultimately shape a series a taxonomy of relevant programs. The final report will include a selection of detailed case studies mapped against the theory of change, as well as recommendations for corresponding measurement indicators.

Risk Mitigation: Any analysis concerned with program replication or scale up faces a high risk of

failure due to differences between healthcare systems or underlying political contexts that shape household demand. We tackle this head on by considering regulatory oversight and provider behavior within the scope of this project. Moreover, there is a significant risk that some digital financial products may be deemed "successful" insofar as healthcare utilization increases, but that intermediate outcome may not lead to the goal of improved health and overall financial wellbeing (as measured by non-medical consumption) if average provider quality is low or raises prices in response to the higher demand. A formal theory of change and measurement framework will help mitigate that risk by explicitly considering the equilibrium supply-side impact of digital financial services alongside the direct impact on household behavior and health outcomes.