POLICY BRIEF

Crisis of Low Health Insurance Absorption: What Drivers are Culprits?

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Key highlights

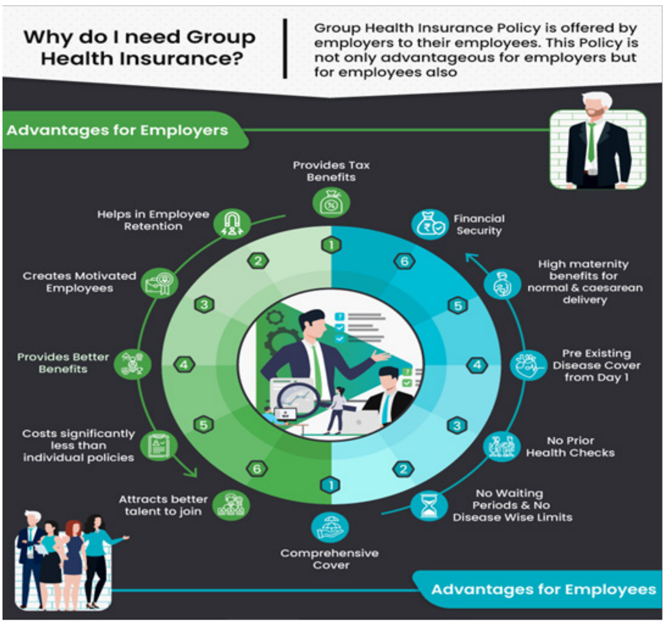
- Initiatives that engender improved access to and usage of financial services could facilitate higher uptake of health insurance.
- A sizeable number of the educated elite should be matched with decent jobs, which in turn enhance enrollment into employer-based and purchased health insurance.
- Ameliorating the barriers to health access - subsidising the cost of healthcare and protecting the vulnerable (including those with disabilities) - could boost health insurance uptake.

- Life-long enrollment into health insurance should hinge on creating incentives - such as broadening the scope of health insurance coverage to incorporate high-cost treatments.

What is the issue?

Health insurance coverage in Nigeria has historically been low, with less than 5 percent of Nigeria's over 200 million people being covered by private and public health insurance. This is not unprecedented as financing healthcare through health insurance accounts for about 1.9 percent of total current health spending, which is a far cry from the average shares of 26 percent and 18 percent in high-income and upper-middle-income countries, respectively. In 2021, the National Health Insurance Authority (NHIA) Act was introduced, making health insurance mandatory for all citizens and legal Nigerian residents. However, using compulsion alone to increase the uptake of healthcare insurance might not guarantee the expected outcome.

Why is the issue important?



Adapted from: https://securenow.in/insuropedia/importance-of-group-health-insurance/

Many Nigerians have had to rely on out-of-pocket (OOP) health payments, which account for 75 percent of health spending in Nigeria, to finance healthcare delivery. The high reliance on OOP spending has resulted in limited access to quality healthcare, increased poverty risks, and raised concerns about Nigeria's ability to achieve Sustainable Development Goal (SDG) target 3.8 - Achieving Universal Health Coverage by 2030. Accordingly, Nigeria ranked 170th out of 194 countries on the World Health Organisation's global universal health service coverage index in 2019. To this end, Nigeria cannot afford to miss out on attaining social inclusion and health-related SDG goals by 2030.

What should policymakers do?

Firstly, the availability of employment opportunities enhances the uptake of private and public health insurance in Nigeria. Job creation is necessary for enrolment into healthcare insurance, as this would allow employees to rely on health insurance plans purchased by themselves or indirectly through employers. Meanwhile, Nigeria's all-time high unemployment rate of 33.3 percent remains a key concern. Hence, the government needs to create a favourable business environment for private sector development to help unlock more job opportunities.

Secondly, the level of education does not support health insurance uptake in Nigeria. This could be attributed to the unfavourable labour market conditions, where the informal sector provides vulnerable employment, representing about 80 percent of total employment. Hence, the need to match educated Nigerians with decent jobs guaranteeing adequate social protection. Also, there is the need to incorporate the informal sector participants using social influencers to sensitise their audience - who are largely informal sector players - and through the trade associations mandating members to enroll for health insurance via the Pay-As-You-Earn approach (as in the case of Egypt). Extending the health insurance coverage to family members and building trust in public healthcare system could enhance enrollment.

Thirdly, financial inclusion - in terms of the ownership and use of bank accounts - enhances health insurance uptake in Nigeria. Consistent users of financial services enjoy seamless payments of health insurance premiums through the banks, either from their savings accounts or overdrafts. Hence, any strategy to increase health insurance uptake should also incorporate initiatives to enhance financial inclusion.

Fourthly, old age does not compel enrollment in health insurance in Nigeria. This might be attributed to the fact that social security in the form of health insurance is not a life-long priority as a contributory pension. Hence, the government needs to devise a means to incentivise enrollment in health insurance rather than resorting to compulsion. One consideration is incorporating high-cost illnesses, such as chronic diseases, into health insurance coverage. This is the case with the Netherlands, where private health insurance covers healthcare for the chronically ill. Besides, the country's health reforms guarantee residents a socially-acceptable health insurance premium that does not vary with age, health status and social circumstances.

Fifthly, the problems potential health seekers face in accessing health services may disincentivise enrollment into health insurance in Nigeria. While the rural settlements suffer from a lack of health infrastructure and personnel, the urban centres face enormous pressure on the available health facilities and hospital attendants due to rural-urban migration.

Lastly, due to financial constraints, low-income groups might have fewer chances to enroll for health insurance than the middle-income and high-income groups. To this end, easing the barriers to health access by subsidising the cost of healthcare and protecting the poor and the vulnerable (including those with disabilities) would go a long way in stimulating health insurance uptake in Nigeria. In addition, the government should focus more on driving proper enforcement of the National Health Insurance Authority (NHIA) Act 2021. The NHIA should implement clear-cut operational guidelines that cut across the three dimensions towards achieving universal health coverage, according to WHO: who gets covered? What services are covered? What proportion of costs is covered by the Insurance Scheme? More importantly, a multi-faceted approach should be deployed in financing the social health insurance scheme including tax-based financing, individual premiums (exempting the poor and vulnerable groups) and seeking long-term financing through the global sustainable funds market, with investments worth more than US$2 trillion currently.

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