



**LNCT**

Learning Network for  
Countries in Transition

# National Health Insurance Systems

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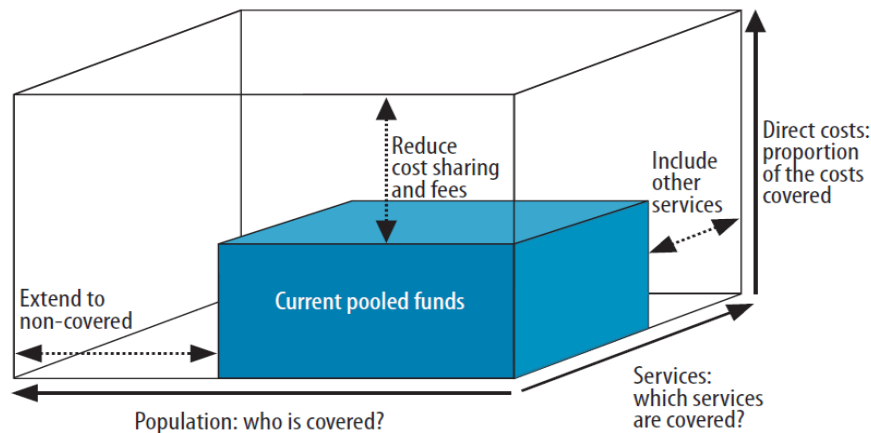
## Key Concepts and Issues

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Jakarta, Indonesia

# The overarching goal: Universal Health Coverage

## According to the World Health Organization

- Provide all people with access to needed health services (including prevention, promotion, treatment, rehabilitation, and palliation) of sufficient quality to be effective;
- Ensure that the use of these services does not expose the user to financial hardship



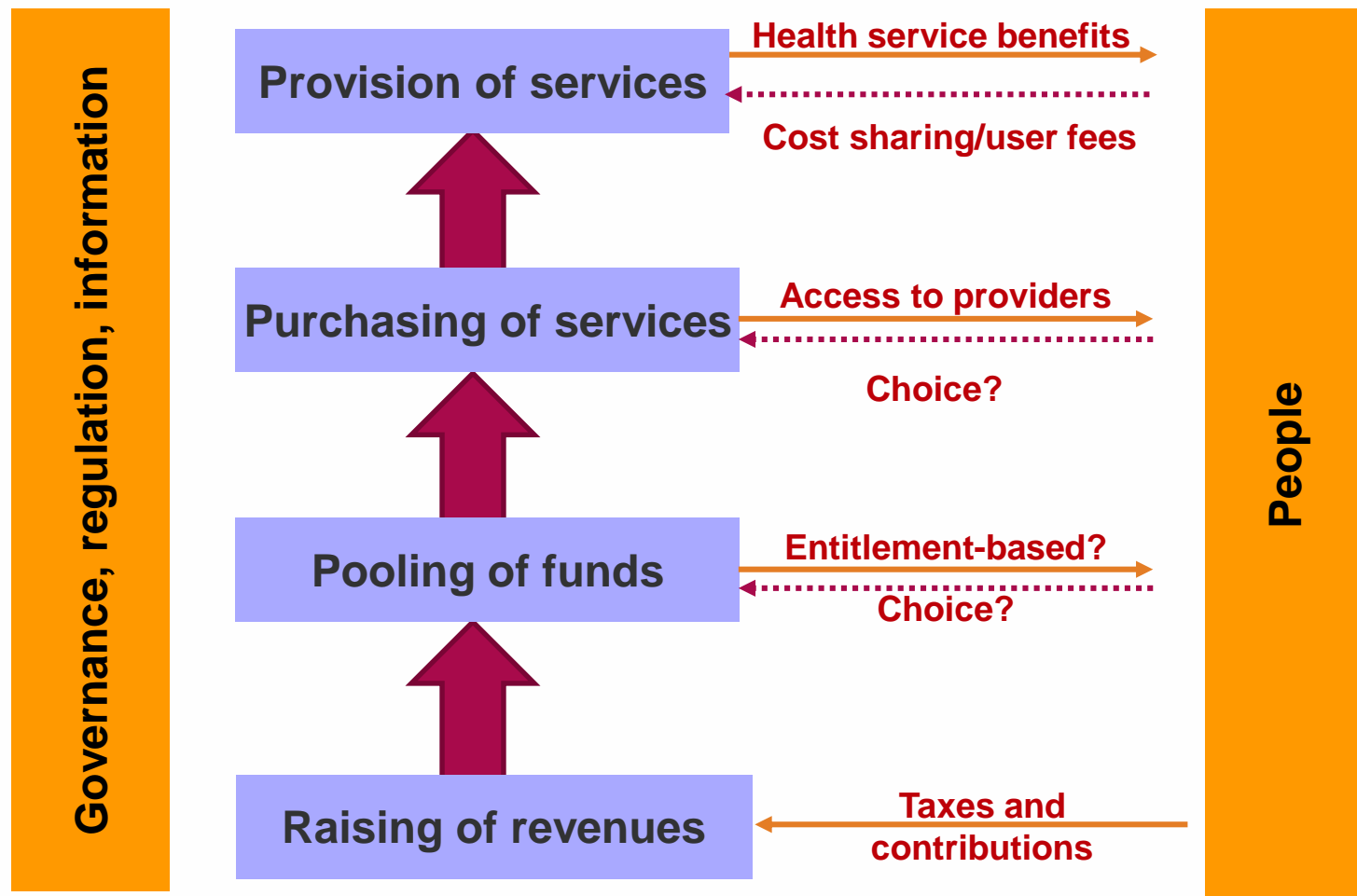
This definition of UHC embodies three related objectives:

**Equity**

**Quality**

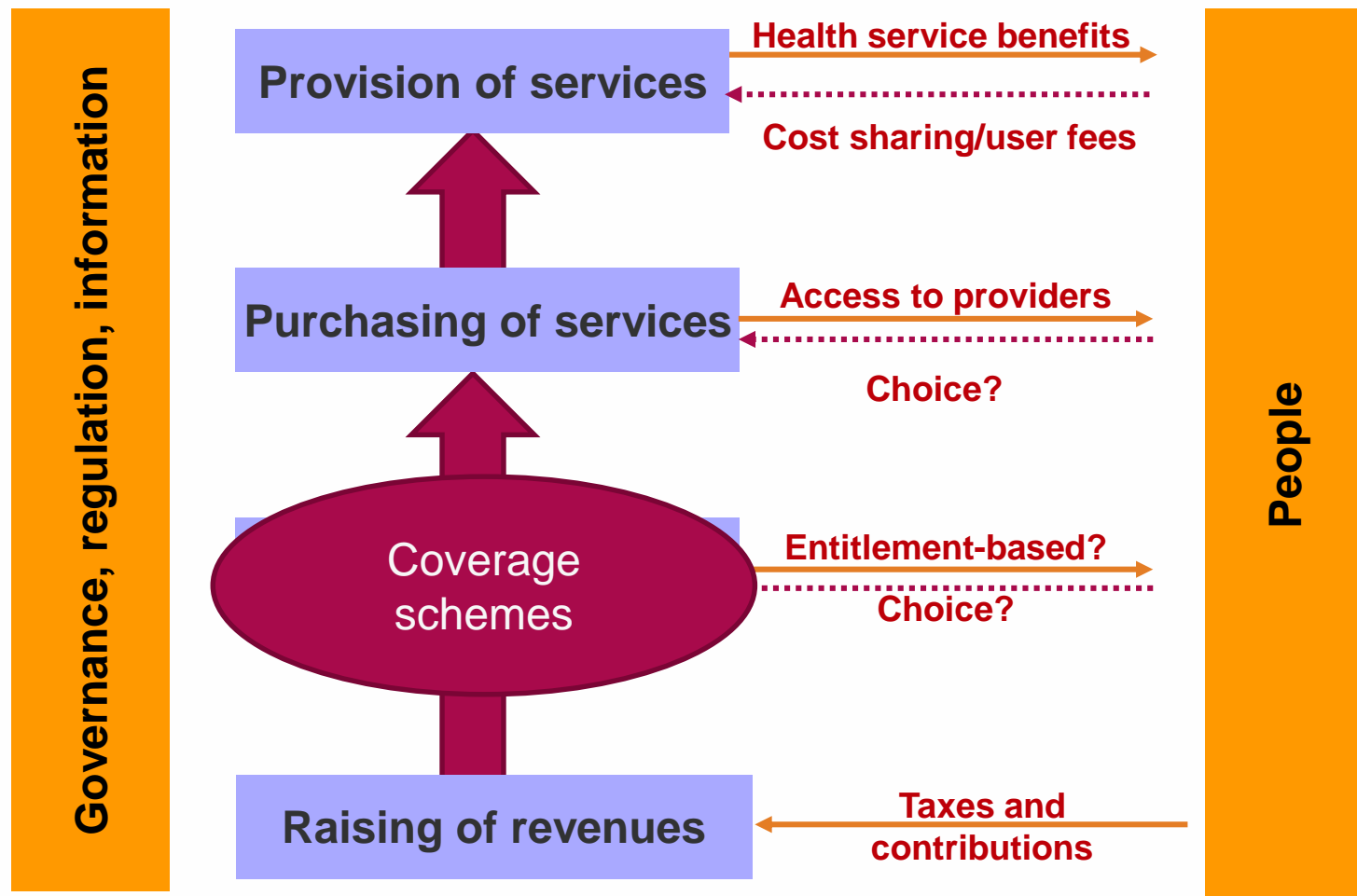
**Financial protection**

# What functions does the system need for UHC?



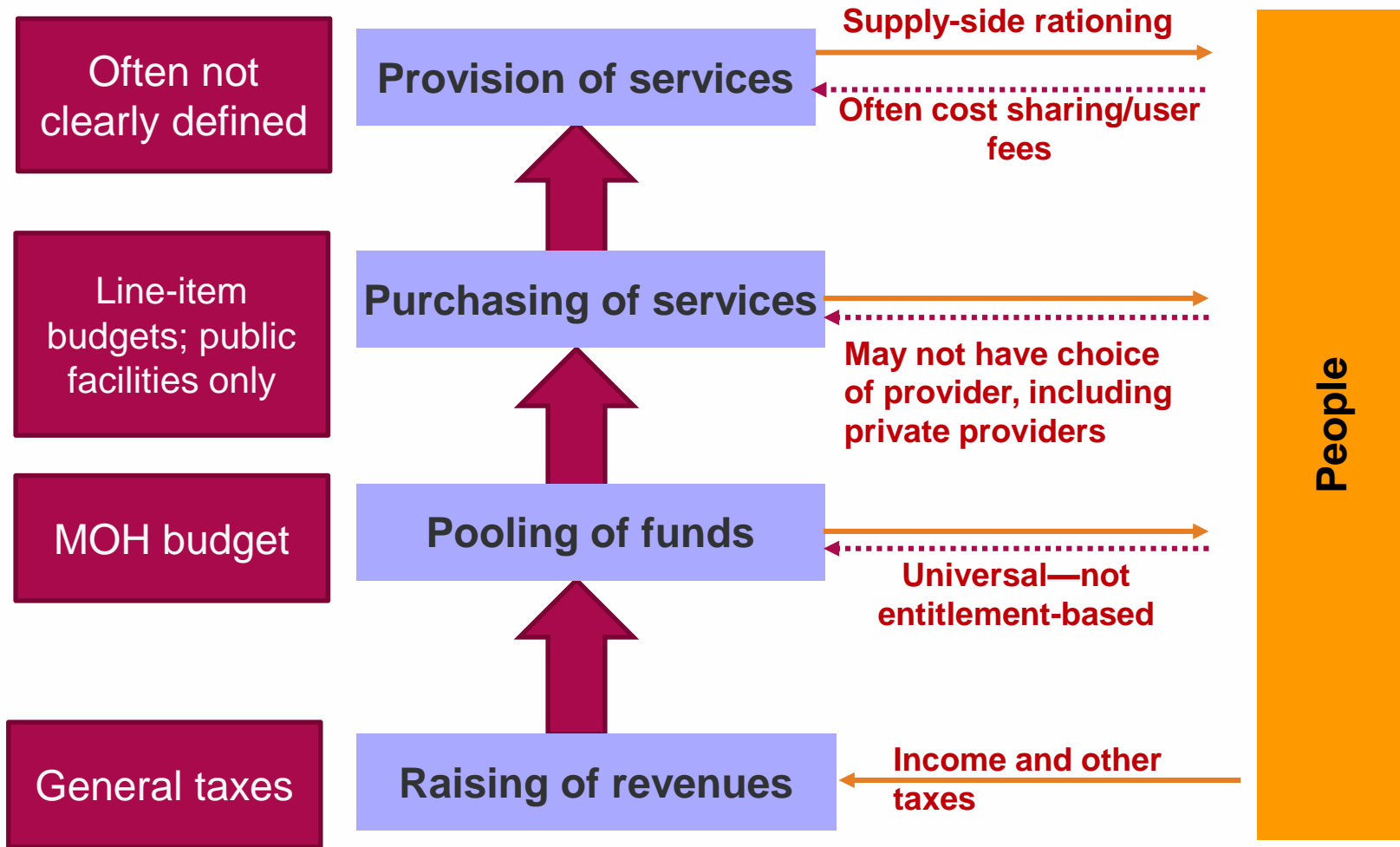
Source: Kutzin, J. (2000).

# What functions does the system need for UHC?



Source: Kutzin, J. (2000).

# In a traditional budget-funded health system



# Why we are not discussing budget-funded systems today

- Budget-funded systems can be an effective way to finance UHC.
- The focus of this meeting is national health insurance
  - All countries in the room have moved toward these mixed systems
- Our objective today is to discuss and learn how to make mixed NHI-budget systems work better for immunization

# Terms and definitions for this meeting

## ▪ National health insurance

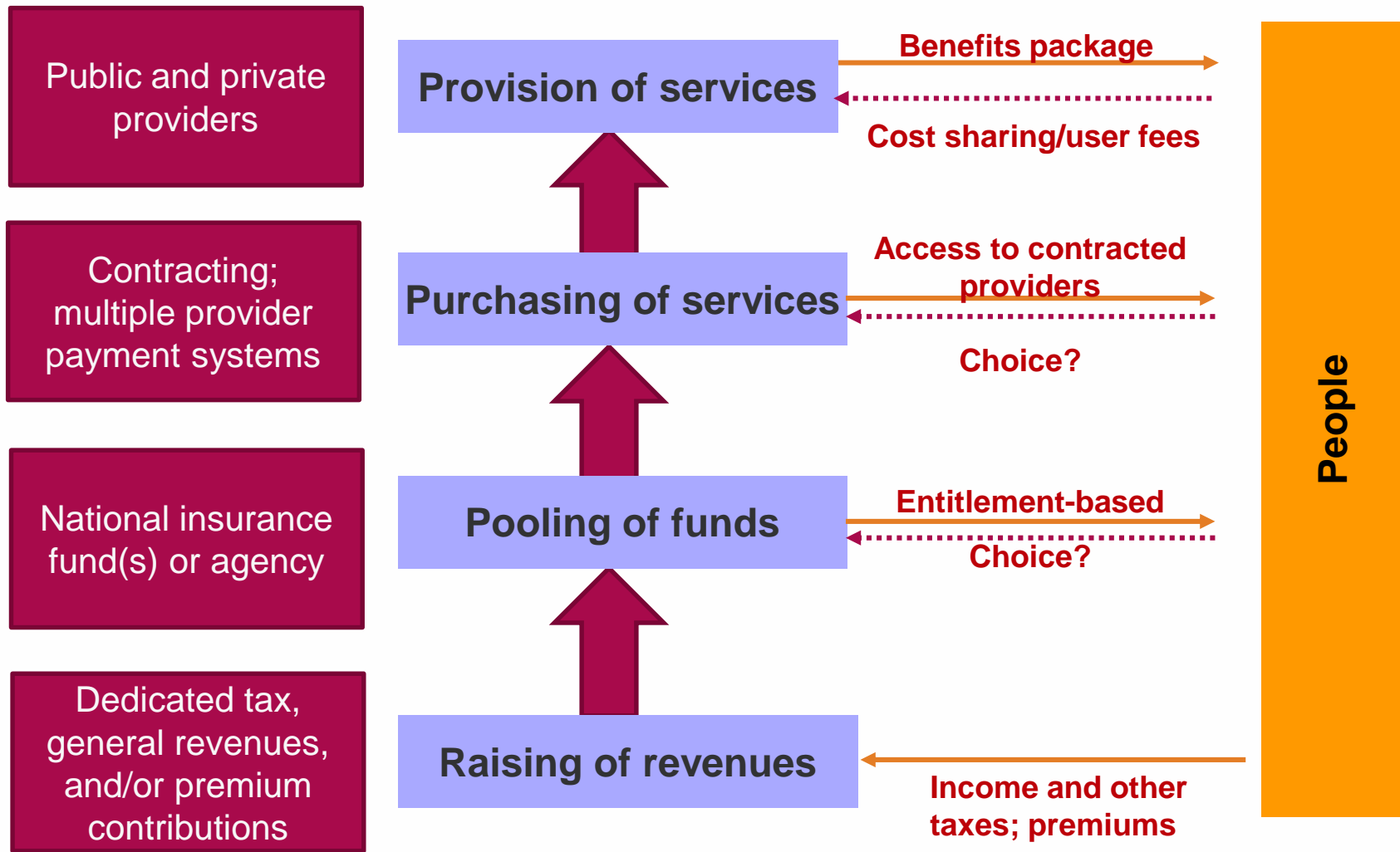
A national health insurance system is a way of organizing health financing that:

- relies completely (or mostly) on public sources of funds (e.g. payroll tax, general tax revenues, VAT, mandatory contributions)
- defines specific entitlements in terms of benefits and financial protection
- involves separation of the functions of purchasing and service provision

## ▪ Related terms

- **Coverage schemes**—generic term used to describe different kinds of programs to provide access to services with financial protection (e.g. national health insurance, community-based insurance scheme, etc.)
- **Public health insurance program**—another way to refer to a national health insurance system, but the use of “public health” sometimes causes confusion
- **Social health insurance**—traditionally tied to employment
- **Private voluntary health insurance**—does not rely on mandatory participation and contribution; managed by a private entity; typically charges premiums related to health risk and have less regulated (or unregulated) benefits packages

# National health insurance





# Why do countries introduce NHI?

## OBJECTIVES

The hope of increased funding for the health sector

Creating a dedicated funding stream for the health sector

Explicit commitments to the population in terms of service entitlements

Introducing a purchaser-provider split

Increasing the flexibility in the use of funds, including new provider payment systems

## Challenges in Practice

Funding allocation is often changed *within* the health sector not *to* the health sector

Earmarked funds often offset by reductions in other parts of the health budget

Even with explicit service entitlements, supply side constraints may limit access to services

A large share of funds often continues to flow through the supply-side budget

Public financial management systems may limit the autonomy of providers to respond to new incentives

# So there can be unintended consequences

**Especially when there is a mixed model (NHI on top of budget system)**

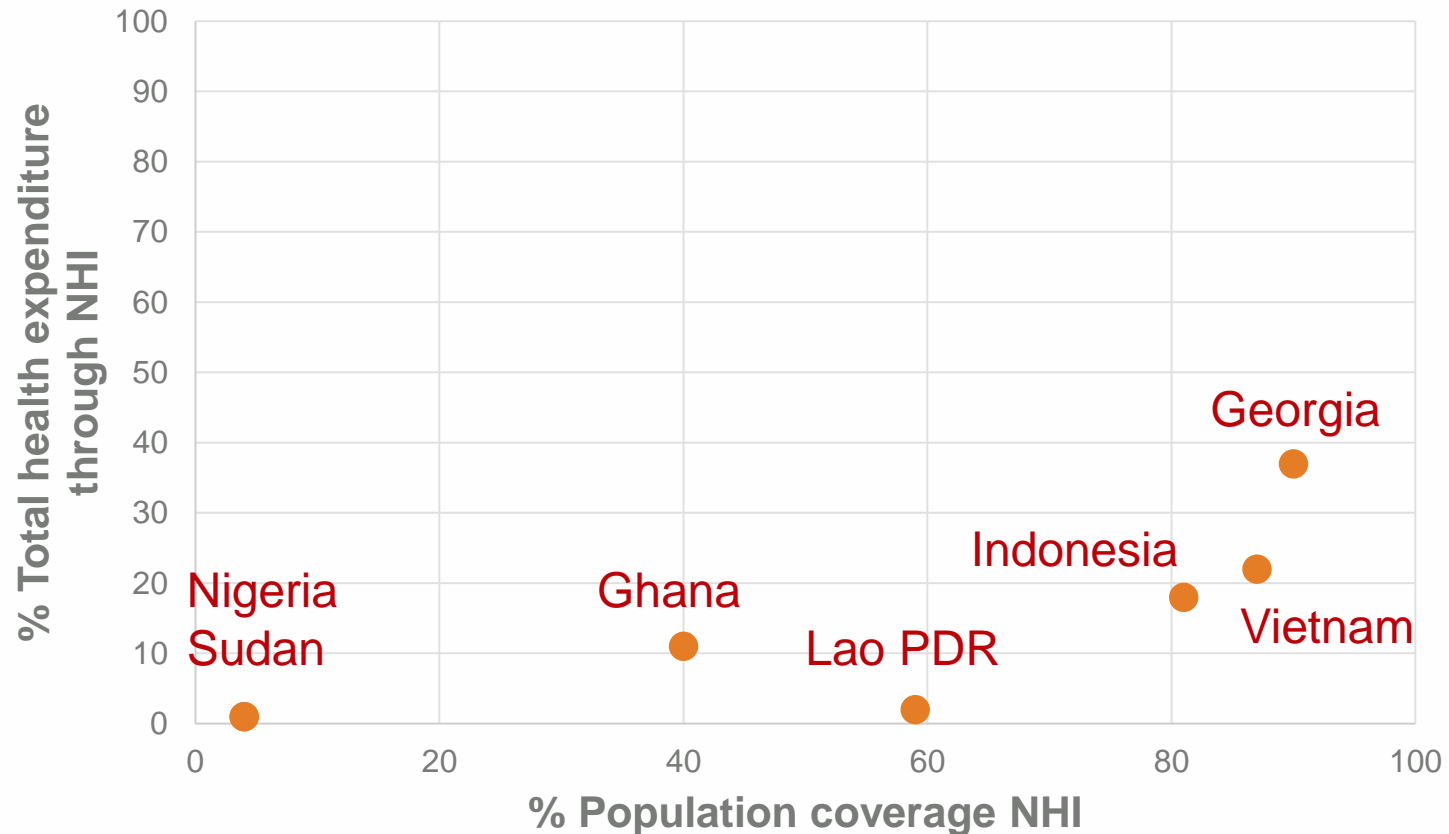
- Fragmentation in financing
- Confusing payment incentives for providers
- Over-emphasis on curative services, and crowding-out of health promotion and prevention
- Some people, services, and functions “falling through the cracks”

***Careful policy choices are needed to get the potential benefits of NHI and avoid the unintended consequences***

***This is particularly true for immunization***

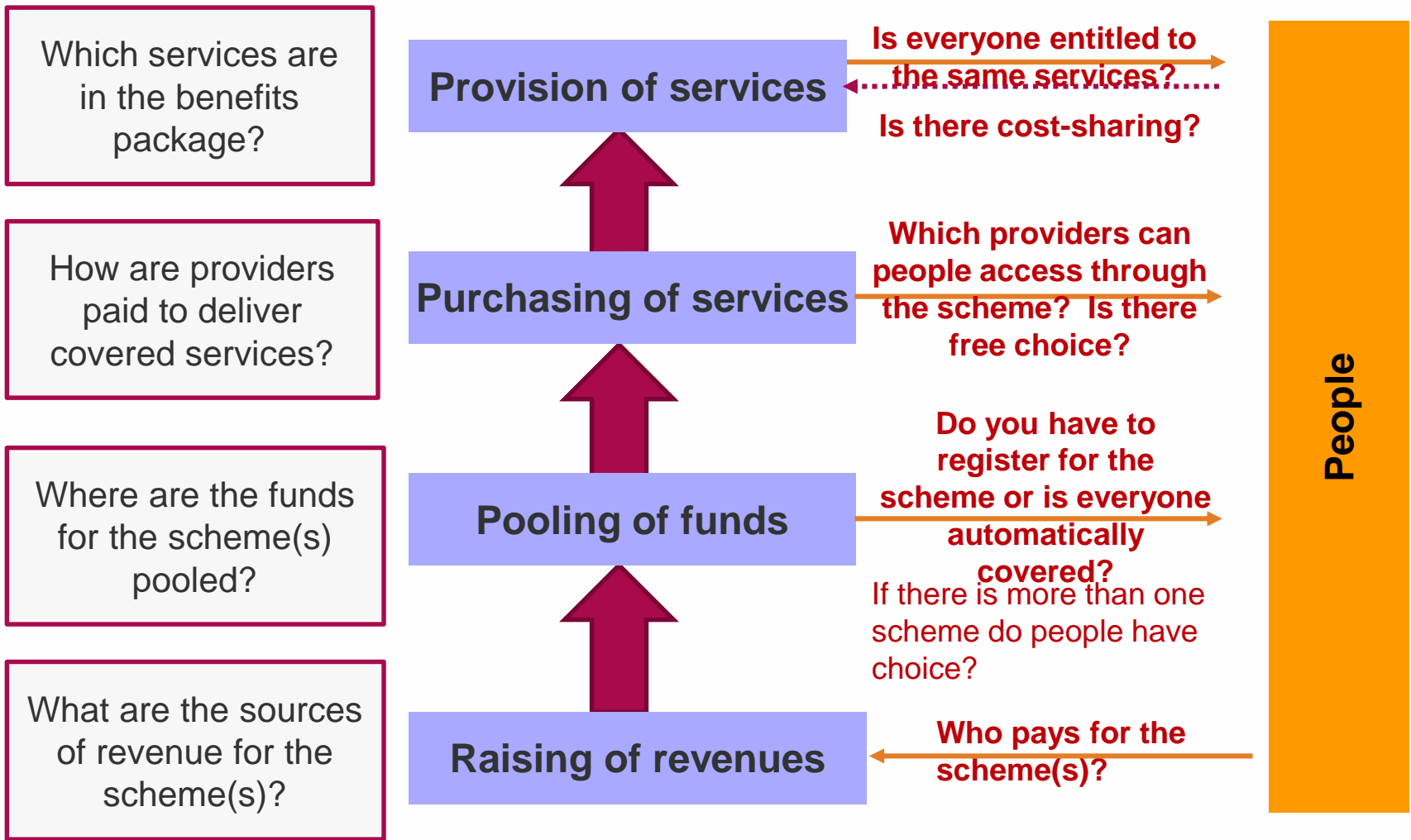
# How significant is NHI in the overall health financing landscape?

## Countries in the room today

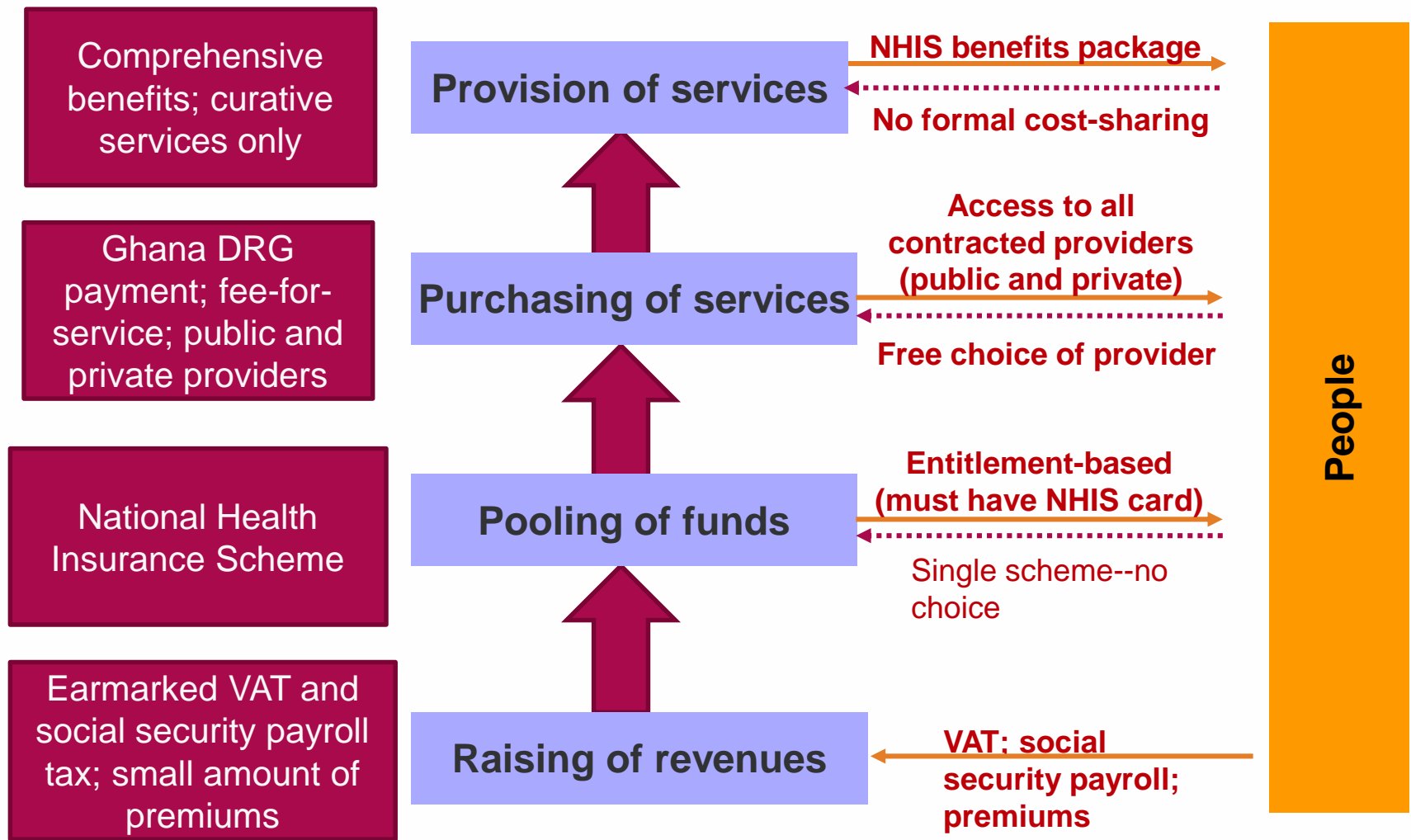


# At your table

## How are the functions carried out in your country's NHI scheme?



# Example of Ghana's National Health Insurance Scheme



# Specifying the benefits package

## Opportunity to explicitly prioritize

- Cost-effective services
  - Services that meet most of the health needs of the population, especially vulnerable groups
  - Services that create high financial burden
- *In practice, benefits are often defined based on political process*

# Promising more than can be delivered?



# Challenges

- Benefits overly general—unclear what’s in and what’s out
- Benefits promise more than the system can deliver
- Unclear entitlements
- No clear policy on cost-sharing and “balance billing”
- Fragmentation between preventive/promotive and curative services
- Challenge of bringing in donor-funded priority programs
  - How to ensure resources are available
  - Protecting coverage in the transition to universality
  - Parallel systems for procurement, supply chain, health workers and training



# Benefits package in Ghana's National Health Insurance Scheme

## NHIS Benefits Package

### **Comprehensive:**

Estimated to cover 95% of health conditions affecting the population of Ghana

- ✓ Most necessary outpatient diagnostic and curative services
- ✓ Inpatient services and emergency care
- ✓ Maternity care
- ✓ Oral health
- ✓ Medicines according to the published list

**Preventive services (including immunization) excluded and covered for free by MOH.**

*Other excluded services:* not medically necessary (e.g. cosmetic treatments); some high-cost services (e.g. most cancer treatments and organ transplant)

**Full financial protection:** No cost-sharing

**Equitable:** same for all population groups

# Purchasing of services

## The opportunity to be strategic

### Passive

Limited information used to allocate funds and pay providers, e.g.:

- Payment to providers based on inputs not linked to services
- Little/no selectivity of providers
- Little/no quality monitoring

### Strategic

Deliberate decisions about what to buy, from whom to buy, and how to buy services:

- ✓ Clear service packages and service delivery standards
- ✓ Selective contracting
- ✓ Output-based payment systems that create deliberate **incentives**
- ✓ Manage overall costs in the system

# Incentives

An incentive is a signal with positive or negative consequences that directs individuals or organizations toward self-interested behavior.

## Types of “signals”

- Financial reward or penalty
  - Payment
  - Financial authority or power
  - Opportunity for future financial gain
- Non-financial reward or penalty
  - Satisfaction
  - Recognition
  - Reputation
- Others?

The way health providers are paid to deliver covered services will create incentives for them that will affect which patients they prioritize, which services they deliver and how they deliver them.

# Incentives in provider payment systems

*Providers have the incentive to:*

**Deliver more of the unit of payment**

**And to minimize their internal cost per unit**

**Unit of payment**

**Incentive**

**Line item budget**

Inputs

Increase the number of inputs (e.g. staff)

**Fee for service**

Each individual service

Increase the number of services and reduce inputs per service

**Capitation**

Each enrolled person

Increase the number of enrolled individuals and reduce the cost per person (e.g. keep population healthy or increase referrals and reduce quality)

# When providers are paid in multiple ways that are uncoordinated

Multiple payment streams...  
each with its own  
requirements

Out-of-pocket payments

Drugs and supplies

Salaries

Vertical program funds

Performance-based payments

Local government funds

Health insurance fund payments

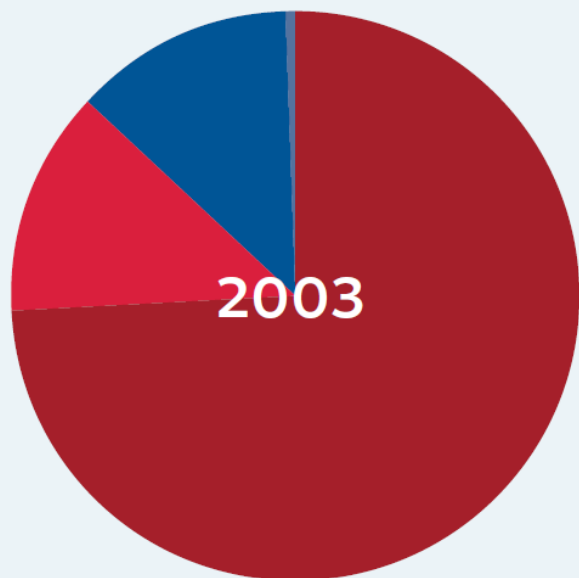
**Health facility receives noisy or  
no signals about who to serve,  
what to provide, and quality**



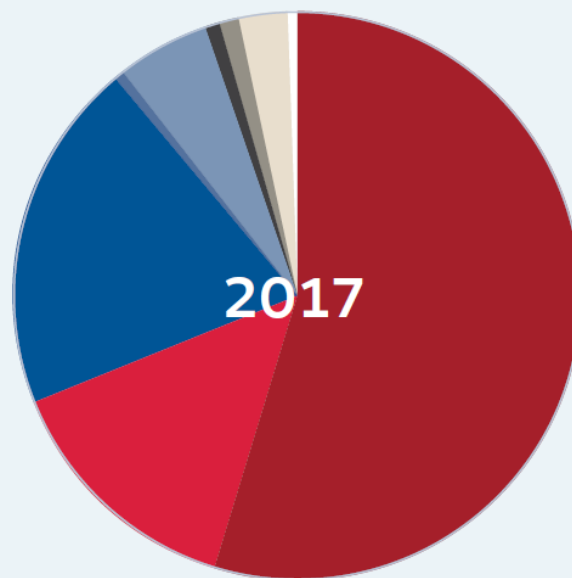
- ✓ Limited flexibility to use funds to respond to patient needs
- ✓ Accountable for \$ more than outcomes
- ✓ Risk aversion-- penalized for using funds in innovative ways
- ✓ Under-execution of funds

# Coordinated PHC payment in Estonia

## EVOLUTION OF ESTONIA'S PHC CAPITATION PAYMENT SYSTEM (2003-2017)



| 2003  | PAYMENT                 | 2017  |
|-------|-------------------------|-------|
| 74.3% | Capitation              | 55.0% |
| 12.6% | Basic allowance         | 14.1% |
| 12.6% | Investigation fund      | 20.0% |
| 0.4%  | Distance fee            | 0.8%  |
| -     | Second nurse fee        | 5.2%  |
| -     | Activity fund           | 0.7%  |
| -     | Therapeutic fund        | 1.3%  |
| -     | Quality bonus           | 2.7%  |
| -     | Out-of-office hours pay | 0.4%  |



Source: JLN 2017

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# Main messages

- NHI is one way to organize health system functions to achieve UHC
- Countries introduce NHI for many reasons, but whether these objectives will be met depend on many factors
- It is also possible that NHI will bring unintended consequences-- including for immunization and other priority public health programs
- An evidence-based policy process with clear objectives, stakeholder engagement, and accountability is necessary to get the potential benefits from NHI while avoiding unintended consequences.
- Need to be a learning system to catch unintended consequences, monitor, adjust