

Domestic Resource Mobilisation for Sustainable Healthcare Financing in Nigeria: A Review

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Abstract

Domestic resource mobilisation (DRM) is vital for achieving sustainable healthcare financing in Nigeria, where dependence on external funding and oil revenues has long hindered health sector progress. The Nigerian healthcare system faces persistent challenges, including inadequate funding, inefficiencies and limited access to essential services, particularly in rural areas. This paper explores the challenges and prospects of DRM as a means of financing healthcare in Nigeria. A Medline search and a search of other internet search engines were carried out for published studies on healthcare financing in Nigeria, Africa and worldwide, we also examined policy documents and healthcare financing data to analyse the potential of DRM in Nigeria. A total of 38 publications were reviewed revealing that mechanisms such as general tax revenue, social insurance systems and community-based health insurance are central to DRM efforts. However, challenges such as inadequate budgetary allocations, corruption, poor database management and the emigration of health workers persist. Despite these obstacles, there are promising prospects, including increased tax revenue, development of the domestic capital market and the potential for sustainable and equitable healthcare financing through public-private partnerships. To harness these opportunities, the Nigerian government must implement effective policies, strengthen governance structures and promote transparency and accountability. DRM offers a promising path towards reducing dependency on external aid and achieving a more resilient and equitable healthcare system in Nigeria.

Keywords: Challenges, domestic resource mobilisation, healthcare financing, Nigeria, prospect, tax revenue

INTRODUCTION

Health care is a basic human need.^[1] However, in most developing countries, this need remains unmet and has constituted a significant public health concern over the years. In 2007, the World Health Organization (WHO) identified healthcare financing as one of the six building blocks of the health system.^[1] This undoubtedly demonstrated the importance of adequate funding of health to curb this public health concern and as a bold step towards achieving Universal Health Coverage (UHC). Health financing refers to the mobilisation and utilisation of funds for health care.^[2] It aims to ensure revenue generation, revenue pooling and purchasing. These are achieved by providing funds for healthcare services; assuring adequate selection and purchase of cost-effective solutions; providing healthcare providers with the proper financial incentives; and ensuring that everyone has access to quality healthcare services.^[2]

The WHO stated in 1977 that the primary social objective of governments is ‘the attainment by all the citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life’. This objective was necessitated by the myriad of problems facing the health sector. Primary Health Care (PHC) was identified as the key to achieving this goal during the Alma-Ata declaration in 1978 and it was also noted that health care must be funded by either public or private resources for this to be possible.^[3] The WHO recommends 5% of total budgetary allocations to healthcare while the African heads of states and governments under the African Union committed in April 2001 to dedicate at least 15% of the annual budgets to the health sector in what is known as the ‘Abuja Declaration’.^[4] However, Nigeria has never met

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this target with her highest percentage in the last 23 years being 5.75% allocated in 2023.^[5]

Domestic resource mobilisation (DRM) is the process through which countries raise and spend their funds to provide for their people.^[6] DRM is a key strategy to ensure sustainable healthcare financing and improved health outcomes, thereby reducing reliance on external aid and reducing the catastrophic effect of Out-of-Pocket Payments (OOP).^[6] The Addis Ababa Action Agenda has renewed global focus on DRM as a cornerstone for attaining the Sustainable Development Goals (SDG).^[7] The SDG highlights 'strengthening DRM, including through international support to developing countries, to improve capacity for tax and other revenue collection' as one of the targets to be achieved by 2030 in financing other development commitments.^[8] Nowhere is it more crucial to enhance domestic health spending and develop health care than in the African region. The political will to improve financing for health and UHC in the region dates back to commitments such as the Alma Ata declaration of 1978 and more famously, the Abuja declaration of 2001.^[9]

In the short-to-medium term, many of the poorest nations will require significant external support; however, external aid has its limitations. Domestic resources for health will need to increase in the long run to ensure more predictable and sustainable funding, even while development assistance can play a significant catalytic role in nations' efforts to finance their push towards UHC. DRM involves mobilising human and financial resources for health in both the public and private sectors. The public sector mobilises domestic resources through taxation and public revenue. There are various methods by which this can be accomplished, for example: increasing government tax allocation to the health sector; promoting local private sector investment in the health sector; increasing insurance penetration to the population and reducing inefficiencies in the health sector.^[10] The private sector mobilises funds from cooperative societies, NGOs, faith-based organisations, philanthropies, etc. These funds are mobilised by various methods, for example, private capital investments, lending, trust fund and corporate social responsibilities.^[11]

Based on our experiences working in various healthcare settings, including NHIS clinics, private facilities, and primary health centres, it is evident that a significant majority of patients do not have health insurance. This lack of coverage has led to poor health outcomes for many individuals, as they are often unable to afford costly medical investigations and essential medications. In some cases, patients are forced to delay or forgo treatment altogether due to financial constraints. This has resulted in deteriorating health conditions and, in more severe cases, catastrophic health expenditures that push patients and their families into poverty. We have witnessed many patients resort to crowdfunding or community support in desperate attempts to cover their medical bills, a situation that highlights the urgent need for broader healthcare coverage and more accessible insurance schemes. Table 1 shows that

Table 1: Sources of healthcare financing in Nigeria^[2]

Public	Private	International aid
Federal, state, and local government general revenues; mainly from taxes. e.g., income tax, excise tax, VAT	Private health insurance	United Nations affiliates
Social health insurance	OOP	Foundations
Domestic deficit financing	Private donations, bequests	Religious organisations
	Private foundations	Other non-governmental organisations
		World Bank
		Government bilateral aid

VAT: Value-added tax, OOP: Out-of-pocket

sources of healthcare financing in Nigeria, are categorized into public, private, and international aid sectors, highlighting contributions from government revenues, social and private health insurance, out-of-pocket payments, international organizations, and non-governmental entities.

This review aims to examine the mechanisms of domestic resource mobilization for health financing in Nigeria, compare these mechanisms with those employed in other countries, and analyze the prospects and challenges of achieving sustainable health financing through domestic resources in Nigeria.

METHODOLOGY

This research used a narrative review of publications and authors' experiences. A review of published Original Research, Review Papers and Reports was done after identifying relevant literature using databases such as MEDLINE and PubMed and Google as the search engine. The search techniques used were Key Words, Boolean operators and field searching. Search terms entered into the search engines were but not restricted to DRM, Healthcare Financing in Nigeria, Revenue, Social Insurance and Taxes. Research articles with accessible full text, published in the English language in the last 15 years were reviewed. Articles that did not focus on merits and demerits, prospects, challenges or recommendations of DRM were excluded. A total of 56 publications were initially retrieved and following data triangulation, 38 were finally used. Information reported also included the experiences of the authors from working with different aspects of the health system private and public sectors, the WHO, and participation in workshops and conferences.

Abstracts and titles were first screened for relevance, followed by retrieval of full articles when available. Additional articles were identified through reference lists of the selected studies to enhance the comprehensiveness of the research and align with the study's objectives. The initial search was conducted by BAI and JMA, with AOT and AHA independently verifying the selections for appropriateness.

MECHANISMS OF DOMESTIC RESOURCE MOBILISATION

There are various DRM mechanisms which include:

1. General Tax Revenues
2. Social insurance system
3. Community-based Health Insurance (CBHI)
4. Domestic deficit financing.

GENERAL TAX REVENUES

This refers to the total amount of money collected by a government through various forms of taxation such as income tax, value-added taxes (VATs), and sales tax. It is used to finance health in typically wealthy, economically stable Western nations where productivity and income make it possible to finance expenditures with tax revenues. However, the tax revenues that are generated in developing countries like Nigeria are limited and are spread over other important public goods such as power, security, education, infrastructure and economic development.

Tax can be categorised as direct, indirect or excise tax.

- a. Direct tax is paid by individuals to governments and this tax cannot be avoided by either behavioural or consumption decisions and by virtue of being citizens or residents of a country. Examples are personal income tax, capital gains tax and companies' income tax. Countries may consider taxing certain lucrative industries or large firms as a potential source of additional money.^[2] In Nigeria, capital gains tax is at the rate of 10% on the disposal of any chargeable asset, and companies with an annual turnover of N100 million or more are required to pay 1% of their annual profit as information technology tax^[12,13]
- b. Indirect taxes are taxes paid when transactions occur within a government's purview. They are considered taxes on consumption. Taxes are collected from customers at the point of sale or service, where the seller receives the money from consumers and then delivers it to the government. Sales taxes, VATs and goods and services taxes are common examples of indirect taxes. Indirect taxes, therefore, apply to all goods or services. The standard VAT rate in Nigeria is 7.5%^[14]
- c. Excise tax, also called sin tax, is placed on the production or sale of certain goods or services that can be used by governments to change the population's consumption behaviour by increasing the cost of a particular good or service. For example, an excise tax placed on cigarettes or alcohol will increase the price of cigarettes and alcohol on consumers, thereby helping to generate additional tax revenue.^[2] From a public health standpoint, sin taxes present a 'win-win' scenario because it has been discovered that they produce a decrease in harmful health behaviours while also raising state revenues.

Examples of excise tax levied in Nigeria include excise duty on alcoholic beverages and tobacco manufactured in or imported

into Nigeria at 20%. In addition, an extra N45 per litre for beer, N60/L for wine, and N65/L for spirits will be paid, and an excise duty of N10/L is also levied on non-alcoholic, carbonated and sweetened beverages.^[15]

Other taxes where the revenue is designated to be spent on a particular programme or for a specific use are often called hypothecated taxes. It can refer to levies on specific products, for example, taxes on gasoline or tobacco dedicated or earmarked for health programmes.^[2] A good example is the Tertiary Hospital Development Fund (THDF) Bill 2021 passed by the Nigerian Senate,^[16] although, it has not been signed into law by the President. The bill provides that payment into the fund is to be used to perform the following functions: Essential physical infrastructure for teaching, learning, research and services; instructional, medical and other services equipment; research and publication as well as staff training and development; and any other need which, in the opinion of the Board, is critical and essential for the improvement of quality and maintenance of standards in the Federal and State Tertiary Hospitals.

It is worth noting that the operations of the THDF are to be funded by the following: A take-off grant provided by the Federal Government; allocated funds from the National Assembly; 1% of petroleum companies' tax paid on total barrels of crude oil produced yearly; 1% of mobile phone service providers tax paid on airtime and data sold yearly; 1% of beverages and breweries companies' tax paid on profit yearly declared; 1% of cement companies' tax paid on profit yearly declared; 1% of paint and chemical manufacturing companies' tax paid on profit yearly declared and 1% of tobacco companies' tax paid on profit yearly declared.^[16]

General tax revenue is one of the most effective ways of financing health if used judiciously. The pitfall of this method is that it is not reliable, it may be subject to political influence and prejudice, funds available sometimes vary from that disbursed, tax evasion and corruption may affect gross yield and it is unsuitable for countries with low tax ratios.

SOCIAL INSURANCE SYSTEM

Social insurance is a system of financing health care by making contributions to an insurance fund that operates within the framework of government regulations.^[2] This type of health financing is a form of mandatory insurance scheme that operates on a national scale and provides funds that will cover the cost of health care with social equity. Health insurance provides an avenue for risk sharing, resource mobilisation and equity. It was first introduced in the form of compulsory sickness funds in Germany in 1883.^[17] Due to its success, other European countries soon followed suit. Following the end of the Second World War, health insurance grew all over Europe.

The Nigerian Federal Government approved the establishment of the National Health Insurance Scheme in 1989, launched it in 1997, and signed it into law in 1999, but it did not

become operational until the 6th of June 2005.^[18] The target of the scheme was to achieve UHC for Nigerians by the year 2015 by ensuring all Nigerians have access to health care at an affordable cost. In 2022, the National Health Insurance Authority Act 2022 was signed into law, repealing the NHIS Act of 2004.^[19] The aims of the NHIA are the promotion, regulation and integration of health insurance schemes, improving and harnessing private sector participation in healthcare service provision and achieving UHC for all Nigerians. Highlights of the NHIA Act are: The establishment of the Vulnerable Group Fund (VGF); implementation of the Basic Health Care Provision Fund (BHC PF); expansion of coverage by making health insurance mandatory for all Nigerians and legal residents of the country and improving and leveraging private sector participation in the provision of healthcare services.

The VGF is expected to cater to over 83 million poor and vulnerable residents in Nigeria. The Act made available financial sources for the VGF which include: The BHC PF; health insurance levy; special funds allocated from the government, NHIA council investment; grants; donations as well as gifts.^[19] In accordance with the National Health Act, the BHC PF is derived from (a) an annual grant from the Federal Government of Nigeria of not <1% of the Consolidated Revenue Fund; (b) grants by international donor partners and (c) funds from any other source, inclusive of the private sector. Implementation is aimed at increasing the fiscal space for health and strengthening the national health system, particularly at PHC.^[20] To be enrolled in the insurance scheme, a contribution made by the insured person entitles him/herself, spouse, and 4 children under the age of 18 years to full health benefits. Extra contributions will be required for extra dependants or children above the age of 18. Contributions made by formal sector employees for health benefits will be 15% of wages, payment of which will be by both the employee and the employer. The employee pays 5% while the employer pays the remaining 10%, the employee's part of the payment will be deducted from the pay.^[19]

Social health insurance is beneficial because those with higher incomes subsidise those with lower incomes and those with lesser health needs subsidise those with higher health needs. Criticism of the scheme is that it covers the population in regular paid employment, which in developing countries may be as little as 5%–15% of the population; it creates inequalities in the availability of medical care and quantity/quality of medical care, and it reinforces maldistribution of resources between rural and urban areas.^[19]

COMMUNITY-BASED HEALTH INSURANCE

CBHI is a form of private health insurance where individuals, families or community groups, finance or co-finance the costs of their health care services. Private health insurance includes non-profit and for-profit plans. Usually, private health insurance is voluntary while SHI schemes are mandatory.^[2] The Nigerian government aims to use CBHI as the health care financing

scheme that will cover people who are employed in the informal sector and in rural areas. It has been introduced in some States such as Anambra, Lagos and Kwara amongst others. However, designing, implementing, managing and sustaining CBHI in the communities are complex and may require technical expertise, and management skills. These are some of the challenges that limit the success of the scheme in most communities in Nigeria.^[21] Other factors affecting CBHI in Nigeria include lack of trust by the community in the organiser or manager of the scheme; unclear attractiveness of the benefit of the CBHI package; uncertainty in the affordability of the premium and doubt in the quality of the health care services resulting in low enrolment rates.

DOMESTIC DEFICIT FINANCING

Governments across the world supplement general tax revenue by borrowing and then spending funds nationally with the aim of paying back. These borrowings are used for specific projects, e.g. hospital construction or for the construction of health-oriented environmental projects such as water and sewerage systems.^[22] Projects from deficit financing must be by agencies bestowed with the power to impose taxes or fees as a source of funds to service debts. It is advantageous because it has a very high net yield, and it is useful in financing large health projects. Major drawbacks are that interest rates need to be high to attract investors; agencies in charge of deficit financing frequently have to impose additional taxes in order to pay off the debt and if projects do not directly benefit a particular population group, those groups may not be willing to help repay the loans.

DRM MECHANISMS IN NIGERIA: A STRENGTH, WEAKNESS, OPPORTUNITIES, AND THREAT (SWOT) ANALYSIS

In Table 2, the analysis shows that each mechanism of DRM has its own strengths and weaknesses. For example, general tax revenue is a reliable funding source for countries with high tax ratios, but it is vulnerable to economic fluctuations and political manipulation. Domestic deficit financing can provide substantial funding for large projects, but high interest rates are needed to attract investors. Social health insurance can protect individuals from catastrophic health expenses, but it is often expensive to administer and can be susceptible to fraud. Community-based health insurance offers a more localised approach but often struggles with limited coverage and low enrolment rates. Ultimately, the best approach to healthcare financing in Nigeria will likely involve a mix of these mechanisms, tailored to the specific needs of the country.

HOW DOMESTIC RESOURCE MOBILISATION HAS BEEN USED TO MOBILIZE RESOURCES GLOBALLY

The Nigerian government's allocation to health is used to fund BHC PF, NHIS, salaries and wages, purchase of vaccines

Table 2: Strength, weakness, opportunities, and threat analysis of the mechanisms of domestic resource mobilisation

	Strengths	Weaknesses	Opportunities	Threat
General tax revenue	It is an essential source of healthcare finance Suitable for countries with high tax ratio Tax revenue tends to be stable and predictable compared to other funding sources The financial risks associated with healthcare costs are spread across the entire population	Funds available sometimes vary from that disbursed Unsuitable for countries with low tax ratio Funding is subject to economic fluctuations, impacting healthcare budgets	Contributes to achieving UHC by improving effective service coverage and accessibility It reduces reliance on OOPs thereby enhancing the overall health system	It may be subject to political influence and prejudice Tax evasion and corruption may affect gross yield Corruption
Domestic deficit financing	It has a very high net yield It can be used as a tool for economic stimulus during periods of economic downturn Useful in financing large health projects	Interest rates have to be high to attract investors Agencies responsible for deficit financing often have to impose additional taxes in order to service the debt If projects do not directly benefit specific population group, those groups may not be willing to help repay the loans	Allows for an immediate injection of funds into healthcare Increased government spending, funded through deficit financing, can contribute to job creation	It can contribute to economic instability Increased debt levels The potential for inflation
Social health insurance	It aims to provide coverage for the entire population It involves the pooling of financial resources from a large and diverse group of individuals It protects individuals and families from the high costs of medical care It often set standards for healthcare providers to maintain quality It provides a stable and predictable source of funding for healthcare It can contribute to reducing disparities in healthcare access and outcomes	High administrative charges Risk of adverse selection Dependency on government funding It may contribute to moral hazard, where individuals may be more inclined to engage in risky health behaviours or over-utilise healthcare services because they perceive the cost as being borne by the collective insurance pool	Contributes to achieving UHC by ensuring that a broader population has access to necessary healthcare services and financial protection	It is vulnerable to economic downturns, impacting contributions and potentially limiting the available resources for healthcare It often involves complex bureaucracies, which can lead to inefficiencies, delays in service, and difficulties in navigating the system for both healthcare providers and patients
CBHI	It fosters community involvement in healthcare decisions Financial burden is distributed amongst community members making healthcare more affordable It can be adapted to suit the specific needs of the community	Limited coverage Poor enrolment rates due to lack of trust in organisers Dependence on community contributions may lead to financial instability	Collaboration with government health initiatives and private healthcare providers can enhance the range and quality of services offered Utilising technology can streamline operations and improve efficiency	Adverse selection Resistance to change by community members Poor economic conditions may affect ability to pay premiums

UHC: Universal health coverage, OOPs: Out-of-pocket, CBHI: Community-based health insurance

and consumables, infrastructure, transport, research and training.^[19] Similarly, social health insurance and CBHI are for reduced or no cost at the point of service. In Ghana, NHIS is financed by The National Health Insurance Levy, which is a 2.5% levy on goods and services collected under the VAT, 2.5 percentage points of Social Security and National Insurance Trust contributions per month, return on National Health Insurance Fund (NHIF) investments, and premiums paid by informal sector subscribers.^[23] In Panama, 50% of the tobacco tax revenue goes to the National Institute of Oncology, Ministry of Health and Customs.^[24]

In the United Kingdom, healthcare is provided without direct cost at the point of service and is funded through general taxation. Approximately 18% of citizen's income tax

contributes to healthcare funding.^[25] In terms of the nation's economic output, healthcare expenditure constitutes around 10.2% of the UK's GDP in 2019.^[26]

In the United States, the state is relieved of the responsibility to ensure citizens' access to healthcare services. Public fund subsidies are minimal, with the primary funding for healthcare coming from private insurers overseen by medical organisations.^[27]

CHALLENGES OF DOMESTIC RESOURCE MOBILISATION IN NIGERIA

The Nigerian health system is dysfunctional in many dimensions including poor funding, understaffing, inadequate

infrastructure, poor motivation and skewed distribution of resources. The following are some of the challenges of funding healthcare in Nigeria:

Inadequate budgetary allocation to health

This is a major challenge facing healthcare financing in Nigeria, as a result of this, Nigeria relies on donor funds from organisations such as the WHO, the United Nations Children's Fund, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Vaccine Alliance (Gavi) and the U. S. President's Emergency Plan for AIDS Relief (PEPFAR) to fund disease control programs towards HIV and AIDS, malaria, tuberculosis and routine immunisation efforts, making Nigeria unprepared to transit from development assistance for health. There is also the issue of inequality in resource distribution as other sectors such as education and security may take precedence over health care, depending on each government's priority.^[28]

Poor budgetary performance

Nigeria faces several challenges with budget performance which include inadequate implementation of planned expenditure, corruption and lack of transparency, delayed disbursement of funds and project execution inefficiencies. For example, in 2022, N71.14 billion was allotted to the health sector but only N33.9 billion was utilised giving a budget performance of about 47%.^[29]

Corruption

Corruption remains a significant challenge in Nigeria, and it is present from the head of the government to the tail, with funds intended for the health sector often being misappropriated. This undermines the effectiveness of DRM as a way of financing health care. For instance, there has been reported cases of government appointees being relieved of their positions due to involvement in the misappropriation of millions of naira in unallocated health sector fund in 2008.^[30] Corruption deprives the economy in general and the health sector of vitally needed funds. It has been estimated that Nigeria has lost \$400 billion to corruption from 1960 to 2018, and in 2015 alone, Nigeria's financial losses due to Illicit Financial Flows amounted to approximately \$18.2 billion.^[31] It is also common in tax administration, for example, protection of influential tax evaders as they would rather bribe officials than pay tax.

Limited government revenue

The government of Nigeria relies heavily on oil exports, making its revenue stream vulnerable to fluctuations in the global oil market. This limits the government's ability to allocate funds to the health sector, even as the demand for healthcare services grows. Health expenditure as a proportion of the GDP declined between 2000 and 2002 but increased to 5.02% in 2003, the highest value recorded. As of 2020, it was 3.38% of the GDP.^[32] Most federal health spending goes to teaching/specialised hospitals and federal medical centres. Like federal spending, state health spending is concentrated on the main area of state responsibility, secondary hospitals, and is also most likely on personnel.

Emigration of health workers

It was estimated by a study conducted in 2017 that 9 in 10 doctors in Nigeria were seeking work opportunities abroad.^[33] Furthermore, from December 2021 to May 2022, about 722 Nigerian-trained medical doctors relocated to the United Kingdom due to poor remuneration, poor working conditions, poor job satisfaction and insecurity. This has led to the increasing brain drain faced by the Nigerian health sector and as of 2021, Nigeria has a doctor-patient ratio of 4 doctors to 10,000 persons as against the WHO recommended 1 doctor to 600 persons.^[33]

Medical tourism

It is estimated that between \$1.2 and 1.6 billion is spent annually by Nigerians on medical tourism by both government officials and the public as a result of either a lack of trust in the country's health system or inadequate health facilities.^[34] This has significantly impacted negatively on the country's foreign reserves.

Poor database

One of the challenges of tax administration in Nigeria is the unavailability of a database that reflects the total amount of revenue generated from each form of tax and how tax generated by local and state governments is remitted to the federal government.^[35] This results in a lack of transparency and creates an avenue for corruption in the tax system.

PROSPECTS OF DOMESTIC RESOURCE MOBILISATION IN NIGERIA

Increase in government revenue

The Nigerian government can generate more revenue by expanding the tax base, improving tax collection and administration and reducing tax evasion. This can then be channelled towards healthcare financing amongst other responsibilities.

Development of domestic capital markets

By promoting a saving culture, encouraging investments in government securities and expanding access to credit, Nigeria can develop her domestic capital market which will in turn increase the availability of funds for healthcare financing.

Public-private partnership models

The private sector can be incentivised to invest in healthcare infrastructure and services by offering tax incentives, loan guarantees and other forms of support. The private sector has been noticed to achieve one or more of the following functions, financing/co-financing health projects, project design, construction and renovations, maintenance of infrastructure, supply of equipment, information technology, etc. The following models can be adopted:^[36]

- I. Infrastructure-based model: Construction or renovation of healthcare facilities
- II. Discrete clinical services model: To add and expand service delivery capacity
- III. Integrated PPP models: To provide a comprehensive

package of infrastructure and service delivery. For example, in Nigeria, Delta state has a partnership with Servier Pharmaceuticals of France to provide subsidised anti-hypertensives and anti-diabetic drugs, train 200 health personnel in the management of hypertension and diabetes, payment of insurance premiums for a specified number of vulnerable people under the scheme and produce generic drugs for use by clients under the scheme from SWIPHA in Nigeria.^[37] The State government is also partnering with SANOFI, a French drug manufacturing company to build capacity for 400 healthcare personnel to increase the quantity and quality of healthcare providers in primary healthcare centres, upgrade rural PHC to strengthen the management of hypertension and diabetes, etc.^[37]

Health insurance

The expansion of health insurance coverage can provide a sustainable source of financing for healthcare services in Nigeria. This can be achieved by ensuring the full implementation of the National Health Insurance Act of 2022, which has made health insurance mandatory for all Nigerians and legal residents, improving the quality of services, increasing awareness of the benefits of the scheme and reducing OOP expenses for patients.

Basket funding

This is a pooled fund from the government, donors, and the private sector that is channelled to a specific sector, for example, the health sector. They are mainly used at the state and local government level to finance PHC. This assures predictable and independent funding to PHCs while also protecting the source of finance from political non-prioritisation of the sector. An example is the Zamfara basket fund financed by the government, immunisation service support, and cash support from GAVI to strengthen routine immunisation efforts in Nigeria.^[38] Due to its success, other PHC programmes joined the basket including the Nigeria Midwives Service Scheme, a national initiative to mobilise midwives to rural health facilities.

Donor coordination

While DRM is important for sustainable healthcare financing, external funding from donors and development partners can also play a significant role in the short term. Improved coordination of donor funding can ensure that resources are used effectively and efficiently.

Increased fiscal space

By generating more resources domestically, Nigeria can increase its fiscal space and reduce its reliance on external funding sources for health care. This would enable the government to have more control over healthcare spending and priorities and reduce the risk of funding gaps due to external factors such as donor fatigue or changes in donor priorities. Increased fiscal space can be achieved by mobilising domestic revenues, reallocation of expenditure between sectors, discretionary expenditure increases through debt forgiveness and increased borrowing, increased efficiency in resource

utilisation, public expenditure management and political motivation to increase support for priority sectors.

Equity

DRM can help to promote equity in health care financing by ensuring that those who can afford to contribute more to the system do so, while also protecting the poor and vulnerable from catastrophic health care expenses.

Sustainability

By diversifying its sources of healthcare financing, Nigeria can make its healthcare system more sustainable in the long term, reducing the risk of funding shortfalls and enabling it to respond more effectively to emerging health challenges such as pandemics.

Accountability

DRM can enhance accountability by creating a direct link between taxpayers and the health care system. This can help to promote transparency and good governance and increase public trust in the health care system.

RECOMMENDATIONS

To the federal, state and local governments of Nigeria

Increased funding to the health sector

The government should massively increase investment and public spending on health. The health system currently relies on a mixture of government budget, health insurance, external funding and private sources including non-governmental organisations and OOP payments. Despite the variety of financing sources, the level of health spending is relatively low.

Strengthen tax administration

Efforts should be made to prioritise improving tax administration including expanding the tax base, ensuring tax compliance and reducing tax evasion which can be achieved through measures such as simplifying tax laws, strengthening tax enforcement and investing in taxpayer education and outreach programmes. The government can also fund the training of individuals in the latest tax administration mechanisms to improve tax administration in the country.

Expand social health insurance

Expanding coverage under social insurance schemes such as the NHIA to increase the proportion of the population with access to affordable health care. This can be achieved through measures such as increasing public awareness of the benefits of the NHIA, reducing administrative barriers to enrolment and expanding the range of services covered by the insurance.

Combat corruption and inefficiencies

Steps should be taken to combat corruption and inefficiencies in the health system including measures such as improving procurement processes, strengthening financial management systems and increasing transparency and accountability in the use of public resources. There should also be guidelines on punishments for those found guilty of corrupt practices.

Effective monitoring and evaluation of performance and tracking the use of resources, health policies and reforms

The government should appoint a committee or set up an agency for monitoring and evaluating the performance and tracking the use of resources, health policies, and reforms continuously to enable technical efficiency in the delivery of their services. Implementation of health financing policies and actions needs to be monitored and evaluated at regular intervals. Monitoring and evaluation exercise is needed for building evidence for future policies and for the assessment of whether the policy objectives have achieved the expected results.

Ban on the financing of government officials going overseas for medical treatment

There should be a ban on financing government officials travelling abroad to seek health care so the funds put to finance their travels can be used to further strengthen the healthcare in the country. Furthermore, countries like the Kingdom of Saudi Arabia can be emulated where they import doctors or machines to serve government officials, and when they recover, the machine and knowledge acquired can be used to care for others with similar ailments.

Strengthening human resources for health

This can be achieved by increasing the capacity to train health workers and reducing the rate of emigration of physicians by improving working conditions and remunerations to make working in the country more attractive to them.

To the private sector

Improve public-private partnership

The private sector can engage in partnerships with the government to jointly fund and manage healthcare projects, leveraging each sector's strengths.

Investing in healthcare infrastructure and research and development funding

Embracing health technology solutions for enhanced efficiency, cost reduction, and improved service delivery, alongside dedicating resources to research and development in healthcare, fosters innovation and advancements in medical technologies.

Philanthropy

They should donate to healthcare causes, support medical research and fund healthcare infrastructure projects.

Capacity building

The private sector can invest in training healthcare professionals and upgrading facilities to enhance the overall quality of healthcare services.

To the members of the community

1. Ensure tax payment
2. Advocate for increased funding for healthcare
3. Participate in CBHI schemes.

CONCLUSION

DRM presents a significant opportunity for Nigeria to finance its healthcare system and improve health outcomes. By generating more resources domestically, Nigeria can increase its fiscal space, promote equity, enhance sustainability and improve accountability. However, to realise these prospects, Nigeria will need to address the challenges it faces by increasing allocations to the health sector, improving social insurance penetration, strengthening tax administration, combating corruption and inefficiencies, strengthening human resources for health, banning medical tourism by government officials and effective monitoring and evaluation of allocated resources.

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