

**IN THE SECOND SESSION OF THE FIFTH 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 2010**

MARCH 2010

1.0 INTRODUCTION

The proposed formula for distribution of subsidies to be paid to licensed district mutual health insurance schemes for the year 2010 was laid before the House on Wednesday 17th March 2010 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 referred to the following documents during its deliberations:

- I. The National Health Insurance Act 2003 (Act 650)
- II. The Standing Orders of the House
- III. The 1992 Constitution of the Republic of Ghana
- IV. The Proposed formula for 2009
- V. Approved formula for distribution of subsidies to be paid to licensed district mutual health insurance schemes for the year 2009

- 1.1 Clarifications were sought on the proposed formula from Mr. Sylvester Mensah, Acting Chief Executive Officer of the National Health Insurance Authority (NHIA), Mr. Ahmed A. Imoro, Acting Director of Finance, NHIA and Mr. Nathaniel Otto, Director

Administration and Legal, NHIA. The Committee is grateful to them for the insights they provided.

2.0 BACKGROUND

The government of Ghana under the Ghana Poverty Reduction Strategy (GPRS) has outlined its policy strategy of dealing with poverty in Ghana. A major component of the GPRS is the strategy to deliver accessible and affordable health care to all residents in Ghana especially the poor and vulnerable.

In this regard, 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 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 levels 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.

2.2 **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 GENERAL ANALYTICAL REVIEW OF 2009 RECEIPT AND PAYMENTS

Total collections reported for the year 2009 is GH¢316.03 Million. Funds received in the year amounted to GH¢263.48 Million, out of which GH¢115.57 Million was in respect of 2008.

Funds due from the Ministry of Finance and Economic Planning (MOFEP) as at the end of 2009 was GH¢168.12 Million out of which GH¢141.07 Million was converted to promissory notes, leaving an outstanding balance of GH¢27.05 Million.

Total payments for the year 2009 was GH¢323.39 Million. Claims payments outstanding at the end of the year was GH¢102.0 Million.

The cash position of the Authority recorded deficit of GH¢165.48 Million as at the end of the year. This excludes an amount of GH¢102.0 owed to Service Providers as at 31st December 2009.

The Cash deficit was financed partly with GH¢49.91 Million from the reserve funds and partly from the utilization of prior year (2008) funds of GH¢115.57 Million received in 2009.

4.0 INVESTMENT ON FUNDS IN 2009

Fixed Deposits

The Authority's Investments are in Fixed Deposits with Banks and Promissory Notes. As at 31st December, 2009, the investment value in fixed deposits with various banks was GH¢315.13 Million and Promissory Notes of GH¢141.07 Million issued by Ministry of Finance and Economic Planning.

Interest Earned on Investment

Interest earned on the funds as at the close of December 2009 was GH¢63.76 Million. The interest amount is provisional awaiting reconciliation with the banks.

5.0 GENERAL ASUMPTIONS FOR 2010 ALLOCATION

The following assumptions underline the budget allocation:

5.1 BUDGETARY ALLOCATION

On the basis of Ministry of Finance and Economic Planning Budget Statement for 2010, the national Health Insurance Fund is expected to realise an amount of GH¢480.90 Million in the year 2010. The amount represents an increase of 28.17% over last year's budgetary allocation of GH¢375.21 Million.

The projected budgetary receipt of GH¢480.90 Million is expected to flow from the National Health Insurance Levy, SSNIT contributions, premium collections of GH¢19.23 Million and Accreditation fees of GH¢0.25 Million. There is additional allocation of GH¢10.0 Million from the Sector Budgetary Support and GH¢70.45 Million from the Reserve Fund. This brings the total expected receipts for the year to GH¢580.83 Million.

5.2 SOURCES OF ALLOCATION

	SOURCES OF ALLOCATION	AMOUNT IN GH¢ MILION	PERCENTAGES %
1.	VAT & SSNIT	480.90	84.81
2.	PREMIUM	19.23	3.39
3.	BRITISH GRANT	10.0	1.76
4.	ACCREDITATION FEES	0.25	0.04
5.	RESERVE FUND/ALLOCATION	70.45	10.00
	TOTAL	580.83	100.00

SOURCE: NHIA

5.3 REGISTRATION COVERAGE

The Authority has set a target of 75% coverage for 2010. Currently, registration figures indicate the 14.4 Million of the population had been registered. Based on available statistics on the performance, a registration target of 75% has been set for the year 2010 based on projected population of 23.5 Million. The allocation of the fund is therefore based on the assumption that 75% of the population in Ghana will access benefits under the scheme in 2010.

5.4 NUMBER OF SCHEMES

At the end of 2009, One Hundred and Forty-Five (145) schemes were fully operational. No additional provision has been made to cover any more schemes in 2010, except for the establishment of Satellite offices in the new created districts. The allocation of the fund is therefore based on the assumption that 145 schemes will be operating in 2010.

5.5 SUBSIDY PER HEAD

An amount of GH¢18.00 was paid as subsidy per head to the exempt group members and SSNIT contributors in the year 2009. However, 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 Tariffs Structure, we have proposed to increase the subsidy from GH¢18.00 to 22.40 per person for 2010 fiscal year.

This figure is supported by data received from various schemes as at the end of 2009. This indicates an average national per capita cost of an encounter with a health service provider at GH¢10.20 and this is expected to increase to GH¢11.20.

We also maintain the assumption that on the average a person makes two encounters with health service providers in a year. These two encounters per person per year gives an average national per capita cost of GH¢22.40.

6.0 DETERMINATION OF ALLOCATION OF FUNDS

Based on the objectives of the fund, the following criteria as prescribed by Act 650 shall be applied:

6.1 **Subsidies For The Exempt Group**

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

- a. Indigents
- b. Under 18 years of age
- c. Pensioners under the SSNIT Scheme
- d. Persons aged 70 years and above
- e. SSNIT Contributors
- f. Pregnant Women

Premiums of contributors to the SSNIT Pension Scheme are to be paid from NHIF by virtue of the payments of 2.5% of SSNIT contributions to the NHIF. The rest are also exempt by law (Act 650).

The calculation of the subsidy below for each category of the exempt is based on certain assumptions indicated in the explanatory notes.

The allocation formula is therefore $(a + b + c + d + e + f) \times \text{GH}¢22.40$
+ Administrative Support to the Schemes

7.0 SUMMARY OF PROPOSED ALLOCATION OF FUNDS FOR 2010

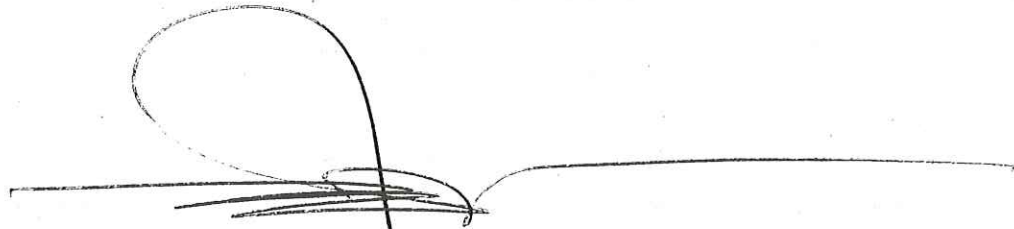
7.1 Proposed Allocation of Funds to various Activities

ACTIVITY	ALLOCATION	PERCENTAGES %
Subsidy for Exempt Groups	312.02	53.72
Authority's Operations	19.31	3.32
Claims Management Centre	4.00	0.70
Primary Health & Preventive Care	38.00	6.54
Support for Health –Related Research	1.00	0.17
Health Service Investment	44.41	7.65
Reinsurance Claim	72.50	12.48
Administrative/Logistics to the Schemes	32.96	5.67
Head Office Building	8.00	1.38
MIS/ICT Solution	6.00	1.03
Construction of regional Offices	6.00	1.03
Support for District projects on Health	7.59	1.31
Contingency	29.04	5.00
TOTAL	580.83 Million	100

8.0 OBSERVATIONS AND RECOMMENDATIONS

- 8.1 It was observed that an amount of GH¢8.0 Million has been allocated for the continuation of the construction of the head office building of the NHIA. Considering the fact that the contract sum for the project is \$7.8 Million, and the provision of GH¢6.18 Million last year, the Committee was of the view that more than enough has been provided for the completion of this building. The management of NHIA should therefore ensure the completion of the building this year.
- 8.2 The Committee was told that a pilot Claims Management Centre is to be established in Accra to deal with claims from teaching and regional hospitals. It was however advised that Claims Management Centres should be decentralised to ensure easy access to claims from providers.
- 8.3 It was observed that the provision made for marketing and publicity is high. It was therefore advised that this amount be reduced in subsequent years to ensure support to other equally important activities.
- 8.4 Members of Parliament are expected to monitor health related issues including National Health Insurance activities in their respective constituencies. It was therefore that decided an additional sum representing that 10% of the total support for district projects should be allocated as an addition sum to enable Members of Parliament undertake this activity. For this year, the 10% is vired from the provision for "Expansion and rehabilitation of hospital facilities" to satisfy the activity. Formulas for subsequent years should reflect this allocation.
- 8.5 It was further suggested that the allocation for the National Youth Employment Programme should be considered under Health Service Investments. The Communications Service tax should be the major source of funding for all the modules under the National Youth Employment programme.
- 8.6 The Committee noted with dissatisfaction the delay in the release of the statutory funds to the NHIA. This has led to severe constraints in the

operations of the NHIA. The Committee therefore advised that the Ministry of Finance and Economic Planning should ensure that the funds are released timeously.

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HON. PROF. MIKE AARON OQUAYE
SECOND DEPUTY SPEAKER

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ANITA QUARTEY-PAPAFIO
CLERK
COMMITTEE ON HEALTH