

NATIONAL HEALTH INSURANCE AUTHORITY

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NATIONAL HEALTH INSURANCE FUND ALLOCATION FORMULA 2016

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NATIONAL HEALTH INSURANCE FUND
ALLOCATION FORMULA-2016

1.0 INTRODUCTION

The Government of Ghana through 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 resident in Ghana especially the poor and vulnerable.

To achieve the object of this strategy, the Government introduced a district-wide mutual health insurance scheme, now unified into a National Health Insurance Scheme, to enable residents in Ghana to have access to basic healthcare services without having to pay cash at the point of service used.

One major underlying principle of the National Health Insurance Scheme is equity, and it is in line with the Health Sector's desired objective of bridging the equity gap in the health status across regions in the country. In particular, it seeks to provide protection for the poor, which is achieved by ensuring risk pooling and cross subsidisation.

The National Health Insurance Authority (NHIA) was first established by the National Health Insurance Act, 2003 (Act 650). In 2012, the Act was repealed and replaced by a new law (Act 852). The object of the Authority under Act 852 is to attain universal health insurance coverage in relation to persons resident in Ghana, and non-residents visiting Ghana, and to provide access to healthcare services to the persons covered by the Scheme.

Section 39 of Act 852 established the National Health Insurance Fund (NHIF) and the object of the Fund is to pay for the health care services for members of the National Health Insurance Schemes (NHIS).

For the purpose 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:

- to pay for the healthcare costs of members of the National Health Insurance Scheme;
- to pay for approved administrative expenses in relation to the running of the National Health Insurance Scheme;
- to facilitate the provision of or access to healthcare services; and
- to invest in any other facilitating programmes to promote access to health services as may be determined by the Minister in consultation with the Board.

The sources of money to the NHIF are provided under section 41 of the Act as follows:

- the National Health Insurance Levy (NHIL);
- 2.5 percentage points of each person's contribution to the Basic National Social Security Scheme;
- such moneys that may be approved for the Fund by Parliament;

- moneys that accrues to the Fund from investments made by the Authority;
- grants, donations, gifts, and any other voluntary contribution made to the Fund;
- fees charged by the Authority in the performance of its functions;
- contributions made by members of the Scheme; and
- moneys accruing from the National Insurance Commission under section 198 of the Insurance Act 2006 (Act 724).

2.0 MAJOR PLANNED ACTIVITIES FOR 2016

The strategic intent of the Authority as captured in the Medium term Strategic Plan, 2015-2018 is to consolidate the position of the NHIS as preferred financing mechanism for reducing financial barriers to health care in Ghana, through a social health insurance scheme.

Section 3 of the National Health Insurance Act 2012, (Act 852) enjoins the Authority to undertake program that further the sustainability of the National Health Insurance Scheme, and also ensures the efficiency and quality of services under the national and private health insurance schemes. In light of this, the National Health Insurance Authority has earmarked the following major plans for the year 2016. These proposed plans are key variables in the determination of the allocation formula and planned expenditure for 2016. Key activities planned for 2016 are;

1. Adopt pragmatic strategies to increase active membership coverage of the scheme from 41% in 2015 to 43.2% of the projected 2016 population of 27,497,184 million. The active membership in 2016 is therefore projected at **11,900,424**.
2. The Authority would continue to reform and implement efficiency gains measures in claims management and operating expenditure.
3. Accelerating claims management within the context of e-claims and claims processing centers. Strengthen systems to enhance efficiency and effectiveness of claims management within NHIA; and to increase the capacity of the zonal claims centers to take on increased volumes of claims to 80% in 2016.
4. In 2016 we shall extend the education and preparatory work for the roll out of the per capita payment module to six of the remaining regions, namely, Brong Ahafo, Western, Eastern, Central, Greater Accra and Northern Regions.
5. The Authority will intensify claims verifications and clinical auditing of provider claims. In 2016, we plan to audit 10% of the facilities.
6. We plan to intensify the post credentialing monitoring activities to ensure quality of health care at health facilities.
7. To deploy NHIA staff to Provider sites to assist in authentication procedures and to handle complaints and enquiries of NHIS card bearers

8. To organize regular fora ("Health Insurance Dialogue") to address public and stakeholder concerns on health insurance.
9. Strengthen the processes and procedures for the registration, supervision, and monitoring of private health insurance schemes.
10. Revamp the financial management to improve efficiency and effectiveness in financial reporting and deploy accounting software to 90 district offices and the 10 regional offices.
11. Continue restructuring of the National Health Insurance Scheme to overcome its sustainability challenges.
12. Introduce e-payment system and on-site banking services to at least 28 district offices for the collection of premium and processing fees
13. Consolidate all ongoing projects, programs and initiatives.
14. Intensify capacity building with greater emphasis at the Districts and Regional offices.
15. Implement Enterprise Risk Management strategy in the NHIA to help effectively manage risk.
16. Undertake policy, systems and operational review of the scheme in response to the changing demands of its environment and stakeholder expectations, in the wake of resource constraints.
17. Collaborate with MOH to review the system for pharmaceutical product supply
18. Continue to explore new investment avenue to enhance the funding of the NHIA

3.0 EFFICIENCY STRATEGIES

Increased membership of the scheme over the years has impacted on the utilization of health care services; and this is evident in the growth of outpatient utilization by over forty fold from 597,859 in 2005 to 30.24 million, projected for year-end 2016. This trend has had tremendous impact on the Scheme's expenditure which continues to exceed income since 2009; posing sustainability challenge to the Scheme.

In order to ensure the scheme sustainability, the NHIA has initiated a number of efficiency gains strategies to help address the rising trend in cost of claims. These measures include the following;

Clinical Audits & Claims Verification

To ensure quality care for NHIS subscribers and also minimize leakages and abuse, the NHIA set up a Clinical Audit Division in 2009; which conducts regular clinical audits of claims submitted by accredited providers. This initiative has so far resulted in a recovery of overpaid claims. In addition, a compliance unit has also been established to undertake periodic claims verification at provider sites.

Claims Processing Centre & E-Claims system

The significant growth in NHIS membership over the years has resulted in exponential growth in the volume of claims submitted by healthcare providers. To address the capacity gap at the scheme level in vetting these claims, the NHIA established a state-of-the-art claims processing centers in Accra, Kumasi, Tamale and Cape Coast to handle claims from all Tertiary Hospitals, Regional Hospitals, claims from all providers in Volta region, and claims from some facilities in other regions. This initiative has reduced delays in claims vetting and payment as well as abuses and fraud in claims billing.

In addition, the Authority introduced electronic claims management in 2013 to ensure seamless and efficient process in claims processing. This system is a further check on supply side fraud and abuses.

Linking Diagnoses to treatment

Linking diagnoses to treatment to improve quality of care and efficiency in claims processing.

In 2010, clinical audits of healthcare facilities across the country uncovered startling revelations of rampant mismatch of diagnoses and treatments inconsistent with the Standard Treatment Guidelines (STG) of the Ministry of Health (MOH). Additionally, some facilities were prescribing medicines not allowed for their levels of care as stated in the Essential Medicines List (MOH). The consequences thereof leads to debasing the minimum standard and quality of care required of health facilities and cost implications for the Scheme as these tended to increase either utilization or quantity of services provided.

In view of this, a group of clinical consultants with specialty experience in their fields and in depth understanding of the NHIS benefit package were contracted to design standard protocols of diagnosis and treatment regimes that are in line with generally accepted standards and contemporary practices in clinical care. It is expected that clinicians in NHIS accredited facilities would follow these protocols and this would form the basis for claims vetting.

Modified Procedures in Free Maternal Care program

The free maternal care policy of the NHIS was introduced as part of the measures to reduce maternal and infant mortality. The enrolment procedure was fraught with abuse, misrepresentation and misapplication with consequential cost implications to the NHIS. The NHIA has addressed some of these challenges by introducing reforms in the Free Maternal Care Program to reduce abuse.

Consolidated Premium Account

Prior to 2011, the premiums collected and managed by the district schemes/offices were not properly accounted for, amidst fraud and misapplication. Management has introduced a Consolidated Premium Account (CPA) system, where all premiums collected nationwide are deposited into the CPA and controlled by the Authority. These measures have blocked leakages and improved accountability and management of premiums collected by the schemes. The next step is to introduce a point of sale device for greater efficiency in premium collection.

Enforcing Prescribing Levels

Enforcing prescribing levels as stipulated in the Essential Medicines List of the Ministry of Health with the aim of minimizing fraud and abuse. As an efficiency gain measure and to ensure rational prescribing, the prescribing levels of medicines developed by the Ministry of Health (MOH) were introduced for the first time unto the revised NHIS Medicines List (ML) in 2011, and we continue to monitor its compliance.

The NHIA has collaborated with Ghana Health Service to put in place measures to enforce prescribing levels as stipulated in the Essential Medicines List of the Ministry of Health to ensure quality care for subscribers and minimize supply-side moral hazard.

Capitation

NHIA has introduced per capita payment (Capitation) as a complementary payment mechanism in Ashanti Region. The pilot covers primary outpatient care in Ashanti Region whilst maintaining Ghana Diagnostic Related Groupings (G-DRG) as payment mechanism for specialist outpatient care and inpatient care at District, Regional and Teaching Hospitals.

Capitation as a provider payment mechanism has helped in containing cost by; sharing the financial risk between schemes, providers and subscribers; correcting some imbalances created by the G-DRG; promoting managed competition for providers and choice for patients, and Improving efficiency and effectiveness of the health service delivery.

Gatekeeper System

The NHIA is enforcing the Gatekeeper system within the health sector (referrals from primary to secondary then to tertiary levels).

Affordable Medicines Facility- Malaria (AMFm) programme

The NHIA liaised with the Global fund/ Malaria Control Programme office to benefit from the Affordable Medicines Facility- Malaria (AMFm) programme. This initiative has greatly reduced the prices of ACTs, which form the bulk of medications dispensed to NHIS members because of the endemic nature of malaria in Ghana.

4.0 ANALYTICAL REVIEW OF 2015 FINANCIAL PERFORMANCE & POSITIONS

4.1 A STATEMENT OF RECEIPTS & PAYMENTS FOR THE YEAR ENDING DECEMBER 31, 2015

Total amount of **GH¢ 1,095.95 million** was received from MOFEP for the year ending December 31, 2015. Of this amount, **GH¢249.30 million** relates to 2014. Other receipts during the period amounted to **GH¢ 148.84 million**, giving total receipts of **GH¢ 1,244.79 million** for the period. Total payments for the year ending December 31, 2015 was **GH¢ 1,236.68 million**. Excess receipts over payments for the period ending December 31, 2015 was **GH¢ 8.11 million**.

TABLE 4.1.1 RECEIPTS & PAYMENTS – 2015

	GH¢ million	GH¢' million
RECEIPTS		
NHIL Releases – 2014 Arrears	249.30	
NHIL Releases for 2015	846.65	
Premium	43.39	
Processing Fees	36.20	
Disinvestments	64.97	
Donor Receipt & Other Income	4.28	
Total Receipts		<u>1,244.79</u>
PAYMENTS		
Claims Paid – 2014 Arrears	422.91	
Claims Paid – Jan- May 2015	397.73	
Loan paid	58.14	
Support to MOH & Partner Institutions	30.25	
Support to District Health Project & M & E (Includes GH¢5.15 million outstanding for previous years)	16.75	
Admin. Support to District Offices	38.06	
Authority Operations	125.03	
Nationwide ICT	34.10	
ID Card Production	25.38	
Biometric Equipment & Accessories	43.00	
Purchase of Investment	8.74	
Archival Services & Digitization	9.54	
Claims Processing Centers	0.00	
Call Center	2.07	
Office Building & other Assets	21.47	
Capitation Rollout	0.58	
Publicity & Communication	2.93	
Total Payments		<u>1,236.68</u>
Cash and Bank Balance as at Dec. 31, 2015		<u>8.11</u>

4.1: STATEMENT OF REVENUE & EXPENDITURE FOR THE YEAR ENDING DECEMBER 31, 2015

On accrual basis, the financial performance for the year ending December 31, 2015 showed total revenue of **GH¢ 1,262.69 million** against total expenditure of **GH¢ 1,373.89 million**, resulting in deficit of **GH¢ 111.20 million**.

TABLE 4.1.2 REVENUE & EXPENDITURE - 2015

	GH ¢'m	GH ¢m
REVENUE		1,262.69
NHI Levies Collected	1,162.70	
Premium	43.39	
Processing Fees	36.20	
Investment Income	16.12	
Donor Receipt & Other Income	4.28	
EXPENDITURE		1,373.89
2015 Claims Paid (Jan – May)	397.73	
Claims Arrears: June - Dec. 2015	574.00	
Loan Repayment	58.14	
Support to MOH & Partner Institutions	30.25	
District Health Projects & M&E	11.60	
Admin. Support to District Offices	38.06	
Authority Operations	125.03	
Nationwide ICT System	34.10	
Biometric ID Card, Equipment & Authentication System	68.38	
Claims Archival System & Digitization	9.54	
Claims Processing Center	0.00	
Call Center	2.07	
Office Building & other Assets	21.47	
Health Related Research	0.01	
Capitation Roll-out	0.58	
Publicity & Communication	2.93	
Deficit		(111.20)

4.2 REVIEW OF 2015 BUDGET ALLOCATION & PERFORMANCE

On accrual basis, total budget expenditure for the year ending December, 2015 was **GH¢1,373.89 million**, against an annual budget of **GH¢2,172.51 million**, resulting in a positive budget variance of **GH¢ 798.62 million**. This represents a budget execution rate of **63%** for the same period.

Table 4.2.1: 2015 BUDGET ALLOCATIONS & PERFORMANCE

	2015 Annual Budget	2015 Actual Dec 31	Budget Variance	Execution Rate
	¢'m	¢'m	¢'m	%
Subsidies & Claims	1,689.18	971.73	717.45	58
Loan Repayment	57.70	58.14	-0.44	101
Support to MOH & Partner Institutions	45.00	30.25	14.75	67
District Health Projects & M&E	19.88	11.60	8.28	58
Admin. Support to District Offices	40.55	38.06	2.49	94
Authority Operations	133.35	125.03	8.32	94
Nationwide ICT System	43.45	34.10	9.35	78
Biometric ID Card, Equipment & Authentication System	68.00	68.38	-.38	101
Claims Archival System & Digitization	10.00	9.54	0.46	95
Claims Processing Center	10.00	0.00	10.00	0
Call Center	3.20	2.07	1.13	65
Office Building	29.25	21.47	7.78	73
Health Related Research	1.00	0.01	0.99	1
Capitation Roll-out	5.50	0.58	4.92	11
Sensitization, Publicity & Marketing	5.00	2.93	2.07	59
Contingency	11.45	0.00	11.45	0
	<u>2,172.51</u>	<u>1,373.89</u>	<u>798.62</u>	<u>63</u>

Included in Claims amount is claims expense of GH¢574 million unpaid for the period June to December 2015.

4.3 COMPARATIVE ANALYSIS OF NHIL/SSNIT COLLECTIONS & RECEIPT

The Authority's budget for NHIL/SSNIT for 2015 was **GHC 1,185.67** million, as derived from Government of Ghana budget statements. However NHIL/SSNIT collections for the year was **GHC 1,162.70 million** (including estimated collection for SSNIT for Oct-Dec 2015). Of the total collections, a total of **GHC 846.64 million** (72.82%) had been received by the Authority as at December 31, 2015.

Table 4.3.1
Annual Budget against Reported Collections (NHIL & SSNIT)-Dec

Year	Budgeted Collection GHC'm	Reported Collections GHC'm	Difference GHC'm	Difference %
2013	917.86	830.69	-87.17	-9.50%
2014	926.61	980.31	53.70	5.80%
2015	1,185.67	1,162.70	-22.97	1.94%

Table 4.3.2
Reported Collection (NHIL & SSNIT) Against Actual Releases from MOFEP

Year	Reported Collections GHC'm	Releases GHC'm	Difference GHC'm	Difference %
2013	830.69	492.98	-337.71	-40.70%
2014	980.31	731.00	-249.31	-25.44%
2015	1,162.70	846.64	-316.06	-27.18%

Table 4.3.3
Annual Budget Against Actual Releases from MOFEP

Year	Budgeted Collection GHC'm	Releases GHC'm	Difference GHC'm	Difference %
2013	917.86	831.45	-86.41	-9.4%
2014	926.61	936.12	9.51	1.03%
2015	1,185.67	846.64	-339.03	-28.59%

4.4 COMPARATIVE ANALYSIS OF OTHER REVENUE

	Budget 2015 GHC million	Actual 2015 GHC' million	% Execution
Premium	43.66	43.39	99%
Interest Income	15.95	16.12	101%
Processing Fee & Other Income	39.88	36.20	91%
Total	99.49	95.71	102%

7.4 HEALTH SERVICE INVESTMENT

As support to the Ministry of Health to expand health services in the country, an amount of **GH¢43.00 million** is provided for health service investment. The investment to be made in following areas:

i. Training of Health Assistants	GH¢23.00m.
ii. Taylor & Taylor Project	GH¢4.00m
iii. Equipments for Teaching Hospitals-Loan Revolving Fund	GH¢10.00m
iv. National Ambulance Service	GH¢5.00m
v. Support for Private Hospitals & Maternity Board	GH¢1.00m

7.5 REINSURANCE ALLOCATION

For DMHIS that are financially distressed Act 650 mandates the Council to provide them with the necessary assistance to enable them adjust their economic position to make them viable and sustainable provided they operate under sound management and financial practices. It is estimated that 57 Schemes will be financially distressed in 2009. It is estimated that schemes that will be distressed will need an average amount of **GH¢500,000.00** each to enable them adjust their financial situation. A total amount of **GH¢40.00 million** (80x GH¢500,000.00) has therefore been set aside to enable the Authority fulfill this mandate. It is recognized that all 145 DMHIS have a possibility of being financially distressed; however, a worse case scenario of 80 distressed cases in the year is anticipated.

7.6 ADMINISTRATIVE AND LOGISTICS SUPPORT FOR SCHEMES

To ensure an effective administration of the schemes, the schemes need to be assisted to build their administrative and logistical capacity on continuous basis to meet expanding responsibilities. A total amount of **GH¢18.69 million** will be required by Authority to provide administrative and logistical support to the Schemes. The following are expected to be covered under this budget:

- i. Provision of Computers & Accessories-500 number @ **GH¢2,200: GH¢1.32m.**
- ii. Provision of specialized Digital Camera-500 number **GH¢950 - GH¢0.475m**
- iii. Provision of an average administrative support of **GH¢70,348.80** to each scheme:

GH¢10.42m (**GH¢70,348.80 x 145**) The **GH¢70,348.80** per scheme is expected to

cover the following

- Salaries of staff - **GH¢40,348.80** ; and
 - General administrative expenses - **GH¢30,000.00**
- iv. Provision to cover allowance/cost for 1000 service personnel for the schemes: **GH¢0.600m**

- v. Financing of cost New I D Cards for Pregnant women and Children under 18 years- **GH¢10.00m**
- vi. Capacity building of the schemes through training: **GH¢2.50m.**
- vii. Adverts/publicity of schemes: **GH¢2.00m**

7.7 HEADQUARTERS BUILDING

The National Health Insurance Authority which is currently in a rented accommodation is not large enough to accommodate additional staff and thus putting constraints on the effective operations of the Authority. Some key positions as well as other supporting staff positions at the Authority are yet to be filled and therefore the need for adequate office space.

A budget of **GH¢6.18 million** has been allocated for the continuation of the project in 2009.

The Authority wishes to undertake the expansion with dispatch; however some administrative procedures must be followed, especially to comply with the provisions of the Public Procurement Act, 2003. The project active execution has just started.

7.8 MIS & ICT SOLUTION (Completion and Maintenance)

ICT solutions are required to facilitate the day to day operations of the Headquarters and the Schemes. The business activities will be performed to ensure that:

- There is effective communication between the Schemes, the Headquarters and Service Providers for data collection and analysis, which is critical for meeting the objectives of the Council;
- Managing risk, controlling fraud and ensuring financial sustainability; and
- Addressing the portability requirement.

A total amount of \$6.3m (**GH¢12.60 million**) is allocated for the Completion and Maintenance of the ICT Project (Installation of Integrated MIS Solution, IT Infrastructure, PABX (VOIP Solution) etc. and has therefore been provided for the year-2009 (This a nationwide Project)

7.9 CONSTRUCTION OF REGIONAL AND DISTRICT OFFICES

1. Construction of 10 number Regional Office GH¢5.0 million
2. Construction of 3 number Regional Office GH¢1.0 million