



## Sustainability of State Health Insurance Schemes in Nigeria: Beyond the Launch (Part 1 of 2)

### 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.

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

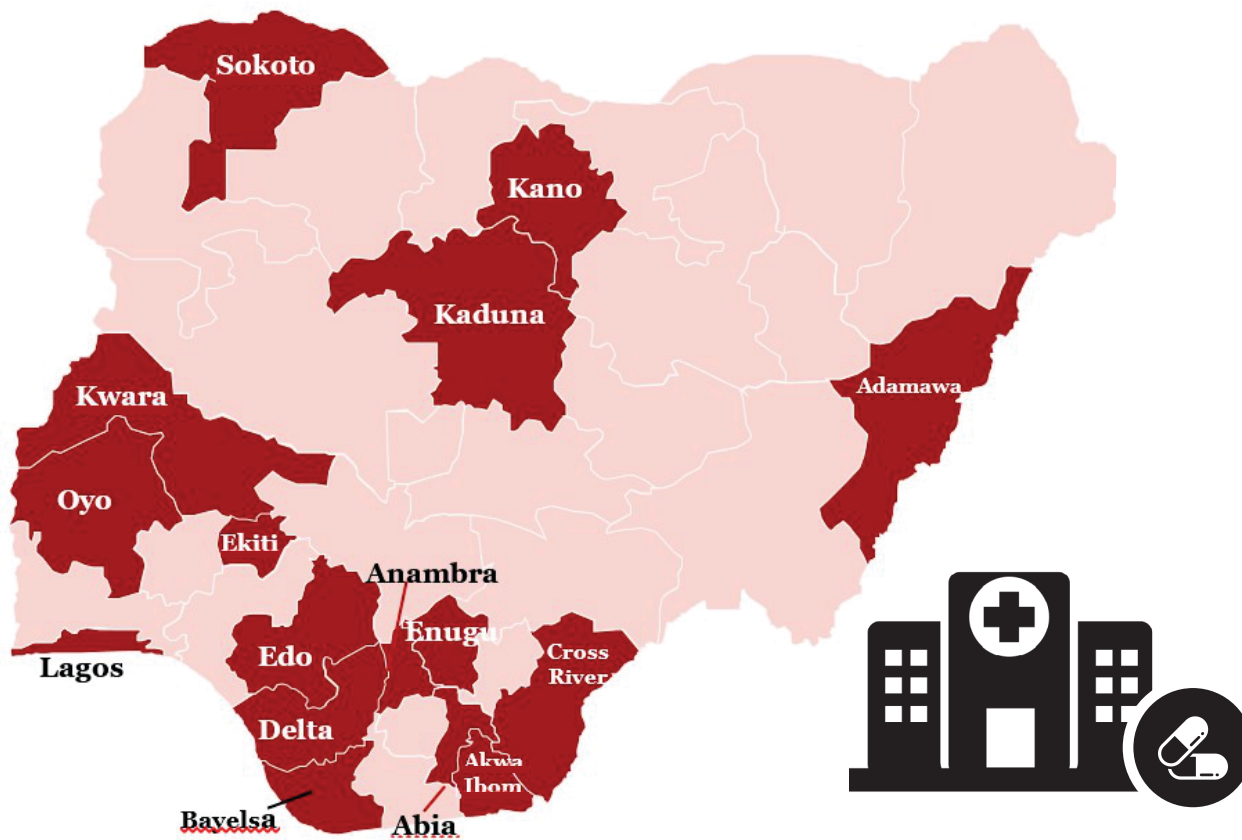
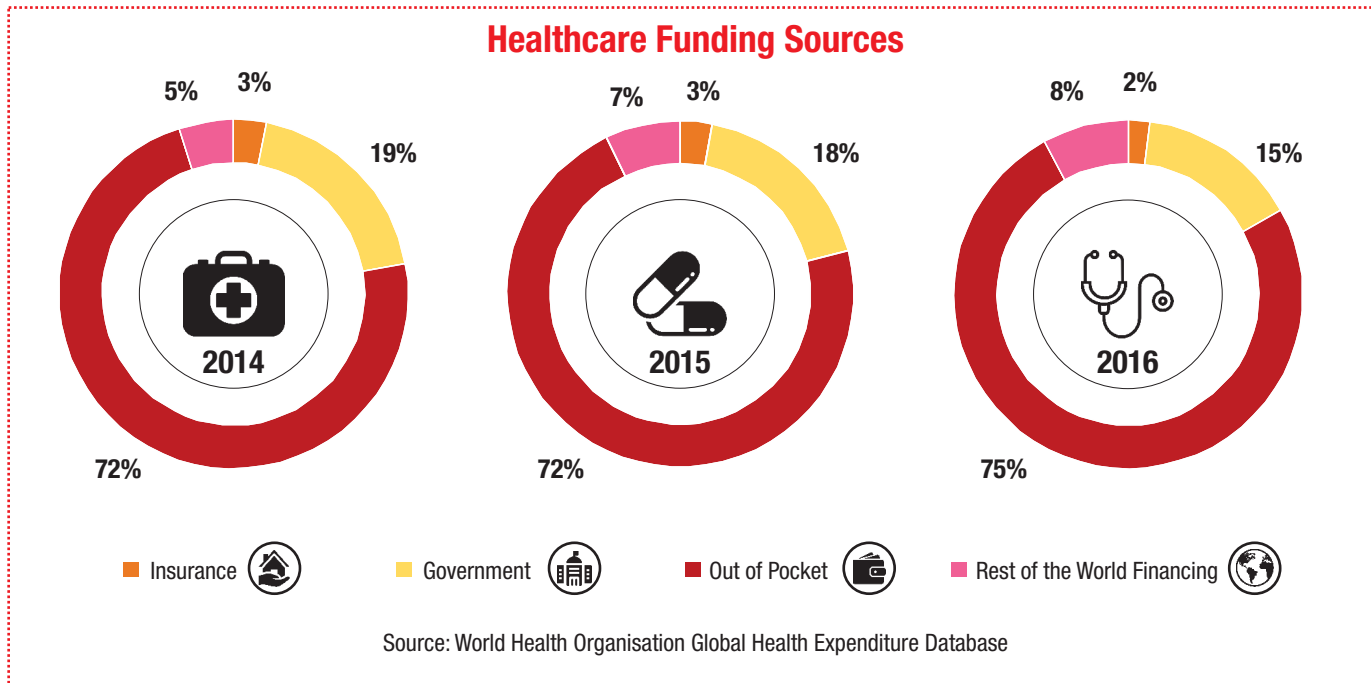
To bridge the coverage gap, several states have commenced the establishment of State Health Insurance Schemes. Presently, about 19 states are at various stages of their implementation journey. These schemes typically involve the establishment of a governing agency to oversee the implementation and management 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.

To be continued on Wednesday...

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