

HEALTH FINANCING FOR UNIVERSAL HEALTH COVERAGE IN NIGERIA

Realities, Impediments and
Recommendations

December 2024



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By

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Introduction

The Sustainable Development Goals reignited a global commitment to Universal Health Coverage (UHC), which requires that all citizens have access to quality healthcare without being thrown into financial hardship. UHC comprises three key elements: population coverage, service availability, and financial protection. The underlying principles of UHC include equity, non-discrimination, and the right to health, ensuring that the most marginalised populations are reached and covered and that no one is left behind.^{1 2} UHC is also a strategic priority for the World Health Organization (WHO), further underscoring its critical importance to health and wellbeing.

Although the Nigerian government recognises the vital importance of achieving UHC as expressed in several health policies, the country has faced significant challenges in achieving the desired progress towards this goal (see Figure 1 on financial and service coverage). For instance, 80 percent of Nigerians pay for healthcare out of pocket, according to a survey by NOI Polls in November 2022.³ This form of financing accounted for 76.24 percent of healthcare spending in 2021.⁴ Out-of-pocket (OOP) health payments are associated with a heightened risk of catastrophic health expenditure,⁵ which hampers progress toward universal coverage.

Achieving the financial protection goal of UHC can effectively prevent poverty by reducing catastrophic expenditure or impoverishment, which will ensure health security.⁶ Ensuring financial protection in Nigeria is even more critical, deserving considerable attention given the high poverty levels among the general population. The World Bank, in 2022, projected that 42.6 percent of Nigerians lived in monetary poverty.⁷ This percentage was higher for multidimensional poverty at 63 percent.⁸ Utilising secondary data from the Harmonized Nigeria Living Standard Survey (HNLSS) of 2009/2010, Aregbesola and Khan (2018) found that approximately 1.3 million Nigerians were being pushed below the poverty line due to OOP health payments.

¹Winkelmann, J., Panteli, D., Blümel, M., & Busse, R. (2018). Universal health coverage and the role of evidence-based approaches in benefit basket decisions. *Eurohealth*, 24(2), 34-37.

² United Nations. (2019). International Universal Health Coverage Day. <https://www.un.org/en/observances/universal-health-coverage-day>.

³ NOI Polls. (2023). Health Insurance Remains a Mirage to Nigerians as 80 Percent Pay Out of Pocket. NOI Polls. <https://www.noi-polls.com/post/health-insurance-remains-a-mirage-to-nigerians-as-80-percent-pay-out-of-pocket>.

⁴ World Bank (2024). Out-of-pocket expenditure (% of current health expenditure) – Nigeria. https://api.worldbank.org/v2/en/indicator/SH.XPD.OOPC.CH.ZS?downloadformat=excel&_gl=1*1ozx48r*_gcl_au*MjAyNjExMTAyMy4xNzI1NDU3ODk5.

⁵ Aregbesola, B. S., & Khan, S. M. (2018). Out-of-Pocket Payments, Catastrophic Health Expenditure and Poverty Among Households in Nigeria 2010. *International Journal of Health Policy and Management*, 7(9), 798–806. <https://doi.org/10.15171/ijhpm.2018.19>.

⁶ Assefa, Y., Hill, P. S., Gilks, C., Van Damme, W., van de Pas, R., Woldeyohannes, S., & Reid, S. (2020). Global Health Security and Universal Health Coverage: Understanding Convergences and Divergences for a Synergistic Response. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3566188>.

⁷ World Bank Group (2022). Nigeria Poverty Assessment 2022: A better future for all Nigerians. https://documents1.worldbank.org/curated/en/099730003152232753/pdf/P17630107476630fa09c990da780535511c.pdf?_gl=1*16ntipu*_gcl_au*MjAyNjExMTAyMy4xNzI1NDU3ODk5

⁸ National Bureau of Statistics. Nigeria Multidimensional Poverty Index (2022). <https://www.nigerianstat.gov.ng/pdfuploads/NIGERIA%20MULTIDIMENSIONAL%20POVERTY%20INDEX%20SURVEY%20REULTS%202022.pdf>

According to WHO, health financing is critical in achieving progress toward UHC as it facilitates financial protection and effective service coverage. The WHO defines health financing for UHC as: *"financing systems specifically designed to provide all people with access to needed health services (including prevention, promotion, treatment and rehabilitation) of sufficient quality to be effective; [and to] ensure that the use of these services does not expose the user to financial hardship"*.⁹ Nigeria must pay close attention to health financing to create a sustainable and fair healthcare system that progresses towards UHC.

Despite the numerous laws and policies supporting UHC and healthcare financing, the health sector in Nigeria is still grappling with the challenge of providing adequate and equitable healthcare services. Public financing consistently falls below the 15 percent recommendation of the Abuja declaration, OOP payments remain high, and patients face limited access to healthcare facilities and personnel. Given the crucial role health financing plays in achieving UHC, there is an immediate and pressing need to examine Nigeria's current state of health financing. This examination will help assess the current landscape and challenges to achieving UHC and provide solutions to promote advancement towards UHC.

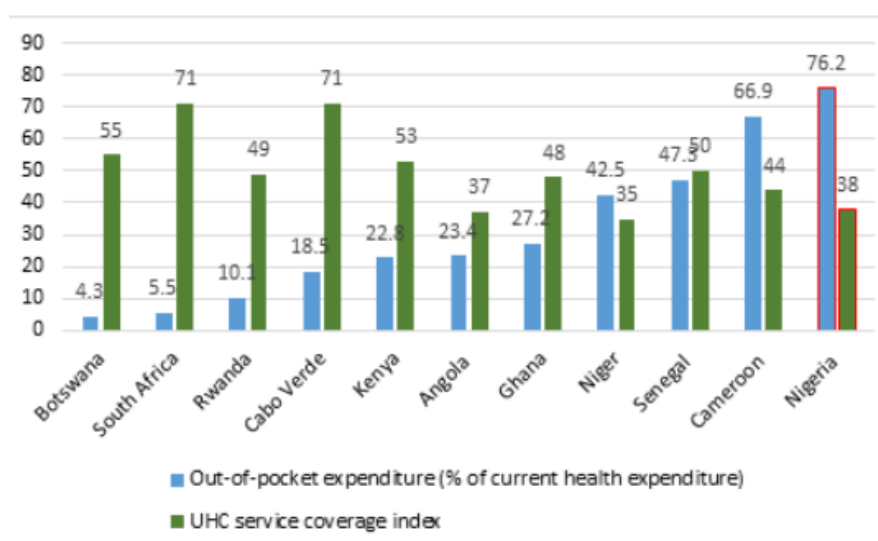
This paper examines the current state of health financing in Nigeria. It does so through the lens of the three essential functions of health financing, including **revenue mobilisation, pooling of revenues, and strategic purchasing**. Importantly, this report provides concrete recommendations for addressing Nigeria's health financing challenges. These recommendations are designed to facilitate progress toward UHC, underscoring the value and importance of this report.

The rest of this report is organised as follows. Section 2 reviews past and present health legislation, policies and strategies. Section 3 discusses the three functions of health financing in Nigeria, drawing on a review of relevant literature and insights from a roundtable discussion with health financing experts. Section 4 summarises some of the key points and insights discussed throughout the report.



⁹ World Health Organization. (2012). The World Health Report 2010. <https://www.who.int/publications/i/item/9789241564021>.

Figure 1: Out-of-pocket expenditure (% of current health expenditure) and UHC service coverage index for selected countries in 2021



Source: World Bank

Review of Policies, Strategies and Legislation on Health Financing

Several health policies have been developed to achieve UHC. This section briefly overviews critical policies that focus on meeting UHC's intermediate objective, with the final coverage goals as the endpoint. Despite the laudable goals of these policies and comprehensive implementation frameworks, implementation has been a significant hurdle in their success.

Review of Key Past Policies, Strategies and Legislation on Health Financing

Key past policies and strategies that addressed health financing in Nigeria include the National Health Insurance Scheme (2004), the National Health Financing Policy (2006), and the Second National Strategic Health Development Plan (NSHDP II) 2018–2022. Each of these initiatives played a crucial role in shaping the country's healthcare financing landscape, and their details are discussed below.

National Health Insurance Scheme (2004)

The National Health Insurance Scheme (NHIS) was established by decree 35 of the 1999 constitution to provide health insurance that confers good quality and cost-effective health services. The Scheme sought to promote adequate resource mobilisation for healthcare provision. The objectives of the Scheme captured the principles of UHC which includes ensuring that every Nigerian had access to good healthcare services and protecting families from the financial hardship of large medical bills.

The other objectives of the Scheme were to:

- Ensure that every Nigerian has access to good health care service
- Limit the rise in health care service costs
- Ensure health care costs are equitably distributed among different income groups
- Maintain a high standard of health care delivery within the Scheme
- Ensure efficiency in health care services
- Enhance and harness private sector participation in health care service provision
- Ensure adequate distribution of health facilities across the country
- Ensure equitable use of all levels of health care
- Ensure funds are available to the health sector for improved services

National Health Financing Policy (2006)

The National Health Financing Policy (NHFP) sets out the goals, structure, and policy directions of health financing in Nigeria. It also provides a framework for health financing functions, including the revenue generation approach, a pooling and risk management system, resource allocation, and purchasing. It instituted the appropriate regulatory framework for health financing. It also established the roles and responsibilities of the three tiers of government and other stake stakeholders for financing human resources for health, information systems, implementation, monitoring, and evaluation.

The goal of health financing, as defined in the policy, was to ensure adequate and sustainable funding that will be efficiently and equitably used to provide quality healthcare and ensure Nigerians have financial risk protection in access to healthcare, particularly the poor and most vulnerable. The overall goal of the NHFP was to ensure that adequate and sustainable funds are available and allocated for accessible, affordable, efficient and equitable health provision and consumption.

Second National Strategic Health Development Plan (NSHDP II) 2018– 2022

The mission of the NSHDP II was to ensure universal access to comprehensive, appropriate, affordable, efficient, equitable and quality essential health care by strengthening the health care system. The NSHDP II operationalised the National Health Policy by developing strategies for achieving objectives, such as the minimum service package associated with the Basic Health Care Provision Fund (BHCPF). There were five strategic pillars of the plan, including:

- Enabled environment for the attainment of sector outcomes
- Increased utilisation of Essential Package of Health Care Services (EPHS)
- Strengthened health system for delivery of EPHS
- Protection from health and emergencies and risks
- Predictable financing and risk protection

Several aspects of the plan enshrine the tenets of UHC. The key expected outcomes included reduced OOP spending through developing an efficient healthcare system and improved

coverage of essential packages of healthcare services. In addition, the plan sought to remove financial hardship at the point of care through the second strategic pillar.

Review of Key Current Policies, Strategies and Legislation on Health Financing

The Nigerian constitution and the National Health Act (NHAct) espouse the right to health for all Nigerians. Several policies have been developed over time to enshrine the provisions of these laws. Many of the policies are considered essential steps towards UHC. Current key legislation and policies include the National Health Insurance Authority Act (2022), National Health Policy (2016), Nigeria Health Financing Policy and Strategy (2017) and the National Health Act 2014. The policies' goals tend to be aligned with UHC's tenets.

National Health Act 2014

The National Health Act, described as one of the most innovative reforms within the Nigerian health sector, provides a framework for regulating, developing, and managing the national health system. It also set standards for rendering health services in the federation and related matters. It provides a legal framework for primary healthcare services and mandates that every Nigerian can access a basic minimum package of health services.¹⁰

The Act established the BHCPF (not less than 1 percent of the consolidated revenue fund) and specified three sources, namely:

- 1) An annual grant from the Federal Government of not less than 1 percent of its Consolidated Revenue Fund
- 2) Funds from international donor partners
- 3) Funds from other sources, inclusive of the private sector¹¹

National Health Policy (2016)

The 2016 National Health Policy aims to achieve UHC and healthy lives for all Nigerians, as enshrined in the NHAct, by providing a comprehensive framework for utilising resources for health development. The goal of the National Health Policy is "to strengthen Nigeria's health system, particularly the Primary Health Care sub-system, to deliver quality, effective, efficient, equitable, accessible, affordable, acceptable and comprehensive health care services to all Nigerians".

The policy also has an implementation framework. This framework comprises of:

- General implementation requirements: These constitute the dissemination of the policy, state-level adaptation, strategic plans, and a medium-term expenditure framework
- Stakeholders' roles and responsibilities for the implementation of the policy
- The legal framework for policy implementation
- Funding of policy implementation

¹⁰ Obi, F.A. (2014) National Health Act: Slow Implementation Delays Health Benefits to Nigerians.

<https://resyst.lshtm.ac.uk/resources/2014-national-health-act-slow-implementation-delays-health-benefits-to-nigerians>.

¹¹ National Primary Health Care Development Agency (NPHCDA). Basic Health Care Provision Fund (BHCPF).

<https://nphcda.gov.ng/bhcpf/#:-:text=ABOUT%20BHCPF&text=The%20BHCPF%20is%20derived%20from%20%E2%80%8C>

Nigeria Health Financing Policy and Strategy (2017)

The policy focuses on achieving UHC through providing a coherent framework. The goal is to ensure all Nigerians have access to timely, affordable, quality, efficient, and equitable healthcare services without the risk of impoverishment.

The theory of change for the policy rests on four strategic pillars through which the goal of UHC would be achieved, including:

- Strengthened health financing governance and coordination
- Adequate revenue generation
- Effective pooling and financial protection
- Efficient and strategic purchasing

The policy was underpinned by a comprehensive 5-year implementation plan for achieving the four strategic pillars. The policy document also provides a monitoring and evaluation framework to measure the performance of the policy's implementation. These include health financing indicators for (i) UHC, (ii) revenue generation and mobilisation, (iii) pooling and fund management, and (iv) purchasing and allocation.

The National Health Insurance Authority Act (NHIA 2022)

This Act is considered an essential step towards the achievement of UHC. It is the first to make health insurance mandatory for all Nigerian and legal residents. The other vital issues addressed by the Act include:

- To establish a basic minimum health service package across all health insurance providers in Nigeria
- To make provisions for the vulnerable group fund, which aims to cover 83 million vulnerable Nigerians with health insurance
- To provide a role for the decentralisation of health insurance through the State Social Health Insurance Agencies
- To regulate the affairs of Healthcare Facilities, Health Maintenance Organisations (HMOs), Mutual Health Associations (MHAs), and Third-Party Administrators
- To establish systems for receiving and resolving complaints by members of the schemes and Healthcare Facilities, HMOs, MHAs, and Third-Party Administrators. The law further makes provision for Private health insurance to handle supplementary benefits (top-up) to be regulated by the Authority

According to the Act, the NHIA's primary role is to further regulate, coordinate, and integrate health insurance operations in the country.

Health Financing Functions

This section examines the three primary health financing functions, providing a brief description of each function, its importance, and Nigeria's current state. It also enumerates recommendations for advancing towards UHC across these functions.

I. Revenue Mobilisation

A country can collect revenues from the population to provide health services in several ways. Revenue mobilisation identifies the sources of funds a country utilises for healthcare provision.

Importance of Revenue Mobilisation

A country must maximise available funding sources in alignment with its health policy goals. According to the WHO, fairness in the mechanism used, or how the burden falls across the population, is an objective of raising revenue. It is well accepted that OOP health spending is, in most cases, a regressive way to fund healthcare services.¹² Reliance on OOP financing fosters inequity and is considered unsustainable. Therefore, the mix of sources of funds can be instrumental in minimising the risk of financial hardship (associated with OOP expenditure), which is critical in progressing towards UHC.

Current State of Revenue Mobilisation

Healthcare in Nigeria is financed primarily through general tax revenue, OOP spending, social and community-based health insurance, and funding from development partners. However, tax-based revenues and contributions (from employers and individuals) are the primary sources of financing for healthcare.¹³

As previously mentioned, Nigeria has yet to meet the Abuja declaration, which requires a commitment to spend 15 percent of government revenue on healthcare. Over 85 percent of total health expenditures come from the private sector, with the majority being OOP spending by households.¹⁴ This high OOP spending increases the risk of catastrophic health expenditures. Furthermore, health funding is low and largely unpredictable because of the dependence on OOP payments.

¹² World Health Organisation. (n.d). Revenue raising. <https://www.who.int/teams/health-systems-governance-and-financing/health-financing/policy/revenue-raising>.

¹³ Onwujekwe, O., Mbachu, C. O., Okeke, C., Ezenwaka, U., Ogbuabor, D., & Ezenduka, C. (2022). Strategic Health Purchasing in Nigeria: Exploring the Evidence on Health System and Service Delivery Improvements. *Health Systems & Reform*, 8(2). <https://doi.org/10.1080/23288604.2022.2111785>.

¹⁴ International Monetary Fund (2020). Fiscal Affairs Dept. Nigeria: Technical Assistance Report-Additional Spending Toward Sustainable Development Goals. *IMF eLibrary*, doi:10.5089/9781513545202.002.A001.

Health insurance schemes in the country have focused mainly on population segments, which has hindered progress towards UHC. Only 5 percent of Nigerians are enrolled in a health insurance scheme.¹⁵ The NHIS is a type of health insurance program that enrolls federal government workers, among others. Less than 5 percent of Nigerians are enrolled under the NHIS.¹⁶ This is because enrolment is voluntary for those in the informal sector. Progress towards UHC remained slow under this Scheme. The National Health Insurance Act of 2022, which makes health insurance mandatory, has been welcomed as an essential step towards increasing insurance coverage.

Significant challenges have plagued the health system regarding the release and utilisation of mobilised funds. A study of the health budget found that despite an increase in budgetary allocation to the health sector, the release of funds was inadequate. Released funds were also grossly underutilised.¹⁷ For example, it has been reported that inconsistency in the release of the funds, coupled with weak monitoring of fund utilisation, have hindered the effective functioning of the BHC PF.^{18, 19} These challenges have directly contributed to inadequate service delivery and poor functioning of primary care facilities, undermining efforts to improve health outcomes.

Even when funds are released, gross underutilisation remains a re-occurring issue that can significantly limit the prospect of increased allocation to the health sector. As indicated in the review of health policies, several policies have been developed to strengthen revenue collection for the health sector. However, this has yet to materialise fully. Problems associated with poor funding in the health sector persist, including poor healthcare quality, inadequate infrastructure, poor remuneration of health practitioners, and the overall ineffective functioning of the health system.

II. Pooling of Revenues

Pooling refers to the accumulation and management of financial resources for health services from various sources—such as taxes, social health insurance contributions, or donor funds—on behalf of some or all of the population.^{20,21}

¹⁵ Alawode, G. O., & Adewole, D. A. (2021). Assessment of the design and implementation challenges of the National Health Insurance Scheme in Nigeria: a qualitative study among sub-national level actors, healthcare and insurance providers. *BMC Public Health*, 21(1). <https://doi.org/10.1186/s12889-020-10133-5>.

¹⁶ PwC (2019). Sustainability of State Health Insurance Schemes in Nigeria. <https://www.pwc.com/ng/en/assets/pdf/sustainability-state-health-insurance-nigeria.pdf>.

¹⁷ Federal Government of Nigeria (2022). Approved Health Budget Analysis, Federal Republic of Nigeria. <https://drpcngr.org/wp-content/uploads/2022/02/FGN-2022-Health-Budget-Analysis.pdf>.

¹⁸ Nigeria Health Watch. (2021). Is the Basic Health Care Provision Fund the Silver Bullet to Achieve Universal Health Care in Nigeria: Lessons from Dukpa PHC. <https://articles.nigeriahealthwatch.com/is-the-basic-health-care-provision-fund-the-silver-bullet-to-achieve-universal-health-care-in-nigeria-lessons-from-dukpa-phc/>.

¹⁹ Development Research and Projects Center (2021). Basic Health Care Provision Fund Implementation Update. <https://drpcngr.org/wp-content/uploads/2021/05/BHC PF-IMPLEMENTATION-UPDATE-2021.pdf>.

²⁰ OECD, Health Financing Policy: A Guide for Decision-Makers (2016), Chapter 3.

²¹ Mathauer, I., Vinyals Torres, L., Kutzin, J., Jakab, M., & Hanson, K. (2019). Pooling financial resources for universal health coverage: options for reform. *Bulletin of the World Health Organization*, 98(2), 132–139. <https://doi.org/10.2471/blt.19.234153>.

Importance of Pooling Revenues

The pooling of funds is essential to achieving UHC. According to the World Health Report 2010, countries that maintain substantial pooled funds, typically around 5 - 6 percent of GDP, have usually achieved universal access to health care for their entire populace.²²

Pooling promotes the aggregation of health resources and prevents fragmentation, which hinders insurance pools from effectively redistributing prepaid funds and spreading financial risk.²³ Pooling can also enhance financial protection and equitable access to healthcare even when additional resources for UHC cannot be mobilised.²⁴

Current State of Pooling

Nigeria is progressive in implementing healthcare financing pooling. Although still far from its target, the BHCPF, for example, had approximately 1.5 to 1.6 million people enrolled as of 2023.²⁵ The Nigeria health financing policy and strategy document has clear policy statements focusing on fragmentation. It also has targeted interventions towards reducing fragmentation. However, fragmentation of insurance pools remains a prevalent problem nationally and across states. Fragmentation limits the capacity to share risks across individuals with varying healthcare needs within the pool. It can also generate coverage gaps, inequity in service access and lower financial protection if pools with more significant healthcare needs do not receive greater revenue.²⁶ Pooling aims to maximise the redistributive capacity of prepaid funds, allowing for cross-subsidisation from the healthy to the ill (risk cross-subsidisation) or from the wealthy to the poor (income cross-subsidisation).

The BHCPF is a separate pool at the national level. The NHIA operates a formal sector Social Health Insurance Program, a separate pool. Furthermore, at the state level, there are different forms of pooling. In addition, the HMOs operate separate private health insurance schemes, which are also other pools. Thirty-five states currently have state health insurance in place. These are also separate pools. At subnational levels, there are several fragmented pools. The state health insurance agencies operate their own formal sector social health insurance programs as separate pools, in addition to equity programs run by the state health insurance agencies to cover their vulnerable population, constituting a form of pooling. So, there are multiple pools at the state level also.

²² World Health Organization (2012). The World Health Report 2010. <https://www.who.int/publications/i/item/9789241564021>.

²³ *ibid*

²⁴ Mathauer, I., Vinyals Torres, L., Kutzin, J., Jakab, M., & Hanson, K. (2019). Pooling financial resources for universal health coverage: options for reform. *Bulletin of the World Health Organization*, 98(2), 132-139. <https://doi.org/10.2471/blt.19.234153>.

²⁵ Okara, D (2023). Basic Health Care Provision Fund: Expanding Access to Healthcare for Nigerians. *Nigeria Health Watch*. <https://articles.nigeriahealthwatch.com/basic-health-care-provision-fund-expanding-access-to-healthcare-for-nigerians/>

²⁶ Mathauer, I., Vinyals Torres, L., Kutzin, J., Jakab, M., & Hanson, K. (2019). Pooling financial resources for universal health coverage: options for reform. *Bulletin of the World Health Organization*, 98(2), 132-139. <https://doi.org/10.2471/blt.19.234153>.

III. Strategic Purchasing

Strategic purchasing is allocating health resources to providers to encourage effectiveness, equity, quality, and accountability in delivering health services. According to the WHO, it entails deciding "what services" to purchase, "from whom," and "how" to pay for them.²⁷ Strategic purchasing is crucial to achieving UHC, ensuring everyone can access high-quality healthcare services without experiencing financial hardship.²⁸

A well-defined benefits package is a key component within the strategic purchasing process. By outlining a set of healthcare services covered under financing schemes, benefits packages help align resources with healthcare needs, ensure equitable service distribution, and support the efficient use of funds.

Importance of Strategic Purchasing

Strategic purchasing is essential for improving Nigeria's health system's performance and outcomes. It can help to achieve the following benefits:

Matching health spending to priorities and needs: Strategic purchasing can ensure that health resources are allocated according to the population's preferences, the cost-effectiveness of interventions, and the disease burden. This can decrease resource wastage and duplication while increasing the allocation efficiency and equity of health spending.²⁹

Enhancing the quality and responsiveness of healthcare services: Strategic purchasing can incentivise providers to provide high-quality care that meets patients' needs. Payment can be tied to performance metrics like patient satisfaction, clinical outcomes, and adherence to rules and regulations. By monitoring provider performance, evaluating contracts, and enforcing sanctions, strategic purchasing can also promote accountability and transparency in the healthcare system.³⁰

Promoting innovation and the integration of healthcare services: Strategic purchasing can persuade providers to use cutting-edge methods and technologies that enhance the effectiveness and efficiency of care delivery. Additionally, it can help with collaboration and coordination between various levels and categories of service providers, including those in the public and private sectors, the primary, secondary, and tertiary care sectors, and those offering curative and preventive services.

²⁷ World Health Organization. (2019). Purchasing health services for universal health coverage: how to make it more strategic? <https://www.who.int/publications/i/item/WHO-UHC-HGF-PolicyBrief-19.6>.

²⁸ *ibid*

²⁹ Mathauer I, Dale E, Meessen B (2017). Strategic purchasing for Universal Health Coverage: key policy issues and questions. A summary from expert and practitioners' discussions. <https://apps.who.int/iris/bitstream/handle/10665/259423/9789241513319-eng.pdf>.

³⁰ Cashin, C. (2019.). Overview of Strategic Health Purchasing: Functions and policy instruments. https://www.who.int/docs/default-source/health-financing/strategic-purchasing/session-1-overview-of-sp-afhea-sp-workshop.pdf?sfvrsn=cef9a462_3.

Patients' care, especially those with chronic or complex conditions, can be improved through more excellent continuity and comprehensiveness of care.³¹

Current State of Strategic Purchasing

Strategic health purchasing plays a crucial role in Nigeria's journey toward UHC. This section reviews the frameworks, financing mechanisms, and challenges of strategic purchasing in Nigeria's health sector, shedding light on both recent advances and areas needing improvement.

Key Frameworks and Policies

Nigeria's strategic purchasing framework is supported by several foundational policies and initiatives. The National Health Act of 2014, for instance, established a legal framework for health financing and introduced the BHCPF, which directs 1 percent of federal revenue to enhance access to primary healthcare. 50 percent of the BHCPF is disbursed through the NHIS to improve financial access to healthcare by providing a basic minimum package of health services in eligible primary and secondary healthcare facilities; 45 percent is disbursed through the National Primary Health Care Development Agency (NPHCDA) to enhance the capacity of primary health care centres to provide basic services.³² The Nigeria Health Financing Policy and Strategy, released in 2017, emphasises strategic purchasing as a key element for achieving UHC, setting a course for systematic improvements in health financing.

Health Financing Landscape

The financing structure for healthcare in Nigeria is a blend of government allocations, OOP expenses, and insurance-based contributions. Both the NHIA and individual State Health Insurance Schemes (SHISs) contribute significantly to health financing, each defining its benefit packages, establishing provider contracts, and applying varied payment models to incentivise service quality and efficiency. However, gaps in consistency across schemes present challenges in achieving a unified approach.

³¹ Mathauer I, Dale E, Meessen B (2017). Strategic purchasing for Universal Health Coverage: key policy issues and questions. A summary from expert and practitioners' discussions.
<https://apps.who.int/iris/bitstream/handle/10665/259423/9789241513319-eng.pdf>.

³² World Bank (2020). Payment Method and Tariff Options for Nigeria's National Health Insurance Scheme (NHIS) gateway of the Basic Health Care Provision Fund (BHCPF). World Bank Group – Health, Nutrition and Population (HNP) Global Practice.
<https://documents1.worldbank.org/curated/en/465201615805182969/pdf/Payment-Method-and-Tariff-Options-for-Nigeria-s-National-Health-Insurance-Scheme-NHIS-Gateway-of-the-Basic-Health-Care-Provision-Fund-BHCPF.pdf>.

Comparison of Purchasing Functions Across Different Levels of Nigeria's Healthcare System

The Strategic Health Purchasing Progress Tracking Framework is utilised to comprehensively assess the landscape of health purchasing. This pragmatic framework and approach for gauging purchasing progress have been collaboratively shaped by a consortium of health financing researchers and academics in conjunction with the Strategic Purchasing Africa Resource Centre. This innovative framework builds upon existing models, centring its attention on the fundamental facets of purchasing, which include governance for health purchasing, benefits specification, contracting arrangements, financial management, provider payment, and performance monitoring.^{33,34}

Federal Ministry of Health (FMOH)

- Responsible for setting national health policies, standards, and regulations; coordinating and supervising health programs and projects; and providing tertiary health services through federal teaching hospitals and medical centres.
- Receives budgetary allocations from the federal government, which are often inadequate, untimely, and unpredictable.
- Does not have a clearly defined benefits package for the population. Services are mainly based on availability and affordability.
- Does not have formal contracting arrangements with providers, except for some donor-funded projects and initiatives.
- Pays providers through line-item budgets, which are input-based and do not reflect performance or quality.
- Has weak performance monitoring systems, with limited data collection, analysis, and feedback.

National Health Insurance Authority (NHIA)

- Responsible for regulating health insurance in Nigeria, administering the formal sector social health insurance program (FSSHIP), and overseeing the BHCPF for vulnerable groups.
- Receives funds from payroll contributions of formal sector employees and employers, voluntary contributions of informal sector workers, and BHCPF allocations from the federal government.
- Has a defined benefits package for the FSSHIP, which covers primary, secondary, and some tertiary care services and the BHCPF.

³³ Cashin, C., & Gatome-Munyua, A. (2022). The Strategic Health Purchasing Progress Tracking Framework: A Practical Approach to Describing, Assessing, and Improving Strategic Purchasing for Universal Health Coverage. *Health Systems & Reform*, 8(2). <https://doi.org/10.1080/23288604.2022.2051794>.

³⁴ Ezenwaka, U., Gatome-Munyua, A., Nwankwor, C., Olalere, N., Orji, N., Ewelike, U., Uzochukwu, B., & Onwujekwe, O. (2022). Strategic Health Purchasing in Nigeria: Investigating Governance and Institutional Capacities within Federal Tax-Funded Health Schemes and the Formal Sector Social Health Insurance Programme. *Health Systems & Reform*, 8(2). <https://doi.org/10.1080/23288604.2022.2074630>.

- Contracts with accredited public and private providers through health maintenance organisations (HMOs) are intermediaries between NHIA and providers.
- Pays providers through capitation for primary care and fee-for-service for secondary and tertiary care. The payment rates are fixed and do not vary by performance or quality.
- Has some performance monitoring systems, such as accreditation, quality assurance, and utilisation review. However, these systems need to be better enforced and utilised for decision-making.

State Ministries of Health (SMOH)

- Responsible for developing and implementing state health policies, plans, and budgets; coordinating and supervising state health programs and projects; and providing secondary health services through state general hospitals and specialist hospitals.
- Receives budgetary allocations from the state governments, which are often inadequate, untimely, and unpredictable. Some states also generate internal revenue from user fees, taxes, and levies.
- Does not have a clearly defined benefits package for the population. Services are mainly based on availability and affordability. Some states have introduced free or subsidised healthcare programs for certain groups or services.
- Does not have formal contracting arrangements with providers, except for some donor-funded projects and initiatives. Some states have established SHISs, which contract directly or through HMOs with public and private provider.
- Pays providers through line-item budgets, which are input-based and do not reflect performance or quality. Some states have introduced performance-based financing (PBF) schemes, which pay providers based on results and quality indicators. SHISs pay providers through capitation or fee-for-service, depending on the level of care.
- Has weak performance monitoring systems, with limited data collection, analysis, and feedback. Some states have improved their data systems through the District Health Information System (DHIS) or other platforms. PBF schemes and SHISs have performance monitoring mechanisms, such as verification, quality assurance, and utilisation review. However, these mechanisms need to be better enforced and utilised for decision-making.

Structuring Benefit Packages

In designing benefit packages, NHIA and SHISs have tailored services to address the primary health needs of the Nigerian population, with an emphasis on essential areas like maternal and child health, immunization, and infectious disease control. By aligning resources with high-priority services, these packages aim to address the country's most critical health challenges effectively. This targeted approach helps in maximising the impact of limited funds.

Provider Payment Models

The methods of paying healthcare providers in Nigeria play a fundamental role in shaping healthcare delivery. Capitation payments, where providers receive a set amount per enrollee, encourage preventive care, while fee-for-service payments incentivise treatment. Performance-based payments reward providers for meeting specific quality metrics, aligning provider goals with the objectives of the purchasing schemes. By blending these payment methods, NHIS and SHISs strive to balance cost control with incentives for quality care.

Selecting and Contracting Healthcare Providers

Provider selection and contracting is a critical aspect of strategic purchasing, where NHIA and SHISs set accreditation standards for healthcare facilities based on quality and compliance. The contracting process generally involves performance standards and regular evaluations to ensure providers meet agreed-upon service criteria. This structured process aims to maintain a network of reliable providers that align with the broader goals of UHC.

Monitoring and Performance Evaluation

Ongoing monitoring and evaluation mechanisms are essential to assess provider performance and overall program impact. Health financing schemes use audits, satisfaction surveys, and health outcome metrics to gauge the effectiveness of purchasing decisions. This continuous feedback loop allows for adjustments to strategy, contributing to a more responsive and efficient health system.

Governance and Accountability

Effective governance and robust accountability structures are vital to the success of Nigeria's strategic purchasing efforts. Clear roles, transparency measures, and anti-corruption mechanisms help ensure that health funds are used effectively and purchasing decisions remain aligned with public interest. Enhanced accountability also fosters trust in the health system, encouraging greater compliance and engagement from all stakeholders.

Challenges, Recent Developments and Opportunities

Despite steady progress, strategic purchasing in Nigeria faces persistent challenges. Low health spending by the government and high OOP expenses can limit access to healthcare and increase inequities. Additional barriers include passive purchasing practices, inadequate budget allocations, infrastructure constraints, an inconsistent adherence to accountability standards.

- Recent efforts to address these issues include initiatives such as the legal framework improvement with the recent NHIA Act of 2022. At the subnational level, governments are revamping agencies like the SHISs to strengthen strategic purchasing functions, including benefit design, provider selection, and payment structures. These reforms are gradually fostering more active, data-driven purchasing practices across the country.
- The landscape of strategic purchasing in Nigeria is defined by progress in establishing foundational policies and expanding health financing schemes, yet significant challenges remain. To enhance strategic purchasing in Nigeria's health sector, a comprehensive approach is needed. This includes shifting from input-based to output-based financing models, such as performance-based or blended payments, which would align provider incentives with patient health outcomes. Establishing centralised, interoperable data systems would support evidence-based adjustments to contracting and payment policies by enabling better tracking of provider performance and healthcare utilization. Stronger oversight and independent audits of HMOs and providers, along with greater decision-making and budgetary autonomy for NHIA, would enhance accountability, efficiency, and public trust in health insurance systems. Standardising benefit packages and care standards across states could reduce fragmentation and ensure consistent care quality, while training NHIA and FMOH staff in advanced contract management skills would improve provider agreements and enforce contract terms more effectively. Finally, regular stakeholder engagement—including government agencies, NHIA, HMOs, providers, and patients—could foster transparency, policy alignment, and collaboration on health sector reforms.

SWOT Analysis

This section uses a SWOT analysis framework to identify the strengths, weaknesses, opportunities, and threats related to health financing in Nigeria.

Strengths

- Strong policy and legislative framework for revenue mobilisation
- Political will to improve healthcare funding
- Supportive policies for public-private partnerships
- Increasing involvement of the private sector in funding healthcare
- The NHIA Act 2022 provides for the vulnerable group fund
- Potential for sustainable funding from the BHCPF
- Mandatory health insurance potentially increases the risk pool and coverage
- Some legal and policy frameworks support strategic purchasing, such as the National Health Act 2014, the National Health Insurance Authority Act 2022, and the BHCPF Operational Guidelines and Implementation Manual. This implies that despite their complexity, institutional roles and responsibilities for purchasing are evident across the three tiers of government.

- NHIA and the State Health Insurance Agency (SHIA) use output-based provider payment methods and have well-defined benefit packages.
 - Availability of some data sources and information systems that can inform strategic purchasing decisions, such as the National Health Management Information System (NHMIS), the District Health Information System (DHIS), and the National Health Accounts (NHA).
 - Presence of some initiatives and pilots that demonstrate good practices of strategic purchasing, such as the PBF scheme in some states, the SHIS, and the Saving One Million Lives Program for Results (SOML-PforR) at the federal level.
- The Nigerian health sector has undertaken critical supply-side financing and demand-side financing reforms, which can be leveraged to harmonise the health insurance benefits packages.
- The NHIA Act 2022 mandates the NHIA to drive the development of a national benefit package for the country through the Federal Ministry of Health.
- The NHIA Act 2022 mandates the NHIA to drive the development of a national benefit package for the country through the Federal Ministry of Health.

Weaknesses

- Failure to reach a 15 percent allocation of the annual federal government budget to the health sector stipulated in the Abuja declaration.
- Significant OOP component in health expenditure leading to the risk of catastrophic health spending
- Inadequate disbursement of funds
- Inadequate utilisation or low absorption of disbursed funds
- Poor enrolment into health insurance schemes
- Low coverage of the BHCPF
- Risk pools are unsustainable, and pooling systems are weakly coordinated
- Political influence in the development of pools
- A large cross-section of the population remains uncovered
- Low public health funding limits the scope and scale of strategic purchasing
- Weak capacity and governance of health purchasers at different levels of government hamper their ability to design, implement, and monitor strategic purchasing arrangements.
- Public providers have limited financial autonomy under federal and state budget financing, but they are afforded greater financial independence for budgeting and execution under the NHIS, SHISs, and BHCPF.
- Fragmentation and lack of coordination among multiple health purchasers and providers in the public and private sectors lead to inefficiencies and inequities in health service delivery. For instance, given that provider payment mechanisms are not harmonised across different levels of care (e.g. FMOH and SMOH pay monthly salaries to their providers, NHIS and SHISs use capitation for primary care, but for hospital care, they use fee-for-service), NHIA has to deal with over referrals because of capitation and supplier-induced demand brought on by fee-for-service.
- Coordinating benefit packages across various programs and states has proven challenging, particularly given the multiplicity of funding pools.
- The lack of harmony in health insurance benefits packages has posed a challenge in the Nigerian health sector.

Opportunities

- Mandatory health insurance backed by the NHIA
- Familiarity of rural dwellers with rotating savings and credit, which can encourage enrolment in health insurance schemes.
- Vulnerable Group Fund in the NHIA Act, 2022
- Private sector collaboration and innovative financing models
- Larger pools can be created by merging existing pools
- Increasing political commitment and advocacy for UHC and strategic purchasing at national and subnational levels
- Growing demand and awareness for quality and affordable health services among the population
- Expanding coverage and enrolment of health insurance schemes at federal and state levels creates opportunities for strategic purchasing of health services.
- Determining which services should be available, in what circumstances, and how to harmonise packages can ensure client satisfaction and promote competitiveness in the health service delivery sector.
- Harmonising the multiple benefit packages can aid the country in achieving UHC
- Prioritising limited funding toward areas with the highest potential impact.

Threats

- Poor sensitisation on health insurance could also hamper uptake
- Loss of donor funding due to poor governance and inefficient spending
- Economic constraints, including inflation and poverty, could negatively affect insurance uptake and OOP health expenditure.
- Those outside the formal sector may only enroll in mandatory insurance if fully subsidised.
- The government's fiscal constraints
- Low political will to consolidate pools
- Persistent insecurity and instability in some regions of the country disrupt health service delivery and strategic purchasing activities.
- The rising burden of communicable and non-communicable diseases increases the pressure on health resources and services.
- Resistance and reluctance of some health providers and stakeholders to adopt and comply with strategic purchasing arrangements.
- Lack of accountability in public financial management systems across National and state levels.
- The multiplicity of funding pools, such as the BHCPF, the NHIS, and the SHIS, can make harmonising health insurance benefits packages challenging.

Recommendations

The recommendations in this section were developed through a roundtable discussion with experts hosted by the Nigerian Economic Summit Group, insights from previous Nigerian Economic Summits, and a review of relevant literature. These include:

General Recommendations

- **Invest in local research and evidence generation:** There is a need for investments in local research to identify effective health financing strategies tailored to the Nigerian context. This can help understand the unique challenges and opportunities within the primary care system and generate evidence from implementation efforts across states.
- **Enhance accountability and transparency:** Lack of transparency and accountability have led to inefficient allocation and utilization of funds and duplication of efforts within the healthcare sector. For instance, there is a lack of transparency regarding managing donor funds and how these resources are utilised. Additionally, the decision-making process for fund utilisation often lacks clarity. Establishing clear guidelines that transparently outline the allocation and management of pooled finances is crucial.

Thus, strong accountability and governance frameworks must be implemented, particularly in managing initiatives like the BHCPF. Establishing robust accountability mechanisms instils trust in the management of funds and creates an environment conducive to attracting additional financial support to the healthcare sector. This approach mitigates the risk of mismanagement and ensures that resources are utilised effectively to achieve desired outcomes.

- **Enhance fund release and disbursement efficiency:** The timely release and disbursement of funds are pivotal for the smooth operation of the healthcare system. Ensuring prompt fund disbursement helps maintain continuity in service delivery and supports the effective implementation of health programs. Improving the speed and efficiency of fund release can also encourage additional financial contributions from government and donor sources.
- **Ensure data-driven decision making:** Data can be harnessed to enhance risk pooling by supporting continuous monitoring and evaluation of risk pooling mechanisms. Investing in robust health information systems to collect, analyse, and use data effectively for decision-making is critical in enhancing strategic purchasing functions. This would require both NHIA and SHIAs to use data to identify health priorities, assess the performance of health service providers, and allocate resources efficiently.

- **Leverage innovation and technology to strengthen healthcare performance:** Embracing innovative technologies such as telemedicine, digital health records, and mobile health solutions is essential for improving service delivery and data management. Promoting the interoperability of information systems and enhancing data exchange will streamline these efforts. At the same time, introducing a comprehensive national benefits package for healthcare services will create a cohesive framework for these technologies. Increased accountability within the healthcare system will encourage private sector investment, which can drive further adoption of technologies that enhance healthcare efficiency and effectiveness. Additionally, fostering performance-linked incentives through these technologies can further promote healthcare improvements, ensuring that resources are allocated efficiently and service delivery is maximised.
- **Foster healthcare investment and private sector engagement for achieving UHC:** To foster healthcare investment and support the achievement of UHC, it is essential to establish policies and frameworks that incentivise private sector participation. Offering tax breaks, reducing import tariffs (e.g., on ambulances), and promoting Public-Private Partnerships (PPPs) are key strategies to create a conducive environment for both domestic and foreign investments. Strengthening the business case for healthcare investment, such as revitalising defunct primary healthcare facilities, can attract substantial funding and support the growth and sustainability of the healthcare sector.

A deeper exploration of the private sector's potential contributions is crucial for scaling up healthcare provision. This includes tapping into international funding opportunities and fostering diverse PPP models in various areas. For instance, PPPs with teaching hospitals could involve the hospital providing care while committing to student training or technology transfer, thus incentivising foreign direct investment. Ensuring access and rights of first refusal within such arrangements would further attract investments, contributing to the expansion and improvement of healthcare services.

- **Enhance local production:** Nigeria needs policies that support the local manufacturing of healthcare consumables. Reducing production costs and encouraging local manufacturing will promote growth in healthcare industries and companies. Local production can also generate revenue for the government, contributing to healthcare funding. The recent Executive Order by the president, which introduces zero tariffs, excise duties, and Value-Added Tax (VAT) on imported pharmaceutical inputs, is a welcomed development with the potential to significantly boost local pharmaceutical production.

Recommendations: Revenue Mobilisation

- Diversify funding streams and enhance collaboration:** To address Nigeria's healthcare financing challenges, the country should explore innovative and sustainable funding sources. One such approach is the introduction of a healthcare bond, which could provide a dedicated pool of funds for healthcare development and generate multi-year interest to support ongoing investments and expenses. This bond could be structured to attract both domestic and international investors, ensuring a stable and predictable revenue stream. Other potential funding sources include a telecommunication tax, health insurance levies, and diaspora remittances, all of which could help diversify and strengthen the country's healthcare financing.
- Amplify and sustain public healthcare funding:** A pivotal step toward bolstering strategic healthcare purchasing is reducing OOP expenditure. It is also imperative to augment and maintain public health funding, emphasising the vital role played by the BHCPF. Achieving this entails guaranteeing the punctual and sufficient disbursement of funds from the central government to state and local administrations. Moreover, a concerted effort to mobilise additional domestic and external resources is pivotal to fortifying this financial foundation.
- Maximise the health impact of the sugar tax:** While Nigeria has recently implemented a tax on sugar and sweetened beverages, the current collection of these taxes lacks a designated allocation for the health sector, representing a potential missed opportunity. The government must consider redirecting these funds specifically towards healthcare initiatives.

Nigeria could unlock significant benefits by reallocating the sugar tax revenue to the health sector. These funds could be strategically allocated to improve healthcare infrastructure, expand access to essential medicines, strengthen preventive healthcare measures, and bolster efforts towards achieving UHC. By earmarking the revenue from the sugar tax for health-related purposes, Nigeria can ensure that this taxation measure serves not only as a fiscal tool but also as a direct investment in the overall well-being of its citizens.

- Enhance affordability, awareness, and health literacy for rural health insurance uptake:** There is a need to educate rural communities about the benefits of health insurance to increase awareness and uptake. Many rural dwellers are unaware of the advantages of health insurance, contributing to low coverage rates in this demographic. Making insurance affordable and fostering community engagement can improve access to healthcare services among rural populations. These efforts should be supported by enhancing health literacy and education through the National Orientation Agency, federal and state governments, and private sector media outlets to raise awareness about the importance of health insurance, preventive care, and early medical intervention.

Recommendations: Pooling of Revenues

- Streamline and consolidate health financing mechanisms:** Ensure coherence and efficiency in health financing by avoiding fragmented pools at the state level. This involves integrating the BHCPF into state health insurance programs to prevent duplication and fragmentation. Additionally, maximise the benefit from existing pools by implementing mechanisms to ensure efficient utilisation, regardless of fragmentation. To achieve this, establish a nationally driven accountability framework to track and optimise resource allocation, promoting transparency and effectiveness. Furthermore, it consolidates multiple income streams into a unified funding pool to facilitate efficient resource allocation and enhance oversight. By consolidating diverse funding sources into a single repository, transparency and accountability are improved, and economies of scale are realised, ultimately advancing the goal of UHC.
- Ensure efficient use of pooled funds:** To promote efficiency in using pooled funds, it is essential to attach key performance indicators with capitation for primary healthcare services. Adopting an electronic-based review system is vital for fee-for-service to efficiently minimise the administrative costs of managing claims. This digital approach enhances efficiency in claim processing and ensures that funds are utilised optimally for healthcare services.

Recommendations: Strategic Purchasing

- Empower health purchasers through enhanced governance:** Elevating the proficiency and governance of healthcare purchasers at all levels of government requires equipping them with the necessary human, financial, and technical resources. This should be complemented by robust accountability mechanisms and transparency protocols. Establishing clear mandates for healthcare purchasers, along with the development and implementation of standardised operating procedures and guidelines, is essential. Routine evaluations and audits will further ensure their effectiveness. To ensure the timely and efficient release of BHCPF funding, the FMOH and NPHCDA must collaborate closely in monitoring its implementation.
- Implement outcome-based contracting and strengthen performance management:** Responsible agencies can implement outcome-based contracts that tie payments to measurable health outcomes, ensuring that funds are spent effectively and efficiently. One way to improve the efficiency and effectiveness of contracting is to encourage the private sector to adopt value-based payment models that focus on quality and outcomes rather than volume of services. Moreover, addressing fragmentation across multiple schemes and intensifying provider oversight to ensure adherence to contracts while monitoring provider conduct closely would benefit the NHIA. Performance management results should inform purchasing decisions to promote service delivery efficiency and quality.

- **Develop a harmonised and inclusive national benefit package under the NHIA:** The NHIA should collaborate with the Federal Ministry of Health and engage with stakeholders, including healthcare providers, insurers, and patients, to develop a comprehensive, inclusive, and accessible national benefit package for all Nigerians. This package should be harmonised with existing health insurance benefits packages to avoid duplication and fragmentation. Leveraging technology, the NHIA should ensure that the national benefit package is efficiently and effectively implemented to meet the diverse needs of all stakeholders.
- **Synergise and align diverse healthcare stakeholders:** A harmonised and coordinated ecosystem is indispensable for converging varied health purchasers and providers, spanning both the public and private sectors. Establishing avenues for productive dialogues and collaborations, coupled with developing and enforcing uniform rules and standards, forms the bedrock of successful strategic healthcare purchasing. This aspiration could be actualised by establishing a national coordinating entity dedicated to strategic healthcare purchasing.
- **Promote the upscaling and integration of best practices:** Expanding the reach of proven strategic healthcare purchasing practices demonstrated by successful initiatives and pilot programs is pivotal to their lasting impact. These practices should be methodically integrated into the core healthcare system to ensure sustainability and replicability. A crucial aspect of this strategy is capturing the lessons learned and best practices from these endeavours and disseminating them widely. Providing technical support and mentoring to other regions and local governments and cultivating an environment that promotes innovation and learning in strategic healthcare purchasing will accelerate this integration process.
- **Enhance strategic purchasing:** The key goals are to provide purchasers with levers to influence provider behaviour, reduce administrative rigidity for both purchasers and providers, link resource allocation to priority plans and outcomes, engage with citizens on purchasing decisions, and use market forces to increase efficiency and improve accountability in the entire value chain.

Conclusion

Achieving UHC in Nigeria requires a concerted effort to expand health insurance coverage for all Nigerians, which can serve as a basis for strengthening primary care and as a foundation for secondary and tertiary healthcare services. Health financing is critical for any nation to achieve its goals for the health system, particularly UHC, which requires deliberate policies to ensure that the populace is provided with access to quality healthcare that does not expose them to financial hardship.

Although Nigeria has implemented many policies, these have not yet translated into a health system that provides quality and equitable care when needed. The issues faced at the time of the inception of older policies still exist. These challenges have hampered the nation's ability to progress faster towards UHC.

The recommendations in this paper are geared towards addressing some of those challenges, thereby advancing progress towards the goal of UHC, which is also in tandem with many of the current health policies and those that existed in the past. It is hoped that the government and other relevant stakeholders will adopt these recommendations to strengthen the health system and ensure timely, equitable, efficient, and affordable access to healthcare services for the populace.



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The opinions and views in this report are those of the contributors and do not necessarily reflect the views of the Nigerian Economic Summit Group.

ABOUT THE NESG

The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

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