

Innovative Financing Options for Health Care in Nigeria: Implications for achieving Universal Health Care Coverage (UHC)

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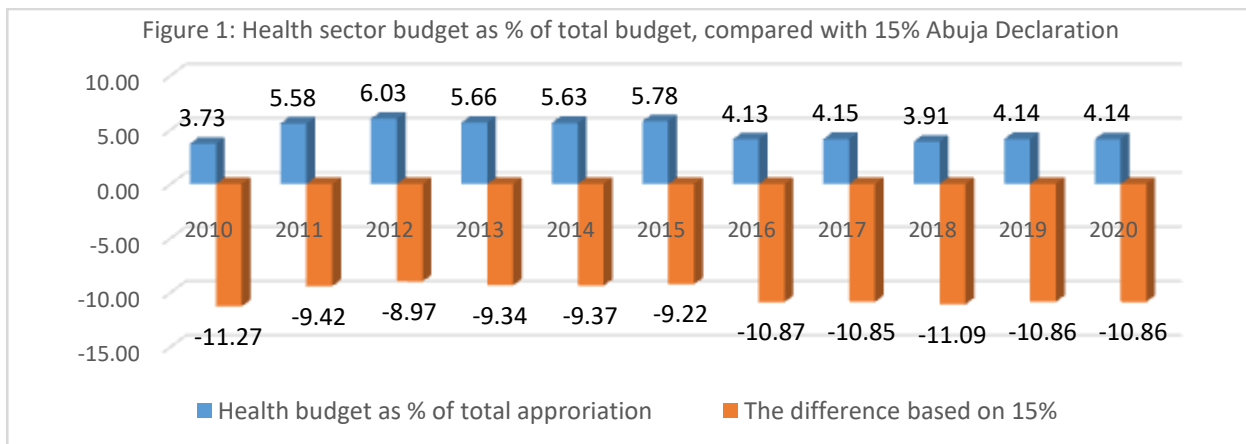
Abstract: - Recent global health challenges due to coronavirus (COVID-19) epidemic point to the fact that health system strengthening through health financing is indispensable. Government expenditure on the health sector based on budgetary allocation is very low at less than 6% compared to the recommended 15% by the Abuja Declaration. However, innovative health care financing is a winning way to raise revenue to enhance health care delivery for the achievement of Universal Health Care Coverage (UHC). This paper examined the prospects of various innovative financing options for the health sector that Nigeria can leverage on as alternative ways to finance the health sector. This was carried out by reviewing different options in terms of its components, justification, income generating capacity and implementation strategies. Some of the options include; Excise taxes on foods high in salt, fat or sugar contents, levies on mobile phone use, currency/financial institutions levies, sintaxes on consumption of tobacco, alcohol and hard drugs, luxury items, diaspora funds and catastrophic health fund. Cross country analysis was carried on the various identified financing options. Drawing inspiration from any or hybrid of the country models surveyed in this paper, Nigerian National Assembly (NASS) can establish an act to facilitate innovative financing for the Nigerian health sector.

efforts by government and donor agencies to improve health care affordability, many Nigerians still find it difficult to access quality health care because they suffer financial hardship. At present, out of pocket expenditure as a percentage of private and overall health expenditure in Nigeria stands at 95% and 69%, respectively. Health expenditure by National Health Insurance Scheme (NHIS), Federal Ministry of Health (FMOH), State Ministry of Health (SMoH) and Local Governments Health Departments stands at 2%, 7%, 5% and 7% to overall health expenditure, respectively (Aregbeshola and Khan 2010; Uzochukwu et al 2015). This implies that out of ₦35,000 health expenditure per head in the country, the government only contributes ₦1,000 per citizen. The rest is either paid out of pocket by individuals as user fees or through the NHIS.

Furthermore, budgetary allocation for the health sector as a percentage of total budget is very low compared to the recommended 15% by the Abuja Declaration. Figure 1 shows that since 2010, budgetary allocation for health as a percentage of total Federal budget has fluctuated: 3.73% in 2010, 5.58% in 2011, and 6.03% in 2012 and 4.14% in 2020. This level of expenditure is well below the Abuja Declaration benchmark of 15%

I. INTRODUCTION

Quality and affordable health care is a major challenge in many developing countries, including Nigeria. Despite



Source: compiled by authors

Out of the 4.14% budgeted for health in 2020, over 89% is allocated for recurrent expenditure which includes personnel and overhead cost. Only about 10.88% is allocated for capital expenditure. This allocation for capital expenditure is insufficient to undertake the investment needed to boost infrastructure, enhance facilities and provide financial protection and service coverage to achieve Universal Health Care Coverage (UHC). According to the World Health Organization (WHO), low-income countries would need to spend an average of US\$54 per capita (₦19,440) in order to have a fully functioning health system covering a basic package of services (Stenberg et al 2010). With the 2030 target set by the Sustainable Development Goals (SDGs) approaching, it is reasonable to believe that achieving UHC in Nigeria within a period of 10 years will require extra financing effort. Given the fact that resources are limited with competing needs across the sectors, there is an urgent need for alternative sources of financing to achieve quality and affordable health care for all Nigerians. As part of the debate on the 2020 legislative summit, the need to leverage on **innovative financing** to bridge the gap in health budget is important.

Innovative financing is a method of raising funds apart from the traditional ways of health financing. It can include projects such as micro-contributions, taxes, public-private partnerships and market-based financial transactions (Wikipedia, 2020)

The objective of this brief is to discuss innovative financing options for health care and their mode of implementation in Nigeria. Also discussed is the country experiences of innovative financing options and how Nigeria can explore this approach to achieve quality and affordable health care.

II. EXISTING/PROPOSED INNOVATIVE FINANCING FOR HEALTH CARE IN NIGERIA

Conventionally, health financing in Nigeria by the three tiers of government is provided

through the budget, funded largely with revenue derived from the sale of oil and gas and taxes (Olakunde B. O., 2012).

Some states have recently attempted to explore and pilot equity Fund, basket funding and state driven Community Care Teams (CCTs) to improve maternal and child health care utilization in innovative ways of financing health care. Kebbi and Ondo State piloted an equity fund as innovative financing option which attracted voluntary contributions from various sources. This brought about an increase in health care utilization especially for maternal and child health care. Zamfara State implemented a “basket funding” to pay for routine immunization and maternal health services. Cross River and Kebbi States are implementing state driven CCTs aimed at improving demand for Maternal and Child Health Care services (Health Policy Project, 2011; Health Policy Project, 2020)

With regards to innovative financing options, the National Health Insurance Scheme (NHIS) developed a proposal for the government. It advocates considering mobile phone voluntary solidarity contribution to increase funding. The proposal argues that the method could be used to improve the performance of the various insurance schemes especially subsidy for the poor under the community and voluntary health insurance schemes (Health Policy Project, 2011; Health Policy Project, 2020). The government is also exploring levying taxes on air travel and financial transactions to raise additional funds for health. Another proposal by the National Agency for Food and Drug Administration and Control (NAFDAC) advocates the allocation of a percentage of VAT from tobacco to health (Health Policy Project, 2011; Health Policy Project, 2020).

Excise taxes on foods high in salt, fat or sugar contents, levies on mobile phone use, currency/financial institutions levies, sintaxes on consumption of tobacco, alcohol and hard drugs, luxury items, diaspora funds and catastrophic health fund.

Table 1: Innovative health care financing options

S/N	Innovative financing options	Components	Justification	Income generating capacity	Implementation strategy
1	Excise taxes on foods high in salt, fat or sugar contents should be channeled to the health budget.	These include sweets and carbonated beverages containing sugar, ice cream, candy, snack foods and fast foods.	Such foods contribute to an unhealthy diet which can cause obesity and non-communicable diseases that are growing health problems with high implication on the health budget. Taxes on these food items will reduce unhealthy eating habits and at the same time generate additional revenues	The Nigerian market for fast foods and carbonated drinks is rapidly growing. Nigeria ranks fourth globally in the volume of soft drinks consumption and sales (over 38.68 million litres) (Brand Spur, 2017).	Excise duties and VAT on carbonated sugar drinks, sweets, ice cream, candy, snack foods and fast foods should be channeled to fund the health sector.
2	Levies on mobile phone use	Small levies on use of air time	In Nigeria, Airtime and data use have a fairly inelastic demand. A small percentage increase in the price of air time will increase revenue and still leave the demand for airtime relatively unchanged.	The number of smart phones users in Nigeria is forecast to grow by more than 140 million by 2025.	In collaboration with telecommunication providers and ministry of finance

3	Currency/financial institutions levies.	A levy on gross interest earned from any Savings or Deposit Accounts, Treasury Bills, Government Bonds or other similar financial instruments. A yearly charge of 0.05% to 0.1% on the banks' balance sheets	1% or less levy on gross interest specifically for health will enhance income	This will generate income in the short-medium term	1% levy through collaboration with banks and other financial institutions
4	Sintaxes on consumption of tobacco, alcohol and hard drugs.	A percentage (5%) charge on consumption of all brands of alcohol and tobacco.	More than 10% of global disease burden is linked to conditions related to alcohol, and tobacco. Tobacco taxes are good candidates for ensuring at least in the short to mid- term, sustainable revenues for the health care system	Nigeria leads in tobacco consumption in Africa. Consumption per capita is about 13.4 to 14, Ghana (2.7) and Morocco (0.6) compared (Statista, 2019)	excise tax on alcohol and tobacco.
5	Luxury items	Imported luxury items like expensive cars, watches, etc.	A tax on luxury goods and services can have a distributive effect by raising funds from the richer population groups and using the proceeds to finance health care.		
6	Diaspora funds	Diaspora contribution, Diaspora bonds and remittance	Encouraging the diaspora to invest through contribution. Diaspora bond can be issued specifically to finance health care projects.	Nigeria is one of the top recipients of remittances in the world with a diaspora population of over 15 million	Establishment of a diaspora health fund
7	Catastrophic health fund/catastrophic health insurance	Health funds obtained through contributions of philanthropists	Many Nigerians suffer from illnesses that involves heavy financial burden. Establishment of catastrophic health fund/health insurance will help to reduce financial burden.	Nigerian has some of the richest people in Africa. The AfroAsia Bank Wealth report of 2018 stated that 71,000 millionaires are living in Nigeria, each with a net worth of USD 10 Million or more (Christian, 2019)	Philanthropists' participation. Donations by well-meaning and wealthy Nigerians
8	Tourism and travel-related levies.	Small levies on international and domestic travel, particularly air travel by foreign airlines, air tickets	Small charges on air tickets can generate income for the health care budget.	Abuja-Lagos Flight Route is the fourth busiest in Africa (Oyebade, 2018).Nigerian airports record 9.2 million passengers, 140 and 552aircraft movement in nine months (Premium Times, 2017)	Airlines in collaboration with ministry of finance and Ministry of health.
9	Public-private partnership.	Private company for purchasing and maintaining specialized hospital equipment in selected teaching hospitals and Federal Medical Centers for services such as treatment of cancer, kidney etc. (Health Policy Project (2020).	Public private partnership will raise income.		

Source: Authors compilation and Stenberg et al (2010)

Cross-Country Experience

Table 2: Existing Best Practices in Innovative Health Financing

Country	Innovative health financing options	Implementation strategies	Success
Thailand	<p>2% levy on tobacco and alcohol consumption over and above the existing tax structure</p> <p>(UC) scheme covers 75% of its population, the rest being covered by social health insurance and the Civil Servant Medical Benefit Scheme (CSMBS).</p>	<p>Establishment of the sin tax-financed Thai Health Promotion Foundation in 2001 (Thai health)</p> <p>Remitted by the Excise Department on a daily basis to the independent Thai Health Fund governed by the Prime (Deputy Prime) Minister</p>	<p>From US\$47 million in 2001 to US\$128 million in 2011</p> <p>Thailand has invested in rural primary health care (PHC) infrastructure, making PHC functional by increasing the health-care workforce. It ensures that the scheme serves the rural communities, by expanding financial risk protection to facilitate financial access to health care by all citizens-starting with the poor, expanding to public-and private-sector employees, and finally to those engaged in the informal sector-until Thailand reached UHC in 2002</p>
Ghana	<p>-Introduced an additional 2.5% on the existing VAT rate to fund its National Health Insurance Scheme.</p> <p>-2.5% of SSNT state budget transfers</p> <p>-Returns on investment made by the National Insurance Council</p>	<p>-National Health Insurance Council set up</p> <p>-Interim administration arrangements. Introduced</p> <p>-move toward 90 district mutual health schemes</p>	<p>-Abolish cash and carry</p> <p>-Introduced mandatory health insurance</p> <p>-Expand coverage through MHOs in all districts</p>
Gabon	<p>Applies 1.5% levy on the post-tax profits of companies that handle remittances and a 10% tax on mobile phone operators to use for healthcare. The levies are known collectively as the <i>redevance obligatoire à l'assurance maladie</i> (ROAM) or mandatory health insurance levy.</p>	<p>The fund covering Gabon's poor is financed with revenue derived from the ROAM mandatory health insurance levies. The one for public sector workers, by contributions paid by public sector employers funds, while the fund for private sector workers, is financed by a payroll tax on employers and employees.</p>	<p>In 2009 Gabon collected 12 Billion GCFA, or US\$25 million, with the levy on mobile phone companies.</p> <p>Overall resources for the CNAMGS (pronounced "knam-jay-ess") almost quadrupled from CFA 12.5 billion (US\$ 25 million) in 2008 to just over CFA 47 billion in 2011, of which CFA 17.5 billion were via this levy system.</p>
Argentina	<p>Argentina has been taxing current account credits and debits since 2001</p>		<p>This tax yielded between 2006 and 2008, half as much as the corporation income taxes from all the other sectors combined.</p>
Brazil	<p>In 2001 Brazil implemented the CPMF levy (Contribuição Provisória sobre Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira) that put a tax of 0.38% on a set of bank withdrawals.</p> <p>In 2009 Brazil introduced a new mechanism that imposed a 2% levy on Brazilian on stock and bond transactions coming from outside of the country.</p> <p>Bank tax where the Social Contribution on New Corporate Profits - tax (CSLL). differentiated so that a rate of 15% is applied to financial institutions</p>		<p>This levy raised up to US\$20 billion per year and its use was dedicated to health care delivery . It accounts for a large share of the funding for the Brazilian public health care system.</p>
Zambia	<p>Imposed a medical levy on all gross interest earned in any Savings or Deposit Accounts, Treasury Bills, Government Bonds or other similar financial instruments. The rate is 1% on the interest earned and the revenues are hypothecated for supporting government efforts to increase access to HIV treatment.</p>		
Australia	<p>Australia has been preparing for some time the introduction of a levy on mining companies. The fate of this tax, the Mineral Resources Rent Tax (MRRT), previously known as the Super Profits Tax</p>		

Source : Authors compilation

Table 2 presents highlights of innovative health financing options in selected countries.

The lessons for Nigeria are:

- All the countries reviewed have developed one or more forms of additional sources of funds to provide affordable healthcare to citizens and permanent residents including, poor, elderly and other vulnerable groups with high success rates.
- Some countries like Thailand, Gabon, Brazil and Zambia have introduced levies on items like tobacco and alcohol, post-tax profits of companies that handle remittances, stock and bond transactions from outside the country, gross interest earned from (savings and deposit accounts, treasury Bills and government bonds) respectively.
- In addition to levy, Gabon implements tax on mobile phone operators while Brazil collects taxes a set of bank withdrawals as well as new corporate profits tax.
- Governments in other countries like Ghana, Argentina and Australia use taxes such as increase in VAT rate, taxes on debits and credits as well as on mineral resources to boost health care finance.

Therefore, Nigeria may explore options such as imposition of levies on tobacco and alcohol, a percentage of VAT rate, tax on mobile phone operators, etc. to finance health care and provide free health care to poor and vulnerable groups.

III. CONCLUSION AND RECOMMENDATIONS

Innovative health care financing is a winning way to raise revenue to enhance health care delivery for the achievement of Universal Health Care Coverage (UHC). Drawing inspiration from any or hybrid of the country models surveyed in this paper, National Assembly (NASS) can establish an act to facilitate innovative financing for the Nigerian health sector.

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