

**REPORT OF THE COMMITTEE OF THE WHOLE ON THE PROPOSED  
FORMULA FOR DISBURSEMENT OF THE NATIONAL HEALTH INSURANCE  
FUND FOR THE YEAR 2016**

**1.0 INTRODUCTION**

The proposed formula for disbursement of the National Health Insurance Fund for the year 2016 was laid before the House on Thursday, 3<sup>rd</sup> March, 2016.

The Rt. Hon. Speaker, referred the proposed formula to the Committee of the Whole for consideration and report in accordance with Standing Order 196 of the House and article 103 (3) of the Constitution of the Republic of Ghana.

**2.0 REFERENCE DOCUMENTS**

The Committee during its deliberations referred to the following documents:

- 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 proposed formula for 2016.

**3.0 ACKNOWLEDGEMENT**

The Committee sought clarifications on the proposed formula from Hon. Alex Segbefia, Minister for Health, the Chief Director of the Ministry, Dr Afisha Zakaria, Mr. Nathaniel Otoo, the Chief Executive Officer of the National Health Insurance Authority and Mr Ahmed Imoro, the Chief Accountant, National Health Insurance Authority.

The Committee is most grateful to them.

**4.0 BACKGROUND**

The Government of Ghana through the Ghana Poverty Reduction Strategy (GPRS) has planned its policy strategy of the essential components of the GPRS as the strategy to

deliver accessible and affordable healthcare to all residents in Ghana, especially the poor and vulnerable.

In achieving the above strategy, the National Health Insurance Authority introduced a district-wide mutual health insurance scheme to enable access to basic healthcare services without paying cash at the point of the service used/delivered.

The introduction of the National Health Insurance Act 2012 (Act 852) brought the National Health Insurance Authority (NHIA) into being to secure the implementation of a National Health Insurance policy. Consequently, the National Health Insurance Fund (NHIF) was established under section 39 of Act 852 and mandated the Council of the NHIA to be responsible for the management of the Fund.

## **5.0 OBJECT OF THE FUND**

The object of the Fund is to pay the health care services of members of the National Health Insurance Scheme (NHIS)

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:

- To pay for the health care 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 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

## **5.1 Sources of funds for the NHIF**

Section 41 of the National Health Insurance Act, 2012 (Act 852)-

- i. The National Health Insurance Levy (NHIL)
  - ii. Two and a one half percent (2.5%) contribution to SSNIT Pension Fund.
  - iii. Funds allocated 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)
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## **6.0 GENERAL ANALYTICAL REVIEW OF 2015 RECEIPTS AND PAYMENTS**

### **Receipts**

A total amount of GH¢1,244.79 million was received for the year ended 31<sup>st</sup> December, 2015. This amount was made up of the following:

- GH¢1,095.95 million from the SSNIT/ NHIL
- GH¢ 148.84 million from other receipts

### **Payments**

Total expenditure for the year 2015 amounted to GH¢1,236.68 million.

### **Net Cash Position**

Net cash position of the Authority as at the end of the year 31<sup>st</sup> December, 2015 stood at GH¢8.11 million.

## **7.0 COMPARATIVE ANALYSIS OF COLLECTIONS AND RECEIPTS**

Total Revenue received as at 31<sup>st</sup> December, 2015 showed a total revenue of GH¢1,262.69 million.

Out of this amount NHIL/ SSNIT collection for the year was GH¢1,162.70 (including estimated collection for SSNIT for Oct-Dec 2015).

Of this collection, a total of GH¢846.64 million (72.82%) had been received by the Authority as at 31<sup>st</sup> December, 2015.

## **8.0 REVIEW OF INVESTMENT PERFORMANCE AND POSITIONS IN 2015**

Investments of the Authority are in fixed deposits with banks. As at January 1, 2015, the principal value of the Fund was GH¢104.40 million but this balance decreased to GH¢64.29 million at the end of 2015.

The decrease in the values of the investment portfolio was largely due to dis-investments which were applied against the payment of claims for the previous year.

Acceptable international practice requires that for an insurance scheme to be sustainable, the scheme should have an investment cover of at least 18 months. Currently, the Fund investment balance provides cover for less than a month's claims. This situation poses serious threat to the sustainability of the National Health Insurance Scheme.



## 9.0 GENERAL PROJECTIONS UNDERLYING THE 2016 ALLOCATION

The following revenue projections underline the NHIF Allocation & Budget Allocation for 2016.

### 9.1 BUDGET RECEIPT

The Authority expects to receive a total amount of **GH¢2,006.89 million** in 2016 from NHIL/SSNIT and other sources to be able to execute its mandate in 2016. The composition is as follows:

### 9.2 Levies from NHIL and SSNIT

On the basis of MOFEP Budget Statement for 2016, the National Health Insurance Fund is expected to realize an amount of **GH¢1,497.28 million** from the NHIL and SSNIT contributions in the year 2016.

### 9.3 Premium from Informal Sector

The Premium from informal sector is budgeted at **GH¢67.56 million**. This represents an average premium of **GH¢20** per member for an active membership of **3,377,806** for the informal sector in 2016.

### 9.4 Interest Income from Investment

The Authority expects to earn total interest income of **GH¢17.01 million** from its investment portfolio. This is based on expected portfolio size of GH¢73.50 million at projected return of 23% per annum.

### 9.5 Processing Fees

The Authority expects to earn a total amount of **GH¢85.00 million** on processing fees, both from formal and informal sectors. This represents an average fees of GH¢8.33 per member for a projected membership of 10,204,849 from both sectors in 2016. These projections exclude pregnant women and indigent categories.

### 9.6 ID Card Authentication Software Income

The Authority expects a total amount of **GH¢2.2 million** from a software it developed that enables banks and other financial institutions to authenticate the identity of NHIS Card bears, accessing financial services. Currently seven banks and two non-bank financial institutions have signed on to the platform.

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### 9.6 Other income

The Authority expects to earn **GH¢0.78 million** from provider credential fees, motor insurance fees and sale of tender documents

## 9.6 Funding Gap

The funding gap is **GH¢377.06 million**. This is expected to be financed by government from its contingency vote for 2016.

Sources	Amount GH¢ million	%
NHIL	1,145.25	57.00
SSNIT	352.03	18.00
Premium (Informal)	67.56	3.00
Income on Investment	17.01	1.00
Processing Fees & Other Income	85	4.00
ID Card Auth. Software	2.2	0.10
Other Income	0.78	0.04
Revenue expected from GoG (Financing gap)	377.06	22.40
<b>Total</b>	<b>2,006</b>	<b>100.00</b>

## 9.7 Registration coverage

The population of Ghana in 2015 is estimated at 27.169 million; and the projection for 2016 is 27.497 million. Current registration figures indicate that active membership is 11.20 million and that constitutes 41% of the population.

The Authority plans to intensify efforts through massive membership campaigns and policy reforms to encourage enrolment and renewal of membership. It is therefore estimated that 43% of the population or 11.9 million would constitute the active membership of the NHIS in 2016. This is about 6.25% increase over the active membership base in 2015.

The allocation of the Fund is therefore based on the assumption that 11.9 million of the population in Ghana will access benefits under the scheme in 2016.

## 9.8 Average premium per head

Average premium rates per member (informal sector) in 2015 was GH¢12. In 2016, it is planned to strengthen controls over the CPA system in order to improve premium collections and accountability, and also reduce leakages. It is expected that the average premium per member would increase to GH¢20.

## 9.9 Average claim bill per active member

The average claim bill per active member in 2015 was GH¢87.86. In 2016 the cost rose to GH¢101.64 per active member. The projection is based on expected upward tariff adjustment of 30%.

The Authority also plans to pursue vigorous cost efficiency reforms in 2016 and this is expected to yield cost savings of 10% for the period giving a net effect of 20% upward adjustment.

#### **9.10 Determination of allocation of funds**

Based on the above allocation formula and the objectives of the fund, the following criteria for the allocation of the fund as described by Act 852 shall be applied;

#### **9.11 Subsidies for the exempt Group**

For the purpose of implementing the object of the Fund, section 77 (2) of Act 852 stipulates the setting aside of some monies from the Fund to provide for health care for the indigents, and by extension, the exempt group.

Act 852 exempts the following groups from paying premium and thereby enjoins the Authority to make premium payments on behalf of the exempt group to cover their health care cost.

The exempt groups are;

- i. Indigents
- ii. Under 18 years of age
- iii. Pensioners under the SSNIT Scheme
- iv. Aged (70 years of age and above)
- v. SSNIT contributors
- vi. Pregnant women

Premium of contributors to the SSNIT Pension Scheme are to be paid from NHIF by virtue of the payments of 2.5 per cent of SSNIT contributions to the NHIF. The rest are also exempt by law (Act 852).



## 10.0 SUMMARY OF PROPOSED ALLOCATION OF FUNDS FOR 2016

The proposed allocation of funds to various Activities is stated in the Table below:

Activity	GH¢ 'million
Claims Arrears - 2015	246.00
Claims - 2016	1,209.56
NHIA Operational Expenses	149.71
Support to District Offices	35.00
Support for MOH	146.60
Support for District Health Projects and MP's M&E	19.95
Per Capita Payment System	2.00
Claims Processing Centers	7.15
Biometric ID Cards and Authentication System	69.53
Nationwide ICT System	52.54
Office Buildings	7.25
Call Center	0.10
Archival System and Document Digitization	15.00
Support for Health Related Research	0.50
Sensitization, Publicity, tools and Marketing	3.00
Claims Data Capturing	10.00
NHIS Review	1.00
NHIS Data Integration	10.00
Assurance Services for Claims & Systems Strengthening	6.00
Contingency	10.00
<b>Total</b>	<b>2,006.89</b>

## 11.0 OBSERVATIONS AND RECOMMENDATIONS

### 11.1 Programmes of the Authority for 2016

The Chief Executive Officer informed the Committee that the Authority intends to increase its active membership from 11.2 million to 11.9 million in 2016. He stated that the Authority would continue to reform and implement efficiency gains' measures in claims management and operating expenditure.

He further intimated to the Committee that the Authority would continue to explore new investment avenues to enhance adequate funding of the scheme.

### 11.2 Review of the NHIS operations

The Minister for Health informed the Committee that as part of measures by Government to improve the funding and efficiency of the Fund, a Technical Review Committee has been put in place to review the operations of the Scheme. The special

Committee would assess the current operations of the Scheme and recommend ways to ensure that the Scheme operates more effectively and economically.

### 11.3 Budget of the Fund

The Committee noted that for the year 2016, an amount of GH¢1,497 million was allocated to the NHIF in the Appropriations Act, 2016. However, the Authority is requesting a total amount of GH¢2,006.89 million for its operations.

The Chief Executive Officer explained that the amount of GH¢1,497 million represented receipts from VAT and SSNIT, which are part of the revenue sources of the Fund. However for the Scheme to operate optimally, an amount of GH¢2,006.89 million was required. Expected total receipts made up of GoG receipts and Internally Generated Funds for 2016 amounted to GH¢1,669.83 leaving a funding gap of GH¢337million.

The Committee was however of the view that in line with Article 108 Parliament could only approve an amount of GH¢1,497 million as receipts from Government. This is because it is this amount that finds expression in the Appropriations Act, 2016.

The Minister stated that the entire budget required by the Authority is captured in the Formula. However, the august House is reminded to take note of the constraints that the Authority is likely to face if the gap of GH¢337 million is not financed. He however assured the Committee that the Authority would not go beyond the Ceiling provided for in the Appropriations Act, 2016 and said that the Ministry would be expecting additional allocation from the Supplementary Budget in the course of the year.

The Minister assured the Committee that when the Technical Review Committee set up to review the Scheme completes its work, the operations of NHIA would be improved as the cost of operations would go down and revenue sources improved.

### Recommendation

The Committee holds the view that the activities of the NHIA are very important in the provision of healthcare in the country and therefore urges the Minister for Health to engage the Minister for Finance and Cabinet to explore ways of adequately resourcing the operations of the Authority.

### 12.0 FORMULA FOR DISBURSEMENT

In line with the provisions of the National Health Insurance Act, 2012 (Act 852) the Chief Executive presented the formula for the disbursement of the National Health Insurance Fund for the year 2016. Find the Formula attached as Appendix 1.



### 13.0 CONCLUSION

After careful consideration, the Committee recommends to the House to adopt the sum of **GH¢1, 497 million** captured in the Appropriations Act, 2016 as budgeted receipts for the National Health Insurance Authority to implement its programme of activities for 2016 financial year whilst additional funding is being sought.

Towards this end, the Committee urges the Minister of Finance to take all the necessary steps to ensure that the funding gap is closed in order to keep the NHIA solvent.

The Committee also recommends that the Proposed Formula for the disbursement of the National Health Insurance Fund for the year 2016 be approved.

Respectfully submitted.



2

**HON. EBO BARTON-ODRO**  
**CHAIRMAN, COMMITTEE ON THE WHOLE**



**ASANTE AMOAKO ATTA**  
**CLERK TO THE COMMITTEE**

3<sup>rd</sup> March 2016

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