

## **National Health Insurance Policy 2013**

### **1. Background**

The Interim Constitution of Nepal 2007 provides for free basic health care as a fundamental right of citizens. Accordingly, the Government of Nepal has made certain health care services free for all and is providing additional services to target groups. Although access to health care services has gradually improved, universal coverage has yet to be achieved and out-of-pocket expenditure by private households is high. This expenditure largely takes place in the private sector on pharmaceutical products. Moreover, the current health financing system in Nepal limits the Government's capacity to motivate health care providers to improve productivity, quality and efficiency.

A national health insurance programme is needed to ensure universal health coverage by capturing the unregulated out-of-pocket spending and facilitating the effective, efficient and accountable management of available resources. This 'National Health Insurance Policy 2013', has been prepared by the Government to give guidance to the implementation of a National Health Insurance Programme in Nepal, as per the Three Year Plan (2010/11–2012/13).

The National Health Insurance Policy will support the objective of the Nepal Health Sector Programme II (2010–2015), which is to increase access to effective health care services, particularly for members of disadvantaged population groups. This policy is an important reform agenda and is intended to improve the health status of the population through strengthening health systems. Importantly, the policy is in line with National Social Protection Framework. The forthcoming Health Financing Strategy will provide guidance on the inter-linkages between the different financing mechanisms in Nepal. Other forthcoming policy and legal documents on state and non-state partnerships in the health sector, including the urban health policy (draft available) and health institutions operation (draft available) will complement the National Health Insurance

Policy and contribute to the effective implementation of a national health insurance programme in Nepal.

## **2. Past efforts: Existing programmes**

To fulfil its constitutional and international commitments, the Government of Nepal is currently implementing various health care programmes, mainly aimed at providing free health care services to the general public or target groups. These programmes include *Aama Suraksha*, the Uterine Prolapse Treatment Programme, the Free Health Care Programme and some additional free services for target groups. Substantial subsidies are also being provided for the treatment of heart disease, kidney problems, cancer and many other diseases.

Some community-based health insurance schemes have been piloted by the Government of Nepal since 2003; there have also been several non-governmental initiatives at the community level to improve financial protection by pooling funds for health. However, despite budget allocations for the last three years, a national health insurance programme has not been implemented because of a lack of proper policies, legislation and institutional framework.

## **3. Current situation**

Although major progress has been achieved in improving access to health care services in Nepal, reaching the poor and marginalised remains a challenge. The various social health protection interventions in place are fragmented, often fail to provide the necessary financial protection against catastrophic spending and are not always based on medical need. According to the last three rounds of the National Health Accounts (2001–2009), unregulated out-of-pocket payments by private individuals when receiving health services exceed prepayments by governmental and non-governmental organisations. The need for such out-of-pocket payments prevents a substantial proportion of the population from accessing health care services and puts them at risk of impoverishment from catastrophic spending.

#### **4. Major problems and challenges**

The challenges and obstacles affecting equity and access to health care services in Nepal (and the effectiveness of the health sector in general) can be summarised as follows:

- 1) financial barriers, which prevent people from being able to use health care services;
- 2) the risk of impoverishment from high out-of-pocket payments at the time of service utilisation;
- 3) the current passive purchasing of health care services in the public sector, which limits the capacity of the government to improve the effectiveness, efficiency and accountability of the health care system;
- 4) the limited ability of the health financing system to identify and protect the poor and, hence, to address inequities;
- 5) the fragmented nature of the various social health protection programmes and interventions, which provide insufficient financial protection and often do not meet the target group's medical needs;
- 6) the fact that most out-of-pocket expenditure takes place in the private sector where the government's capacity to protect the public from unfair pricing and inappropriate or unnecessary delivery of services is weak;
- 7) the limited capacity of the Government of Nepal to generate more resources for the health sector on a substantial scale; and
- 8) the lack of an integrated approach to making health providers accountable to the public.

#### **5. Policy rationale**

As per the Three Year Plan (2010/11–2012/13) and the Health Sector Programme II (2010–2015), a National Health Insurance Policy is needed to improve the health situation of the people of Nepal. Specifically, this policy is needed to:

- 1) increase accessibility to, and equity in, the provision of health care services by removing financial barriers to the use of health care services, focusing on the poor and marginalised;
- 2) promote pre-payment and risk pooling mechanisms by establishing a national health insurance programme to mobilise financial resources for health in an equitable manner;
- 3) encourage output-oriented expenditure in the health sector and improve the effectiveness, efficiency, accountability and quality of care in the delivery of health care services;
- 4) strengthen health systems in an integrated manner; and
- 5) improve the health seeking behaviour of the public through clear entitlement procedures, awareness raising and behaviour change communication.

## **6. Long-term goal and main objectives**

### **6.1 Long-term goal**

The long-term goal of this policy is to improve the overall health situation of the people of Nepal.

### **6.2 Main objective**

The main objective of this policy is to ensure universal health coverage by increasing access to, and utilisation of, necessary quality health services.

### **6.3 Specific objectives**

The specific objectives of this policy are to:

- 1) increase the financial protection of the public by promoting pre-payment and risk pooling in the health sector;
- 2) mobilise financial resources in an equitable manner; and
- 3) improve the effectiveness, efficiency, accountability and quality of care in the delivery of health care services.

## **7. Strategies**

### **7.1 Strategy 1**

To meet the first objective (increase financial protection) the National Health Insurance Programme will:

- 1) reduce out-of-pocket expenditure at the time of health service use;
- 2) pool and allocate funds in an equitable manner;
- 3) mobilise local community groups to increase the participation of the general public in the programme;
- 4) implement various interventions and activities to gradually improve the health seeking behaviour of the people; and
- 5) be gradually implemented to cover whole the country.

## **7.2 Strategy 2**

To meet the second objective (mobilise financial resources in an equitable manner) the National Health Insurance Programme will:

- 1) promote prepayment by collecting contributions from households;
- 2) receive specific funding to ensure the participation of poor and target population groups;
- 3) receive additional resources to enable it to be initiated and implemented in a sustainable manner; and
- 4) cover every household in Nepal.

## **7.3 Strategy 3**

To meet the third objective (improve the effectiveness, efficiency, accountability and quality of care in the delivery of health care services) the National Health Insurance Programme will:

- 1) introduce provider payment mechanisms;
- 2) integrate existing social health protection interventions and programmes into the National Health Insurance Programme, as feasible
- 3) develop a national framework to integrate government supported health insurance initiatives and promote complementarity with other private insurance schemes;

- 4) promote the participation of governmental, non-governmental and community organisations, and public-private-partnerships in the implementation of the National Health Insurance Programme;
- 5) motivate health workers and facilities to provide quality health services
- 6) develop a system to control moral hazard and other risks that may arise in relation to service providers and service consumers; and
- 7) promote output-oriented expenses.

Ministry of Health and Population shall continue existing health care services not covered by the NHIP.

## **8. Institutional arrangements**

### **8.1 Organisational setup**

- 1) An autonomous entity called the National Health Insurance Fund shall be established to operate the National Health Insurance Programme.
- 2) The National Health Insurance Fund shall be governed by a board, called the National Health Insurance Board.
- 3) The National Health Insurance Board shall be composed of an equal number of representatives from government bodies (the National Planning Commission member responsible for health; at least joint secretary-level nominees from the Ministry of Health and Population, Ministry of Finance, Ministry of Labour and Employment, Ministry of Federal Affairs and Local Development, Ministry of Cooperatives and Poverty Alleviation; a representative from the Health Insurance Board; and a representative from the Social Security Fund), non-governmental and professional bodies, and consumers.

### **8.2 Roles and responsibilities**

- 1) The National Health Insurance Fund shall be responsible for pooling funds and contractual arrangements with health facilities.

- 2) The National Health Insurance Board shall be responsible for defining the benefit package, setting the contribution rate, approving the annual business plan of the Fund, and formulating and amending regulations.
- 3) The National Health Insurance Board shall report to the Ministry of Health and Population.
- 4) The National Health Insurance Board shall appoint a chief executive officer who shall function as the member secretary of the Board;
- 5) The National Health Insurance Fund will mobilise committees to support the operation of the National Health Insurance Programme.
- 6) The National Health Insurance Fund may contract non-governmental organisations, cooperatives and private insurance companies to undertake specific work.
- 7) The Ministry of Health and Population will be contact ministry for the National Health Insurance Fund.

## **9. Legal arrangements**

- 1) A separate Act shall be formulated to govern the National Health Insurance Programme.
- 2) Until this legislation is enacted, the National Health Insurance Board and its Rules will be formulated under the Development Board Act 2013.
- 3) The Ministry of Health and Population shall initiate the implementation of the National Health Insurance Programme.
- 4) After the legal and institutional mechanisms are in place, the Programme will be implemented through the National Health Insurance Fund.

## **10. Financial arrangements**

### **10.1 Resource collection**

The National Health Insurance Fund will collect and pool the following resources:

- 1) contributions collected from enrolled households;

- 2) funds provided by the government for the enrolment of poor and target households in the health insurance programme;
- 3) funds provided by the government to initiate and implement the National Health Insurance Programme;
- 4) support received from other institutions, organisations, individuals and bodies; and
- 5) funds from the Government of Nepal's budget currently allocated to various social health protection programmes and interventions, where feasible and appropriate.

## **10.2 Household contribution**

- 1) The household will be the unit for enrolment.
- 2) An appropriate method will be applied to determine the household contribution.

## **10.3 Service purchase and payment system**

- 1) Contractual arrangements will be made with service providers to provide defined health care services.
- 2) An efficient and effective payment mechanism shall be defined for making payments to service providers.
- 3) Measures shall be adopted to make health facilities more responsive to the health needs of the people.

## **11. Health service providers and benefit package**

### **11.1 Health service providers**

- 1) Arrangements shall be made to standardise the health care services covered in the benefit package provided by the National Health Insurance Programme.
- 2) Arrangements shall be made to enlist and delist governmental, non-governmental, community, cooperative and private health service providers to provide the services in the benefit package according to predefined criteria and performance.
- 3) Providers will be required to ensure the availability of defined drugs; the list of defined drugs may vary according to the level and type of health facility.

## **11.2 Benefit package**

- 1) The benefit package shall include health care services and other benefits, as prescribed.
- 2) Equity and efficiency shall be taken into consideration when defining the services included in the benefit package.
- 3) Health care services shall be provided on a cash free basis for members enrolled in the National Health Insurance Programme.
- 4) A ceiling may be applied to the services in the benefit package (per household per year).
- 5) Co-payments may be required from households for cases involving referral.
- 6) Arrangements shall be made for insured household members to access defined health care services from listed health facilities.

## **12. Good governance and accountability**

- 1) The National Health Insurance Fund will be accountable to the National Health Insurance Board, its members and to the Government of Nepal.
- 2) A guideline shall be formulated to implement the National Health Insurance Programme.
- 3) Electronic identity cards shall be provided to enrolled members.
- 4) Arrangements shall be made for internal control as well as internal and external audits.
- 5) An electronic system shall be adopted for membership registration and renewal, the collection of contributions, payments and reimbursements, and reporting.
- 6) An integrated health insurance information system shall be created and linked with other information systems functioning within the health sector.
- 7) A mechanism shall be developed to identify poor and members of target groups.
- 8) A mechanism shall be prepared to handle and address grievances and complaints.

### **13. Monitoring and evaluation**

- 1) A monitoring and evaluation framework shall be prepared and integrated with the national monitoring and evaluation framework.
- 2) The monitoring and evaluation of the programme shall be conducted in coordination with the regional health directorates and other line agencies.
- 3) Arrangements shall be made to review the National Health Insurance Programme periodically.
- 4) The National Health Insurance Programme shall also be evaluated through clinical auditing, social auditing and performance auditing.

### **14. Risks and assumptions**

#### **14.2 Risks**

The risks include:

- 1) low enrolment in an initial phase;
- 2) problems in the identification of the poor and members of target groups;
- 3) problems in the effective and efficient use of information technology;
- 4) risks and moral hazard arising in relation to service providers and insured members;
- 5) shifts in patient flow from public to private sector health facilities; and
- 6) late release of budget for subsidies by the Government of Nepal to the National Health Insurance Fund.

#### **14.2 Assumptions**

The assumptions include:

- 1) special provision of budget funds for the infrastructural, human resources, and administrative costs of the National Health Insurance Programme during the initial phase; and
- 2) that uniformity can be ensured in the provision of quality services through the accreditation and enlisting of service providers.