

**SPECIAL  
POINTS  
OF INTER-  
EST:**

- Financial access to healthcare is the most important 'social compact with citizens'.
- A combination of insurance-market reforms, government subsidies and compulsion can achieve universal coverage in most settings.
- States in Nigeria should take the lead in ensuring financial access to healthcare.

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# Health Insurance Report

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## The Schwarzenegger Challenge

It took an injured leg following a skiing accident for the world's strongest man and Governor of the State of California - Arnold Schwarzenegger - to realize that



**Bold move — anything short of universal coverage is not acceptable**

one in five residents of 6.5 million people in his domain who do not have medical insurance are having a 'raw deal'.

He has responded to this by

calling for universal healthcare coverage. His proposal includes a combination of insurance-market reform, government subsidies and most importantly compulsion.

This bold move has not only challenged the rest of the States in the USA to begin to address the embarrassing issue of its 45 million uninsured persons; but has also started to agitate the minds of all political leaders the world over to see financial access to healthcare as the most important 'social compact' with their citizens.

Appreciation of this fact is common in Nigeria among the political class given the introduction of so-called 'free medical services' for certain groups of persons such as pregnant women and children in various states of

the country. But the States lack understanding as to the real purpose of such a policy.

The ultimate goal of the National Health Insurance Scheme (NHIS) is universal coverage. However, this aspiration has to be shared with the States, at best being driven by them in the true character of a federal state.

The state governments in Nigeria should take the lead in ensuring that access is provided to all citizens irrespective of their economic status, who reside within their geographical boundaries.

This can be achieved first by re-defining the role of government in the provision of health services - from that of provider to that of purchaser of services. In addition to providing oversight

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## Health Funds - an unknown donor takes the lead

The Dutch Government, in partnership with key private sector partners such as Heineken, Unilever and Shell, has challenged traditional Aid delivery mechanisms by providing direct subsidy for private health insurance for poor people in Nigeria.

The scheme aims to recognize the important role of the private sector in Nigeria, which has been neglected or explicitly

rejected by foreign donors and development experts in favour of support to government health systems.

The newly established health fund will pay up to 95 per cent of the premiums offered to families, allowing them to benefit from the same advantages as the insured local staff of multinational companies and government employees.

Hygeia - a health maintenance organisation has been contracted to provide coverage for beneficiaries in target communities in Lagos and Kwara states.

It is also anticipated that this arrangement will provide financial support to doctors who will be able to work full time, employed by private health providers offering them a stable source of income and reducing the 'brain drain' of medical manpower from the country. ☺ ☺ ☺

*“Experience in Nigeria with consumer led financing schemes indicate that there is scope for scaling up this funding mechanism to cover a much larger population of poor people.”*

**New developments in the emerging insurance-based health system encourage consumer choice**



## Demand Side Financing Re-visited

Rather than provide input-based subsidy to health care providers to deliver a service for targeted groups, the international development community in the country is considering placing purchasing power into the hands of consumers to spend on specific services at accredited facilities.

A common modality of doing this is the use of vouchers or other evidence of entitlement to a specific level of service.

This new thinking is coming

on the knowledge that utilization of vital services such as immunisation, ante-natal care, and prompt treatment for malaria in children are still very low even in areas where the quality of service is seen to have been improved.

Similarly, there is evidence to show that vulnerable groups such as pregnant women and children under five are unable to have access to essential health products such as insecticide - treated bednets due to financial constraints.

Experience in Nigeria with consumer led demand financing schemes suggest that there is scope for scaling up this funding mechanism to cover a much larger population of poor people.

The main benefits of vouchers schemes include: the potential to target low income or other vulnerable people with basic health services; a means of improving quality of care through consumer choice and competition among providers of services;

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## Hospitals Float Health Plans

It appears that the next phase of development of private health insurance market in Nigeria is the design and marketing of facility-based health insurance products.

Rather than work through HMOs and other third-party payers, hospitals in the country have started providing pre-paid package of benefits for clients to access medical treatment at their facilities.

Notable among these is The Reddington Health Plan being promoted by The Reddington Multi-Specialist Hospital, Lagos. Other health facilities that have been operating some form of pre-paid medical plans are faith-based or mission hospitals.

This may become a growing trend if the current harsh business environment of hospitals persists. Another factor

that may encourage the development of private health insurance in this direction, is the desire of medical practices to take control of the business side of their industry. Similarly, frustration from the inability of the National Health Insurance Scheme (NHIS) to quickly scale up coverage for the entire population also supports this move.

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## The Schwarzenegger Challenge Cont'd

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of the entire health sector.

Secondly all funds that have been ear-marked for so-called free medical services for various groups should be consolidated into one 'State Health Fund'. Contributions for state government employees including those of local govern-

ment councils should also be paid into these funds. These funds would then be the state agencies that would purchase services from providers.

Services should be purchased for a given population from both the public and private providers. But government must ensure that government

hospitals and clinics are subjected to the same scrutiny as their private counterparts.

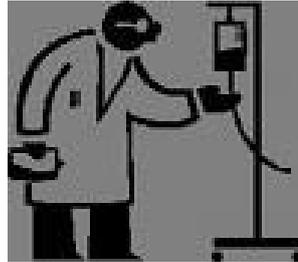
Finally state governments should ensure that all residents have some form of protection against catastrophic cost of medical care irrespective of their economic status ☺ ☺ ☺

# Doctors Build Practices with Managed Care

Despite the initial distrust of Health Maintenance Organisations (HMOs) and their Managed Care plans, doctors in the country have started to grow their practices with managed care contracts.

This change in attitude on the part of the core providers is their increasing ability to manage care and absorb risk transferred to them.

In addition, managed care contracts have given doctors the opportunity to go after patients that they could



otherwise not see plus the benefit of being paid lump sums of money upfront to boost their working capital.

However, doctors still complain of the attitude of HMOs who often present them with pre-printed contracts

**Managed Care is bringing in new streams of practice income**

without any room for negotiation.

Two other concerns

of primary providers include: pricing of services; and the need to take control of their practices in terms of medical protocols and outcomes management.

So far most of the managed care contracts cover services to enrollees under a single health benefit plan - the formal sector programme of the NHIS or that of individual HMOs. In most instances the payer (HMO) is merely a coordinator or third party administrator and so does not assume financial responsibilities for its enrollees. ☺ ☺ ☺

**“The challenge however is changing the orientation of the public sector and in acquiring the necessary competence for undertaking such a scheme.”**

## Demand Side Financing Re-visited Cont'd

**...continued from previous page.** a means of changing the behaviour of voucher holders by ensuring that vouchers are exchanged for intended health benefits; and promote reward for performance rather than inputs by linking payment by consumers to the actual delivery of value-added services.

In addition there is huge opportunity to change the traditional role of the

public sector from that of supplier of inputs such as building facilities, staffing and procurement of consumables to that of purchaser of services on behalf of a given population - but in this instance limited to managing voucher reimbursement, determining services and rates of reimbursement, and accrediting providers.

The challenge however is changing the orientation of the public sector and in acquiring the necessary com-

petence for undertaking such a scheme.

Therefore the critical role development partners need to play apart from providing seed funding - is by demonstrating this shift to demand-side financing with their support to Nigeria's effort in making progress towards the attainment of the MDGs ☺ ☺ ☺

## Hospitals Float Health Plans Cont'd

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This development is different from situations where a hospital such as Lagoon Hospital in Lagos and Hygeia - an HMO, have common ownership and are therefore vertically integrated.

It is also not limited to private hospitals. Several public teaching and specialist hospitals across the country have reached advance

stages in rolling out similar health plans targeted at those currently not covered under the formal sector programme of the NHIS.

While these events could be seen as progress towards universal coverage it calls for greater vigilance on the part of the regulators. It also presumes that since the current legal framework may be inadequate to accommodate innovations - a more robust mechanism should be

adopted.

Once again we can learn from what is happening in the telecom sector where the - National Communications Commission (NCC) provides flexible options that create a healthy competition among service providers. This sort of oversight function guarantees consumer choice and often leads to improved services ☺ ☺ ☺



**Hospital sponsored Health Plans will become a new growth area**

## EDITORIAL

organisations; investigate complaints and settle dispute in relation to the affairs of these organisations.

### **WANTED: An Effective Regulatory Agency for the Health Insurance Industry in Nigeria**

To be considered for this post you must first of all aspire to take on the name of a 'Commission' in line with your peers in other industries in the country and behave as such.

You must refrain from service provision and micro-managing the emerging insurance-based health system. But you have to be strategically focused on protecting the interest of beneficiaries as well as coordinate the functioning of mutual health associations (MHAs), health maintenance organisations (HMOs) and health insurance underwriters (HIUs).

Since your function is mainly oversight of health insurance as a financing mechanism for health care - you should not be seen to be interfering with accreditation of providers - that is rightly the function of the States and the MHAs, HMOs and HIUs. But you must develop capacity to monitor the quality and health outcomes of health services provided by these

Similarly, you should not undertake to enroll beneficiaries - that is also the function of the MHAs, HMOs and HIUs. However, you should seek to improve the governance of these organisations in the interest of the contributors, and promote greater financial stability in the industry thereby improving consumer protection.

In executing the above regulatory functions you must be guided by the following principles of good regulation: act in an administratively fair and transparent manner, with integrity, professionalism and respect; be conscious of the need to be cost effective in the use of the resources of the "Commission" and those of the regulated entities; proportionate regulation, recognizing the responsibilities of other actors; and finally not unduly impede innovation, while facilitating fair competition.

**Note:** *Candidates who consider themselves qualified would be put under scrutiny.* ☺ ☺ ☺

Dr Tarry Asoka  
Editor



## LAST WORDS.....stop press, events

### **New Executive Secretary for NHIS**

The Federal Ministry of Health has approved the appointment of Dr Waziri Dogo-Mohammed as the substantive Chief Executive Officer of the NHIS following a competitive process, said the Special Assistant to the Health Minister, Mr Babajide Olowodola in a statement issued in Abuja.

Dr Dogo-Mohammed who was in acting capacity since last year was a former Consultant Urologist at the National Hospital, Abuja. According to the statement the appointment is for a period of four years with effect from March 1, 2007.

While congratulating the new ex-

ecutive secretary, *Health Insurance Report* wish to emphasize the need to reposition the agency as an omnibus regulator in its true sense for the health insurance industry .

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### **Health & Managed Care Association of Nigeria (HMCAN)**

#### **1st Annual Workshop**

HMCAN has announced its 1st Annual Workshop with the theme - **Building Capacity and Sharing Experience in the Healthcare Industry** for officials of registered HMOs, human resources directors/managers, employers of labour, healthcare providers and interested

stakeholders in healthcare delivery.

The workshop which is expected to be led by eminent persons from within and outside Nigeria will take place on Wednesday, 28th March between 9.00am and 3.30pm at Reiz Continental Hotel, Abuja.

Participation fee is as follows:

Members: N10, 000

Providers: N15,000

Others: N30,000

The fee is inclusive of Tea Break & Lunch, Conference materials and Certificates of Participation

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