



Sustainability of State Health Insurance Schemes in Nigeria Beyond the Launch

Executive Summary

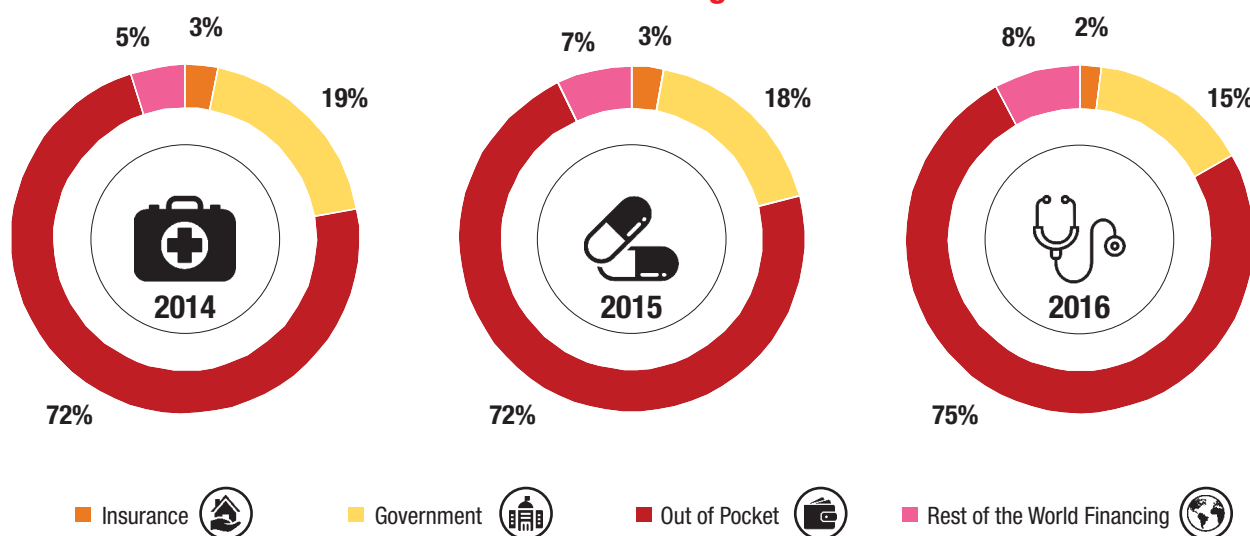
Access to affordable healthcare continues to be a challenge for most Nigerians due to high levels of poverty and significant reliance on out of pocket payments. Health Insurance coverage throughout the country has barely scratched the surface in terms of the country's population. Recent State led Health Insurance initiatives will need to adopt several critical measures if they are to be effective and sustainable.

Background

Health Insurance is one of the mechanisms for providing financial protection from the costs of using healthcare services. This is a key pillar of universal healthcare. The protection it affords is extremely important as research from the World Bank and WHO showed that 100 million people are pushed into extreme poverty on an annual basis due to healthcare expenses.

While health insurance has been operational in Nigeria for over 15 years, the uptake has remained low. As at 2016, only 3% of healthcare expenditure in Nigeria was paid for using health insurance.

Healthcare Funding Sources



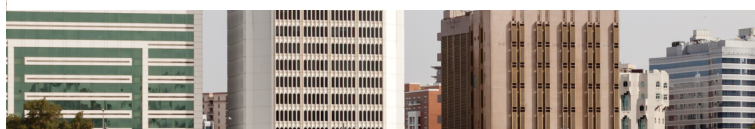
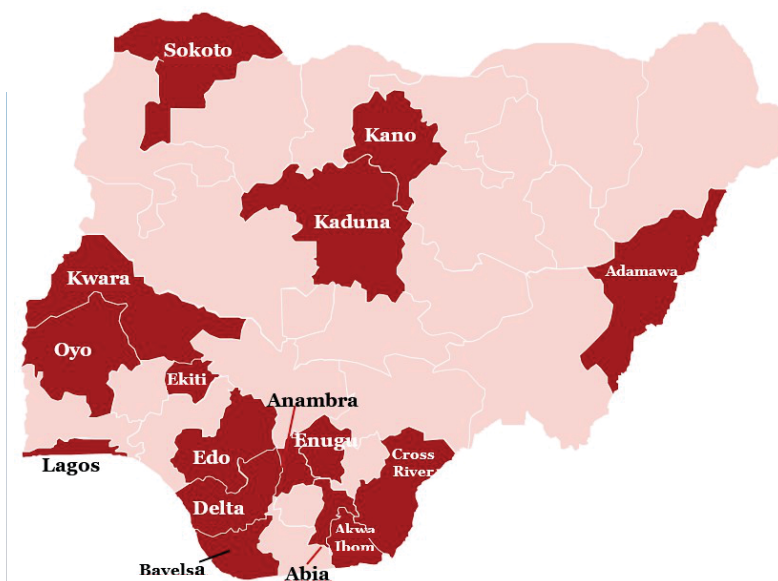
Source: World Health Organisation Global Health Expenditure Database

According to the leadership of the National Health Insurance Scheme (NHIS), the scheme covers less than 5% of Nigerians. The enrollee population in the scheme is largely made up of Federal Government employees and their dependents. A survey by the Lagos Bureau of Statistics revealed that only 11% of household members in the state have their healthcare costs covered by any form of health insurance.

Sub-National Initiatives

To bridge the coverage gap, several states have commenced the establishment of State Health Insurance Schemes. Presently, about 19 states are at various stages of their implementation journey. These schemes typically involve the establishment of a governing agency to oversee the implementation and management of the scheme. They have also defined benefit packages to cater to the most common healthcare occurrences. Of significant note though; State Governments commit to dedicate a percentage of their consolidated revenue to the scheme to fund premiums for the poor and vulnerable in the state.

These schemes, if successfully implemented and operated, could prove to be a significant tool in making affordable healthcare more accessible throughout the country especially to the poor and vulnerable in society. As with any large scale endeavor of this nature, there are several key success factors which need to be in place to ensure the schemes are successful and sustainable.





Effective Funding Mechanisms

It is important that the schemes are able to attract premium payments, which will be their primary source of funding, from as many residents within the states as possible. This will help to increase the risk pool which is essential to the well-being of any insurance scheme. To achieve this, states will need to employ strategies which will encourage participation of their residents in the schemes. This could include measures such as tying eligibility for services rendered by the state to participation in the schemes. In the absence of this, the schemes may end up in a situation in which only people who have ongoing medical conditions or are on the verge of medical events (e.g. childbirth) are subscribed to them. This situation will put the financial viability of the schemes at risk in very short order.

Donor funding remains a major source of financing for Nigerian Healthcare. These funds come from various sources including foreign governments and international development agencies amongst others.

This includes over US\$2 billion to date from the Global Fund and over \$700 million from The Bill and Melinda Gates Foundation. In many cases, these funds are targeted at addressing specific healthcare issues such as HIV, Tuberculosis, reduction of maternal and child mortality etc. Care for some of these conditions are already included as part of the benefits package in some State Health Schemes. In such cases, these donor funds could provide an opportunity to broaden the population of the poor and vulnerable covered by the schemes. Where such conditions are not covered by the schemes, there is an opportunity to create an alignment with the donor initiatives which would make them a referral point for the management of such conditions.

The organized private sector (through their Corporate Social Responsibility initiatives) and High Net-worth Individuals, also provide funding to various healthcare initiatives in the country. This is a source of funds which the schemes could also tap into to cater to the poor and vulnerable in the society.



Fraud Prevention

No healthcare system around the world can be said to be totally immune to fraud. A World Health Organisation (WHO) report estimated 7% of global annual healthcare expenditure is lost each year to fraud and error. Estimates of the cost of healthcare fraud in the United States range between 3% and 10% of the total healthcare expenditure. In South Africa, it is estimated that fraudulent claims represent 10% - 15% of total claims made. Common areas of health insurance fraud include billing for services not rendered, billing for services not covered, and unnecessary issuance of prescription drugs among others. The loss of funds to fraud reduces the ability of the schemes to meet their financial obligations.

Adoption of information systems in the operations of the schemes will be critical in addressing the risks of fraud. This will not be an easy endeavor. One of the key obstacles to this will be infrastructural constraints in different parts of the country particularly in the area of telecommunications. Based on the network coverage maps of various data network providers, places like Lagos and Abuja can be said to

enjoy relatively good data connectivity, howbeit with network providers having varying levels of quality in different areas. The same cannot be said of most of the other states in the country. Development of information systems to support these schemes will need to take these infrastructural limitations into consideration while adopting appropriate control measures to circumvent the gaps.

Identity theft is one of the mechanisms by which the examples of fraud mentioned above can be perpetrated. Robust identity management is therefore a critical tool which the schemes should adopt in mitigating the risks of fraud. While there is still some way to go, Nigeria has made significant strides in implementing Identity Management Systems (IDMSs) at the National level. The Bank Verification Number (BVN) initiative, as an example, has enrolled over 37 million individuals. Initiatives are also ongoing to harmonise the various IDMSs under the umbrella of the National Identity Management Commission (NIMC) while also increasing the number of people enrolled. The schemes would benefit from leveraging the capabilities of existing IDMSs to ensure unique identification of enrollees throughout the schemes. This would go a long way in helping to limit exposure to fraud.

Whistleblower mechanisms, which have been adopted in other jurisdictions, can also be put in place to counter fraudulent practices.

Optimisation of Operational Processes

Available data shows that administrative costs as a percentage of total expenditure in social health insurance schemes range from 1.1% in some high income countries to 25% in some low income countries.

Keeping administrative costs to the barest minimum will help to ensure optimal allocation of financial resources to the delivery of healthcare. Therefore, the schemes need to continually work to improve their operational efficiency. This will involve, amongst other things, conducting periodic reviews of operating processes and cost structures.

It is not expected that the schemes will achieve optimal cost efficiency from the outset. However, it is important that administrative cost to medical cost ratio is maintained as a key performance indicator for the schemes with a clear objective of continually reducing it. This will help to ensure that managers of the schemes have a clear focus on facilitating the delivery of healthcare while ensuring optimal use of resources at their disposal.

In addition to these, the schemes need to make a deliberate effort to work with the healthcare providers in their networks to improve their levels of efficiency. Improved efficiency at the level of the care providers will enable them achieve more with the resources provided to them via the schemes. Where efficiencies are improved in this area, the financial health of the care providers would also be improved which would ultimately benefit the schemes.

Monitoring and Evaluation

It is imperative for the schemes to create and implement effective frameworks to continually monitor their performance against set objectives. These will provide mechanisms to identify opportunities for improvements in various areas of the scheme's operations. Analyses of data gathered could help identify needs for such things as premium review and benefit package updates amongst others. Appropriate communication of the results of the monitoring and evaluation activities

will help to inform stakeholders and inspire confidence in the schemes. These will be useful in mobilizing additional resources to support them.

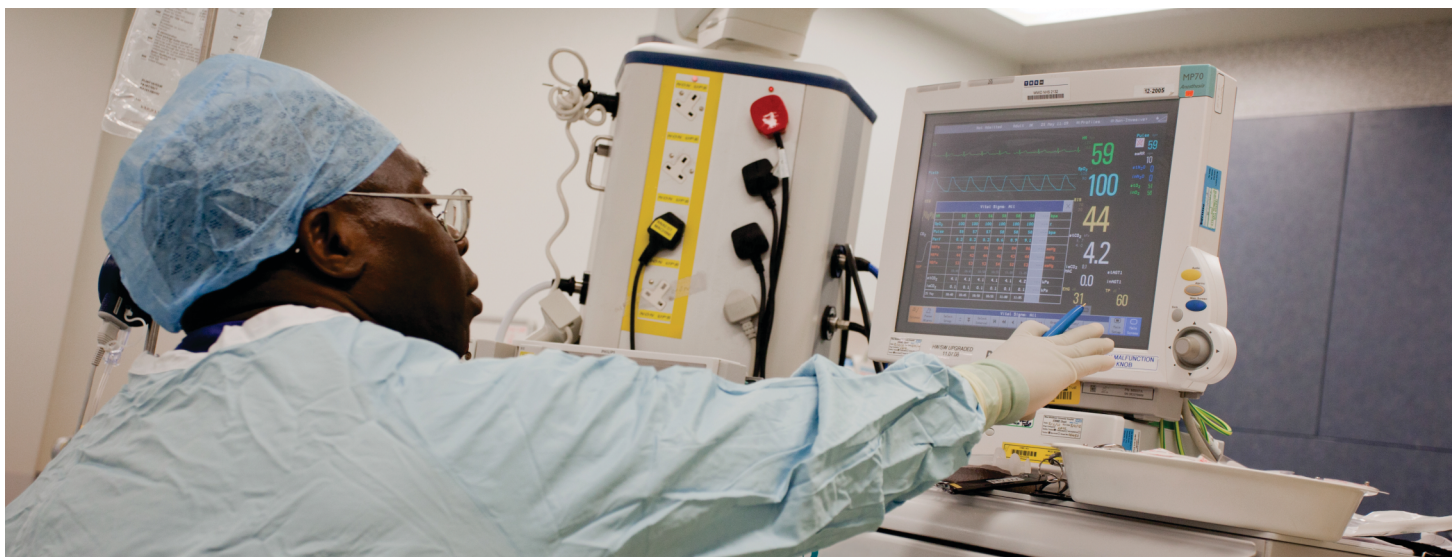
Effective Governance

Effective governance mechanism need to be developed and implemented for the schemes to ensure their operations remain firmly focused on their mission. These governance mechanisms would provide oversight for the operations of the scheme. They would also help to ensure that the funds contributed into the scheme are wholly used for purposes related to the delivery of healthcare services and management of the scheme. Measures to achieve this could include putting a board in place to oversee the operations of the schemes. These boards should include individuals with experience in operations of health insurance schemes. Appointing external Auditors to review their operations would also be of benefit to stakeholders of the schemes.

While not perfect, such mechanisms would go some way to give comfort to existing and potential donors of the appropriate utilization of the funds committed to the scheme. This would ultimately go some way towards attracting more funding into the schemes.

Conclusion

States that have embarked on the Health Insurance journey have taken a bold and commendable step towards improving the health indices of their populace. The various schemes that have been established could prove to be an important mechanism for effectively channeling government healthcare spending down to the individual with clearly measurable outcomes. Therefore, appropriate steps need to be taken to ensure the State Health Insurance Schemes are effective and sustainable.



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