

Trends in Employer Health Care Benefits

One of the major problems facing employers all over the world is the recruitment and retention of the best talents in their industry. This has become a major determinant for organisational success or failure. Consequently employers now regard their workforce as a key asset now commonly referred to as human capital. While training is a main activity that contributes to the value of this asset, promoting the health and well being of employees is considered a significant factor that adds real value to organisations' human capital.

It is therefore not surprising that there is a renewed interest in employer healthcare benefits in Nigeria as a general market expectation. There are additional reasons why companies in Nigeria offer healthcare benefits to their staff. To be competitive and attract the best people, companies especially those in the financial services provide generous health benefit package. This has added advantage because it leads to employee retention. Smaller firms and the public sector do so as a sense of obligation to their employees.

However the rising cost of healthcare and the near collapse of pension and retirement plans has given reasons to employers to re-think the ways they provide healthcare benefits to their employees. The monetisation of health benefits by the Government of Nigeria is not unconnected with this. Given that a healthy productive workforce is a *sine qua non* to economic growth and development, demands that more creative thinking is needed in this regard. In its many wars with employers in the country, the Nigeria Labour Congress (NLC) has not deemed it fit to take on the fight for the protection of 'the limbs and lives' of workers. Other workers' organisation such as the Trade Union Congress (TUC) has not fared any better. Although the Nigeria Employers Consultative Association (NECA) has been proactive in this direction but it still falls short of what is expected.

CURRENT STATUS

As of now most employers in Nigeria do not consult any resources such as brokers and consultants – external or internal, regarding healthcare coverage. When deciding on providers of healthcare benefits, the most important elements to an employer's

implementation decision is cost and ease of using the provider. Service standards and provider reputation are secondary considerations. The entry of Health Maintenance Organisations (HMOs) in the healthcare market has added new elements such as Network availability and perhaps the ability to provide coverage in all or most geographies in which the company operates.

Overall, employers' experience of working with healthcare providers could be judged as neither satisfied nor dissatisfied. This is based on their willingness to try new options. From the traditional fee for service, through provider retainership to managed care, employers are constantly changing the way they provide healthcare benefits to their employees. There are several forces driving employers decisions. Currently direct medical costs – hospital/clinic and pharmaceutical – tops the list, but as consumer awareness improves employee demand will force companies to change the way they provide healthcare to their workers. In the short to medium term the full implementation of the revised National Health Insurance Scheme (NHIS) will be the key driver. Another driving force will be public health issues such as the HIV/AIDS epidemic and the resurgence of Tuberculosis and Malaria. Tax incentives and obligations could also compel employers to change healthcare benefit packages.

FUTURE

Looking ahead in the next two to three years consumers-driven health plan might be the answer to employers' woes in combating double-digit increases in the cost of medical expenses. It can also get employees to be more involved in deciding how much they want to pay for medical costs.

Two options are worth considering: these are Health Reimbursement Accounts (HRAs) and Medical Savings Accounts (MSAs).

Health Reimbursement Accounts

- ✓ Health reimbursement accounts consists of funds set aside by employers to reimburse employees for qualified medical expenses, just as an insurance plan will reimburse for the cost of services incurred.
- ✓ The funds in the account are flexible so the employee can use them to pay for vision care, dental or other medical services.
- ✓ A health reimbursement account provides "first-Naira" medical coverage until funds are exhausted. That is, if an employee has a 5,000 Naira qualifying medical expense, then the full amount will be covered by the health reimbursement arrangement if the funds are available in the account.

- ✓ All unused funds are rolled over at the end of the year. Former employees, including retirees, can have continued access to unused reimbursement amounts. However, HRAs remain with the originating employers and do not follow an employee to new employment.
 - ✓ The employee has access to a wide choice of doctors and is in a good position to compare the quality and costs of certain providers, options that are not available under a regular group plan.
- Funds are controlled and owned by the account holder. Savings could be rolled over every year and portable, regardless of employment status.
 - Funds can accumulate earnings, which should not be taxed unless funds are withdrawn for non-medical expenses.
 - Funds could be used for non-medical expenses after a certain ceiling has been reached.

Medical Savings Accounts

- A Medical savings account is an individual health care benefit account that can be used to meet future personal, immediate family's hospitalisation, day surgery and certain outpatient services
- An employer, employee or both could fund an MSA.
- Funds are controlled and owned by the account holder. Savings could be rolled over every year and portable, regardless of employment status.

What is required?

For consumer-driven health plans to be attractive to both employees and employers in Nigeria, there needs to be a legal backing in the form of an Act by the National Assembly. The NHIS Act as being amended should be flexible enough to accommodate new approaches and should take into account tax incentives for employers.

Editorial

The Dawn of a New Era

“the old order changeth giving way to a new, so that one good system will not corrupt the world” These were favourite quotes from my old school principal when referring to one of his favourite authors.

The health system in Nigeria and indeed the health financing sub system has been at a sea of change for the better. Thanks to the appointment of a reforming Health Minister, Prof Eytayo Lambo in June 2003. A health economist who was an academic in his other life, he also spent over 10 years advising the African regional office of the WHO on health systems reforms including health financing. He has come to this job having directed the Change Agents Programme (CAP). Although funded by the UK Department of International Development (DFID), CAP has begun to catalyse institutionalisation of a new culture of change within the health sector.

Part of this change is a new momentum that has gathered around the accelerated implementation of the National Health Insurance Scheme (NHIS). **Health Insurance Report** is happy to be associated with this change process and will continue to promote positive changes that can bring about secured access for the healthcare for all.

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