



Federal Ministry of Health

Developing Healthcare Financing Policy & Strategy in Nigeria: Frameworks & Practical Steps

Dr. Francis Nwachukwu Ukwuije

**Healthcare Financing Equity & Investment,
HSS, DHPR&S FMOH**

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OUTLINE

Background

Urgent Need for Health Financing Reforms

How? The Policy Development Process

Health Financing Policy & Strategy can Fix Identified Problems

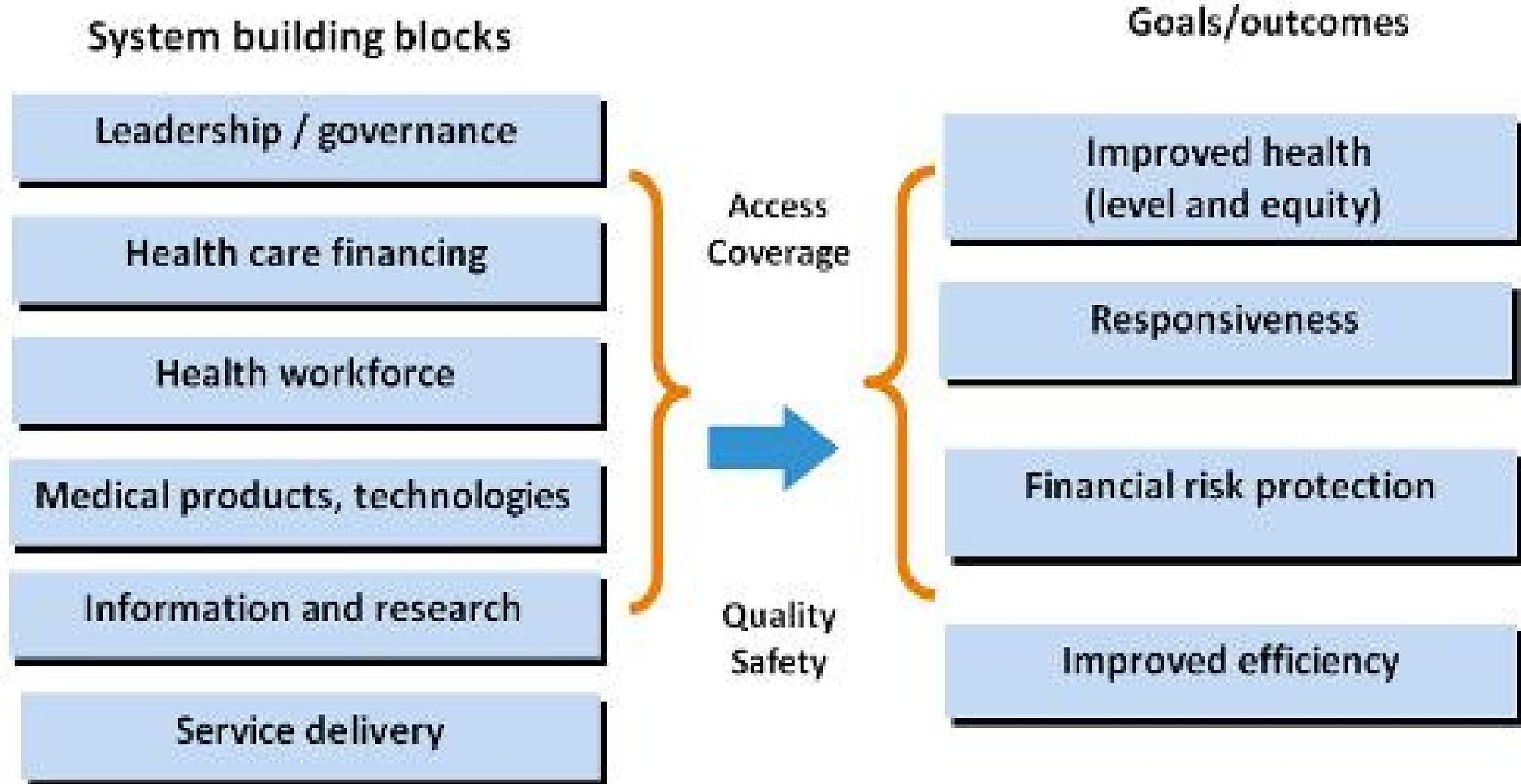
Guiding Principles

Status of the National Health Financing Policy & Strategy

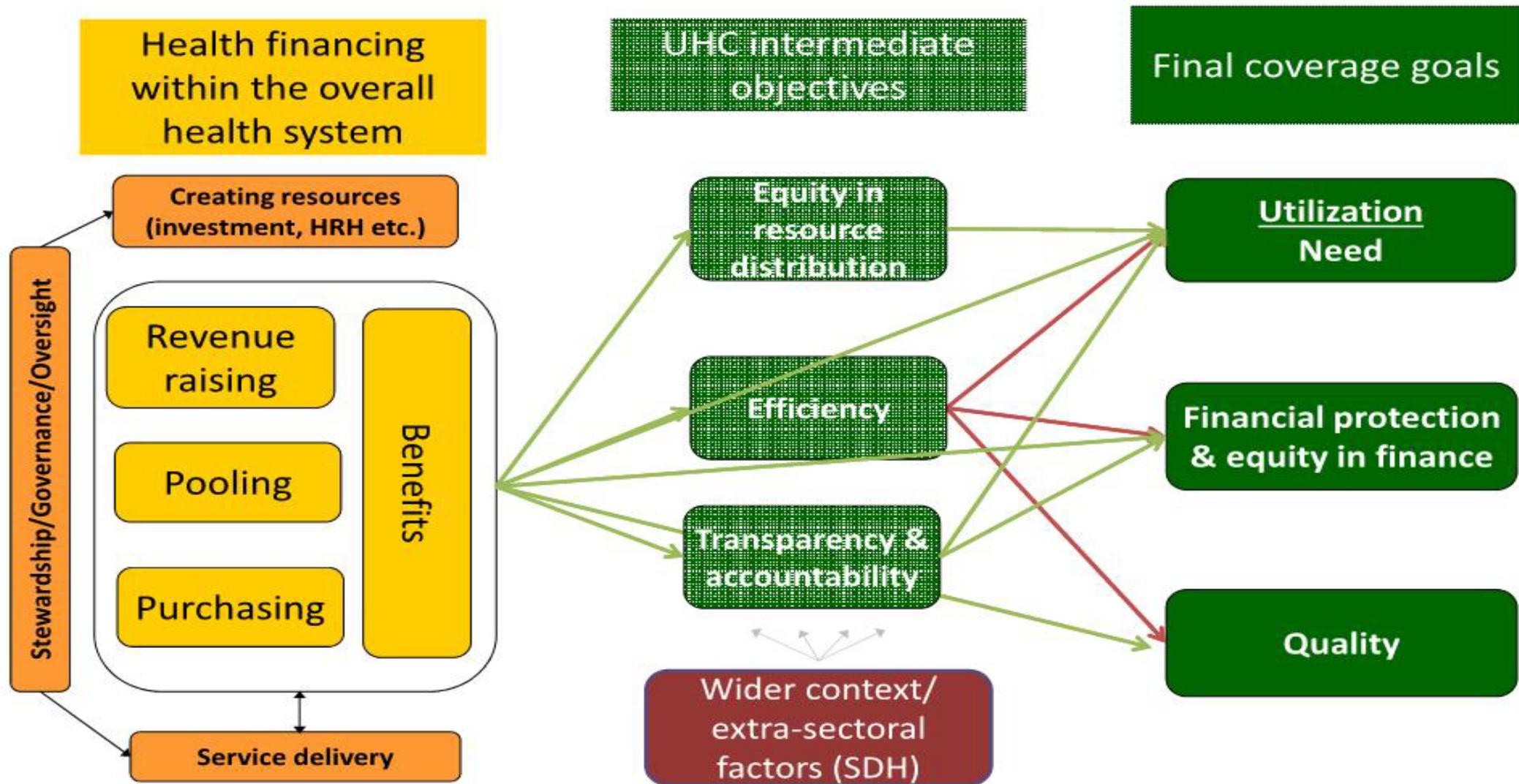
Final Thoughts

BACKGROUND

Health Financing is the Fulcrum of Health Systems



Health Financing Influences Progress Towards UHC



The Situation

NSHDP 2010-2015 Goal » UHC

Indicator (%)	2003	2008	2013
Modern Contraceptive Prevalence Rates	8.2	9.7	9.8
Total Fertility Rate	5.7	5.7	5.5
Antenatal Care Coverage	60.1	58	61
Delivery in a Health Facility	32.6	35	36
Skilled Birth Attendance	41.8	39	38.1
DPT3 Coverage	20.1	35.4	38
Measles Coverage	31.4	41.4	42



- **Maternal deaths 576 per 100,000 live births**
- **U-5 child mortality 128 per 1,000 live births (2013)**

- **Poverty: 61% < \$1/day**
- **5-7% Insurance Coverage**
- **Over 60% OOPS**

Source: NDHS 2003, 2008 & 2014

Nigeria Clearly Not on Track Towards UHC

**Total health expenditure
(THE) was 6.7% of GDP in
2009**

(>4-5% Benchmark)

**5-7% population
covered by pre-payment
and risk pooling schemes**

(< 90% Benchmark)

**< 2% coverage of
population with social
assistance and safety-net
progs**

(< 100% Benchmark)

**Out-of-pocket spending
>60% of total health
expenditure**

(>30-40% Benchmark)

URGENT NEED FOR REFORMS

So How Do We Choose What to Fix?

Values

What performance problems do we care about?

Technical feasibility

What solutions can we offer?

Political feasibility

What are the political implications?

- **National Priorities**

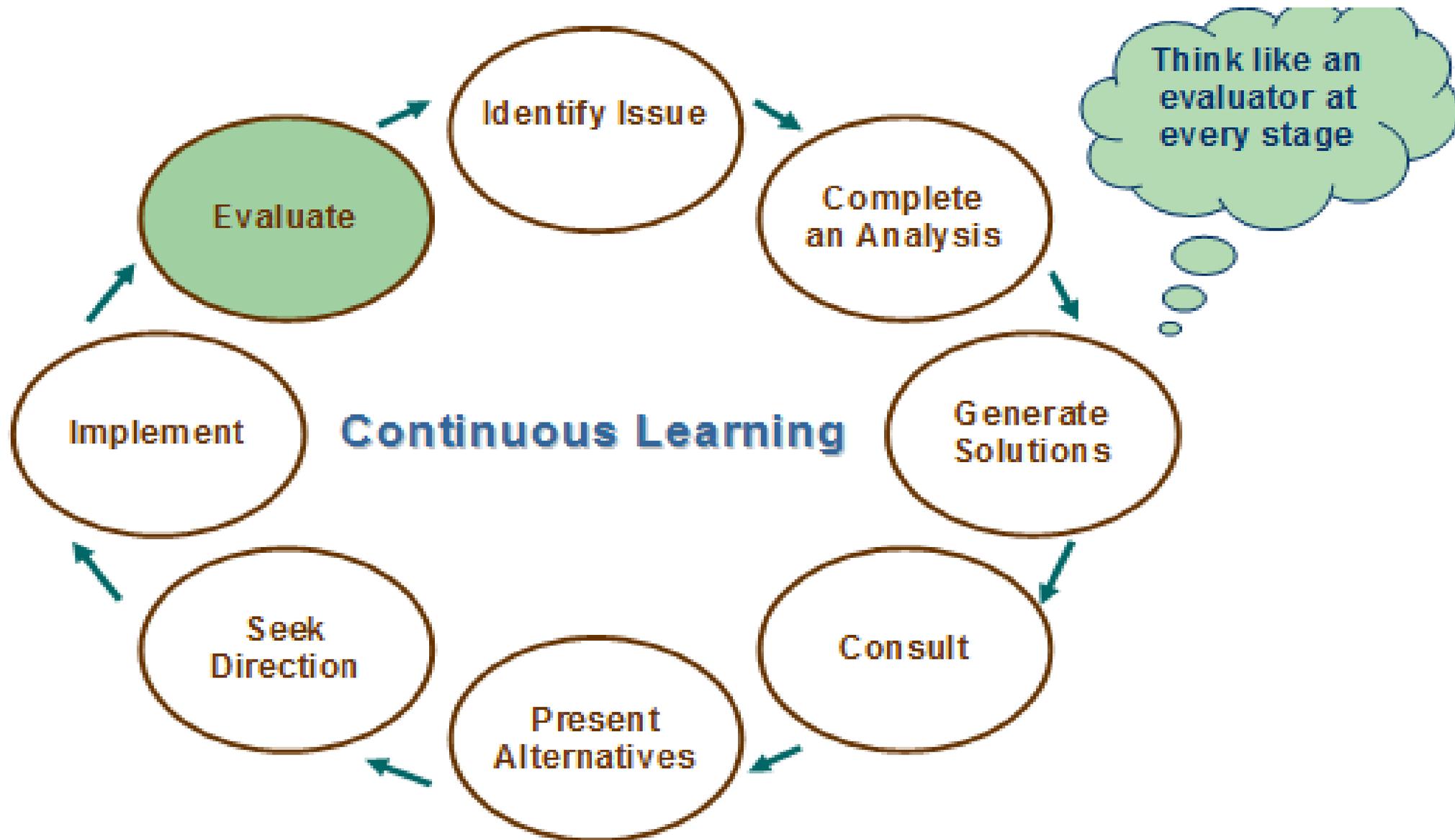
- Statutory Laws
 - National Health Act (NHAct) 2014
- National Health Policy
- NSHDP
- Nigeria's UHC Agenda

- **International Conventions & Good Practice**

- SDGs
- Universal Health Coverage (UHC)

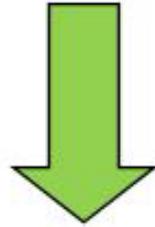
HOW? THE POLICY DEVELOPMENT PROCESS

HOW? Ideal Policy Development Cycle

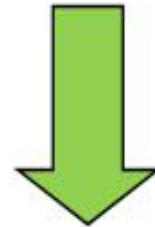


HOW? Sometimes Different in Real Life

Favourite solution

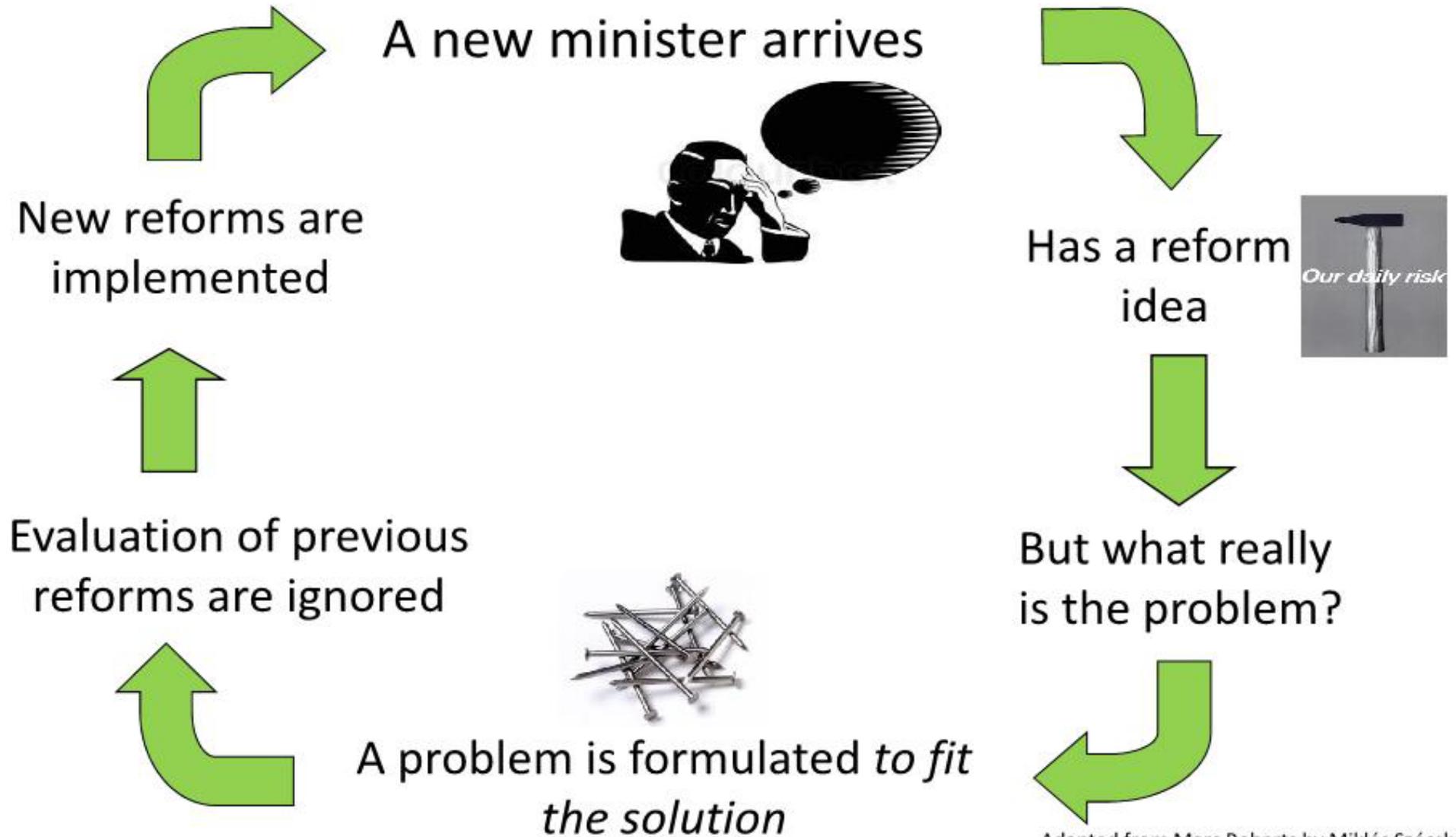


Political decision



Implementation

An Alternative Policy Cycle to Avoid



Adapted from Marc Roberts by Miklós Szócska

Avoid Means-Driven Reforms

- Health system reform is often defined by politicians pursuing 'new' ideas they picked up somewhere. "*The problem is that.....*"



...we don't have a
national health
insurance scheme



...we don't have
community based
health insurance



...we don't have
performance
based financing

- ...and implemented without serious consideration whether the performance of the health system will improve as a result
- These reforms are *means-driven*; they do not begin with the diagnosis, but rather with the therapy.

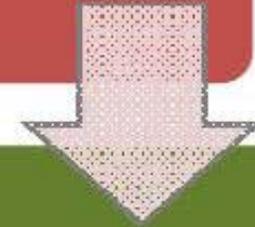
3 Pillars of Approach to Health Financing Policy



Diagnosis Must Be Right

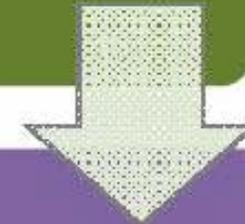
Separate ends and means

- Define problems at the level of objectives



Avoid means-driven reforms

- Don't start with the solution



Performance problems usually have multiple causes

- Explore all causes of the problem

Ensure Systematic Assessment of Causes

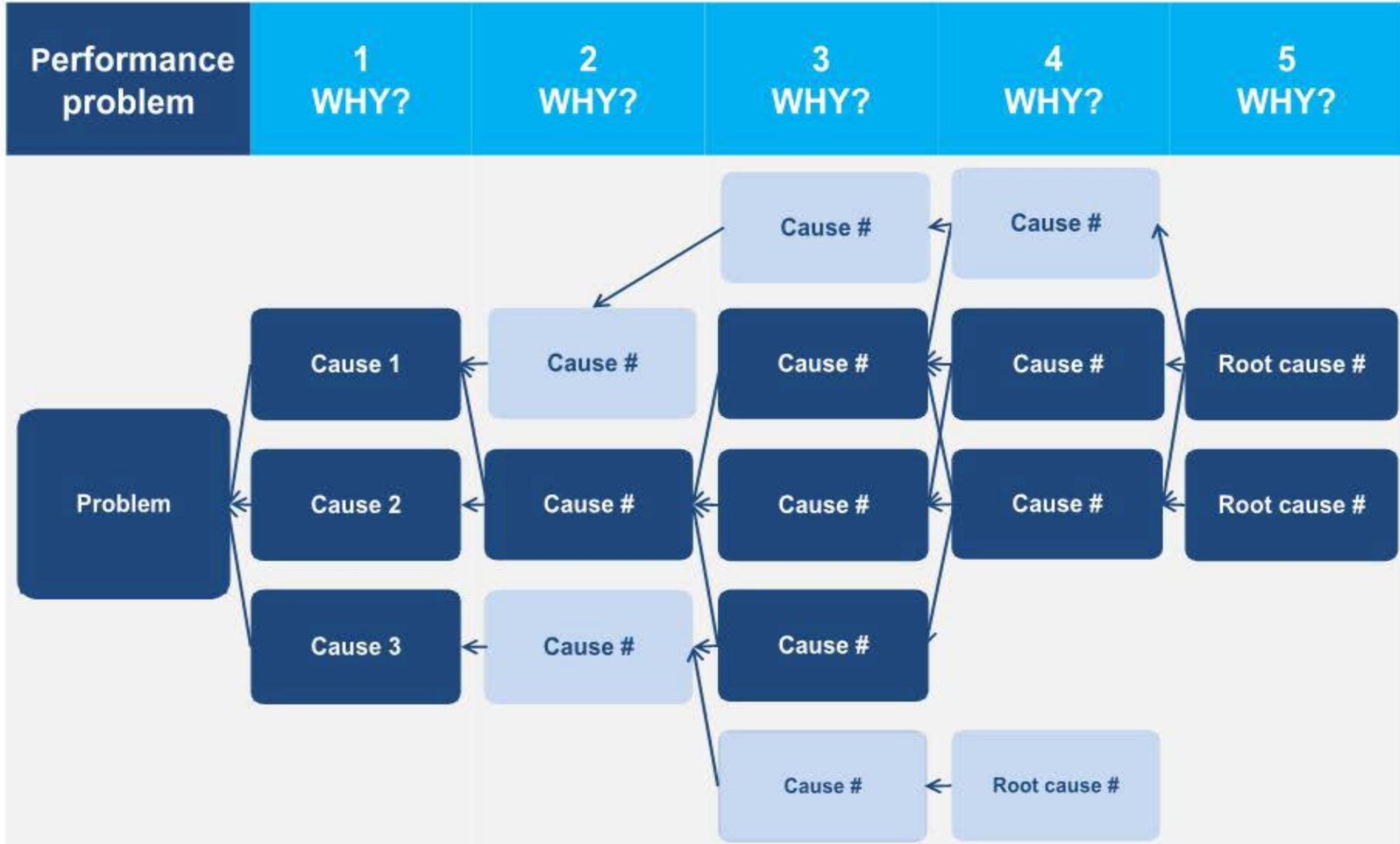
Diagnostic journey - diagnostic tree

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graph TD; A[Diagnostic journey - diagnostic tree] --> B[Start with performance problems]; B --> C[Ask 'why?' five times]; C --> D[Go from causes, to causes of causes until you reach the root causes];
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Start with performance problems

Ask 'why?' five times

Go from causes, to causes of causes
until you reach the root causes



So to Get the Right Therapy

Single instruments deliver limited results, if any

Comprehensive set of well-aligned instruments are more likely to deliver long-term effects

No matter how evidence-based and technically sound the proposal is, successful implementation is highly dependent on the political context

Exploring the value foundations helps to identify the problems that matter and the solutions that are politically feasible

**HEALTH FINANCING POLICY & STRATEGY CAN
FIX IDENTIFIED PROBLEMS**

Problem # 1: Poor Funding for Health

Health Financing Policy ensures adequate funding for health and predominant reliance on domestic resource mobilization (public sources) critical for achieving financial protection

Improving Government Prioritization of Health

Increasing Government Funding on Health through General Tax Revenues & other earmarked Taxes

Increasing Annual Health Budget & Spending even as government general budget increase

Reducing reliance on Private and donor funding for health interventions and services

Problem # 2: Poor Financial Risk Protection for Citizens

Health financing policy is a key instrument to improve financial risk protection and the balance of the health financing burden

Designing an equitable and pro-poor benefit package with protections from OOPS for most vulnerable

Greater role for compulsory sources in the revenue mix with attention to progressivity in design

De-fragmenting the pooling of funds to increase *redistributive capacity*

Purchasing arrangements that promote efficiency create more scope for redistribution

Problem # 3: Financial Barriers to Access

Health financing policy mainly addresses financial barriers to access.

Other health system functions play a large role.

Benefit design is a key instrument to ensure equitable access to services

...together with well-designed revenue raising, pooling, purchasing arrangements to enable *effective coverage*

Assess inequities in service use in terms of the distribution of financial burden; has impact on what is *acceptable*

Problem # 4: Inefficiency in Resource Management

Incentives to providers through purchasing arrangements greatly influence efficiency

Financing policy needs to coordinate closely with service delivery

Generate information, analyze and adjust

Fragmentation across the health system (e.g. separate schemes and fund flow)

Limit public spending on ineffective interventions & reinforce use of treatment protocols

Prioritize funding for preventive interventions

Balance spending across infrastructure and medicines and other critical supplies

Influence appropriate use of different levels of health system

Problem # 5: Poor Quality of Healthcare

Health financing
can support
improvements in
quality, primarily
through
purchasing

What balance of clinical and service
quality?

What role for financial incentives?

Pay for performance – no payment
for poor performance?

What role for trust and the sense of
duty?

Problem # 6: Widespread Corruption

Health financing policy has a central role to play in improving transparency and accountability

Avoid unfunded mandates in terms of benefits - leads to informal payments

Simple design and communication about entitlements and obligations

Clear governance arrangements including for appointment of managers

Public reporting and performance assessment

GUIDING PRINCIPLES

3 Main Policy Guiding Principles

1. **Focus on compulsory funding sources:** move towards predominant reliance on public funding for UHC
2. **Reduce fragmentation** to enhance redistributive capacity (more prepayment, fewer prepayment schemes) and reduce administrative duplication
3. **Move towards strategic purchasing** to align funding and incentives with promised services, promote efficiency and accountability, and manage expenditure growth to sustain progress

Don't Forget: 3 Operational Principles for HF Strategy Development

1. Explore causality

- How and why are we under-performing?
- Reforms should focus on solving those problems, and not “picking a model”

2. Create an enabling environment for reform

- Establish unified information platform across all schemes and programs (for unified system governance)

3. Accompany implementation with research and analysis

- Develop country-specific solutions – design this into national health reform strategy; don't wait!!

STATUS OF THE NATIONAL HEALTH FINANCING POLICY & STRATEGY

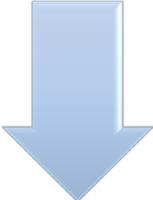
2004-2006:
**1st Draft, not
officially approved;
not implemented**



2015-Date:
**1. Process Driven by the
Healthcare Financing
Equity & Investment
(HCFE&I) TWG**
**2. Based on the NHAct
2014, NHP, NSHDP, UHC
Agenda**



**3. Situation Analysis
(Governance, Fiscal
Space, PFM, Health
Accounts) – Ongoing**



**4. Consensus
Building/Technical
Consultations –
Ongoing**



**5. Planned to be
Completed in
October 2016**

Outline of the National Health Financing Policy & Strategy

- Executive summary
- Chapter 1. Introduction
 - Health System and Outcomes
 - Demography
 - Political Context
 - Process of Developing the HFP&S
- Chapter 2. Situation analysis of health financing in Nigeria
 - Statement of Problem /Overview of Challenges
 - Governance Systems (including coordination platforms-HCFE&I Units, TWGs, Policies, etc at Federal & States)
 - Fiscal Context
 - PFMS
 - Health Accounts
 - Stakeholder Analysis
 - Health Financing Functions (Revenue Generation, Pooling, & Strategic Purchasing)
 - Equity
 - Health Investments
 - Demographic structure, transition dividends
 - Business Case
 - Relationship of HF with other pillars of health system
 - Presidential Declaration on UHC
 - NHAct 2014
- Chapter 3. Health Financing Policy
 - Vision,
 - Mission,
 - Goal,
 - Objectives
 - Context (alignment with existing policies, global goals, etc)
 - Guiding principles,
 - Theory of Change,
 - Key Health Financing Reforms, NHAct 2014
 - Coordination Framework for Health Financing in Nigeria
 - Actions (Strategic Pillars),
 - Limitations (eg limited data, etc)
- Chapter 4. Health Financing Strategy
 - Revenue Generation (Resource Mobilization)
 - Pooling
 - Strategic Purchasing
- Chapter 5. Implementation Framework, (including Governance & Institutional Arrangements; intersectoral collaboration, partnerships & Coordination; etc)
- Chapter 6. M&E, Accountability & Learning (including Research, Performance Indicators, etc)
- Conclusion?

Outline informed by at least 14 Sample Health Financing Policies & Strategies shared with TWG Members

S/No	Country Name	Year
1	Cambodia	2013
2	Philippines	2010-2020
3	Bangladesh	2012-2032
4	Indonesia	2012-2019
5	Krgyz	2006-2010
6	Ghana	2015
7	Kenya	2009-2034
8	Uganda	2015/2016
9	Tanzania	2015
10	Liberia	2013
11	Rwanda	2015
12	Lagos	2015
13	Enugu	2014
14	Nigeria Draft	2006

Revenue Generation

- Government at all levels (Federal, State and Local Government) shall seek to allocate not less than 15% of their total budgets to health in accordance with the Abuja declaration of 2000
- Government shall strive to increase the fiscal space for health by allocating at least 2% of value added tax and/or other earmarked taxes for generation of adequate funds to cover all citizens
- Government shall ensure donor funds are mobilised mostly for identified national health priorities
- All domestic and external aids for health shall be harmonized, monitored and evaluated in line with health priorities and plans at all levels of government
- Domestic philanthropy and charities shall be encouraged, promoted and harnessed to improve resource availability for health at all levels of government and community level
- Fiscal discipline, accountability and tracking of funds shall be ensured in the mobilization of funds for health financing
- Public-Private Partnerships (PPPs) for health financing shall be encouraged at all levels
- The federal government through the FMoH, NHIS and NPHCDA shall motivate the states and LGAs to improve the fiscal space for health financing and devote efforts to internal revenue generation.

Revenue Generation

- Governments at all levels shall develop and implement strategic plans for mainstreaming 'Health in all Policies' (HiAP) for mobilisation of funds from non-core health sector
- The Federal government shall re-evaluate the level of funds to be allocated as BHCPF and incrementally increase it because at least 4% of CRF is the minimum that will cover the all target beneficiaries within the state based on just 50% of the BHCPF to the NHIS.
- The FMOH, NHIS and NPHCDA shall ensure that the careful and systematic development of well articulated and costed proposals by states and LGAs for funding through the BHCPF
- The payment of counterpart funding by states and LGAs shall be entrenched in the design and implementation of the BHCPF, so as to generate more funds and ensure that more beneficiaries are covered.
- Governments shall make special financial provisions for diseases of public health significance such as malaria, HIV/AIDS, TB, Leprosy, vaccine preventable diseases and others

Pooling & Financial Risk Protection

- Mandatory Health Insurance Schemes for all government workers at all levels and employees of the organised private sector shall be developed by the Federal and State governments as appropriate and implemented at all level
- States, LGAs and OPS should enrol their workers in mandatory health insurance schemes for their workers and workers must contribute a mutually agreed proportion of basic salary at all levels
- Federal and state governments shall develop and implement Special mandatory health insurance for all children under 12 years and pregnant women with funding from federal, state and LGA government budgets, special earmarked taxes and donors and other funding sources such as part funding from UBEC resources for school children
- Government and their partners shall engage with labour and other stakeholders to ensure that all government workers pay their employee contributions for the Formal Sector Social Health Insurance Programme of the National Health Insurance Scheme and similar social health insurance schemes

Pooling & Financial Risk Protection

- Governments and their partners shall increase coverage with health insurance and other financial risk protection mechanisms to at least 50% in the next 5 years
- States shall develop and implement social health insurance schemes, taking into account the over-arching responsibility for regulation at the federal level
- Government shall enact appropriate laws that will ensure that all employers in formal, informal and organized private sector cover their employees with mandatory health insurance
- Existing Community Based Health Financing Schemes shall be integrated into the State Health Insurance Schemes to prevent fragmentation towards achieving universal coverage
- Private Health Insurance shall continue to be available and purchased based on individual choice as supplementary insurance to the mandatory insurance for all

Pooling & Financial Risk Protection

- Government at all levels should create health safety nets or equity funds for the poor and other vulnerable groups with funding from local and international organisations; Local earmarked taxes – proportion of VAT or some levy on tobacco, alcohol and airtime; Funding from Sovereign Wealth Fund (through social investments), interests from unclaimed dividends, NHIS investments, etc.
- Governments shall make special financial provisions for poor and vulnerable groups in the form of direct payments, subsidies, paying for insurance contributions or any other methods
- Existing employer financing schemes like retainership shall be discouraged and such funds channeled into the SHIS pools
- Financing mechanisms shall involve pooling of funds, risks and management
- There shall be a split between funding and purchasing and the powers for both shall not reside in same agency

Pooling & Financial Risk Protection

- Efforts shall be made to avoid adverse selection and cream skimming in pooling schemes
- Mechanisms for risk equalization amongst schemes such as risk equalization fund and health re-insurance etc, shall be established
- The FMOH and NHIS shall create awareness amongst trade unions, civil servants, religious groups, market groups, etc. on the need to create large pools
- Government shall ensure the development and institutionalising of efficient, equitable and transparent funds management systems
- Development Partners shall ensure the pooling of donor funds that will be transparently managed
- Third-party funds pooling agents can be public, quasi-public or private entities depending on the context and preferences of the different levels of government

Resource Allocation & Strategic Purchasing

- Government and its partners shall entrench the use of Health Technology assessment, especially economic evaluation methods such as cost-effectiveness analysis to select the services that should be included in health benefit packages at all levels of government
- Governments at all levels shall ensure the presence of at least one functional primary health care facility per ward and one secondary health facility per LGA that can deliver the minimum defined benefit package
- Allocation of resources shall be made according to defined objective criteria
- Government shall finance free services for high priority life-saving public health services through increased use of government revenue. Such services will include immunization services; prevention and treatment of HIV/AIDS, tuberculosis (TB) Malaria and some non-communicable diseases; maternal, Neonatal and Child health services, especially antenatal, child birth and postnatal services

Resource Allocation & Strategic Purchasing

- **Government shall develop and implement innovative provider payment mechanisms such as Results-based financing (RBF) and Direct facility funding**
- The purchasers can be public, quasi-public or private entities depending on the context and preferences of the different levels of government
- Both public and private facilities shall be involved in the provision of health services irrespective of the funding mechanism
- Government and its partners shall ensure that expenditure tracking mechanisms are instituted and routinely applied at all levels of government where there is spending on health

Resource Allocation & Strategic Purchasing

- Government shall ensure the institutionalization of the medium-term sector strategy (MTSS) and medium-term expenditure framework (MTEF) in the allocation and management of public sector health expenditure shall be adopted at all levels
- Provider payment mechanisms that ensure optimal provider performance without escalating cost shall be used
- The available funds from the BHCPF shall be used immediately and continuously to cover the maximum numbers of mothers and children that it can, whilst sourcing for additional funds to ensure universal coverage of MCH services
- More health for money: reducing existing inefficiencies in the health sector and identifying areas for improving allocation efficiency
- Cost containment mechanisms shall be adopted in the purchase and use of services
- Appropriate mechanisms shall be developed to ensure that those who cannot afford to pay, can still access services

Resource Allocation & Strategic Purchasing

- **Priority shall be given to the purchase of cost-effective services and those essential for achieving the SDGs and national priorities**
- **A framework for regular evaluation of benefits and costs of interventions and technologies shall be put in place to ensure optimal choices**
- **Appropriate mechanisms shall be developed to ensure quality assurance for services purchased and provided , irrespective of funding mechanism and level of care**
- **Governments at all levels shall purchase a defined set of essential services for all Nigerians from a combination of the SPHCDA, State Health Insurance Agencies, Local Health Authorities or third party agents.**
- **Government shall establish mechanisms to ensure that the Basic Healthcare Fund is ring-fenced for MCH services and other services provided for in the National Health Act 2014.**
- **Government shall ensure that strategic purchasing targeting MCH and emergencies is used in implementing the Basic Health care Provision Fund**
- **Public-Private Partnerships shall be encouraged in the purchase of health services especially in tertiary hospitals**
- **Government shall ensure that all tertiary hospitals in the country are efficient for purchase of health services at low cost**

Cross-Cutting!

- Government and relevant health system actors shall institutionalize annual National and sub-national health accounts
- Government and relevant health system actors should establish and strengthen Technical Working Groups on Health Financing Equity and Investment at all levels
- Government and development partners shall establish new mechanisms or enhance existing coordinating structures for health financing within and at all levels of engagement
- Government shall commission research projects on adequacy of existing health policies and laws
- Government and key health system actors should refine mechanisms for Health Financing Management including: Financing Human Resources for Health; Health Financing Research and Health Financing Information System • Implementation, Monitoring and Evaluation

Cross-Cutting!

- The capacity of National training institutions (such as Universities) should be enhanced to develop human resources needed to drive health financing reforms and activities in the country
- Government shall develop mechanisms for improved donor coordination in health financing
- Governments at all levels should incrementally allocate at least 2% of the health budget to reinforce national health research systems, including health financing research
- All states should reactivate their Central Medical Stores to conform to a minimum standard for the supply chain management of health products
- Governments at all levels shall improve healthcare infrastructure and equipment (including maintenance strategy).
- Information Education and Communication shall be provided to the strategic decision makers, and to the general public by different health financing promoters

Health Financing Governance

- Role of Govt
- HF Mgmt & Coordination Framework
- Intersectoral Collaboration
- Partnerships & Donor Coordination
- Financing HRH
- Legal Thrust
- Roles & Responsibilities

FINAL THOUGHTS

- **Even though there are 6 Health Systems Building Blocks, HF presents the pivot**
- **The FMOH is in the process of developing the National Health Financing Policy & Strategy with the HCFE&I TWG**
- **In the face of poor health indices and deterioration in health systems as now, there is an urgent need for reforms especially in States and you are in the best position to make that happen through HFP&S**
- **But we must be mindful of ETHICAL, TECHNICAL, & POLITICAL considerations**
- **And be sure not to disregard existing overarching laws, policies and international conventions**

- **Follow Basic Principles (Good Diagnosis & Therapy)**

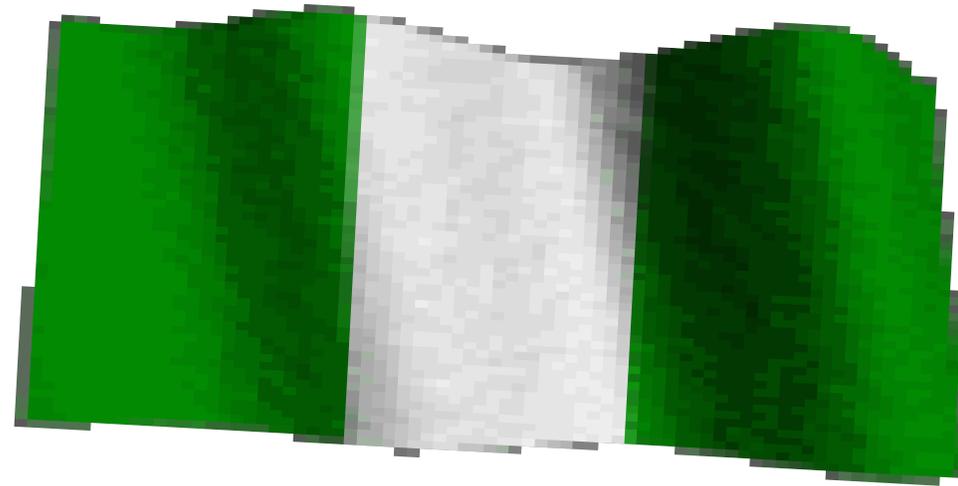
- **No hard prescriptions**



Mind the context

- **Problems would have wide variations and so would the solutions**
 - **Health systems, Fiscal, human resources, geographic, social, etc**

**Finally!... We Must Avoid the mistakes
already made by others in the Past**



Thank You