

PARLIAMENT OF GHANA LIBRARY

REPORT OF THE COMMITTEE OF THE WHOLE

ON

**THE PROPOSED FORMULA FOR THE DISBURSEMENT OF
THE NATIONAL HEALTH INSURANCE FUND
FOR YEAR 2018**

MARCH 2018

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1.0 INTRODUCTION

1.1 The Proposed Formula for the disbursement of the National Health Insurance Fund for year 2018 was laid before the House on Wednesday, 14th June, 2017. The Formula was referred to the Committee of the Whole for consideration and report in accordance with the Standing Orders of the House and article 103 (3) of the Constitution of the Republic of Ghana.

2.0 REFERENCE DOCUMENTS

2.1 The Committee during its deliberations referred to the following:

- 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 Formula for the Disbursement of the National Health Insurance Fund for 2017
- v. The Report of the Committee of the Whole on the Formula for the Disbursement of the National Health Insurance Fund for year 2017

3.0 ACKNOWLEDGEMENT

3.1 In attendance at the Committee's deliberations were Hon. Kingsley Aboagye-Gyedu, Deputy Minister for Health, Dr. Samuel Yaw Annor, Chief Executive Officer of the National Health Insurance Authority (NHIA), Mr. Francis Owusu, Deputy Chief Executive Officer, Finance and Investment, NHIA and Mr. Ahmed Imoro, Director of Finance, NHIA. The Committee is grateful to them for their assistance.

4.0 BACKGROUND

- 4.1 The Government of Ghana through the Ghana Poverty Reduction Strategy (GPRS) planned its policy strategies of the essential components of the GPRS. One of the strategies is aimed at delivering accessible and affordable healthcare to all residents in Ghana, especially the poor and vulnerable. In achieving this objective, the National Health Insurance Act, 2003 (Act 650) was enacted to give legal basis to the establishment of the National Health Insurance Scheme (NHIS) to provide financial risk protection against the cost of quality basic healthcare for all residents in Ghana. The NHIS introduced a district-wide mutual health insurance scheme to enable access to basic healthcare services without paying cash at the point of service delivery. Act 650 was later repealed and replaced by the National Health Insurance Act, 2012 (Act 852).
- 4.2 The enactment of Act 852 brought the National Health Insurance Authority (NHIA) into being, to secure the implementation of a National Health Insurance Policy. Act 852 also established the National Health Insurance Fund (NHIF) under section 39 and mandated the Council of the NHIA to take charge of the responsibility of the management of the Fund.

5.0 OBJECT OF THE FUND

- 5.1 The object of the Fund is to pay for healthcare services of members of the National Health Insurance Scheme (NHIS).
- 5.2 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:
- i. To pay for the health care costs of members of the National Health Insurance Scheme
 - ii. To pay for approved administrative expenses in relation to the running of the National Health Insurance Scheme

- iii. To facilitate the provision of access to healthcare services
- iv. To undertake investments to promote access to health services as may be determined by the Minister for Health in consultation with the Board of the Authority

6.0 SOURCES OF THE FUND

6.1 Sources of the Fund are stipulated in Section 41 of Act 852 as follows:

- i. The National Health Insurance Levy (NHIL)
- ii. Two and a one half per cent (2.5%) of each person's contribution to the Basic SSNIT Pension Fund
- iii. Monies approved for the Fund 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)

7.0 RECEIPTS AND PAYMENTS FOR 2017

7.1 In respect of NHIL, the Authority received an amount of GH¢1,205.38 million from the Ministry of Finance for the year ended 31st December, 2017. Premium, processing fees and other incomes received during the period amounted to GH¢177.22 million bringing total receipts to GH¢1,382.6 million. Payments made during the period amounted to GH¢1,337.60 million. Excess receipts over payments therefore stood at GH¢45 million. Details are in Appendix A attached to the Report.

8.0 REVENUE AND EXPENDITURE FOR 2017

8.1 On accrual basis, the total budget expenditure for the year ending 31st December, 2017 was GH¢1,719.85 million as against an annual budget of GH¢2,261.74 million. This resulted in a difference of GH¢541.89 million. Details are in Appendix B attached.

9.0 COMPARATIVE ANALYSIS OF NHIL/SSNIT COLLECTIONS AND RECEIPTS

9.1 The Authority's Budget allocation for NHIL/SSNIT for 2017 was **GH¢1,734.46 million** as contained in the Budget Statement and Economic Policy for the 2017 Financial Year. However, NHIL/SSNIT collections for the Year (including estimated NHIL collections for December 2017 and SSNIT collections from October to December 2017) was **GH¢1,564.01 million**. Of the total collections, an amount of GH¢1,205.38 million constituting 77.07% had been received by the Authority as at 31st December, 2017.

10.0 REVIEW OF INVESTMENT PERFORMANCE AND POSITION AS AT 31ST DECEMBER, 2017

10.1 Investments of the Authority are in fixed deposits largely with the banks. As at 1st January, 2017, investments valued GH¢76.22 million and the investment portfolio earned a total interest of GH¢14.05 million for the 12 months period. The balance as at 31st December, 2017 stood at GH¢72.73 million. The decrease in the investment balance was largely due to disinvestments. Dis-investments amounting to GH¢71.99 million was applied to pay part of medical claims.

11.0 REVENUE PROJECTIONS FOR 2018

11.1 The Authority expects to receive a total amount of GH¢2,375.24 million in 2018 from NHIL/SSNIT and other sources to be able to execute its mandate in 2018. The breakdown of the projections is shown in Table 1 as follows:

Table 1

SOURCES	GH¢ Million	% of Total Amount from the Sources
Levies - NHIL	1,814.86	76.41
- SSNIT	419.06	17.64
Premium (Informal)	59.42	2.50
Income on Investment	15.73	0.66
Processing Fees	64.17	2.70
ID Card Auth. Software	1.20	0.05
Other Income	0.80	0.04
Additional Support Required to Finance Gap	0.00	0.00
Total	2,375.24	100.00

11.2 The amount of GH¢59.42 million estimated to be received as **premium from the informal sector** represents an average premium of GH¢18.26 per member for a projected active membership of 3,254,440 in 2018.

11.3 The Authority expects to receive a **total interest income** of GH¢15.73 million based on an expected portfolio size of GH¢85 million at a projected return of 18.50% per annum.

11.4 Proceeds from **processing fees** from both the formal and informal sectors is projected at GH¢64.17 million. The estimate represents an average fee of GH¢6.11 per member for a projected membership of 10,517,577 from both sectors in 2018. The projected membership excludes pregnant women and the indigent categories.

12.0 PROPOSED ALLOCATION OF THE FUND FOR 2018

12.1 The proposed Allocation or Formula for the disbursement of the Fund to the various activities to be undertaken by the Authority for 2018 are in Appendix C attached and the summary is indicated in Table 2 as follows:

Table 2

Activity	GH¢ million	% of Fund
Claim Arrears- 2017	181.74	7.65
Claims- 2018	1,400.00	58.94
NHIA Operational Expenses	218.25	9.19
Support to District Offices	67.02	2.82
Support for MOH	164.81	6.94
Support for District Health Projects and MP's M & E	27.38	1.15
Per Capita Payment System	0.00	0
Claims Processing Centers and E-Claims	41.10	1.73
Biometric ID Cards and Authentication System	96.25	4.05
Nationwide ICT Network	52.09	2.19
Office Buildings	25.20	1.06
Call Center	0.70	0.03
Archival System and Document Management	15.60	0.66
Support for NHIS Related Research	0.15	0.01
Sensitisation, Publicity and Marketing	7.60	0.32
Claims Data Capturing	25.00	1.05
NHIS Review	7.00	0.3
NHIS Data Integration	24.95	1.05
Assurance Services for Claims & Control Systems Strengthening	6.90	0.29
Corporate Social Responsibility	3.00	0.13
Contingency	10.50	0.44
Total	2,375.24	100.00

13.0 OBSERVATIONS AND RECOMMENDATIONS

Funding Gap

- 13.1 It would be recalled that in the 2017 Formula for the Disbursement of the National Health Insurance Fund, there was a funding gap of GH¢379.68 million contributing to the myriad of challenges of NHIA including threats by service providers to withdraw services. It was therefore gratifying to note that there is no funding gap in the 2018 Proposed Formula. The Committee commends the officials of NHIA for the prudent

financial management and efforts that led to the elimination of the funding gap which it had been grappling with for years.

Information and Communication Technology

- 13.2 The Officials of NHIA informed the Committee that the Authority is desirous of embarking on a nationwide Information and Communication Technology (ICT) as part of its efforts to intensifying the use of ICT to ensure smooth operations. A provision has therefore been made for it, as indicated in the proposed Formula. The Authority says the nationwide ICT would help deal with the issue of the rising cost of claims and administration and eliminate fraud in the insurance system.
- 13.3 The Committee lauds NHIA for its intention to embark on the nationwide ICT to deal with its challenges but recommends that the Authority involves the National Information Technology Agency (NITA) to avoid any duplication since NITA is responsible for implementing the Nation's ICT policies. Another reason is also that the NHIA can be short-changed if it does not consult with NITA on its ICT needs.

NHIA District Offices

- 13.4 As the House is already aware, NHIA district offices are for the purpose of decentralising operations to enable easy access to the services rendered by the Authority and for that matter health care. The Committee noted that the Authority intends completing about ten (10) of its districts offices and commencing the construction of an additional five (5). A total of fifteen (15) district offices are therefore expected to be commissioned for use by the end of 2018 and amount of GH¢25 million has been proposed by the Authority in that respect. The absence of NHIA offices in some of the districts however, was of serious concern to the Committee. Honourable Members also lamented on the appalling working conditions of those already in existence.
- 13.5 The Committee recommends that NHIA makes the effort to set-up district offices in the districts across the Country to enable the Authority better serve the needs of the

citizenry and other residents. The NHIA must also endeavour to address the issue of poor working conditions of the district offices and resource them well to deliver good quality, reliable, effective and efficient services.

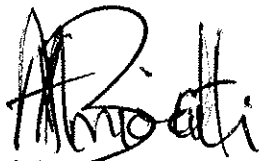
Active Membership Coverage

- 13.6 The Committee observed that active membership coverage of the Scheme in 2017 stood at 37% with the Countries population of 28,956,587 in the Year. The NHIA has estimated to cover 42%.of the projected population of 29,028,484 in 2018. Active membership of the Scheme is therefore expected to be 12,242,268 in 2018.

14.0 CONCLUSION

- 14.1 Indisputably, inadequate funding remains a major problem of NHIS and a serious threat to the sustenance of the Scheme. Government should therefore seek additional sources of funding to address the financial and logistical challenges confronting the Scheme. The Committee also urges the Ministry of Finance to ensure timely releases of funds to the NHIA, to avoid delays in claims/debts settlements and to also enable the Authority deal with some of its logistical challenges.
- 14.2 The Committee recommends to the House to approve the Proposed Formula for the Disbursement of the National Health Insurance Fund for 2018.

Respectfully submitted.



MICHAEL AMOATENG
ASST. CLERK TO THE COMMITTEE



HON. JOSEPH OSEI-OWUSU
CHAIRMAN, COMMITTEE OF THE WHOLE

March 2018

APPENDIX A

4.0 ANALYTICAL REVIEW OF 2017 FINANCIAL PERFORMANCE & POSITIONS

4.1 A STATEMENT OF RECEIPTS & PAYMENTS AS AT DECEMBER 31, 2017

Total amount of **GH¢ 1,205.38 million** was received from MOFEP for the year ending December 31, 2017. Other receipts during the period amounted to **GH¢ 177.22 million**, giving total receipts of **GH¢ 1,382.60 million** for the period. Total payments for the year ending December 31, 2017 was **GH¢ 1,337.60 million**. Excess receipts over payments as at the period ending December 31, 2017 was **GH¢ 45.00 million**.

TABLE 4.1.1 RECEIPTS & PAYMENTS – 2017

	GH¢ million	GH¢' million
RECEIPTS		
NHIL (VAT & SSNIT) Releases for 2017	1,205.38	
Premium	48.87	
Processing Fees	53.66	
Disinvestments	71.99	
Donor Receipt & Other Income	2.70	
Total Receipts		1,382.60
PAYMENTS		
Claims Paid – 2016 Arrears	476.05	
Claims Paid – 2017	432.02	
Support to MOH & Partner Institutions	43.32	
Support to District Health Project & M & E	6.97	
Admin. Support to District Offices	37.97	
Authority Operations	167.11	
Nationwide ICT	45.14	
Biometric ID Cards & Authentication	50.97	
Purchase of Investment	54.47	
Archival Services & Digitization	9.33	
Claims Processing Centers	0.00	
Call Center	0.00	
Support for NHIS Related Research	0.00	
Office Building & other Asssets	0.00	
Capitation Rollout	0.00	
Publicity & Communication	1.26	
NHIS Review	0.00	
NHIS Data Integration	12.99	
Assurance Service for Claims & Control	0.00	
Total Payments		1,337.60
Cash and Bank Balance as at Dec. 31, 2017		45.00

APPENDIX B

4.2 REVIEW OF 2017 BUDGET ALLOCATION & PERFORMANCE

On accrual basis, total budget expenditure for the year ending December, 2017 was **GH¢1,719.85 million**, against an annual budget of **GH¢2,261.74 million**, resulting in a positive budget variance of **GH¢ 541.89 million**. This represents a budget execution rate of **76%** for the same period.

Table 4.2.1: 2017 BUDGET ALLOCATIONS & PERFORMANCE

	2017 Annual Budget	2017 Actual Dec 31	Budget Variance	Execution Rate
	¢'m	¢'m	¢'m	%
Subsidies & Claims	1,616.75	1,395.79	220.96	86%
Support to MOH & Partner Institutions	140.27	34.72	105.55	25%
District Health Projects & M&E	23.01	6.97	16.04	30%
Admin. Support to District Offices	38.84	37.97	0.52	98%
Authority Operations	172.75	134.01	38.74	78%
Nationwide ICT System	47.69	26.39	21.30	55%
Biometric ID Card, Equipment & Authentication System	125.76	58.78	66.98	47%
Claims Archival System & Digitization	13	8.4	4.60	65%
Claims Processing Center	12.86	0.00	12.86	0
Call Center	0.03	0.00	0.03	0
Office Building	13.84	0.00	13.84	0
Health Related Research	0.14	0.00	0.14	0
Capitation Roll-out	1.00	0.00	1.00	0
Sensitization, Publicity & Marketing	7	1.26	5.74	18%
Claims Data Capturing	14	0.00	14.00	0
NHIS Review	0.9	0.00	0.90	0
NHIS Data Integration	16	12.99	3.01	81%
Assurance Services for Claims & Cont.	6.9	2.57	4.33	37%
Contingency	11	0.00	11	0
	<u>2,261.74</u>	<u>1,719.85</u>	<u>541.89</u>	<u>76%</u>

¹Included in Claims amount is claims expense of GH¢425.79 million relating to November and Decemeber 2016 budgeted for in 2017.

APPENDIX C

7.6 DETAILS OF 2018 NHIF ALLOCATIONS

No.	ITEM	Amount GH¢ 'm	% of Fund	Details	2018 GH¢	2017 GH¢
1.0	Claims Arrears-2017	181.74	66.59%	<i>Claims Arrears: 2018/2017</i>	181.74	425.79
	Claims for 2018	1,400.00		<i>Claims Payment for 2017</i>		
	<i>Total</i>	<i>1,581.74</i>		1.1 Premium Subsidy- Formal	196.30	156.91
				1.2 Claims Subsidy	1,144.28	971.90
				1.3 Premium- Informal	59.42	62.15
2.0	NHIA Operational Cost	218.25	9.19%	2.1 Compensation	168.10	132.63
				2.2 Goods & Services	44.76	35.63
				2.3 Assets	5.39	4.49
3.0	Support to District Offices	67.02	2.82%	3.1 Admin Support to District Offices	51.62	28.75
				3.2 District Staff Training & Dev't.	6.00	4.69
				3.3 District Vehicles- 50 no.	9.40	5.40
4.0	Support to MOH	164.81	6.94%	<i>Public Health & Preventive Care</i>		
				4.1 Malaria Control Programs	45.90	27.00
				4.2 Cancer Screening (Prostate, Cervical & Breast)	0.52	0.50
				4.3 Sickle Cell Screening	0.52	0.50
				4.4 ARV Medicines & Counterpart Funds	21.00	20.00
				4.5 Ambulance Service	7.35	5.00
				4.6 Support for Allied Health Professional Council Project	5.25	5.00
				4.7 Expanded Prog on immune (EPI) Vaccines	21.00	20.00
				4.8 Rabbits Vaccines	2.20	2.10
				4.9 Malaria Vector Control: Labiofam	1.75	1.67
				4.10 Psychotherapeutic Medicines	7.35	7.00
				4.11 Contraceptives	2.10	2.00
				4.12 Tetanus Immunization	1.05	1.00
				4.13 Anti-snake W/African Polyvalent Sera (PFR)	2.10	2.00
				4.14 csm Vaccines & Medicines	2.10	2.00
				4.15 Commodities for TB	2.10	2.00
				4.16 Blood Clection Bags & Rragents For NBTS	1.05	1.00
				4.17 Ebola Emergency Ope Centre	1.05	1.00
				4.18 Fellowship for Continuing Students	0.52	0.50
				<i>Health Service Investment</i>		
				4.19 Const. Health Training Schools	13.65	13.00
				4.20 Supply of Lift to Hosp. (Finl Pmt)	11.55	11.00
				4.21 Health Provider Sys. Integration	14.71	14.00
5.0	Support for District Health Projects	27.38	1.15%	5.1 District Health Projects	17.88	16.50
				5.2 Special Projects	4.00	2.38
				5.3 Monitoring & Evaluation	5.50	4.13
6.0	Per Capita Payment System	0.00	0.00%	6.1 Capitation Implementation	0.00	1.00

APPENDIX C - CONT.

No.	ITEM	Amount GH¢ 'm	% of Fund	Details	2018 GH¢	2017 GH¢
7.0	Claims Processing Centers & E-Claims	41.10	1.73%	7.1 Const of Ultra Modern CPC 7.2 CPC Software Enhancement & Support 7.3 CPC Data Center Maintenance 7.4 Const. of 2 CPC Offices	30.90 9.80 0.40 0.00	3.60 7.12 0.14 2.00
8.0	Biometric ID Cards & Authentication System	96.25	4.05%	8.1 Enrolment Kit & Smart Printers – 200 no. Scheme Reg. Set @ GH¢34,000.00 8.2 Health Provider Auth. 8.3 Biometric ID Card (4.5 million) 8.4 ID Cards Printing Consumables – 396,945 no. ribbons @ Ghc 180 8.5 Rollout of Authentication Solution	6.80 6.75 65.00 8.70 9.00	5.50 4.35 98.46 17.45 0.00
9.0	Nationwide ICT Network	52.09	2.19%	Licensing & Application Support 9.1 ERP & Application License 9.2 ISO Security Certification Nationwide Network Maintenance 9.3 Print Control & Software 9.4 Infrastructure & SLA mgt tool & Hardware maintenance 9.5 ICT Solution (EBS, BMS,DC/DR ICT Equipment & Accessories 9.6 Computers & Access –400 no. 9.7 Mobile Platform 9.8 LAN switches & firewalls 30 no 9.9 VSAT relocation-new reg.centr 50 no. 9.10 Multi-Function Printer, Projectors and Scanners 9.11 WAN & Internet (MTN,Vodafone MAINONE and NITA) 9.12 Dashboard screens & software 9.13 Provider Stamp- M & D Council 9.14 Multi-year Reg. & E-Receipt 9.15 Claim IT Implementation 9.16 500 no. POS Printers & Cons. 9.17 Power Generators 40 no. 9.18 System Modification for NIA Integration	5.50 0.35 0.95 1.00 28.75 1.80 0.90 0.40 0.69 0.20 1.80 0.00 1.50 0.45 2.00 1.80 0.00 4.00	2.86 0.35 0.25 1.00 28.75 1.00 0.90 0.40 0.69 0.21 1.55 0.21 1.50 0.45 0.54 1.78 5.27 0.00
10.0	Office Buildings	25.20	1.06%	10.1 Const. of 15 no. District Office 10.2 Const. of 9 Washroom for Dist Off	24.30 0.90	13.24 0.60
11.0	Call Center	0.70	0.03%	11.1 Call Center Operational Cost	0.70	0.03
12.0	Archival System & Document Management	15.60	0.66%	12.1 Materials, Storage, & Services 12.2 Document Digitization	12.00 3.60	10.00 3.00
13.0	Support for NHIS Related Research	0.15	0.01%	13.1 Support for NHIS-related Research work	0.15	0.14

APPENDIX C - CONT.

No.	ITEM	Amount GH¢ 'm	% of Fund	Details	2018 GH¢	2017 GH¢
14.0	Sensitization, Publicity & Marketing	7.60	0.32%	14.1 Sensitization, publicity, publicity tools, and marketing programs	7.60	7.00
15.0	Claims Data Capturing	25.00	1.05%	15.1 To capture 60 million claims data	25.00	14.00
16.0	NHIS Reforms	7.00	0.29%	16.1 Policy, Operational & System Reforms	7.00	0.90
17.0	Data Integration	24.95	1.05%	17.1 Data Integration (EDI Solution)	24.95	16.00
18.0	Assurance Services for Claims & Control Systems Strengthening	6.90	0.29%	18.1 Assurance Services for Claims & Control System Strengthening	6.90	6.90
19.0	Corporate Social Responsibility	3.00	0.13%	Corporate Social Responsibility	3.00	0.00
20.0	Contingency	10.50	0.44%	20.1 Amount allocated for contingencies	10.50	11.00
	Total	2,375.24	100%	Total	2,375.24	2,261.73

(v)

