

HEALTH CARE FINANCING: A REVIEW OF THE NIGERIAN SITUATION

HERFON SCIENTIFIC CONFERENCE & GENERAL
MEETING, 24-26 MARCH, 2013

Prof BSC Uzochukwu
March 25, 2013

Introduction



- **Healthcare financing refers to strategies for paying for healthcare expenditures**
- It involves the basic functions of
 - ▣ **collection** of revenues from various sources e.g. E.g. OOPs, co-payment, voluntary pre-payments, mandatory pre-payment, indirect and direct taxes
 - ▣ **pooling** of resources so as to share risk across large population groups
 - ▣ using the revenues to **purchase** goods and services from public and private providers for identified needs of the population e.g Fee for service, capitation, budgeting, Salaries

Goals of good healthcare financing strategies



- Mobilise resources for healthcare
- Achieve equity and efficiency in use of healthcare spending
- Ensure that healthcare is affordable and of high quality
- Ensure that essential healthcare goods and services are adequately provided for
- Now – ensure that the money is spent wisely so that the MDGs could be achieved

Nigerian Policies & Plans addressing HCF



- National Health policy
- Health Financing policy
- National Health Bill
- National Strategic Health Development Plan
(National Health Plan) 2010 – 2015

National Health Policy

- The key thrusts in relation to health financing are to expand financial options for health care and strengthen the contribution of the private sector and pre-payment based approaches for financing.
- To engage communities and households in community-based schemes for the financing of PHC services.
- PPPs presented as strategic approaches for the expansion of health financing options at all operational levels.
- Specific provisions include
 - ▣ increasing government funding to international standards
 - ▣ prioritization of PHC and rural poor in funds allocation
 - ▣ increasing allocative efficiency by redistributing resource allocation between levels of care to ensure adequate allocation to preventive and promotive care.

Health Financing Policy

- The overall goal is ‘to ensure that adequate and sustainable funds are available and allocated for accessible, affordable, efficient and equitable health care provision and consumption.’
- It mandates federal, state and local governments to allocate **at least 15%** of their total budgets to health in line with the 2000 Abuja Declaration
- Establishing social health insurance and CBHI schemes within the context of the NHIS so as to expand cover to the informal and rural populations, which make up 70% of the population, as a strategy towards universal access

Health Financing Policy



- Support to states to develop state health insurance schemes to be regulated by the NHIS;
- Support for voluntary (private) health insurance and discouragement of retainership;
- Identifying, adapting and scaling up of financing schemes shown to expedite universal coverage, such as drug revolving fund schemes, deferrals, exemptions etc;

Health Financing Policy



- Harmonization of external aids and partnerships for health financing;
- Promotion of domestic philanthropy;
- ***'as much as possible efforts will be made to discourage out-of-pocket health expenditure' because it promotes catastrophic health expenditure***
- Improve funding of disease specific interventions.

National Health Bill

- The National Health Bill, which is still awaiting Presidential assent, represents the first attempt to provide legislative clarification and funding sources to support PHC.
- If passed, will significantly increase government financing for PHC. The Bill targets universal coverage with at least basic services.
- Specifically, the Health Bill establishes the National Primary Health Care Fund. The Fund is to be financed from:
 - ▣ The consolidated fund of the Federation, an amount not less than two per cent of its value;
 - ▣ Grants by international donor partners; and
 - ▣ Funds from any other source.

National Health Bill

- 50% of the fund shall be used for the provision of basic minimum package of health services to all citizens, in eligible primary health care facilities through the National Health Insurance Scheme (NHIS);
- 25 per cent of the fund shall be used to provide essential drugs for primary healthcare;
- 15 per cent of the fund shall be used for the provision and maintenance of facilities, equipment and transport for primary healthcare;
- 5 per cent of the fund shall be used for the development of Human Resources for eligible Primary Health Care facilities; and
- 5 percent of the fund shall be used by the Federal Ministry of Health for National Health Emergency and Epidemic Response

National Strategic Health Development Plan (National Health Plan) 2010 – 2015



The overall goal is to ensure that adequate and sustainable funds are available and allocated for accessible, affordable, efficient and equitable health care provision and consumption at Local, State and Federal levels

The strategic objectives are

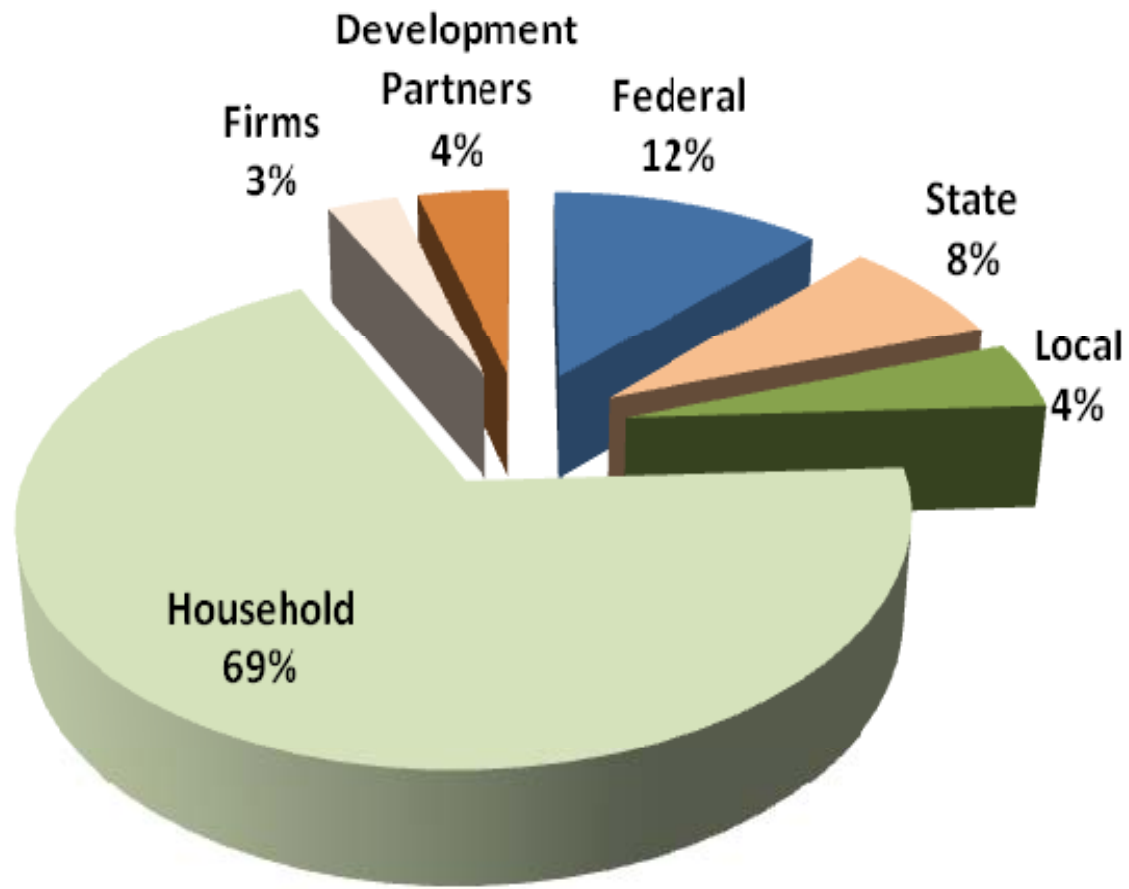
- To develop and implement health financing strategies at Federal, State and Local levels consistent with the National Health Financing Policy
- To ensure that people are protected from financial catastrophe and impoverishment as a result of using health services
- To secure a level of funding needed to achieve desired health development goals and objectives at all levels in a sustainable manner
- To ensure efficiency and equity in the allocation and use of health sector resources at all levels

Healthcare financing options



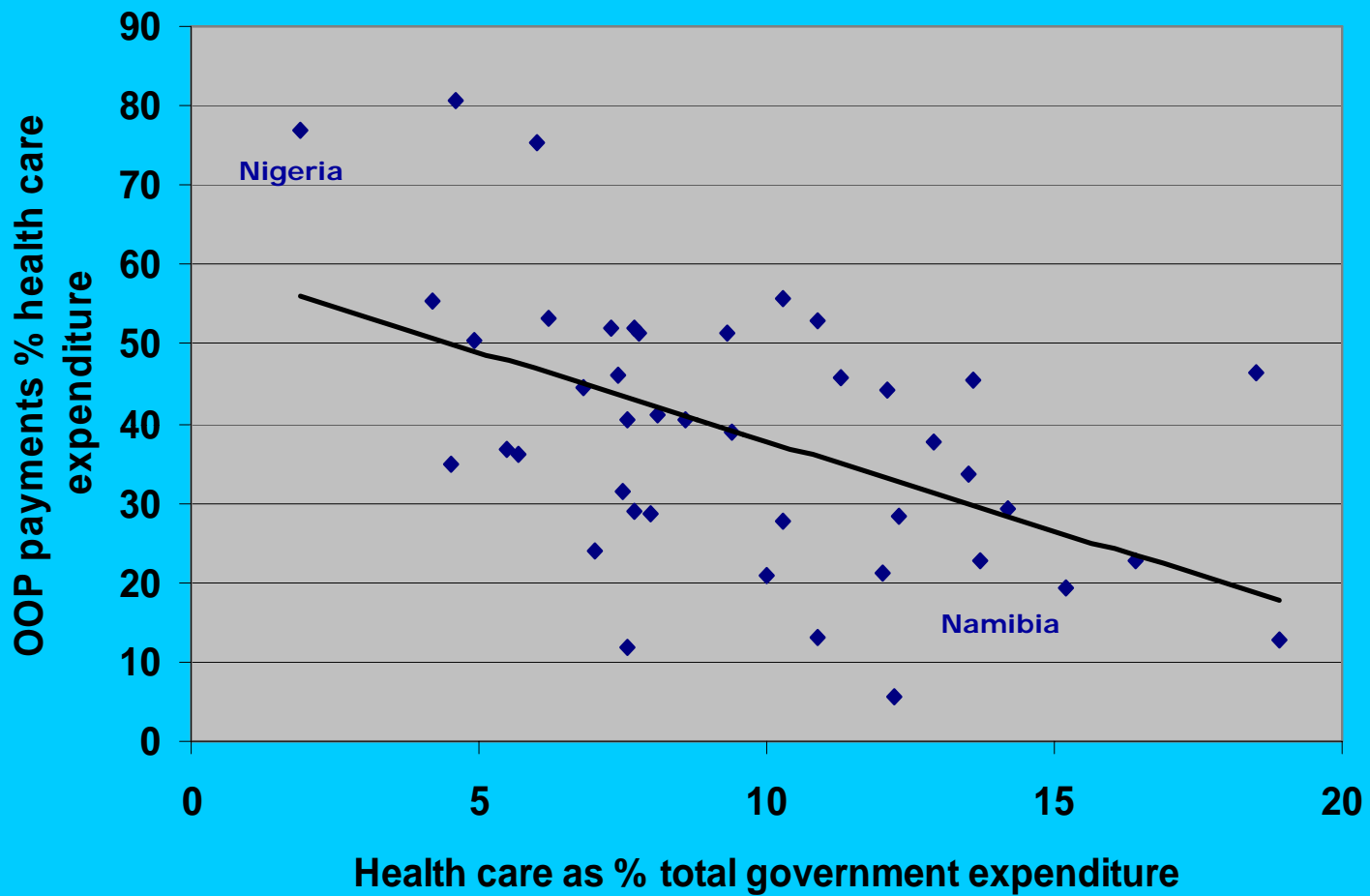
- Out-of-pocket spending (OOPS)
- Tax-based revenue
- Health Insurance
- Donor financing
- Community financing
- Exemptions and deferrals
- Subsidies

The Nigerian Health Naira: Funding Sources



Out-of-Pocket payments (OOPs)

- Most common source of healthcare financing in Nigeria
- 70% of healthcare payments in Nigeria are made out-of-pocket
- On average, about 4% of households spend more than half of their total household expenditures on healthcare and 12% spend more than a quarter.
- In 2007, OOPs increased from 92.7% to 95.9% of private expenditure.



Tax-based Revenue



- Health financing systems where government revenues are the main source of health care expenditure are referred to as tax-based systems.
- The public health sector is financed with allocation from the Federation Account's general revenue allocated to the various levels of government based on an agreed revenue allocation formula.
- In general, the mechanism for mobilization of revenue for the Nigerian government includes royalties and fees from the oil sector (the largest source of revenue for government); general tax revenue, including VAT and General sales tax as well as non tax revenue

Government Revenue (Naira, Million)

Description	2001	2002	2003	2004	2005
Total Government Revenue	2,231,532.9	1,731,837.5	2,575,095.9	3,901,400.0	5,161,112.1
Total Tax % of total revenue	1,016,662.9 45.6	781,604.6 45.1	1,130,200.0 43.9	1,690,200.0 43.3	1,706,726.4 33.1
Non tax revenue % total revenue	1,214,870.0 54.4	950,232.9 54.9	1,444,895.9 56.1	2,211,200.0 56.7	3,454,385.7 66.9

What priority does government give to health in spending decisions?

Year	Total allocation (NGN in Billion)	Allocation to health (NGN in Billion)	As % of total budget	GDP (NGN in Billion)	As % of GDP
2009	3,557.7	154.6	4.3	25,102.44	0.6
2010	4,427.2	164.9	3.7	30,980.84	0.5
2011	4,971.9	266.7	5.4	36,123.11	0.7

What priority does government give to health in spending decisions?

- Less than the WHO recommendation and the 15% Abuja declaration target.
- Proportion of states' and LGAs' budgets allocated to health remains below 15%.
 - 2% in Ondo to 15% in Bauchi.
- The per capita health expenditure of \$10 is far below the \$34 recommended by the Macro-economic Commission on Health as required for provision of basic package of essential health care services
- Significant improvement in funding for some diseases/programs e.g, Immunization, AIDS, TB, Malaria, MSS, SURE-P MCH.

Donor Funding

- Donor funding, from bilateral or multilateral international organizations, may take the form of loans or of aid grants.
- The annual average official development assistance inflow from 1999 to 2007 was estimated at US\$ 2.335 and US\$4.674 per capita, respectively.
- The contribution of development aid to health care financing in Nigeria was estimated as N27.87 billion (4% of THE) in 2003. This increased by 29% to N36.04 billion (4.6% of THE) in 2004 and by just 1% to N36.30 billion (4% of THE) in 2005.
- Although the international assistance to the Nigerian health sector is increasing, it still accounts for a small proportion of public health expenditures.

Donors commitment for Routine Immunization

	2010	2011	2012	2013	Total commitment
UNICEF					\$31 739 227
WHO					\$76 128 468
USAID					\$6 940 958
World Bank					\$23 737 778
EU					\$12 243 971
Rotary International					\$427 008
Government of Japan/JICA					\$0
CIDA					\$0
GAVI					\$59 264 643
CDC					\$0
DIFID					\$2 691 499
Bill & Melinda Gates Foundation					\$15 000 000
KfW					\$2 000 000

Health Insurance

- NHIS was launched in 2005
- Organized into the following social health insurance programmes (SHIPs): Formal Sector; Urban Self-employed; Rural Community; Children Under-Five; Permanently Disabled Persons; Prison Inmates; Tertiary Institutions and Voluntary Participants; and Armed Forces, Police and other Uniformed Services.
- Only the formal sector SHIP is currently operational.
- Only covers 4-5% of Nigerians (largely federal government employees).
- Buy-in by the states remains low; only Cross River and Bauchi States have enrolled, while Abia, Enugu, Imo, Gombe, Lagos, Ondo, Oyo, Jigawa and Kaduna have indicated interest, they are yet to come on board.
- Some private companies have health insurance cover for their employees covering about 1% of Nigerians.
- The contribution of NHIS to health funds remain low; 2% of overall health expenditure

Community-Based Health Insurance (CBHI)



- A form of private health insurance whereby individuals, families, or community groups finance or co-finance costs of health services.
- Designed for people living in the rural areas and people in the informal sector who cannot get adequate public, private, or employer-sponsored insurance.
- It usually involves some form of community involvement in their management
- Roll out the CBHI in the six states benefiting from the NHIS- MDG free MCH programme.

Exemptions & Deferrals:

Safety nets for vulnerable groups

- NHIS-MDG debt-relief grants has developed a programme for provision of free MCH services for the very poor.
 - ▣ operational in 69 LGAs spread across 6 states (Yobe, Gombe, Jigawa, Sokoto, Cross River, Bayelsa, Ondo and Oyo States) and has a total of 1.6 million enrollees
- Schemes that assist patients to cope with health services and associated costs, such as cost of transportation to and from a health facility.
 - ▣ This category includes fees deferral, exemptions and emergency loan schemes:
- Majority of states in the country have policies and programmes aimed at providing free MCH services.
 - ▣ funding level, benefit package and coverage show wide variation across states.

Barriers to the attainment of our health financing goals



- Inadequate political commitment to health, leading to poor funding of health in general, and PHC in particular
- Gaps in the area of stewardship and governance as evidenced by lack of clarity of the role of government, at all levels in financing health care.
- Absence of a health policy that clearly spells out how funds are to be allocated and spent in the health sector

Barriers to the attainment of our health financing goals



- Governance issues with the NHIS and poor buy-in by the states limits coverage.
- Dominance of OOPs presents possibilities of under/oversupply of services depending on financial abilities
- Non exploitation of other sources of health financing
- Several stakeholders, including development partners finance health independently and not in accordance with governments' policy thrust. This has led to inefficient use of scarce resources and duplication of efforts.

Policy Recommendations



- To achieve universal coverage using health financing as the strategy, there is a dire need to review the system of mobilization and pooling of funds and purchasing of services to ensure that more funds are secured for the services and that resources are used more efficiently while at the same time we remove financial barriers to access.

Policy Recommendations: Strategies to ensure UC:

- Articulate clear policies on PHC financing
 - ▣ There is currently a lack of clarity as to the roles of different levels of government in financing PHC, and which components are to be financed by each level of government
- Governments should give higher priority to health in their budget allocations
- Pass the Health Bill
- Explore innovative ways of mobilizing funds and financing health e,g, Sin Taxes, mobile phones
- Extend the NHIS to the informal sector through the CBHI
- Mobilize the private sector (telecommunications and banks) and local philanthropists
- Donors do more to meet their stated international commitments for official development assistance (ODA) and to provide more predictable and long-term aid flows in Nigeria.

End Note



**More money for
health**