

**IN THE FOURTH 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
2012**

MARCH 2012

Acc. No.: 5040

class No.: CR/HEALTH/12

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THE YEAR 2012**

1.0 INTRODUCTION

On Monday, 19th March, 2012, the proposed formula for distribution of subsidies to be paid to licensed district mutual health schemes for the year 2012 was laid before the House. The Rt. Hon. Speaker, Madam Joyce Bramford-Addo 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.

1.1 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 2003 (Act 650)
- iv. The Proposed formula for 2011
- v. Approved formula for distribution of subsidies to be paid to licensed district mutual health insurance schemes for the year 2011
- vi. The proposed formula for 2012

1.2 ACKNOWLEDGEMENT

Clarifications were also sought on the proposed formula from the following officials of the National Health Insurance Authority (NHIA):

- i. Mr. Sylvester Mensah, Chief Executive Officer, NHIA
- ii. Mr. Ahmed A. Imoro, Acting Director of Finance, NHIA; and
- iii. Mr. Nathaniel Otto, Director Administration and Legal, NHIA.

The Committee is most grateful to them for their inputs and the support they provided.

2.0 BACKGROUND

The Government of Ghana through the Ghana Poverty Reduction Strategy (GPRS) has planned its policy strategy of dealing with poverty in Ghana. One of the essential components of the GPRS is the strategy to deliver accessible and affordable health care to all residents in Ghana especially the poor and vulnerable.

In achieving the above strategy, the National Health Insurance Scheme 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.

Furthermore, the introduction of the National Health Insurance Act, 2003 (Act 650) established National Health Insurance Authority (NHIA) to secure the implementation of a National Health Insurance policy. Consequently, the National Health Insurance Fund (NHIF) was established under section 76 of Act 650 and mandated the Council of the NHIA to be responsible for the management of the Fund.

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, 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)

- i. The National Health Insurance Levy (NHIL);
- ii. Two and one-half percent (2.5%) of each person's eighteen and one-half percent (18.5%) contribution to SSNIT Pension fund;
- iii. Funds allocated by Parliament;
- iv. Money that accrues to the Fund from investments made by the Council and;
- v. Grants, donations, gifts and any other voluntary contributions made to the Fund.

3.0 GENERAL ANALYTICAL REVIEW OF 2011 RECEIPT AND PAYMENTS

A total amount of **GH¢504.68 million** was received for the year 2011, out of which **GH¢176.71 million** relates to 2010 arrears.

For the year ending 2011, total payments was **GH¢801.86 million** and the total expenditure as at December 31, 2011 was **GH¢742.25 million** as against the annual budget of **GH¢772.87 million**. There was a reported variance of **GH30.62 million** or **3.96%** of the annual budget.

Hence, the Authority recorded a deficit of **GH¢269.09 million** for the year under review. The deficit was financed from disinvestment proceeds and borrowing from the bank.

4.0 COMPARATIVE ANALYSIS OF COLLECTIONS & RECEIPTS

The Authority budgeted **GH¢402.07 million** as net NHIL collections for 2011. However, the collection reports stated that a total amount of **GH¢415.39 million** has been collected by the revenue agencies by November 30, 2011 but only **GH¢270.05 million** of the collection has been received by the NHIA.

4.1 Annual Budget Against Actual Releases from MOFEP

Year	Budgeted Collection GH¢m	Releases GH¢m	Variance GH¢	Variance
2010	480.90	401.85	(79.05)	(16.4%)
2011	402.07	415.39	(132.02)	32.8%

4.2 Reported Collection (VAT & SSNIT) against Actual Releases from MOFEP

Year	Budgeted Collection GH¢m	Releases GH¢m	Variance GH¢	Variance
2010	401.85	401.85	-	-
2011	415.39*	415.39	(145.3)	(35.0%)

*This is net of 92.03 deducted for social intervention programmes.

5.0 REVIEW OF INVESTMENT PERFORMANCE AND POSITIONS IN 2011

Investments of the Authority are in fixed deposits with Banks and in promissory notes issued by Ministry of Finance and Economic Planning (MoFEP). As at January 1, 2011, the principal value of the Fund was **GH¢302.23 million** and this balance dropped to **GH¢164.42 million** at the end of 2011.

The loss in the value of the investment portfolio was largely due to disinvestment of fixed deposits of **GH¢180.69 million** and matured promissory note of **GH¢57.21 million**, amounting to a total disinvestment of **GH¢237.91 million**. The proceeds from the disinvestment and matured promissory notes were used for the payment of claims liability.

The investment portfolio in fixed deposits earned a total interest of GH¢32.10 million.

In 2011, the disinvestment had serious adverse effects on the fund. The acceptable international practice requires that for the sustenance of an insurance scheme, the scheme should have investment cover of at least 18 months. But currently, the investment of the Authority provides cover for only 3 months. This situation poses serious threat to the sustainability of the National Health Insurance Scheme.

6.0 GENERAL PROJECTIONS UNDERLYING THE 2012 ALLOCATION

The projection underlining the Budget Allocation for 2012 is as follows:

6.1 BUDGETARY ALLOCATION

The total budgeted receipt for 2012 is estimated at GH¢927.77 million and the composition is as follows:

- **Levies from NHIL and SSNIT**

On the basis of MOFEP Budget Statement for 2012, the National Health Insurance Fund is expected to realize an amount of **GH¢682.21 million** from NHIL and SSNIT contributions in the year 2012. The breakdown is NHIL **GH¢560.9 million** and SSNIT contribution is **GH¢121.31 million**.

- **Premium from Informal Sector**

The Premium from informal sector is budgeted at **GH¢45.01 million**. This represent an average premium of **GH¢10.71** per member for a total active membership of **4,201,152** for the informal sector in 2012.

- **Other Income**

The Authority proposed to realized **GH¢0.50 million** from provider accreditation fees, motor insurance fees, and sale of tender documents.

- **Interest Income from Investment**

The Authority expects to earn total interest income of **Gh¢ 14.00 million** from its investment portfolio.

- **Government of Ghana Support¹**

The funding gap is **GH¢186.05 million**. The Authority is engaging and negotiating with government for additional funding from the government's contingency vote or any other government funding to support planned activities for 2012.

SOURCES OF ALLOCATION

	SOURCES OF ALLOCATION	AMOUNT IN GH¢ MILION	PERCENTAGES %
1.	NHIL & SSNIT	682.21	73.53
2.	Premium (Informal)	45.01	4.85
3.	Income on Investment	14.00	1.51
4.	Other income	0.50	0.05
5.	Government of Ghana ¹	186.05	20.06
	Total	927.77	100.00

SOURCE: NHIA

6.2 REGISTRATION COVERAGE

The population of Ghana in 2011 is estimated at **24.53 million**; and the projection for 2012 is **25.02 million**. Current registration figures indicate that 18.5 million of the total population of Ghana had been registered. Of this number, active membership was **8.30 million** (as at September 30, 2011). Currently, only about 34.0% of the total population constitutes active members of the NHIS.

The Authority plans to intensify efforts through massive membership campaigns and policy reforms to encourage enrolment and renewal of membership. We therefore estimate that **50%** of the population or **12.53 million** shall constitute the active membership of the NHIS in 2012. This constitutes about **50.1%** increase over the active membership base in 2011.

The allocation of the Fund is therefore based on the assumption that **12.53 million** of the population in Ghana will access benefits under the scheme in 2012.

6.3 NUMBER OF SCHEMES

As at the end of 2011, NHIS has one hundred and forty-five (145) district offices and three satellites offices. Provision has been made for the establishment of 17 no. satellites offices in 2012 to cater for densely populated districts. This will bring to total 162 district and satellite offices in 2012.

6.4 AVERAGE PREMIUM PER HEAD

Average premium rates per member (informal sector) in 2011 was **GH¢10.50**. In 2012, it is expected that the average premium per member will increase to **GH¢15.00**.

6.5 AVERAGE CLAIM BILL PER HEAD

The average claim bill per active member in 2010 was **GH¢36.91**. In 2011 the cost rose by 50.8% to **GH¢55.67** per active member. The average encounter per member was 2.1 in 2011, resulting in **GH¢26.50** as the average cost per encounter. The rise was partly due to increase in utilization and partly to the 25% upward adjustment in the tariffs.

In 2012, we expect further upward review in the tariffs and the medicine cost by 10%. We therefore expect the average claim bill per member per year to increase to **GH¢61.23** in 2012. In 2012, the Authority is expected to initiate a number of cost containment strategies to mitigate the expected rise in claim bills. These cost containment strategies are expected to reduce the claims bills by 20.0% in 2012; to yield average claim bill per head of **GH¢48.99** in 2012.

6.6 DETERMINATION OF ALLOCATION OF FUNDS

Total funds allocated for the payment of claims for the year 2012 is **GH¢605.74 million**. This comprises of;

- Premium subsidy for the exempt group - **GH¢124.88 million**
- Claims - **GH¢425.79 million**
- Reinsurance for distressed schemes - **GH¢ 55.07 million**

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

For the purpose of implementing the object of the Fund, section 77 (2) of Act 650 stipulates the setting aside of some monies from the fund to provide for health care for the indigents, and by extension, the exempt group.

The law (Act 650) exempts the following groups from paying premium and thereby enjoins the Authority to make payment of the premium to the DMHIS on behalf of the exempt group to cover their health care cost. The exempt groups are;

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:

- i. Indigents
- ii. Under 18 years of age
- iii. Pensioners under the SSNIT Scheme
- iv. Persons aged 70 years and above
- v. SSNIT Contributors
- vi. 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).

7.0 SUMMARY OF PROPOSED ALLOCATION OF FUNDS FOR 2012

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

ACTIVITY	GH¢ 'million	(%)
Subsidy – Premium for Exempt Category	124.88	13.46
Subsidy - Claims	425.79	45.89
Reinsurance	55.07	5.94
Authority's Operations	36.50	3.93
Support for MOH - Public Health & Preventive Care	39.75	4.28
Support for MOH – Health Sector Investment	69.86	7.53
Construction of 1 no. District Hospital	6.30	0.68
Office Complex- Nurses & Midwives	2.00	0.22
Claims Processing Centers	3.63	0.39
Nationwide ICT Solution & Biometric System	45.13	4.86
Call Centre	2.00	0.22
Support for Health-related Research work	3.00	0.32
Administrative & Logistical Support to Schemes	50.96	5.49
Support for District Health Projects	11.50	1.24
Support for Parliamentary M&E	1.15	0.12
Construction of Head Office Annex & Car Park	4.25	0.46
Completion of Regional Offices	2.80	0.30
Archival & Storage Facility	1.43	0.15
Construction of 50 no. District Scheme Offices & Satellites offices	15.00	1.62
Corporate Social Responsibility	1.00	0.11
Contingency	26.77	2.89
Total	927.77	100.00

8.0 OBSERVATIONS AND RECOMMENDATIONS

8.1 Support for Health Service Investment

- **Allocation to National Youth Employment programme**

It was proposed that an amount of GH¢20.86 million be allocated to cater for allowances of Health Extension Workers under the National Youth

Employment Programme. Funds were vied from the Malaria Vector Control Programme (GH¢10m) and the Cuban Medical Brigade (GH¢8.86m) and added to the ¢2 million allocated to the NYEP to ensure that all allowances owed the beneficiaries of the Health Extension Programme are paid.

- **Cuban Medical Brigade**

It is expected that 300 medical officers from Cuba would arrive in the country to augment the number of medical doctors in our rural areas. A number of the doctors would also be posted to some of our medical schools especially the University of Development Studies to teach. It is expected that the GH¢20 million allocated to the programme would be used judiciously to cater for the stay of the brigade.

8.2 Support to Public Health and Preventive Care

- It was observed that the allocation to cervical, breast and prostate cancer is very inadequate. The Committee was assured that adequate funds have been committed to these public health diseases by the Ministry of Health in terms of machinery and personnel. The allocation is thus made towards disease awareness and preventive care. The Committee recommended that such programmes should be budgeted for by the Ministry of Health to enable the NHIA commit funds to its core functions. Efforts should also be made by the Ministry of Health to reduce the excess demands it makes on the fund.

8.3 Nationwide ICT Solution and Biometric Registration System

- The National Health Insurance Authority was commended for the establishment of a Nationwide ICT Solution and Biometric Registration System to ensure effective communication as well as efficient data storage and analysis. However, due to the inadequacy of funds allocated to maintenance and upgrading of the system it was suggested that the system if possible be merged with that of the National Identification Authority to ensure funds are saved for other projects of the NHIA.

8.4 Establishment of District Scheme offices and Satellite Offices

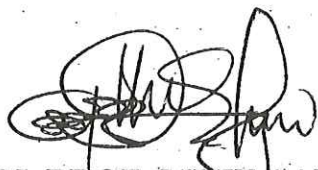
- To cope with the rising levels of operational activity of the scheme offices, 50 offices would be reconstructed within the year. The NHIA was commended for those constructed in 2011 and urged to construct more to ensure the schemes operate as expected.

8.5 Head Office Annex and Claims Processing Centre

- The Committee expressed concern about the allocation of an amount of GH¢4.25m towards the construction of a Head Office Annex to accommodate the claims processing centre and two other divisions of the Authority. It was however informed that the claims processing centre is currently housed in a rented premises and construction of the head office annex would curtail the payment of high rental charges paid by the Authority. It was recommended that the Authority should reduce the number of capital intensive projects it targets in a year and concentrate on its core functions.

9.0 CONCLUSION

The Committee recommends that the proposed formula for the distribution of subsidies to be paid to licensed district mutual health insurance schemes for the year 2012 be approved.



21/03/12

For

HON. PROF. MIKE AARON OQUAYE
SECOND DEPUTY SPEAKER



MS. ANITA QUARTEY-PAPAFIO
CLERK
COMMITTEE ON HEALTH