

**IN THE FOURTH SESSION OF THE FOURTH
PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**

**REPORT OF THE COMMITTEE OF THE WHOLE
ON THE PROPOSED FORMULA FOR THE
DISTRIBUTION OF SUBSIDIES TO BE PAID TO
LICENSED DISTRICT MUTUAL HEALTH
INSURANCE SCHEMES FOR THE YEAR 2008**

MARCH, 2008

1.0 INTRODUCTION

The National Health Insurance Fund (NHIF) Allocation Formula for 2008 was laid before the House on Friday, 7th March, 2008 and referred to the Committee of the Whole for consideration and report in accordance with the Standing Orders of the House and the Constitution of the Republic of Ghana.

The Committee used the under listed documents as reference materials during its deliberations:

- i. The National Health Insurance Act 650
- ii. The Standing Orders of the House
- iii. The 1992 Constitution of the Republic of Ghana

Clarifications were also sought on the proposed Formula from Dr. Anthony Akoto Osei, Minister of State at the Ministry of Finance and Economic Planning (MoFEP), Dr. Gladys N. Ashitey, Deputy Minister of Health, Mr. Ras A. Boateng, Chief Executive Officer of the National Health Insurance Authority (NHIA) and Mr. Ahmed A. Imoro, Deputy Director of Finance, NHIA and reports as follows:

2.0 BACKGROUND

The National Health Insurance Authority (NHIA) was established by the National Health Insurance Act, 2003 (Act 650). The core function of the Authority under Act 650 is to secure the implementation of a National Health Insurance Policy that ensures access to basic health care services to all residents.

Section 76 of Act 650 established the National Health Insurance Fund (NHIF) and made the NHIA responsible for its management.

**2.1 SOURCES OF FUNDS TO THE NHIF:
Section 78 of the National Health Insurance Act, 2003
(Act 650)**

- a. The National Health Insurance Levy (NHIL);
- b. Two and one-half percent (2.5%) of each person's seventeen and one-half percent (17.5%) contribution to SSNIT Pension Fund;
- c. Funds allocated by Parliament;
- d. Money that accrues to the Fund from investments made by the Council and
- e. Grants, donations, gifts and any other voluntary contributions made to the Fund.

3.0 OBJECT OF THE FUND

The object of the Fund is to provide finance to subsidize the cost of provision of health care services to members of District Mutual Health Insurance Schemes (DMHIS) licensed by the Council.

For the purpose of implementing the object, the monies from the Fund are to be expended as follows:

- a. to provide subsidy of such level as the Council shall determine to District Mutual Health Insurance Schemes (DMHIS);

- b. to reinsure District Mutual Health Insurance Schemes (DMHIS) against random fluctuations of cost under conditions to be determined by the Council;
- c. to set aside some monies from the Fund to provide for the health care of indigents;
- d. to provide support to facilitate provision of or access to health services and
- e. to invest in any other facilitating programmes to promote access to health services as may be determined by the Minister in consultation with the Council.

4.0 GENERAL ASSUMPTIONS FOR THE 2007 ALLOCATION

4.1 BUDGETARY ALLOCATION

Based on the projections of MoFEP for 2008, the NHIF is expected to realize an amount of Two Hundred and Thirty Five Million, Four Hundred and Twenty Thousand Ghana Cedis (GH¢ 235,420,000.00) and increase of 33.83% over the previous years budgetary allocation of One Hundred and Seventy-Five Million, Nine Hundred and Eleven Thousand Ghana Cedis (GH¢ 175,911,000.00). The 2008 projected receipts is expected from the National Health Insurance Levy (NHIL) and the Social Security and National Insurance Trust (SSNIT) contributions.

4.2 REGISTRATION COVERAGE

A registration target of sixty-five per cent (65%) has been set for 2008 by the NHIA.

4.3 NUMBER OF SCHEMES

The NHIA has projected one hundred and forty-eight (148) Schemes to be operating in year 2008.

4.4 PER HEAD SUBSIDY

Given the rising cost of medical bills which is evident from the bills submitted by service providers and the Review of the Medicines List and Tariff Structure, the NHIA proposed to increase the subsidy per person from Twelve Ghana Cedis (GH¢ 12.00) to Fourteen Ghana Cedis (GH¢ 14.00).

5.0 INVESTMENT INCOME

At the close of the 2007 fiscal year, an amount of One Hundred and Fifty-Three Million, Eight Hundred and Nine Thousand, Six Hundred and Twenty-Four Ghana Cedis, Fifty-Four Ghana Pesewas (GH¢ 153,809,624.54) remained in investment. The investment income yielded Twenty-Three Million, Nine Hundred and Sixty Thousand Ghana Cedis (GH¢ 23,960,000.00). The amount will not be available for allocation as it will be retained in the investment account to grow the Fund.

The total inflow to the NHIF in 2008 is therefore estimated to be Two Hundred and Fifty-Nine Million, Three Hundred and Eighty Thousand Ghana Cedis (GH¢ 259,380,000.00).

6.0 DETERMINATION OF ALLOCATION OF FUNDS

6.1 **SUBSIDIES FOR THE EXEMPT GROUPS AND SSNIT CONTRIBUTORS**

The National Health Insurance Act (Act 650) proposes subsidies to District Mutual Health Insurance Schemes (DMHIS) to cover the health care cost of those exempted by law. The Exempt Groups are:

- a. indigents
- b. those under 18 years of age with both parents or guardians as contributors
- c. those under 18 years of age with community approved single parents
- d. pensioners under the SSNIT Scheme
- e. the aged (70 years of age and above).

Allocation Formula for the Exempt Groups (subsidy variables) listed above is $(a+b+c+d+e) \times \text{GH}\text{¢ } 14.00 + \text{Administration Cost}$.

Premiums of contributors to the SSNIT Pension Scheme are to be paid from the NHIF by virtue of the payment of 2.5% of their SSNIT contribution to the NHIF.

6.2 **PROPOSED ALLOCATION OF FUNDS TO THE VARIOUS ACTIVITIES FOR 2008**

ITEMS	ALLOCATION (GH¢)	PERCENTAGE (%)
Subsidy for Exempt Groups	133.73 million	56.80
Council Operations	10.49 „	4.46
Service Providers Support	6.50 „	2.76

Health Service Investment	36.34	„	15.44
Support to Financially Distressed Schemes	8.55	„	3.63
Administration/Logistics	21.82	„	9.27
Headquarters Building	3.00	„	1.27
MIS & ICT Solution	11.28	„	4.79
Investment	3.71	„	1.58
TOTAL	235.42	„	100

6.3 PROPOSED ALLOCATION OF FUNDS TO VARIOUS EXPENDITURE ITEMS

EXPENDITURE ITEM	AMOUNT
Personnel Emoluments	GH¢ 8,820,000.00
Administration Expenditure	GH¢ 16,690,000.00
Service	GH¢ 174,960,000.00
Capital Expenditure	GH¢ 34,950,000.00
TOTAL	GH¢ 235,420,000.00

7.0 OBSERVATIONS

7.1 The Committee observed that projected budgetary receipts for 2007 was One Hundred and Seventy-Five Million, Nine Hundred and Eight Thousand Ghana Cedis (GH¢ 175,908,000.00) as against actual receipts of Two Hundred and Fifty-Eight Million, Five Hundred and Seventy Thousand Ghana Cedis (GH¢ 258,570,000.00). Out of the actual receipts stated, a total amount of One Hundred and Fifty-Nine Million, Nine Hundred and Seventy Thousand Ghana Cedis (GH¢ 159,970,000.00) was disbursed leaving behind an amount of Ninety-

Eight Million, Six Hundred Thousand Ghana Cedis (GH¢ 98,600,000.00) at the end of year 2007.

- 7.2 It was also observed by the Committee that in 2008, a total amount of Two Hundred and Thirty-Five Million, Forty-Two Thousand Ghana Cedis (GH¢ 235,420,000.00) was projected as against a total project amount of One Hundred and Seventy-Five Million, Nine Hundred and Eight Thousand Ghana Cedis (GH¢ 175,908,000.00).
- 7.3 The Committee noted that, a total amount of Twenty-Three Million, Nine Hundred and Fifty-Five Thousand, Four Hundred and Fifty-One Ghana Cedis, Thirty-Eight Ghana Pesewas (GH¢ 23,955,451.38) was realized as interest on investments for January to December 2007.
- 7.4 The Committee was pleased to note that the registration target of 55% set for the year 2007 was met in September, 2007 and also lauds the NHIA for the achievement and hopes that the registration target of 65% set for the year 2008 would be achieved.

8.0 RECOMMENDATION/CONCLUSION

- 8.1 The Committee recommends for the amendment of the National Health Insurance Law to include the mentally ill as indigents. In addition, it is being recommended that children under 18 be made to register unconditionally to become members of the Scheme.
- 8.2 Notwithstanding recommendation 8.1 in this report, the Committee is agreeable to the proposed Formula for the distribution of Subsidies to be

paid to Licensed District Mutual Health Insurance Schemes (LDMHIS) for year 2008 and recommends that approval be given.

Respectfully submitted.



MICHAEL AMOATENG
FOR CLERK TO THE COMMITTEE



HON. FREDDY W. BLAY
1st DEPUTY SPEAKER AND
CHAIRMAN OF THE COMMITTEE

DATE: MARCH, 2008