

Decentralizing Health Insurance in Nigeria: Legal Framework for State Health Insurance Schemes

By

National Health Insurance Scheme

At

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Presentation Outline

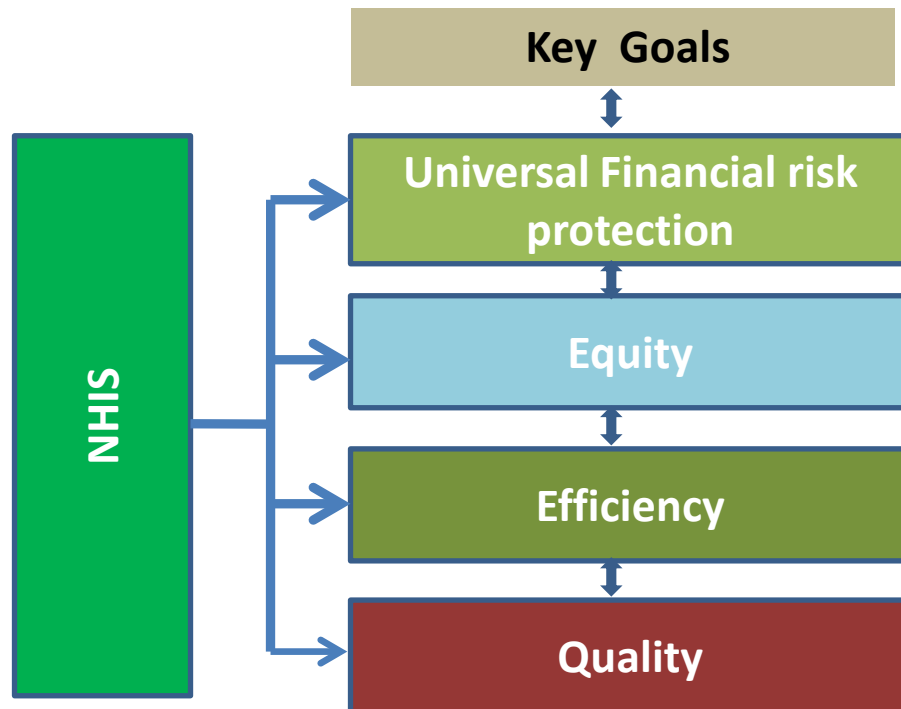
- Introduction
- NHIS and Reform
- Overview of State Social Health Insurance
 - Objectives
 - Key Principles
- Legal Framework for SSHI
- Conclusion

Introduction

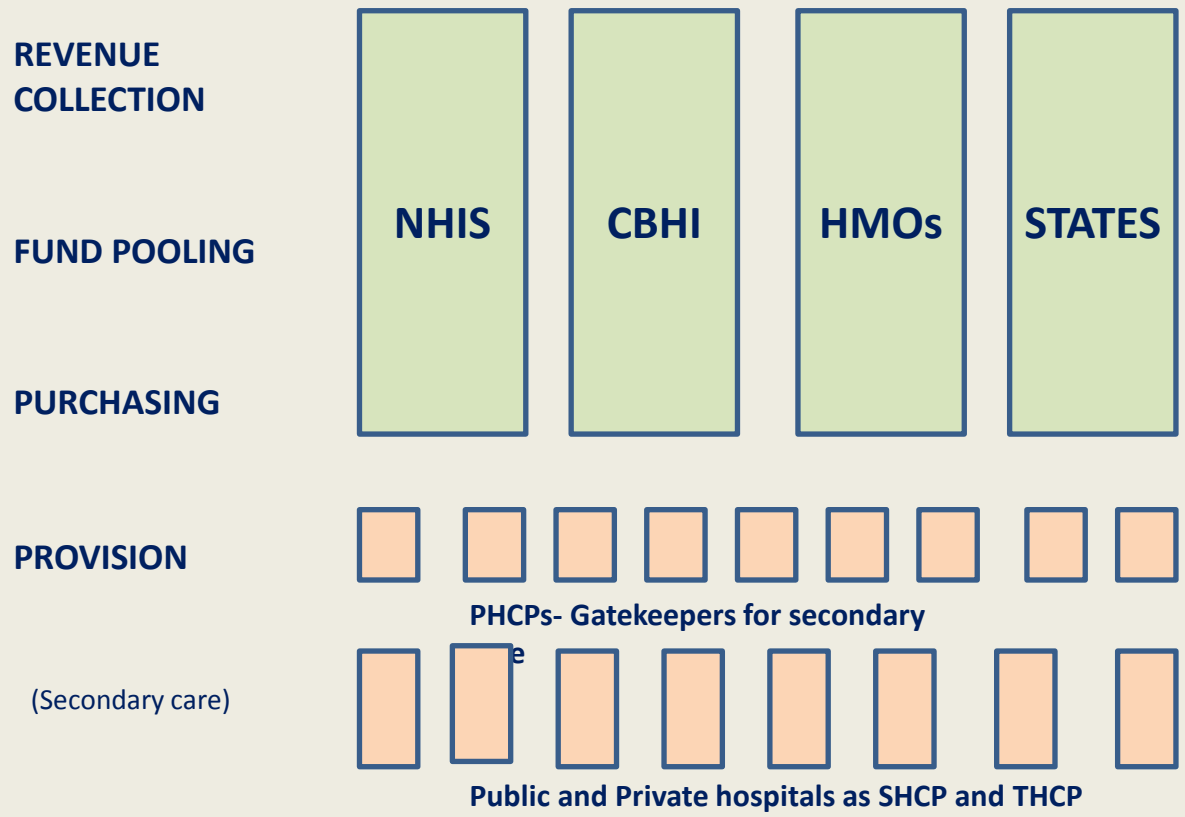
- NHIS was established by Act 35 of 1999 to provide social health insurance to citizens
- Effective implementation commenced in 2005.
- Eleven years after, coverage has remained marginal with mainly Federal Civil servant covered.
- Reforming to decentralize implementation to States for coverage expansion

NHIS and UHC Goals

- Key mandate is to secure universal health coverage for all Nigerians.



Current NHIS Model



NHIS effort to UHC (2002 to 2015)

- Coverage of Formal Sector population
- Coverage of Vulnerable persons
 - Pregnant women and Children Under 5
 - Internally Displaced Persons (IDPs)
 - Pupils in Public Primary Schools
 - Elderly
 - Physically and mentally challenged persons
- Coverage of the Informal Sector population
 - Self employed, artisans, rural dwellers
 - Tertiary Institutions students

Key Challenges with present structure

- Multiple fragmented system incapable of achieving UHC
- Equity issues on account of voluntary nature
- Poor cross subsidy on account of fragmentation of pools
- Constitutional provisions with health in concurrent list making it impossible to mandate states to joins NHIS
- Inefficiency due to weak purchasing structures and administrative costs
- Non mandatory nature of the NHIS reducing capacity to mobilize resources.

NHIS Reform towards UHC (2015 and ongoing)

- Decentralization of health insurance implementation to States
 - To tackle governance and enforcement challenges due to Federalism
 - To bypass the challenge of voluntary membership as contained in the NHIS law.
 - More sustainable mechanism for counterpart funding for the poor and vulnerable
- NHIS transformation as an integrator of UHC pools
 - Use of risk adjustments to equalize risks
 - Risk adjusters to be added in an incremental manner
 - Pregnant women and children under five
 - Elderly
 - Physically and mentally challenged persons
 - Others

Policy options for improving System functions and attaining UHC in Nigeria

- Increasing the fiscal space and fiscal capacity and spend more on health
- Introduce innovative financing mechanisms to expand resource base
- Translate egalitarian liberal value into health policy (Health as a right)
 - Increase the level of prepayment coverage through mechanisms for mandatory insurance
 - Need to delink entitlement from contribution and support with subsidy.
- Policy shift to focus on primary health care as the basis for the service delivery system

Why Mandatory Health Insurance?

- Capable of mobilizing extra resources for health outside government
- Bigger risk and resource pool critical to improve Nigeria's outcomes
 - High level of transfers
 - Provides financial risk protection to citizens
 - Improves equity in financing and access
 - Protects scheme from dangers of adverse selection and cream skimming
- Improves efficiency in use of health resources
 - Strategic purchasing improves allocative, technical and cost effectiveness efficiency
 - Monopsony engenders market power and ability to drive costs down

Mandatory insurance and Subsidies, key to UHC

“No nation achieves Universal coverage without subsidization and compulsion. Both elements are essential. Subsidies without compulsion will not work; indeed, they could make matters worse since the healthy flee from the subsidized common pool, only to return when they expect to use a great deal of care. Compulsion without subsidies would be a cruel hoax for the millions of poor and sick who cannot afford health insurance.”

(Fuchs VR. 1996)

Voluntary Health Insurance: Not a viable approach to UHC

- Few countries rely on this approach
- In only five countries using this approach in 2012, only 20% of THE was generated
- Among high income countries other than USA, VHI plays a negligible role except as complementary (France, Slovenia) or supplementary (Ireland and Germany) functions. (Kutzin, 2016)
- Adverse selection is a major issue.
- VHI cannot lead to high rates of coverage because of intrinsic weaknesses, irrespective of ownership.

Objectives of the States Social Health Insurance Initiative

- To provide a mechanism for efficient implementation of State health access programme.
 - Make states more responsible and accountable in their use of health care resources.
- To rapidly expand coverage through states participation in social health implementation in Nigeria towards UHC.
- To bring states into collective financing of healthcare using prepayment mechanisms.
- To complement government funding for health care.
- To use SSHIs as frameworks for the disbursement of 50% of the BHCPF.
- Ensure uniformity in the design and implementation of health insurance across the states.

Reform Model with States as implementers

REVENUE
COLLECTION,
POOLING &
ALLOCATION

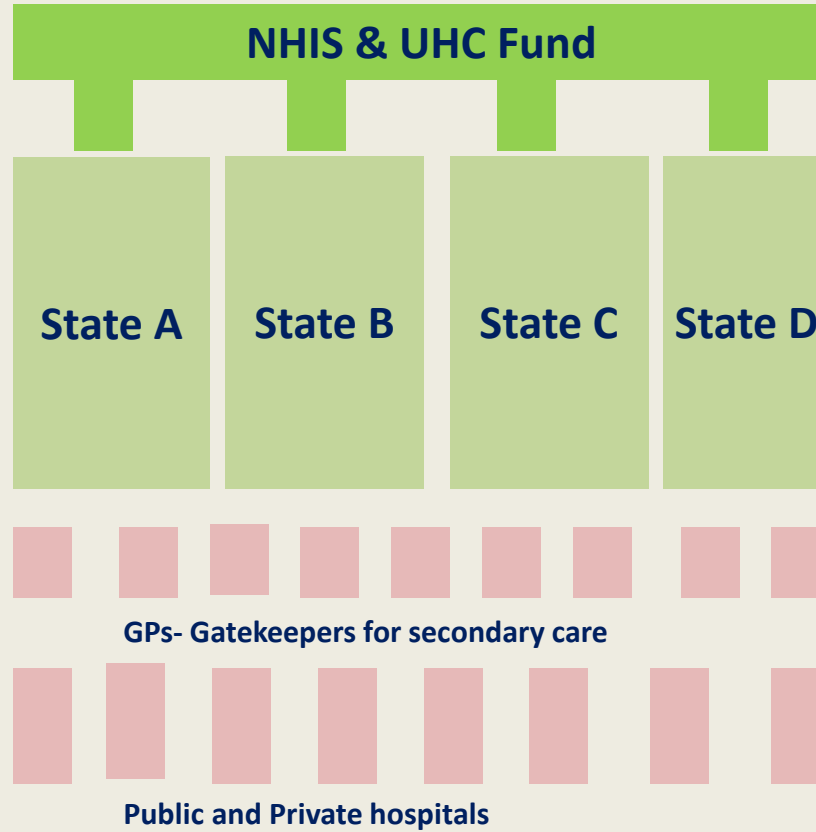
REVENUE
COLLECTION

FUND POOLING

PURCHASING

PROVISION

(Secondary care)



Recommended early Steps by states

- Develop and ensure passage of legal framework
- Establish State Health Insurance Agency
 - Recruit/deploy initial Management of Agency based on a lean administrative structure
- Conduct baseline studies e.g. fiscal space analysis, actuarial studies etc.
- Develop other operational documents such as operational guidelines, benefit package etc.
- Define the starting population for coverage
- Develop an ICT Infrastructure
- Define and M&E plan

Support by NHIS

- Guide state in the development of legal framework
- Support Capacity building for State Social Health Insurance Scheme
 - Workshops
 - Sharing best practices
- Provide matching funds for payment of contribution/ premium for the poor and vulnerable through the equity pool
- ICT Infrastructure support and deployment
- Assist states in the coordination of the Scheme

Legal framework for SHIS: Key Principles

Legal framework for SSHIs

- Primary legal framework
 - Law passed by the legislature in the State and signed by the Executive
 - Define in general terms the guiding rules for the Scheme
- Secondary legal framework
 - Draws inspiration from the letters of the primary law
 - Defines the specifics of the Scheme as contained in the primary law
 - Usually in the form of operational guidelines
 - Produced by technical persons

Why do we need a legal framework for SSHIs?

- Provides a framework for sustainable financing that all involved parties must obey.
 - Defines by law how funds are generated, pooled and used to purchase services
- Defines by law the roles and responsibilities of all stakeholders in the system
- Creates a governance and institutional framework that can enforce the rights and obligations of all stakeholders
- Defines the entitlement for participants in the Scheme

Components of a legal framework

- Institutional and governance arrangement
- Core health care financing issues
- Accountability framework
- Dispute Resolution system
- Enforcement System

Parts of legal framework

PART 1: Establishment of the Agency

PART 11: Establishment of the Scheme

PART 111: Contributions to the Scheme

PART IV: Registration of HCPs, TPAs, Employers, Employees etc.

PART V: Staff of the Agency

PART VI: Financial Provisions

PART VII: Arbitration

PART IX: Offences, Penalties and Legal Proceeding

PART X: Miscellaneous Provisions

Process of Developing Legal Framework

- Draft developed by relevant Ministry/Committee
- Engagement with relevant Stakeholders for inputs
 - NHIS, Ministry of Justice
- Presentation of draft to the State Executive Council
- Transmission to the State House of Assembly
 - Public Hearing
- Passage of Bill by the State House of Assembly
- Assent by the Governor.

Defining Health care financing functions in SSHI Law

- Resource Mobilization.
 - How is revenue raised for health services and UHC
 - Who pays and what ?
 - How are payments collected.
- Risk and Resource Pooling (aim is to maximize redistributive capacity of prepaid funds)
 - Size
 - Diversity
 - Compulsory or voluntary participation
- Strategic purchasing/Allocation
 - Is purchasing strategic?
 - What type of payer system is used
 - Do we have a single payer with market power or fragmented with impacts on price negotiation

Resource Mobilization

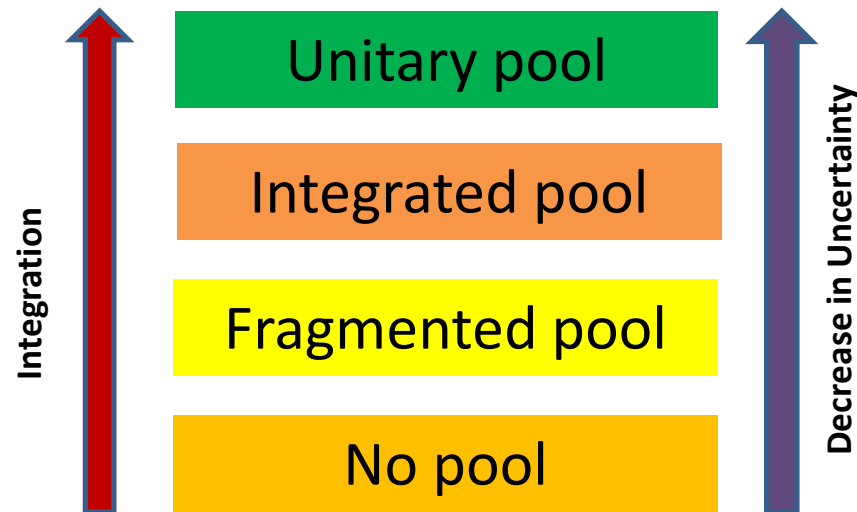
- Health insurance mandatory for all.
- A pluralistic funding mechanism advocated.
 - Bismarck and Beveridge models need be incorporated
- Include a sustainable mechanism for paying for the contributions of the poor and vulnerable – Equity funding.
- Make efforts to improve progressivism of contributions

Resource Mobilization

- Contributions from the formal sector (Public and Private sector).
 - Should be wage – based to improve its progressiveness
- Define Formal sector to include employers with 5 employees and above
- Equity contribution for the poor and Vulnerable Persons
- Premium payments for the informal sector population

Risk and Resource Pooling

- Implies transfer of revenues
 - From rich to poor
 - From Healthy to the Unhealthy
 - From young to the old



Types of Pools and power

Risk and Resource Pooling

- Create a single pool system.
- All funds need be channeled to the pool irrespective of source.
- No opportunity for opt out that could reduce viability of risk pool

Purchasing

- Use of TPAs may be included but should be on contractual basis to reduce administrative cost.
- Include provision for regular review of package.
- A single payer system is advocated to introduce market power.
- Create opportunity for review of PPM

Challenges

- How to enforce the mandatory laws in the States
- How to collect contributions from the informal sector
- Fiscal constraint among states to provide funding for the vulnerable persons
- Political will on the part of the Governors to support the process.
- How to ensure the independence of States Health Insurance Agency from interferences of the States' Ministries of Health

Thank you.