REVIEW ARTICLE

Evaluation of health system financing in Nigeria and its impact on universal health coverage

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ABSTRACT

Nigeria hopes to achieve Universal Health Coverage by 2030. However, poor health financing is a major obstacle towards achieving this goal. This study evaluates health system financing in Nigeria and its impact on Universal Health Coverage. It highlights the challenges of inadequate health financing and reliance on out-of-pocket payments from individuals and households. The findings from this study recommend the proper combinations of financing methods to ensure equity in access to quality health services and ensure that the cost of health services does not put the population at risk of financial hardship.

Key Words: *Universal health coverage; Health spending; Health insurance; Out-of-pocket payment*

INTRODUCTION

Nigeria is the most populous nation in Africa. It has an estimated population of 213 million population and an estimated Gross Domestic Product (GDP) of $440 billion, making it the largest economy in Africa with a GDP per capita of $2,064 [1, 2]. Nigeria is majorly a mono-economy that largely depends on the proceeds from oil and gas; it is a leading crude oil-producing nation in the world. Despite this, Nigeria's health system struggles with preventable diseases such as cholera, tuberculosis, HIV, meningitis, and measles. Infant and under-five mortality rates are among the highest in the world at 72.2 live births per 1,000 live births and 113.8 live births per 1,000 live births, respectively. Maternal mortality is extremely high at 917/100 000 live births, and Life expectancy in years for males and females is 53 [2-4].

LITERATURE REVIEW

Methods of funding health system in Nigeria

Health financing refers to the collection of funds from various sources (e.g., government, households, businesses, and donors), pooling them to share financial risk across larger population groups and using them to pay for services from public and private health care providers [5]. The overall goal of health system financing is generating funds, purchasing cost-effective interventions, and promoting equitable distribution of healthcare services for the population. This goal is fundamental to achieving Universal Health Coverage. The health system in Nigeria is funded mainly through a combination of Budgetary allocations, out-of-pocket payments, health insurance and Donor funding [6].

Budgetary allocations

Budgetary allocations in Nigeria are from government-generated revenues, including tax revenues. Taxation is a form of health system financing that generates funds from direct payroll, income tax, or indirect taxes on goods and services [7,8]. However, the taxation system in Nigeria is poor owing to lack of proper database and accountability in the management of generated revenues [8].

Government revenues from Tax are always complemented by revenues generated from the sales of oil and gas. However, the federally generated revenue is shared according to a predetermined sharing formula among the three tiers of government [9].

The states and local governments are closer to people. They are responsible for providing adequate funding for Primary Health Care (PHC). However, due to their low internal revenue generation capacities, most still largely depend on the allocations from the federal government (Figure 1). The federal budgetary allocation to health is abysmally low compared to the 15% Abuja declaration benchmark of 2001 [10,11].

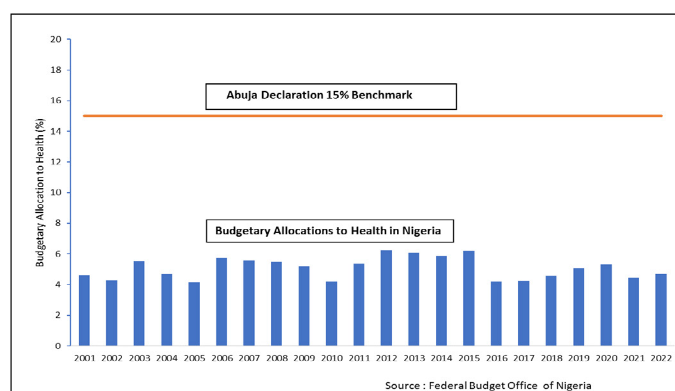

Figure 1) *Federal budgetary allocation to health in Nigeria*

In 2001, 4.39% was allocated to health. It dipped to 3.73% in 2010 and consequently increased to 4.7% in 2022 [9,10] The government expenditure on health as a proportion of total health spending in Nigeria declined from 25.6% in 2005, 16.4% in 2015, to 15 % in 2020. In the last decade, less than 5% of Nigeria's Gross Domestic Product (GDP) was spent on health [1,9].

Out-of-pocket payments

This method was introduced in Nigeria in 1998 following the Bamako initiatives. The primary component of this initiative is cost sharing and community participation to increase healthcare sustainability and quality of healthcare [12]. It is a form of health system financing method where individuals directly pay for health services at the point of delivery. In Nigeria, out-of-pocket accounts for the highest proportion of health expenditures, Out-of-pocket expenditure as a proportion of total health expenditure was 60.1% in 2000 [13]. By 2010, it accounted for 76.8% of total health spending. In 2019, out-of-pocket spending accounted for 70.5% of total health spending and over 90% of private health expenditures [2,5]. This implies that individuals and households bear the highest burden of health expenditure in Nigeria.

National Health Insurance Scheme

The National Health Insurance Scheme (NHIS) is a system of financing health care through contributions to an insurance fund that operates within a tight framework of government regulations. The NHIS is a social health insurance established under act 35 of 1999 by the federal government of

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Nigeria to improve the health of all Nigerians at an affordable cost. It was fully operational in 2005 [14]. Currently, the programme covers less than 4% of Nigeria's population, mostly federal government employees [15,16]. The major challenge in the scheme was that it was optional, and most people would rather pay from their pocket to have a quality service than opt for the scheme [15]. However, enrolment into the NHIS has been made mandatory following the National Health Insurance Authority Bill signing in 2022 [17].

Community-Based Health Insurance (CBHI) is a form of private health insurance whereby individuals, families, or community groups finance or co-finance the costs of health services. The main goal behind CBHI is to make healthcare accessible for people living in rural areas and those in the informal sector who cannot get adequate public, private, or employer-sponsored insurance [18]. The first attempt at CBHI was in Anambra State in 2003. Although there was high acceptance, the scheme provided sufficient funds for maternal health services for many rural communities [18, 19]. However, broad acceptance for other services was low, and the scheme lacked continuity [18,20].

Donor funding

Donor funding is a form of external financial assistance given to developing countries to support socio-economic and health development. Development Assistance for Health (DAH), as a form of donor funding, is an essential source of finance for health systems in Nigeria [21]. There has been a consistent decline in financial aid to Nigeria and Sub-Saharan African countries in general [21,22]. The external aid inflow per capita reached an all-time high of US$13.03 per capita in 2014 and subsequently declined to US$6.69 in 2020 [23,24]. In 2000, external expenditure on health in Nigeria was estimated as N37.4 billion (17% of total health spending). This increased to N114.4 billion (6.3% of total health spending) in 2010 and N499.7 billion (9.6% of total health spending) in 2020 [1-3]. Financial aid to the Nigerian health sector has increased over the years. However, it accounts for a small proportion of public health expenditure. A major challenge in Nigeria with donor funding is ineffective coordination of the funds and lack of a proper tracking system for donor resources flow (Figure2). Also, donor funding is not a reliable and sustainable funding source [22,24]. The Covid-19 pandemic and the global economic recession have affected donors' commitment to external aid.

Impacts of health financing on universal health coverage

The hallmark of an effective health financing system is its ability to generate resources, ensure equitable and efficient allocation of these resources, and most importantly, ensure that the population have access to affordable and quality healthcare [13,25]. Universal health coverage, on the other hand, protects the population against financial risk by ensuring that health service utilisation does not impose financial hardship on them [26-28].

Universal health coverage is monitored using two indicators under target 8 of the United Nations Sustainable Development Goals 3 (SDG 3; 8:1), which are

1. Ensuring coverage of essential health services and
2. Preventing catastrophic spending by individuals and households [29]. The first indicator measures access to quality health services, while the other measures the hardship faced when accessing health services.

In terms of coverage of essential health services, Nigeria has a UHC service coverage index of 44.4 and 15.7% of households in Nigeria spends more than 10% of their income on health [25]. The implication is that

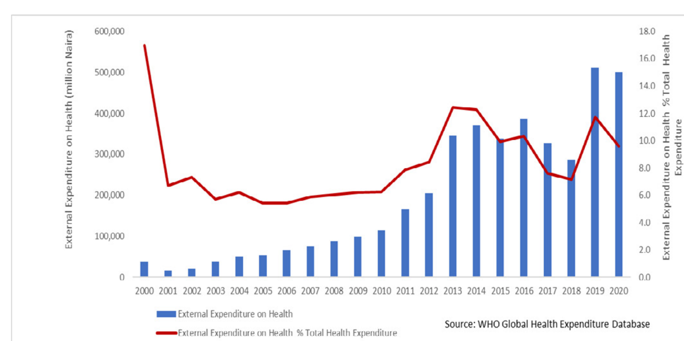

Figure 2) *External expenditure on health and as a proportion of Current Health Expenditure (CHE) in Nigeria*

Nigeria must make concerted efforts to close the gap in UHC coverage. The budgetary allocation to health is a measure of government expenditures on health. The proportion of the government expenditures on health to the total government expenditure demonstrates the priority given to health, also referred to as the health priority index [27,28]. The Abuja declaration provides a minimum benchmark of 15% [29]. Over the years, the average health priority index for Nigeria has been low at about 4% compared to other Sub-Saharan African countries such as Ghana (6.9%), Kenya (8.2%), Rwanda (8.9%) and South Africa (15.3%) [3] The situation is worse at state and local governments responsible for financing basic healthcare [6,12,30]. This poor budgetary allocation to health by the various tiers of government in Nigeria has significantly impeded the race towards reaching UHC. Health insurance is a proven way to achieve universal health coverage [31]. The establishment of the National health insurance scheme was aimed at protecting against financial risk by reducing the burden of out-of-pocket spending on individuals and households [12, 23, 24] However, studies have shown that with the low population coverage of the scheme, the anticipated aim of improving financial risk protection has not been achieved. [12,16] In 2022, a legislative framework known as the National Health Insurance Authority Bill was signed into law. This piece of legislation makes the enrolment and contribution to the scheme mandatory for all and is expected to increase the coverage of the scheme. However, the evaluation of the impact of this change is yet to be established [17]. The gaps created by the poor budgetary allocation to health and low health insurance coverage led to an increase in Out-Of-The-Pocket Payments (OOP) [32]. OOP constitutes the highest proportion of the total health expenditures in Nigeria and one of the highest in the world[3]. Also, 63% of Nigeria's population lives in multidimensional poverty; hence, directly paying for healthcare services by individuals or households has further deepened the vicious cycle of poverty [33-36]. According to Aregbesola B S et al (2018), Out-of-the-pocket payment has exacerbated poverty and pushed more Nigerians below the poverty line [37]. This high financial burden on individuals and households is a major setback in reaching Universal health coverage [38].

CONCLUSION AND RECOMMENDATIONS

Nigeria, a member state of the United Nations, is a signatory to reaching Universal Health Coverage by 2030. Healthcare financing is an essential driver in reaching this goal. However, there is a need to urgently find the appropriate combinations of healthcare financing methods to reduce the burden of out-of-the-pocket payments. The NHIS policy change to National Health Insurance Authority (NHIA) is a step in the right direction. Nonetheless, the success of health insurance is dependent mainly on adequately mobilising the citizens to participate and ensuring active contributions from all the tiers of government. Finally, the selection of the most efficient financing methods and structural efficiency in health service delivery are essential factors in achieving Universal Health Coverage.

CONFLICT OF INTEREST

The author declares no conflict of interest.

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