

Health Care Financing in Tanzania

2005 FACT SHEET No. 2

NATIONAL HEALTH INSURANCE FUND (NHIF)

DESCRIPTION

Background: The National Health Insurance Scheme (NHIF) is the outcome of a 1990-1992 study on the long-term options for financing health services in Tanzania. It was established by an Act of Parliament: Act No. 8 of 1999. The scheme commenced its operations on 1st July 2001 by members and their respective employers starting to contribute.

Some of the principles in establishing the NHIF were:

- Strengthening cost sharing in government health facilities by providing an opportunity for formal sector employees to contribute
- Providing health insurance to employees in the formal sector especially after the introduction of user-fees
- Allowing free choice of providers to civil servants -- who were previously restricted to government health facilities
- Enhancing health equity among employees in the health sector
- Providing an environment for the growth and participation of the private sector

Coverage: The scheme is compulsory; it covers all public sector employees. However on the first two years of operations the Fund covered only Central Government employees. The membership base was extended to cover all public servants in 2002 in a move to widen coverage until all formal sector employees are covered. The membership includes principal members their spouses and up to four children and/or legal dependants. Where both a couple (man and woman) are both workers in the public service have equal rights to register four different children or dependants. The scheme has no option for opting out. The Minister of Health has been empowered under existing legislation to determine any other category of workers to become members of the scheme with a view of enhancing the Fund's membership. The scheme may eventually include optional members.

Benefits package: The NHIF Act section 30 (j) empowers the Board of Directors to review and make some improvements to the benefit package, including a review of the rates used to reimburse the health care providers. Currently the benefit package includes: Registration fees – fixed per visit per level of health facility; Basic diagnostic tests; Outpatient services which include payment of examinations and all drugs prescribed for its beneficiaries in both private and

public hospitals -- provided that the hospitals or health facilities are accredited by the Fund. The drugs prescribed should be from the list of essential drugs. The prescriptions should be generic where available; In-patient services include accommodation, medication, examinations, investigations and surgery which ranges from minor to super specialized surgery. The Fund benefit package is progressive subject to actuarial assessment that is done every year and the actuarial valuation that is done every three years. The Fund has already increased the number of benefits offered both to beneficiaries and enhanced reimbursement to providers. In order to access higher-level health facilities a referral letter from lower levels is required.

Identity cards: Under section 15 (1) of the NHIF Act, the Fund is obliged to issue an identity card to every registered member. However, in order for the identity card to be issued, members are required to properly fill NHIF registration forms and pass them to the employers for certification before being sent to the Fund offices. Likewise the Fund is required to produce identity cards and distribute them to employers so that they can be handed over to members. The Fund devised a special NHIF "sick sheet" to be used with the employers' identity cards whenever members required to access services from the accredited health facilities. As at 31st January 2005 the Fund had produced and distributed **946,153 (83.1%)** Identity cards out of **1,142,378** expected to be produced if all members submit their forms to the Fund offices. No beneficiary can have access to health care services without the NHIF Identity card.

Premiums/contributions: The contribution rate provided in the Act establishing the Fund is 6% of the monthly employee's gross salary (met equally by both employer and employee i.e. 3% each). The Act provides for a penalty of 5% to the Employer who delays in remitting contribution to the Fund. The employers are required to remit contributions at the Accountant Generals Office (Ministry of Finance-*Treasury*) and then the Ministry of Finance directly pays into the National Health Insurance Fund.

Provider payment mechanism: Today, providers are reimbursed through a fixed fee per service; however, the Fund Administration is expected to gradually move to capitation as the volume of business and the complexity of the benefit package increases.

EXPERIENCE TO DATE

Achievements: Current membership is about **248,343** with total beneficiaries of **1,142,378** (over 3% of the population of Tanzania). Revenues (i.e., premiums paid by members and employers for the period of first seven months) in FY04/05 totalled **10.53 billion Tsh (US\$ 9.6 million)**, which was about **6.1%** of recurrent on-budget health expenditure.

Accreditation: The Fund has gone through three phases in the accreditation process. In the first phase, all **2,937** public health facilities were automatically accredited through Government circular of 18th September 2001. This accreditation considered the fact that Tanzania is one of the countries with the best health service networks in Sub-Saharan Africa. Members were frustrated when they could not obtain prescribed medicines, which should have been covered in the benefits package because of stock-outs in public facilities. In order to alleviate this problem the Fund entered in the second phase of accreditation. The second phase-involved the Faith Based and NGO's health facilities where the problem of out of stock rate is low. A total of **519** health facilities have been accredited in this phase. The third phase involves private for-profit health facilities. This phase is being implemented as part of the strategy to minimise problems drug shortages and the government emphasis to strengthen public-private partnership in service delivery. Already **36** pharmacies have been accredited in all regions.

Claims Processing: During the first year of the Fund operations the reimbursement rate to health service providers was very low – below 50 percent, currently the re-imbursement rate has risen to an average of 70-85 percent. This has to a great extent been a result of a massive education programme given to health service providers conducted throughout the country. This campaign has increased the capacity of health service providers to lodge claim forms correctly.

Challenges: The Fund is expected to operate (i.e., manage all costs of reimbursement, planning, monitoring, tracking membership and services, defining standards for and accrediting facilities, continually refining service standards and benefits packages, responding to inquiries from members and providers, main source of funding for the Fund) with only 8% of the Fund's total income, as per S.33 (b) of the Act which established the Fund. This is proving insufficient for the Fund to effectively run its operations, including staffing, opening of Zonal Offices and other administration activities.

The Fund is obliged under the legislation (sect 15 (1) of the NHIF Act) to issue identity card to every registered member. This process has been delayed by the low rate of submission of properly filled NHIF membership forms (requiring 3 photographs for each beneficiary).

The number of pharmacies accredited is small since Part I pharmacies in the country are very few, and some pharmacies are reluctant to register fearing they will not be paid the market price (as they do to non members). Accrediting Part II pharmacies (drug outlets) in villages is a challenge because most of these stores lack qualified staff and are thus limited by law in the types of drugs they can dispense.