

REPORT OF THE COMMITTEE OF THE WHOLE

ON

**THE PROPOSED FORMULA FOR THE DISBURSEMENT OF
THE NATIONAL HEALTH INSURANCE FUND
FOR THE YEAR 2017**

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1.0 INTRODUCTION

- 1.1 The Proposed Formula for the disbursement of the National Health Insurance Fund for the year 2017 was laid before the House on Tuesday, 20th June, 2017.
- 1.2 The Rt. Hon. Speaker, Prof. Michael Aaron Oquaye referred the Proposed Formula to the Committee of the Whole for consideration and report by convention and in accordance with the Standing Orders of the House and article 103 (3) of the Constitution of the Republic of Ghana.

2.0 REFERENCE DOCUMENTS

- 2.1 The Committee during its deliberations referred to the following:
- i. The 1992 Constitution of the Republic of Ghana
 - ii. The Standing Orders of the House
 - iii. The National Health Insurance Act 2012 (Act 852)
 - iv. The Formula for the Disbursement of the National Health Insurance Fund for 2016
 - v. The Report of the Committee of the Whole on the Formula for the Disbursement of the National Health Insurance Fund for the year 2016

3.0 ACKNOWLEDGEMENT

- 3.1 The Committee sought clarifications on the Proposed Formula from Hon. Kingsley Aboagye-Gyedu, Deputy Minister for Health, Dr. Samuel Yaw Annor, Chief Executive Officer of the National Health Insurance Authority (NHIA), Mr. Francis Owusu, Deputy Chief Executive Officer, Finance and Investment, NHIA

and Mr. Ahmed Imoro, Director of Finance, NHIA. The Committee is grateful to them for attending its deliberations.

4.0 BACKGROUND

4.1 The Government of Ghana through the Ghana Poverty Reduction Strategy (GPRS) planned its policy strategies of the essential components of the GPRS. One of the strategies is aimed at delivering accessible and affordable healthcare to all residents in Ghana, especially the poor and vulnerable. In achieving this objective, the National Health Insurance Act, 2003 (Act 650) was enacted to give legal basis to the establishment of the National Health Insurance Scheme (NHIS) to provide financial risk protection against the cost of quality basic healthcare for all residents in Ghana. The NHIS introduced a district-wide mutual health insurance scheme to enable access to basic healthcare services without paying cash at the point of service delivery. Act 650 was later repealed and replaced by the National Health Insurance Act, 2012 (Act 852).

4.2 The enactment of Act 852 brought the National Health Insurance Authority (NHIA) into being, to secure the implementation of a National Health Insurance Policy. Act 852 also established the National Health Insurance Fund (NHIF) under section 39 and mandated the Council of the NHIA to take charge of the responsibility of the management of the Fund.

5.0 OBJECT OF THE FUND

5.1 The object of the Fund is to pay for healthcare services of members of the National Health Insurance Scheme (NHIS).

5.2 For the purposes of implementing the object of the Fund, Section 40 (2) of Act 852 stipulates that the monies from the Fund shall be expended as follows:

- i. To pay for the health care costs of members of the National Health Insurance Scheme

- ii. To pay for approved administrative expenses in relation to the running of the National Health Insurance Scheme
- iii. To facilitate the provision of access to healthcare services
- iv. To undertake investments to promote access to health services as may be determined by the Minister for Health in consultation with the Board of the Authority

6.0 SOURCES OF THE FUND

6.1 Sources of the Fund are stipulated in Section 41 of Act 852 as follows:

- i. The National Health Insurance Levy (NHIL)
- ii. Two and a one half percent (2.5%) of each person's contribution to the Basic SSNIT Pension Fund
- iii. Monies approved for the Fund by Parliament
- iv. Moneys that accrue to the Fund from investments made by the Authority
- v. Grants, donations, gifts and any other voluntary contributions made to the Fund
- vi. Fees charged by the Authority in the performance of its functions
- vii. Contributions made by members of the Scheme, and
- viii. Monies accruing from the National Insurance Commission under Section 198 of the Insurance Act, 2006 (Act 724)

7.0 RECEIPTS AND PAYMENTS FOR 2016

7.1 The Authority received an amount of GH¢1,101.85 million from the Ministry of Finance (NHIL) for the year ended 31st December, 2016. Other receipts during the period amounted to GH¢135.41 million bringing total receipts to GH¢1,237.26 million. Payments made during the period amounted to GH¢1,221.23 million. Excess receipts over payments therefore stood at GH¢16.03 million.

8.0 REVENUE AND EXPENDITURE FOR 2016

8.1 On accrual basis, the financial performance for the year ending 31st December, 2016 showed a total revenue of GH¢1,407.88 million against a total expenditure of GH¢1,534.94 million. This resulted in a deficit of GH¢127.06 million.

9.0 COMPARATIVE ANALYSIS OF NHIL/SSNIT COLLECTIONS AND RECEIPTS

9.1 The Authority's Budget allocation for NHIL/SSNIT for 2016 was GH¢1,497.28 million as contained in the Budget Statement and Economic Policy for the 2016 Financial Year. Collections for NHIL/SSNIT for the year was however GH¢1,279.44 million. This included estimated collections for SSNIT for October to December 2016 and August to December 2016 for SSNIT. Of this total collection, a total of GH¢1,101.85 million constituting 86.11% had been received by the Authority as at 31st December, 2016.

10.0 REVIEW OF INVESTMENT PERFORMANCE AND POSITION AS AT 31ST DECEMBER, 2016

10.1 Investments of the Authority are in fixed deposits largely with banks. As at 1st January, 2016, investments valued GH¢62.51 million and the investment portfolio earned a total interest of GH¢18.89 million. The balance as at 31st December, 2016 stood at GH¢77.37 million. The increase in the investment balance was largely due to improvement in interest income. Dis-investments amounting to GH¢39.82 million was applied to pay part of the previous year's claims.

10.2 Investment cover for claims has been declining since the year 2009. Currently, the Fund's investment balance provides a cover for less than a month's claims indebtedness. This situation poses serious threat to the sustainability of the Scheme.

11.0 REVENUE PROJECTIONS FOR 2017

11.1 The Authority expects to receive a total amount of GH¢2,261.73 million in 2017 from NHIL/SSNIT and other sources to be able to execute its mandate in 2017. The breakdown of the projections is shown in the Table 1 below.

Table 1

Sources	GH¢ million	%
NHIL	1,438.12	63.58
SSNIT	296.34	13.10
Premium (Informal)	62.15	2.75
Income on Investment	11.79	0.52
Processing Fees	71.85	3.18
ID Card Auth. Software	1.00	0.04
Other Income	0.80	0.04
Additional Support Required to Finance Gap	379.68	16.79
Total	2,261.73	100.00

10.2 The amount of GH¢62.15 million estimated to be received as **premium from the informal sector** represents an average premium of GH¢18.81 per member for a projected active membership of 3,377,806 in 2017.

10.3 The expected total interest income of GH¢11.79 million from **investment portfolio** is based on an expected portfolio size of GH¢65.50 million at a projected return of 18% per annum.

10.4 The expected proceeds of GH¢71.85 million on **processing fees** from the formal and informal sectors represents an average fee of GH¢7.19 per member for a projected membership of 9,988,327 from both sectors in 2017. The projection excludes pregnant women and the indigent categories.

12.0 SUMMARY OF THE PROPOSED ALLOCATION OF THE FUND FOR 2017

12.1 Summary of the proposed allocation of the Fund to the various activities to be undertaken by the Authority is indicated in Table 2 below:

Table 2

Activity	GH¢ million	% of Fund
Claims Arrears- 2016	425.79	18.82
Claims- 2017	1,190.96	52.65
NHIA Operational Expenses	172.75	7.64
Support to District Offices	38.84	1.72
Support for MOH	140.27	6.20
Support for District Health Projects and MP's M & E	23.01	1.02
Per Capita Payment System	1.00	0.04
Claims Processing Centers and E-Claims	12.86	0.57
Biometric ID Cards and Authentication System	125.76	5.56
Nationwide ICT Network	47.69	2.11
Office Buildings	13.84	0.61
Call Center	0.03	0.00
Archival System and Document Management	13.00	0.57
Support for NHIS Related Research	0.14	0.01
Sensitisation, Publicity and Marketing	7.00	0.31
Claims Data Capturing	14.00	0.62
NHIS Review	0.90	0.04
NHIS Data Integration	16.00	0.71
Assurance Services for Claims & Control Systems Strengthening	6.90	0.31
Contingency	11.00	0.49
Total	2,261.73	100.00

13.0 OBSERVATIONS AND RECOMMENDATIONS

13.1 Observations made included issues relating to claim arrears, assurance and control systems for claims management and NHIS Membership.

CLAIM ARREARS

- 13.2 The huge claim arrears of GH¢425.79 million for 2016 indicated in Table 2, was of serious concern to the Committee. The Committee was informed that it was largely due the funding gap of GH¢379.68 million indicated in Table 1 and increase in claim tariffs.
- 13.3 The Committee urges the Ministry of Finance to be up-to-date with VAT receipts and also ensure timely releases of funds due the NHIA to enable it pay its claim arrears among other financial challenges.

ASSURANCE AND CONTROL SYSTEMS FOR CLAIMS MANAGEMENT

- 13.4 The Committee observed that, though efforts are being made to improve the efficiency of the claims processing system of the Authority, it is still prone to abuse and the situation exposes the Authority to over-payment of claims.
- 13.5 The Committee is of the opinion that there is the need to strengthen the claims processing system of the Authority to ensure that claims are properly reviewed and authenticated to save the NHIA from over-payment of claims. The Committee was informed that the Authority intends to continue engaging consultants to assist in devising stringent and pragmatic strategies in claims management to deal with the situation. An amount of GH¢6.90 million has been allocated for such engagements. The Authority in addition, will deploy e-claim systems to all the claim centres as part of the control measures to strengthen claims processing.

NHIA SUPPORT TO MINISTRY OF HEALTH

- 13.6 The Committee observed that the amount of GH¢140.27 million allocated to support the Ministry of Health includes health service investment projects such as the construction of health training schools. The Committee however held a contrary view that the Authority should not be burdened with the funding of such projects because it is already grappling with serious financial challenges.

NHIS MEMBERSHIP

13.7 The Committee observed that at the end of 2016, 10.7 million people had been issued with valid NHIS Cards as against the target of 11.9 million set for the year. This was mainly due to logistical challenges and refusal of some providers to render services to NHIS Card bearers as a result of the slow reimbursement of funds to them.

13.8 The Committee is of the strong conviction that addressing the financial challenges of the NHIA will go a long way to help the Authority achieve its registration targets.

14.0 **CONCLUSION**

14.1 Indebtedness to service providers has become an albatross on the neck of NHIA mainly due to funding gap. The Committee urges the Ministry of Finance to ensure timely releases of funds due the NHIA, to enable it settle its indebtedness and also deal with the logistical constraints.

14.2 The Committee recommends to the House to approve the Proposed Formula for the disbursement of the National Health Insurance Fund for the year 2017.

Respectfully submitted.



PEACE FIAWOYIFE
CLERK TO THE COMMITTEE



HON. JOSEPH OSEI-OWUSU
CHAIRMAN, COMMITTEE OF THE WHOLE