

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



**REPORT OF THE COMMITTEE OF THE WHOLE ON THE
NATIONAL HEALTH INSURANCE FUND (NHIF) ALLOCATION
FORMULA 2006**

1.0 INTRODUCTION

The National Health Insurance Fund (NHIF) Allocation Formula (2006) was laid before the House on Friday 10th November, 2006 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.

Mr. Speaker, the Committee in its deliberations met with Mr. Samuel Owusu-Adjei, the Deputy Minister of Health, Dr. Akoto Osei, Deputy Minister of Finance and Economic Planning, Mr. Ras A. Boateng, the Chief Executive Officer of the National Health Insurance Council (NHIC), Mr. Osei Boateng Acheampong, Director of Operations of the NHIC, Mr. Adu Anane Antwi, Director of Fund Management and Investment of NHIC, Mr. Ben Kusi, Director of ICT of the NHIC, Mr. Francis Xavier Andoh-Adjei, Deputy Director of Operations of the NHIC and Mr. Ahmed A. Imoro, Deputy Director of Finance of the NHIC and reports as follows:

C2

ACC NO: 5079

CLASS NO: NHIF06(AF)

2.0 REFERENCE DOCUMENTS

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

3.0 BACKGROUND

Mr. Speaker, the National Health Insurance Council (NHIC) was established by the National Health Insurance Act, 2003 (Act 650). The function of the Council 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 NHIC responsible for its management.

THE NATIONAL HEALTH INSURANCE FUND (NHIF) ACCUMULATES FROM THE FOLLOWING SOURCES:

- a. The National Health Insurance Levy;
- 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.

4.0 OBJECT OF THE FUND

Mr. Speaker, 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 shall be expended as follows:

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

4.1 GENERAL ASSUMPTIONS FOR THE 2006 ALLOCATION

4.1.2 BUDGETARY ALLOCATION

Mr. Speaker, on the basis of projections contained in the 2006 Budget Statement, the National Health Insurance Council estimates that the NHIF would realize an amount of ₦1,513.7 billion in the year 2006

from its two major sources of funds, namely the NHIL (VAT & CEPS) and SSNIT contribution.

4.1.3 REGISTRATION COVERAGE

Mr. Speaker, in 2005 the Council set a registration target of 10% of the population of Ghana. Returns received from the DMHIS indicate that as at the end of December 2005, 17% of the population has been registered. Based on the 2005 registration performance, the Council had set a target of 50% coverage in 2006.

The allocation of the fund is therefore based on the assumption that 50% of the population of Ghana will access benefits under the scheme in 2006.

4.1.4 NUMBER OF SCHEMES

Mr. Speaker, as at the end of December 2005, One Hundred and Twenty-Three (123) schemes were fully operational. Eight (8) newly created District Assemblies which were previously part of these operational schemes have since becoming autonomous, initiated the necessary processes to wean themselves off their sister district schemes which will all be operational this year. Provision has been made to cover the establishment of four (4) more schemes in the year. The allocation is therefore based on the assumption of One Hundred and Thirty-Five (135) schemes.

4.2 INVESTMENT INCOME

Mr. Speaker, an amount of ₦611.90 billion was allocated for investments in 2005. A further amount of ₦53.54 billion has been allocated for investments in 2006. These investments are expected to generate an average return of 10% amounting to ₦66.54 billion.

The total inflow to the NHIF in 2006, including the expected investment income is therefore estimated to be ₦1,580.24 billion.

The expected investment income of ₦66.54 billion will however not be available for allocation as it will be retained in the investment account to grow the fund.

The allocation is made on the basis of a National Health Insurance Fund of ₦1,513.7 billion provided for in the 2006 Budget Statement.

4.3 DISTRICT MUTUAL HEALTH INSURANCE SCHEMES (DMHIS)

The District Mutual Health Insurance Schemes (DMHICs) by law are to operate as companies limited by guarantee and also to receive subsidy from the National Health Insurance Fund (NHIF). They will incur expenditures in managing the scheme and in paying for the services rendered by health care providers to insured persons.

4.4 DETERMINATION OF ALLOCATION OF FUNDS

4.4.1 SUBSIDIES FOR THE EXEMPT GROUPS AND SSNIT CONTRIBUTIONS

Mr. Speaker, the law proposes subsidies to 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 exempts groups (subsidy variables) is
Allocation = (a+b+c+d+e) x 100,000 +Administration Cost &
Investments

4.4.2 PROPOSED ALLOCATION OF FUNDS TO THE VARIOUS ACTIVITIES

ITEMS	ALLOCATION (¢)	PERCENTAGE(%)
Subsidy	628.80 billion	41.54
SSNIT Contributions	64.00 "	4.23
Council Secretariat	75.2 "	4.97
Service Providers Support	80.50 "	5.32
Health Services Investment	334.00 "	22.06
Financially Distressed Schemes	47.25 "	3.12

Administration/Logistics	147.01 "	9.71
Secretariat Building (2 nd phase)	18.40 "	1.22
MIS & ICT Solution	65.00 "	4.29
Investments	53.54 "	3.54
TOTAL	1,513.7 "	100

4.4.3 PROPOSED ALLOCATION OF FUNDS TO VARIOUS EXPENDITURE ITEMS

EXPENDITURE ITEM	AMOUNT IN ₦ BILLIONS
Personnel Emoluments	52.34
Administration Expenditure	49.47
Service	1,144.74
Capital Expenditure	267.15
TOTAL	1,513.70

5.0 OBSERVATIONS

Mr. Speaker, the Committee observed that budgeted receipts for 2005 was ₦1,300 billion, actual receipts for 2005 was ₦984.48 billion and an outstanding amount (difference) of ₦315.52 billion. Also the ₦315.52 billion formed part of an amount of ₦706.29 billion in the NHIL Account as at December 31, 2005.

The Committee was informed by the NHIC that NHIF is different from the NHIL and also money in the NHIL must be transferred into the NHIF before the NHIC can access it.

The Committee further observed that out of the amount received from the NHIL Account, a total of ₵920 billion was placed in call/current accounts with six (6) banks some of which are: The Ghana Commercial Bank (GCB), The National Investment Bank (NIB), and ECOBANK (ECB). Disbursements for the year 2006 were made from the accounts with the GCB and Ecobank.

Mr. Speaker, the NHIC informed members that they regulate all the district schemes and so control all the zonal offices. They also said that the NHIC does not invest in government securities.

The Committee noted that a total amount of seven billion, eight hundred and sixteen million, seven hundred and ninety-five thousand, eight hundred and fourteen cedis, forty-eight pesewas (₵7,816,795,814.48) was realized in 2005 as interests on the call investments made. The investment income however, as a policy, is not available for allocation as it is retained as a reserve in the investment account to grow the fund.

The NHIC disclosed to the Committee that on average, each Ghanaian goes to hospital at least twice a year and on average spends ₵60,000 at hospital. Majority of these people go with malaria symptoms.

Mr. Speaker, the Committee observed that 100,000 Health Assistants are being trained in existing health institutions for periods of 3 months.

6.0 RECOMMENDATION/CONCLUSION

Mr. Speaker, the Committee recommends that investment plans must be approved by the Ministry of Finance as required by law.

Honourable members also pointed out that it is required by law that money in the NHIL must be transferred into the NHIF within a month but this has not been done, therefore the Minister of Finance must address it.

Respectfully submitted.



HON. FREDDIE BLAY
(1ST DEPUTY SPEAKER AND
CHAIRMAN OF THE COMMITTEE)



MICHAEL AMOATENG
(FOR CLERK TO THE COMMITTEE)

DATE: 22ND NOVEMBER, 2006