

# Understanding the Concept of Risk Pooling

**Dr. Gafar Alawode, COP HFG**

**June 28, 2016**



# Outline

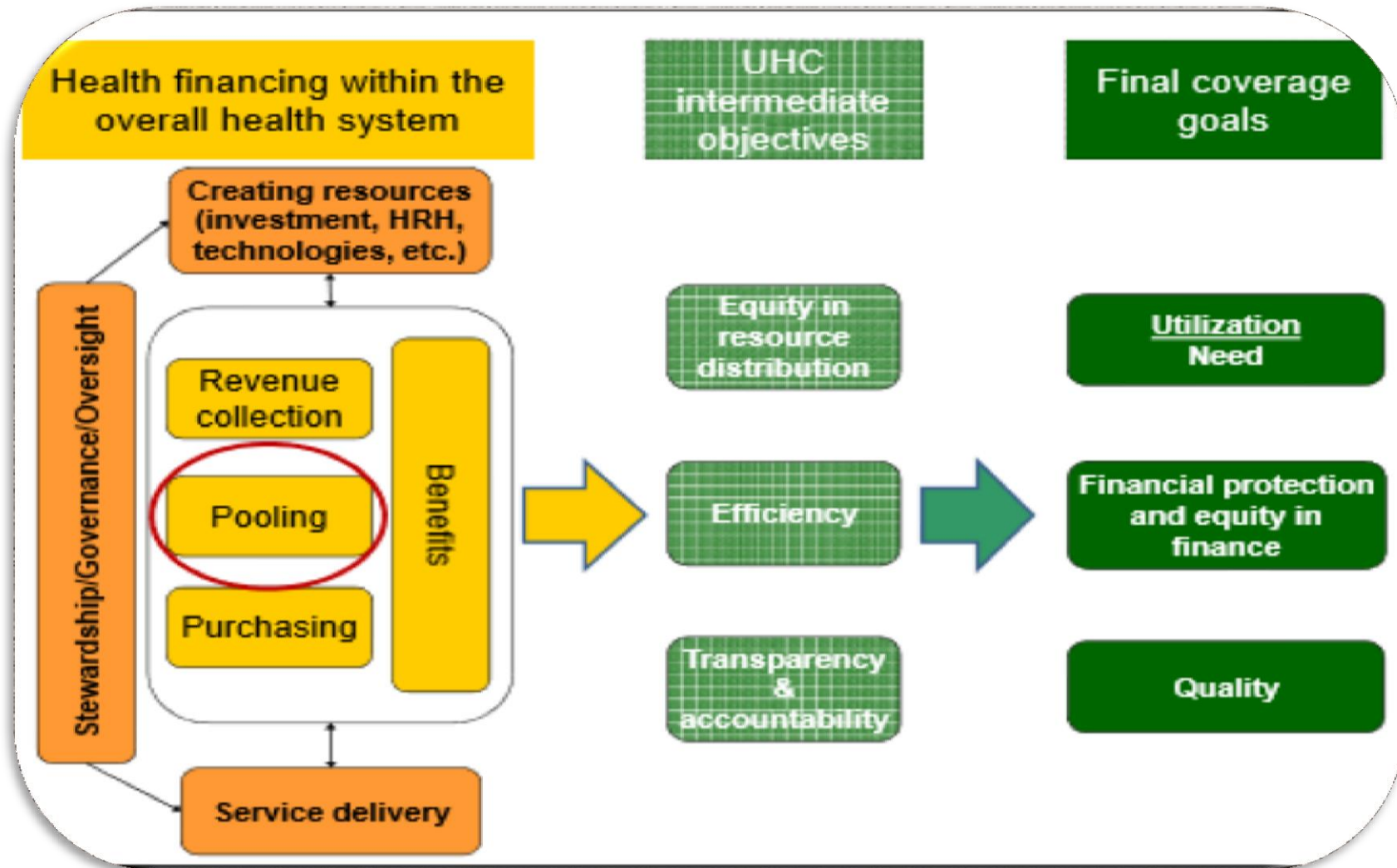
- ▶▶ Session objectives
- ▶▶ What is pooling?
- ▶▶ Situating pooling within HCF framework
- ▶▶ Cross subsidy and redistribution
- ▶▶ Pooling and UHC
- ▶▶ Characteristics of effective pooling
- ▶▶ Insurance schemes as pooling mechanisms
- ▶▶ What should change and why?
- ▶▶ Governance and effective pooling



# Session objectives

- ▶▶ To deepen understanding of concept of pooling as a health financing function;
- ▶▶ To describe basic principles of risk pooling that promote access, financial protection and equity;
- ▶▶ To describe pooling function of insurance schemes; and
- ▶▶ To highlight Implications of good risk pooling for UHC

# Situating Pooling within HCF Framework

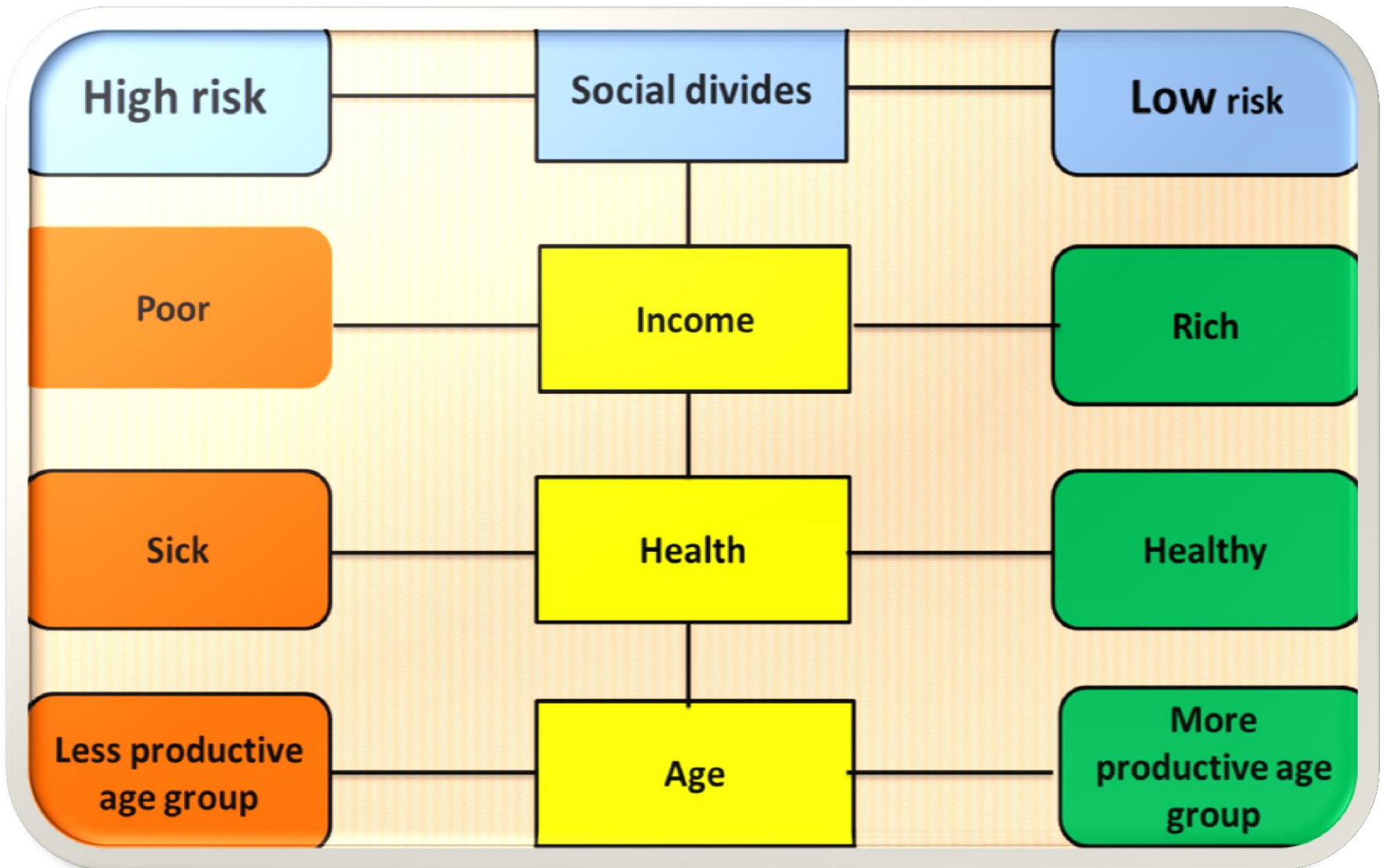




# Pooling as a health financing function

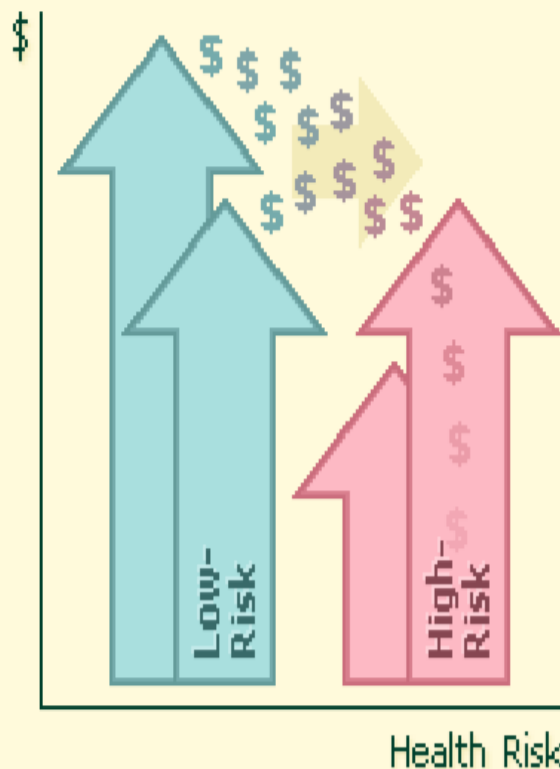
- ▶▶ Pooling: Accumulation of prepaid health resources on behalf of population across risk divides for eventual purchase of health services.
- ▶▶ For raised revenue to achieve the intended purpose of improved access, financial protection and equity we must:
  - ❖ Collect the money in advance – Prepayment contribution
  - ❖ Contribution should be based on ability to pay
  - ❖ Access should be based on need
  - ❖ A mix of contributors is needed (contribution > need, contribution = need, contribution < need and zero contribution with need)
- ▶▶ We pool two things: Funds and risk

# Pooling Across Social Divides

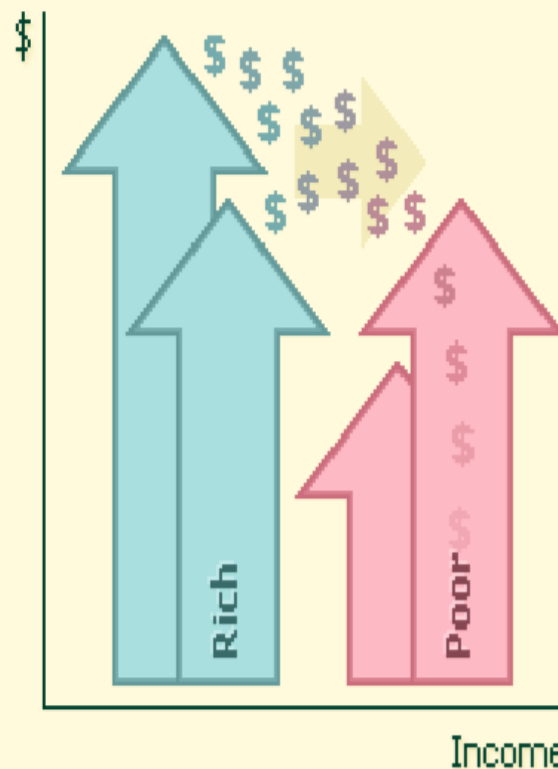


# Risk Pooling: Cross-Subsidy /Redistribution

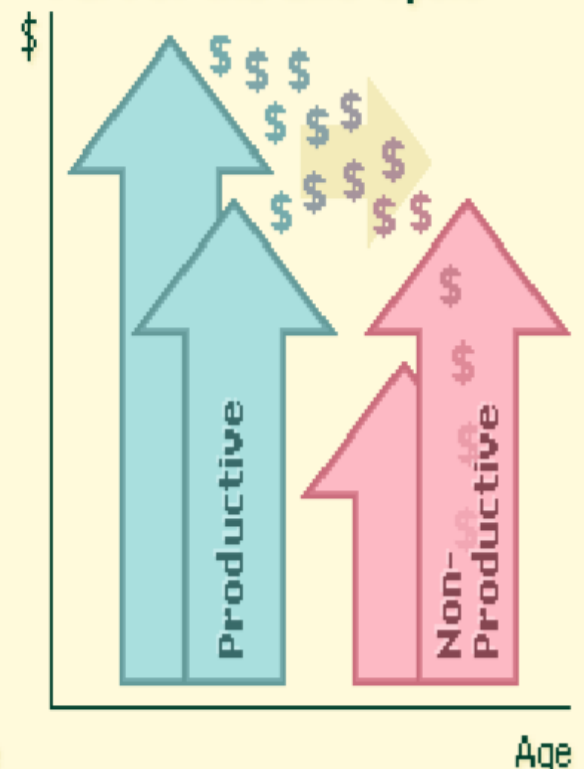
Cross-Subsidy from Low-Risk to High-Risk



Cross-Subsidy from Rich to Poor

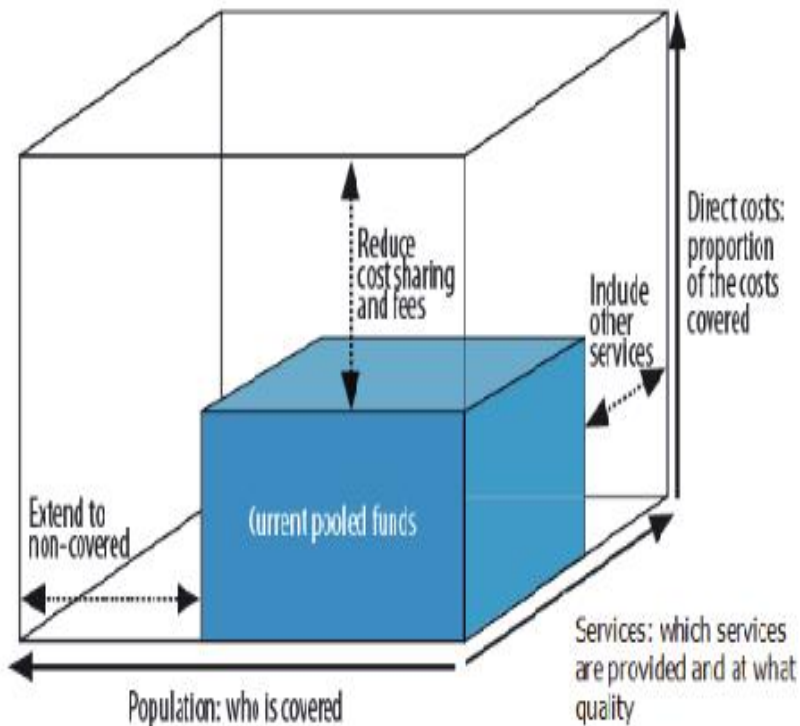


Cross-Subsidy from Productive to Non-Prod. Part of the Life Cycle



# Pooling and UHC: The Causal Pathway

Three dimensions to consider when moving towards universal coverage

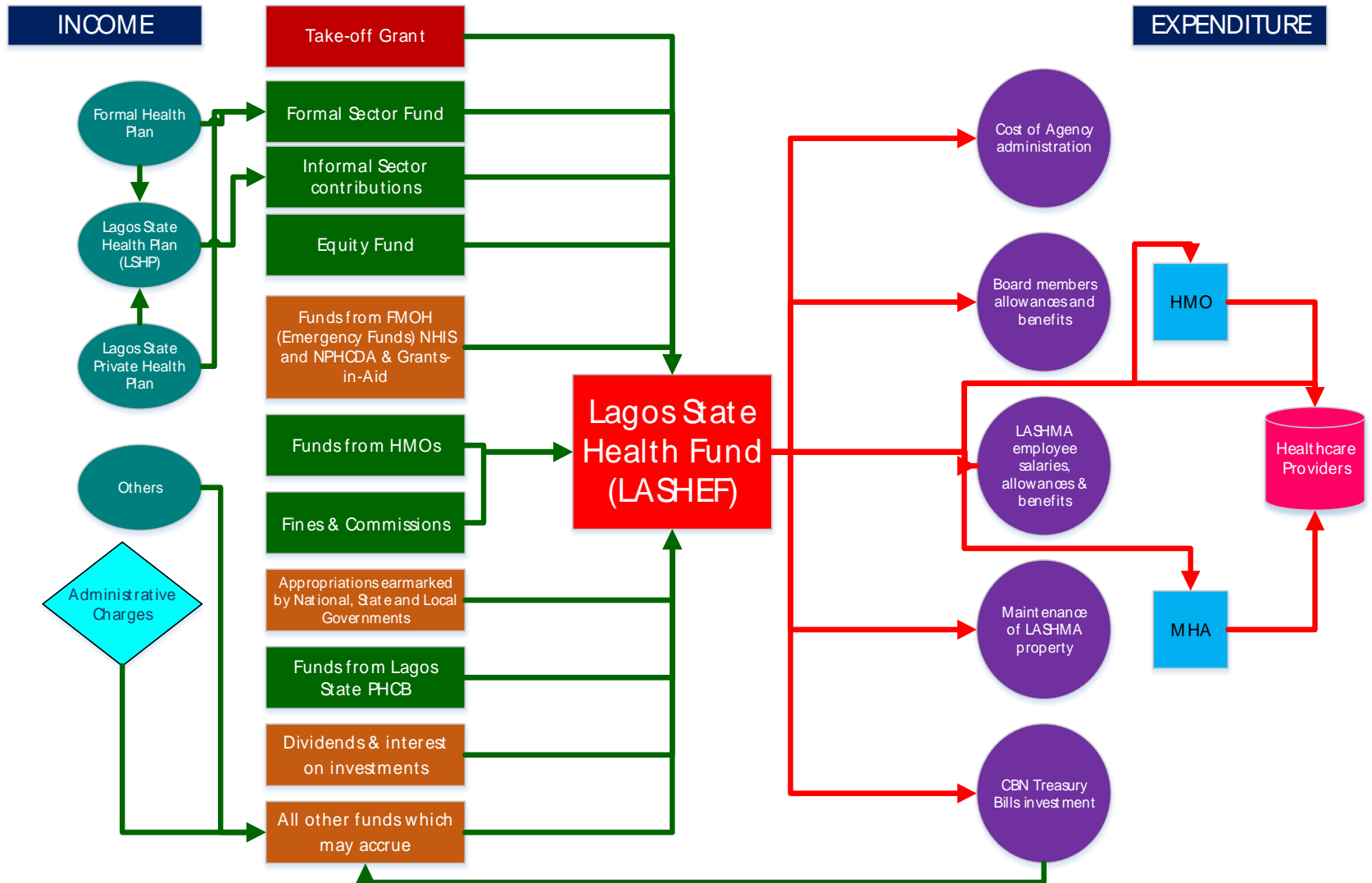


- ▶▶ UHC is about Population, cost and service coverage
- ▶▶ Effective pooling is needed to reduce OOP
- ▶▶ Effective pooling is needed for expanding population coverage
- ▶▶ Effective pooling is needed to expand benefit package



# Pooling in practice

## Lagos State Health Scheme Funds Flow

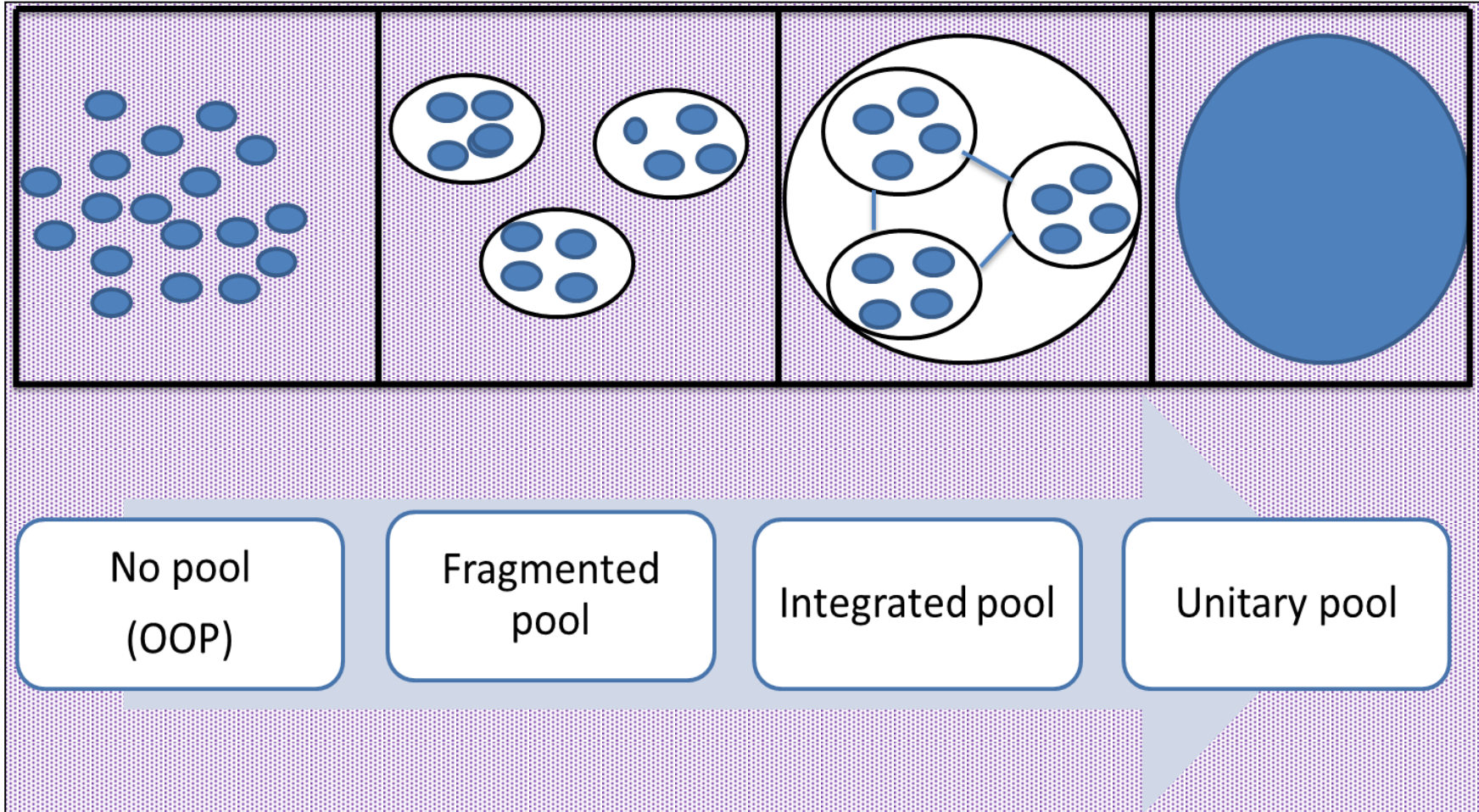


# Characteristics of Effective Pool

- ▶▶ Size:
  - ❖ Large or small pool
- ▶▶ Diversity:
  - ❖ Diverse or similar pool
- ▶▶ Participation
  - ❖ Compulsory vs voluntary participation
- ▶▶ Subsidization
  - ❖ Subsidization + cross-subsidy vs cross-subsidy only

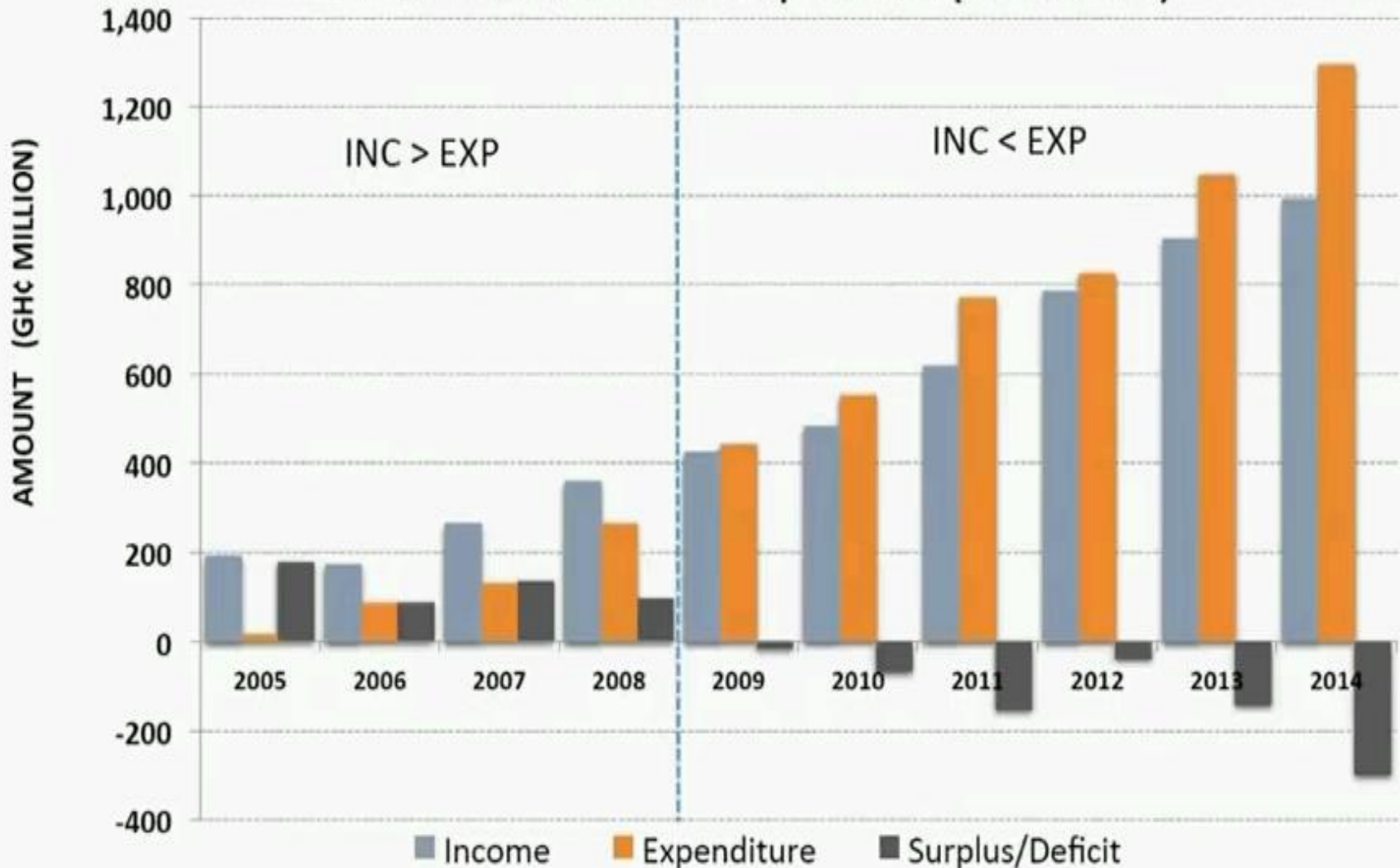


# Level of pooling



# Why we should continue to pool more funds

Trend of NHIS Income & Expenditure (GH¢ Million)

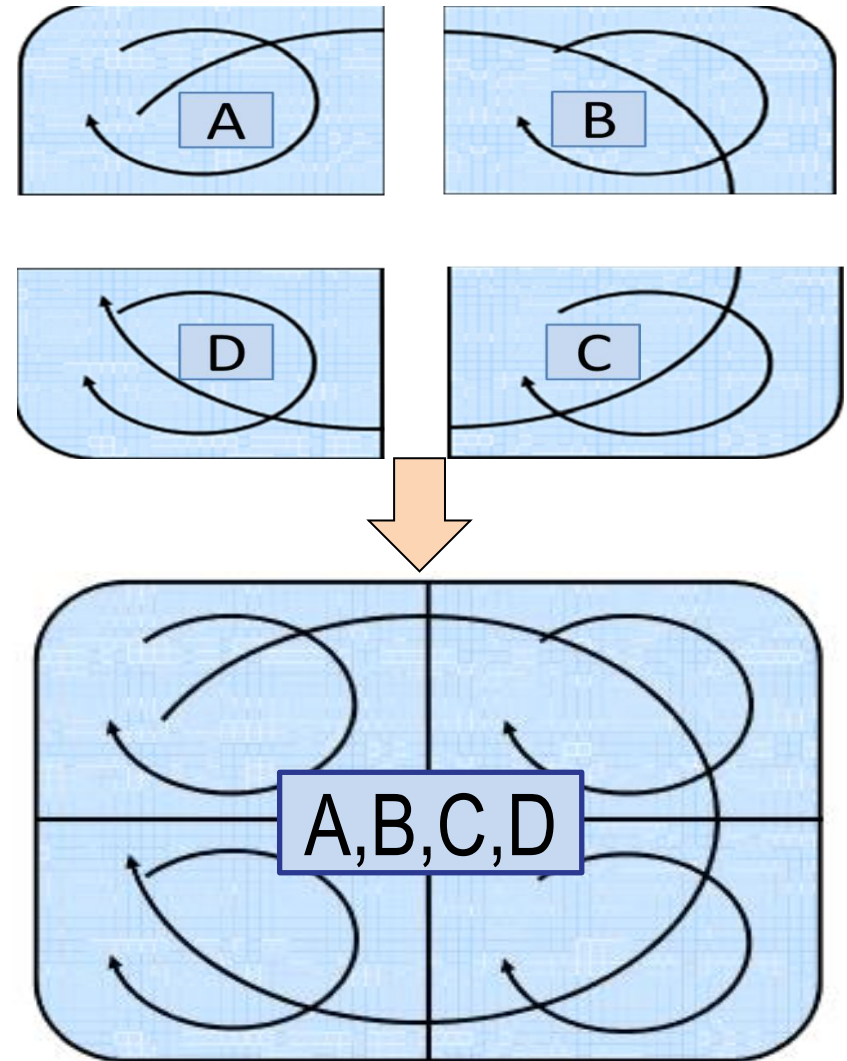


# Insurance Schemes as Pooling Mechanism

Insurance scheme	Size	Diversity	Participation	Subsidization
<b>National health insurance</b>	Large size	Highly diverse	Usually compulsory	Highly subsidized
<b>Social insurance</b>	Varies	Mainly working class	Usually compulsory	Subsidized
<b>Private health insurance</b>	Usually small	Mostly affluent population	Voluntary	Not subsidized
<b>CBHIS</b>	Varies but usually small	Not usually diverse	Mostly voluntary	Usually subsidized by donor or govt.

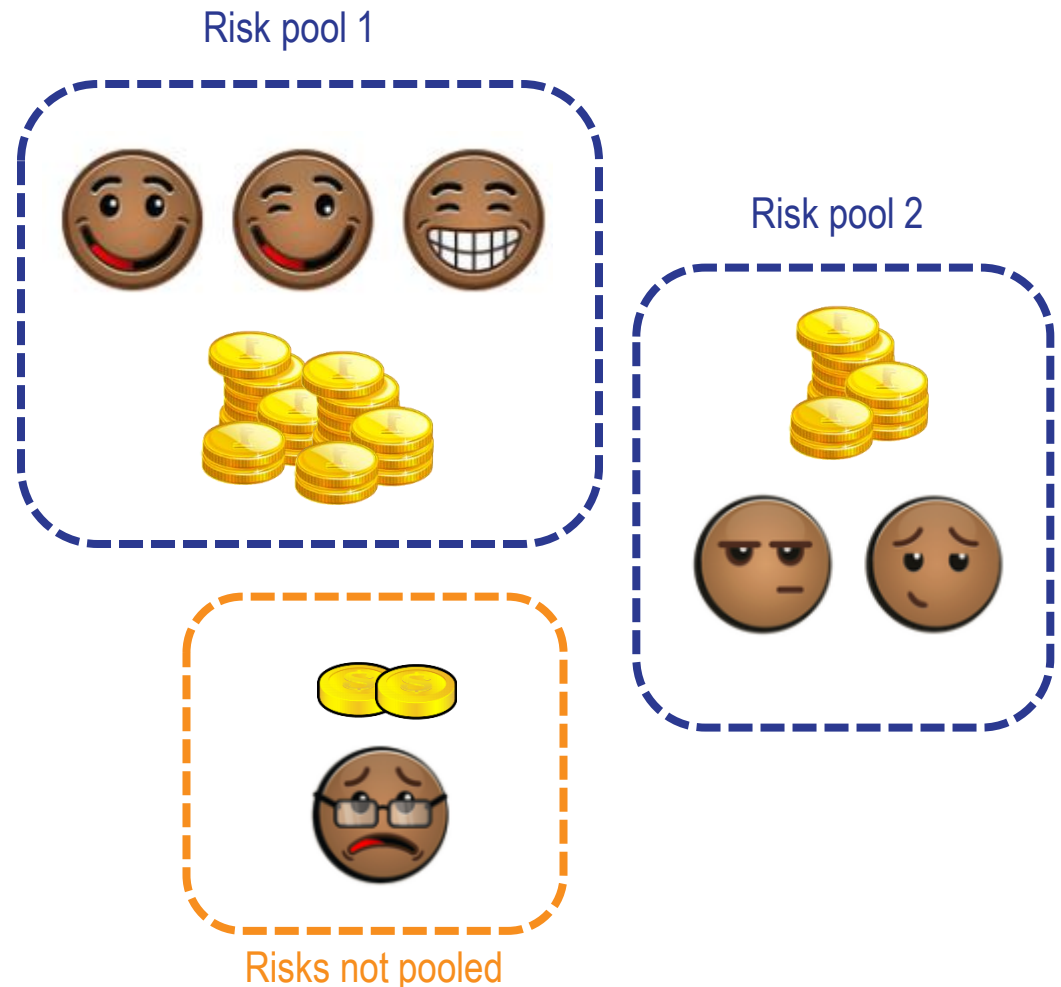
# Fragmentation is the enemy

- ▶▶ Supply side fragmentation
  - ❖ Fragmentation of PHC mgt.
  - ❖ MoLG, SMOH, LGSC, SPHCA and LGAs fund PHC
  - ❖ PHCOUR will remove fragmentation
- ▶▶ Demand side fragmentation
  - ❖ Several small pools of CBHIS across the country
  - ❖ Fragmented pools will not achieve the goals of HCF reform



# The cost of fragmentation

- ▶ Inefficiencies lead to greater costs
- ▶ Hinders redistribution of prepaid funds
- ▶ Limits the ability to cross-subsidize
- ▶ Want more pre-payment - not more prepayment schemes



# What should change and why?

- ▶▶ Align context-appropriate policy instruments with policy objectives;
- ▶▶ Introduction of schemes that pool funds and risk;
- ▶▶ Prioritization of the vulnerable groups in the pool;
- ▶▶ Coalesce existing pools into larger pools and avoid further fragmentation;
- ▶▶ The need for subsidization by government is crucial;
- ▶▶ Effective risk pooling and strategic purchasing will not only improve health but it will improve economic prosperity
  - ❖ Poverty reduction
  - ❖ Improved productivity and GDP
  - ❖ Increased employment opportunity





# Governance and Effective Pooling

- ▶▶ **Policy environment:**
  - ❖ Necessary laws, policy, strategy and understanding of PE
- ▶▶ **Institutional capacity and arrangement;**
  - ❖ For managing various insurance functions
- ▶▶ **Management systems**
  - ❖ ICT for registration, claim management and accountability
  - ❖ Fiscal Space Analysis and resource tracking
  - ❖ Benefit Incidence Analysis
- ▶▶ **Coordination and collaboration**
  - ❖ For synergy and resource mobilization
- ▶▶ **Voice, accountability and oversight**
  - ❖ Three dimensional accountability and oversight: Executive, Legislative and citizen



# Main messages on pooling

Core objectives:  
Maximize  
redistributive capacity

Size (bigger) and  
diversity more  
(more)

Government subsidy  
Is crucial

Voluntary pool will  
Not lead to UHC

Fragmentation is  
the enemy

Governance is  
the glue

**Thank you**

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