

Understanding the Concept of Risk Pooling

Dr. Gafar Alawode
February, 2017



Outline

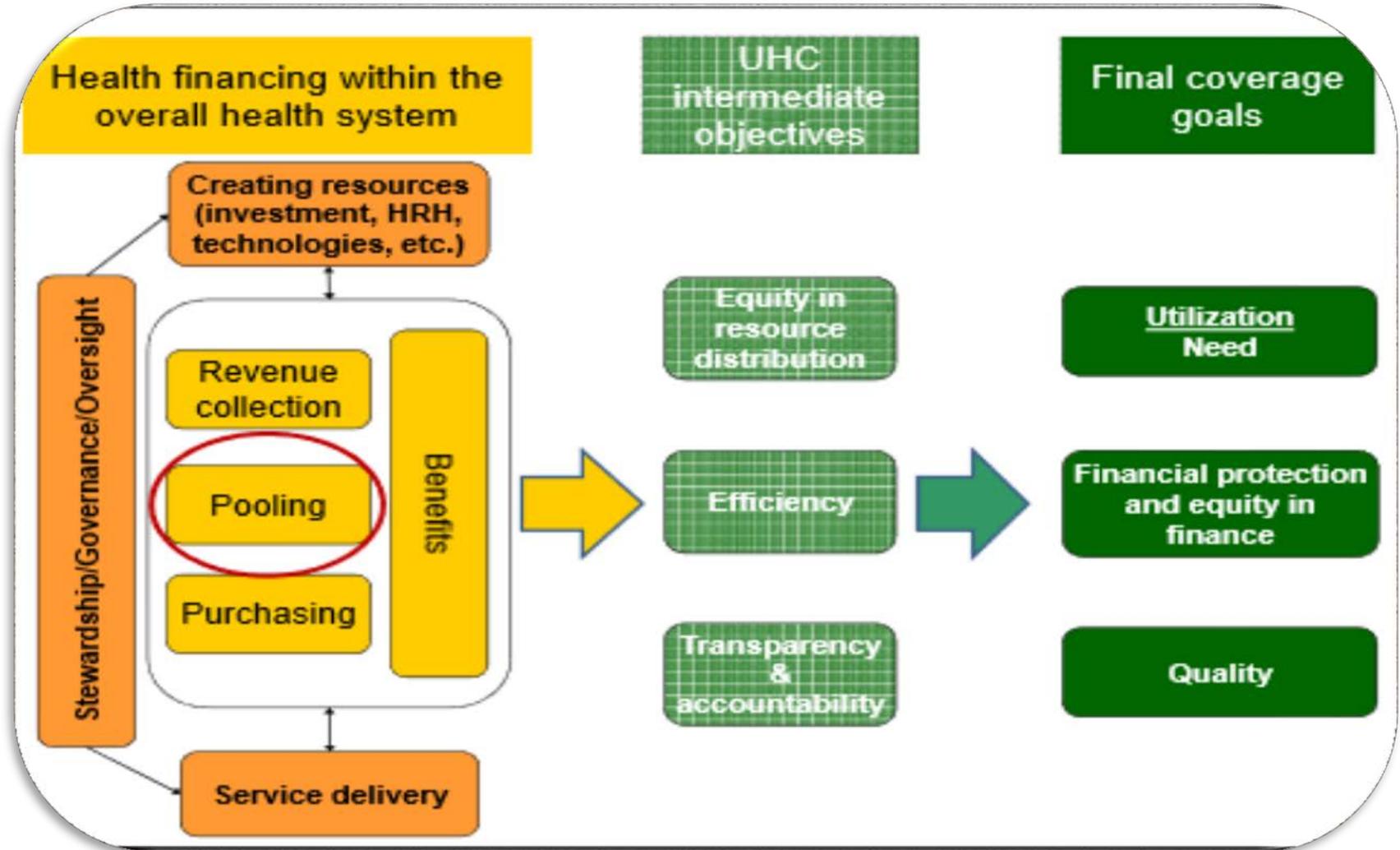
- ▶▶ Session objectives
- ▶▶ What is pooling?
- ▶▶ Situating pooling within HCF framework
- ▶▶ Cross subsidy and redistribution
- ▶▶ Pooling and UHC
- ▶▶ Characteristics of effective pooling
- ▶▶ Insurance schemes as pooling mechanisms
- ▶▶ What should change and why?
- ▶▶ Governance and effective pooling



Session objectives

- ▶▶ To deepen understanding of concept of pooling as a health financing function;
- ▶▶ To describe basic principles of risk pooling that promote access, financial protection and equity;
- ▶▶ To describe pooling function of insurance schemes; and
- ▶▶ To highlight Implications of good risk pooling for UHC

Situating Pooling within HCF Framework

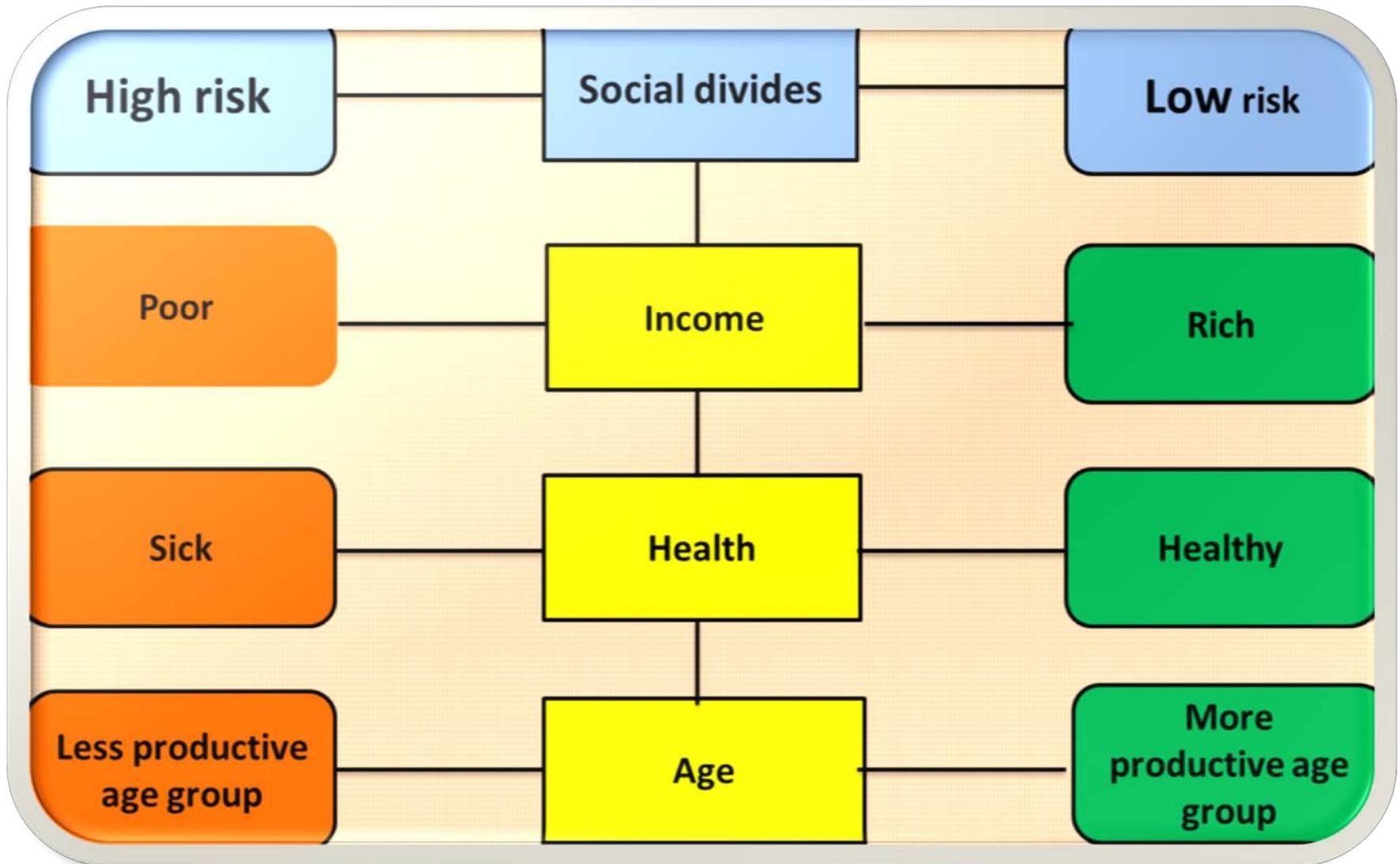




Pooling as a health financing function

- ▶▶ Pooling: Accumulation of prepaid health resources on behalf of population across risk divides for eventual purchase of health services.
- ▶▶ For raised revenue to achieve the intended purpose of improved access, financial protection and equity we must:
 - ❖ Collect the money in advance – Prepayment contribution
 - ❖ Contribution should be based on ability to pay
 - ❖ Access should be based on need
 - ❖ A mix of contributors is needed (contribution > need, contribution = need, contribution < need and zero contribution with need)
- ▶▶ We pool two things: Funds and risk

Pooling Across Social Divides



Risk Pooling: Cross-Subsidy /Redistribution

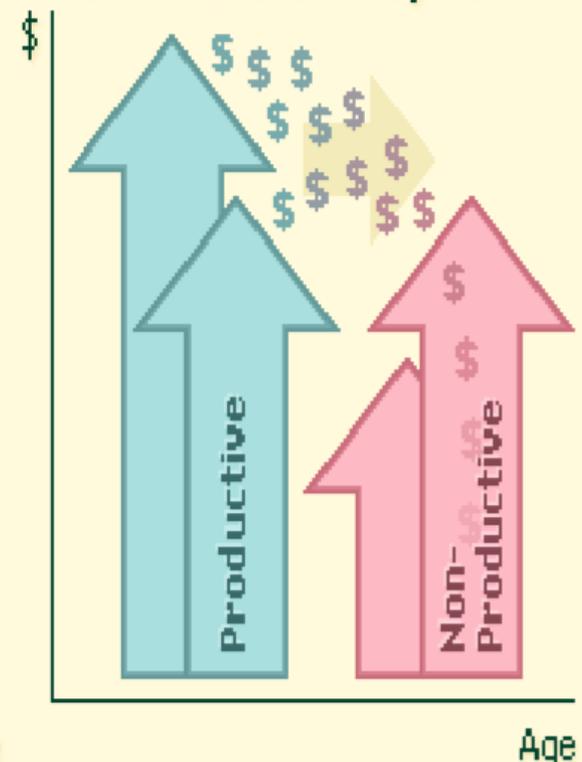
Cross-Subsidy from Low-Risk to High-Risk



Cross-Subsidy from Rich to Poor

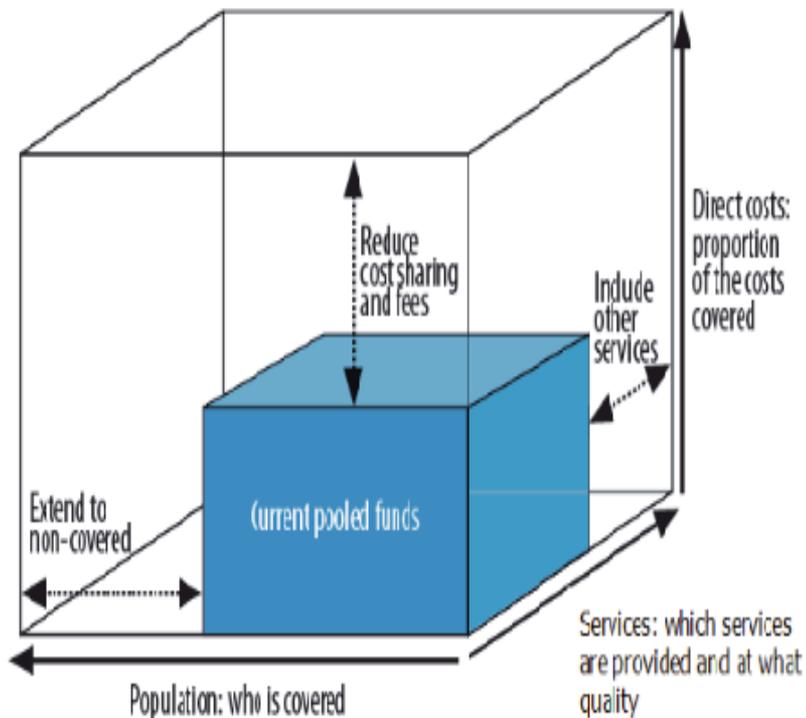


Cross-Subsidy from Productive to Non-Prod. Part of the Life Cycle



Pooling and UHC: The Causal Pathway

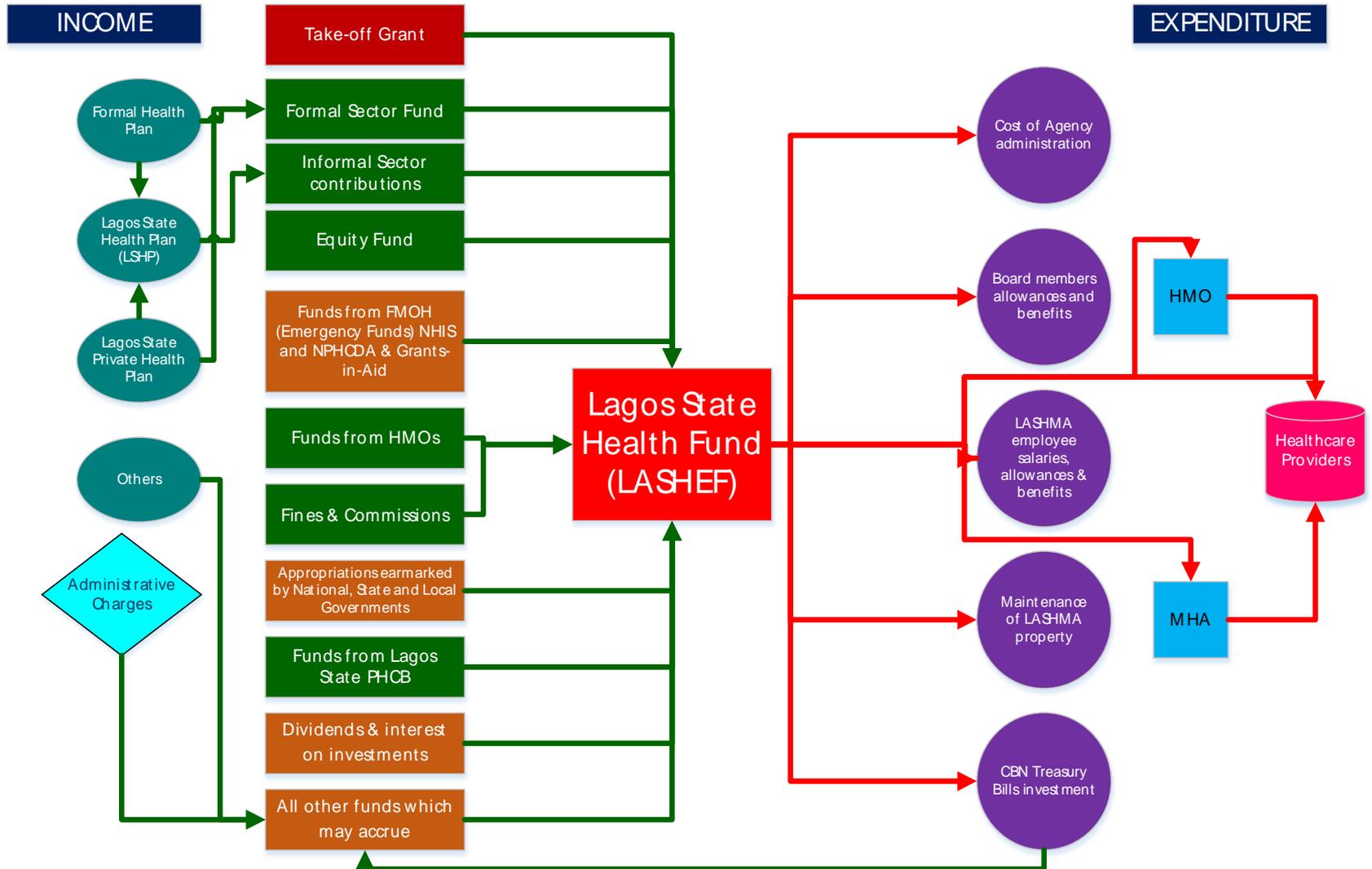
Three dimensions to consider when moving towards universal coverage



- ▶▶ UHC is about Population, cost and service coverage
- ▶▶ Effective pooling is needed to reduce OOP
- ▶▶ Effective pooling is needed for expanding population coverage
- ▶▶ Effective pooling is needed to expand benefit package

Pooling in practice

Lagos State Health Scheme Funds Flow

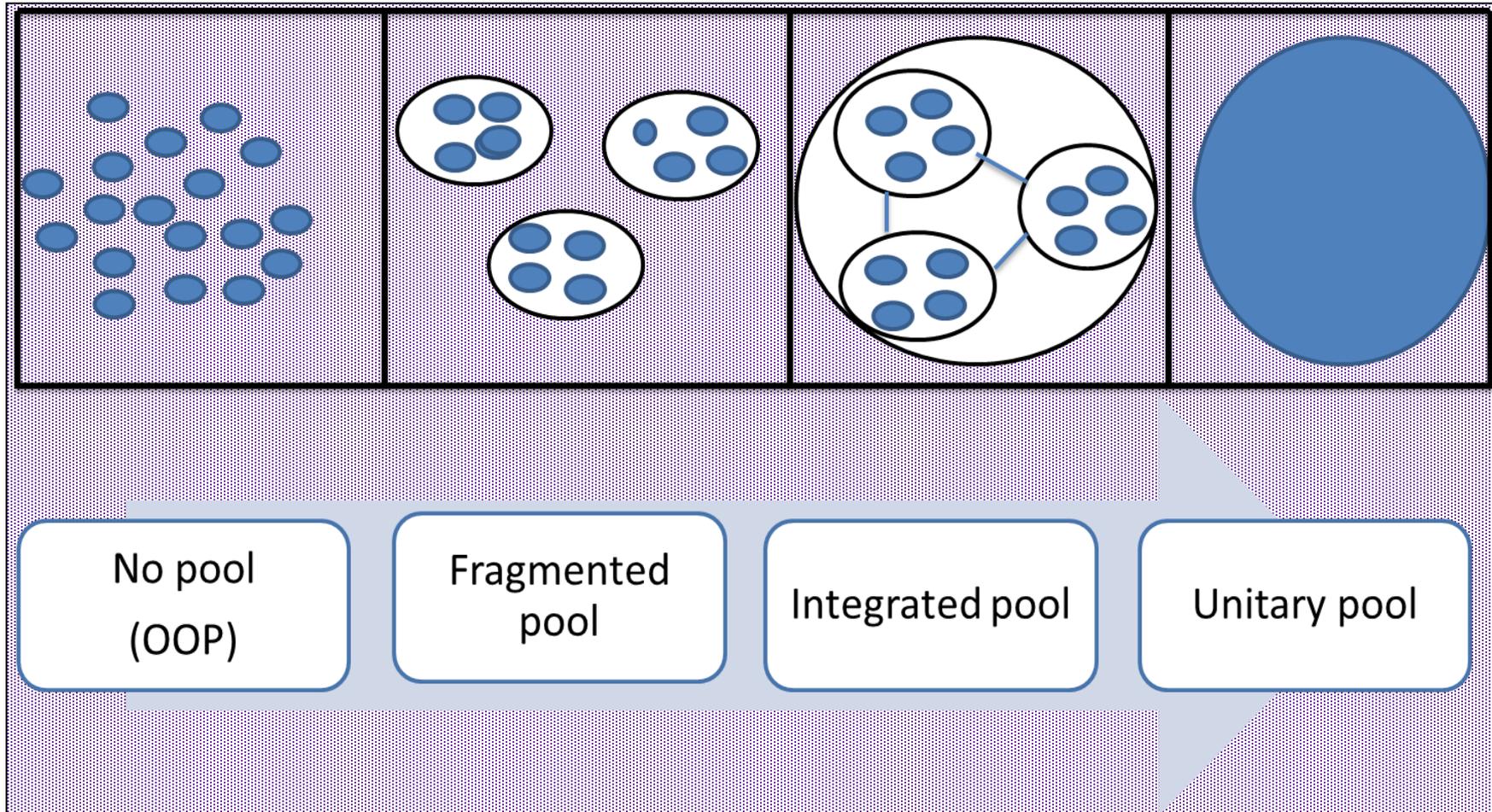


Characteristics of Effective Pool

- ▶▶ Size:
 - ❖ Large or small pool
- ▶▶ Diversity:
 - ❖ Diverse or similar pool
- ▶▶ Participation
 - ❖ Compulsory vs voluntary participation
- ▶▶ Subsidization
 - ❖ Subsidization + cross-subsidy vs cross-subsidy only

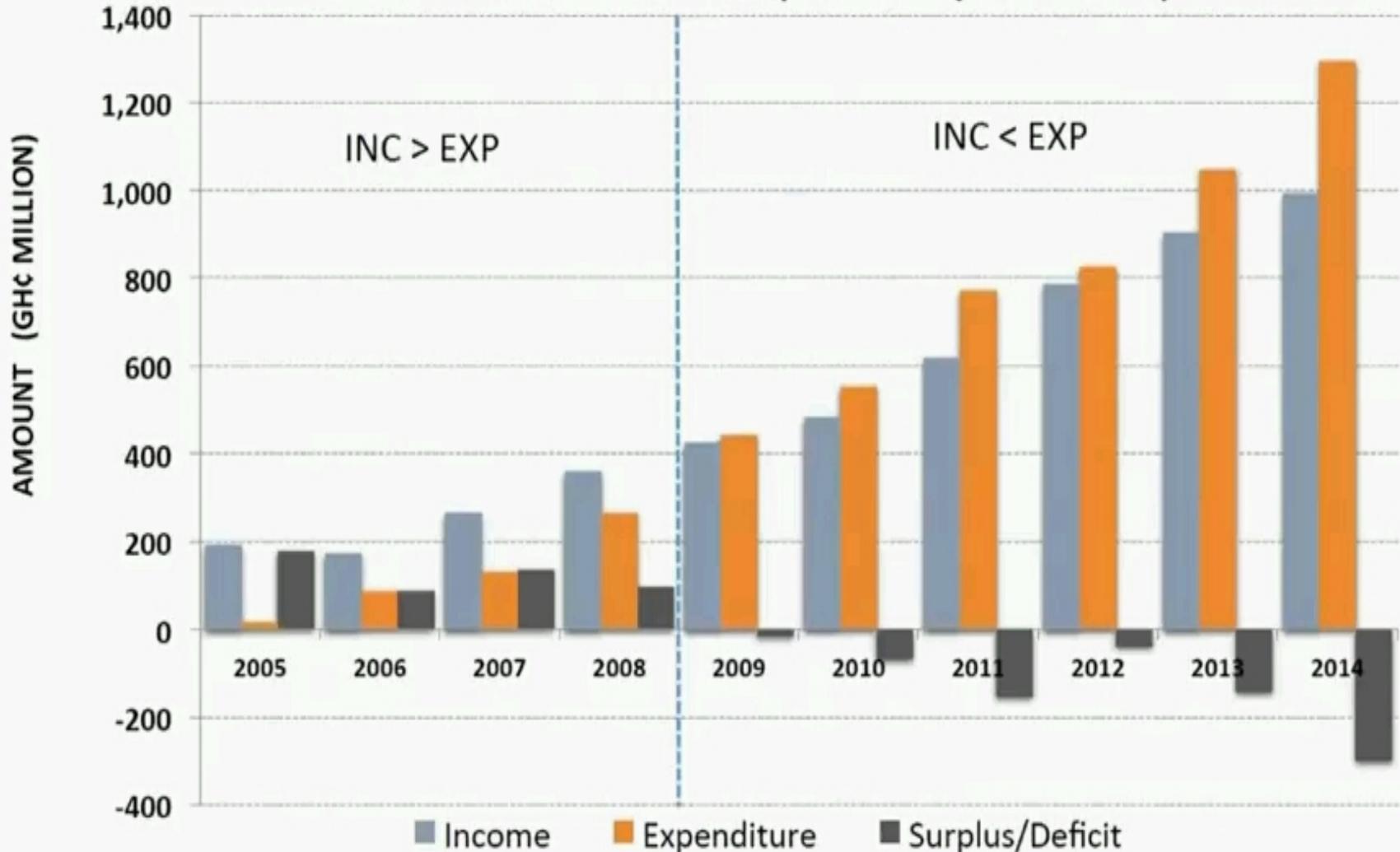


Level of pooling



Why we should continue to pool more funds

Trend of NHIS Income & Expenditure (GH¢ Million)

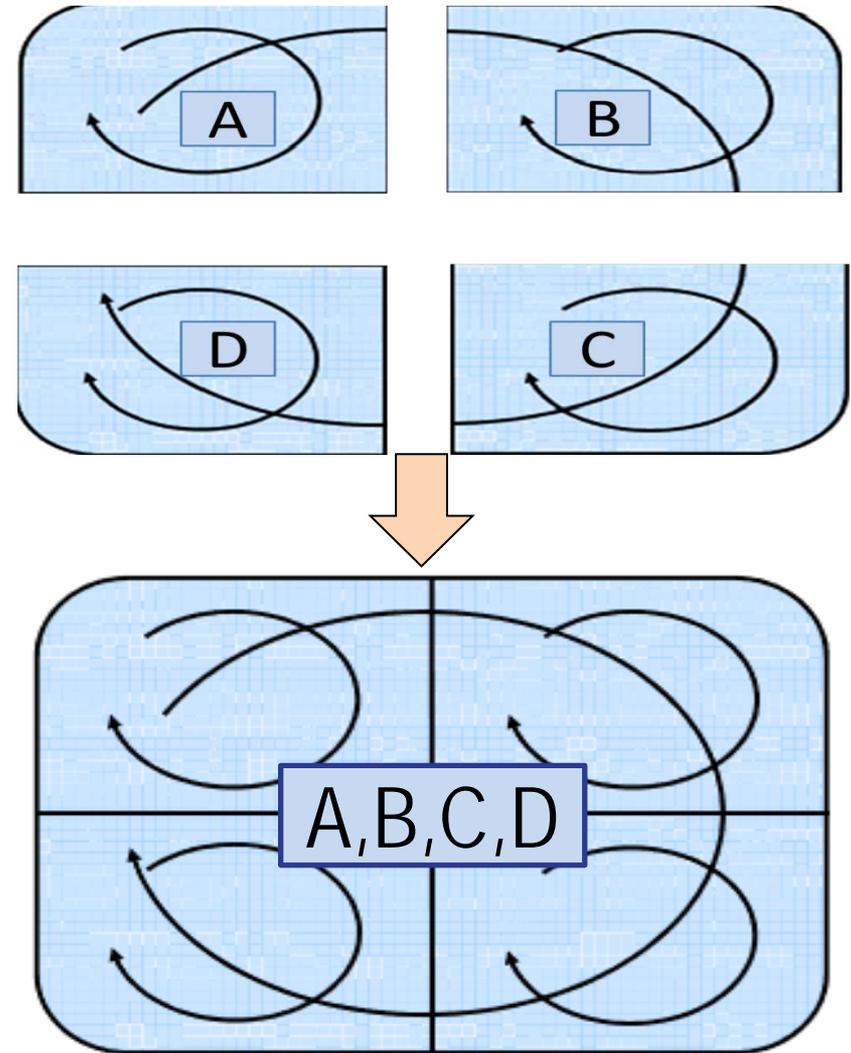


Insurance Schemes as Pooling Mechanism

Insurance scheme	Size	Diversity	Participation	Subsidization
National health insurance	Large size	Highly diverse	Usually compulsory	Highly subsidized
Social insurance	Varies	Mainly working class	Usually compulsory	Subsidized
Private health insurance	Usually small	Mostly affluent population	Voluntary	Not subsidized
CBHIS	Varies but usually small	Not usually diverse	Mostly voluntary	Usually subsidized by donor or govt.

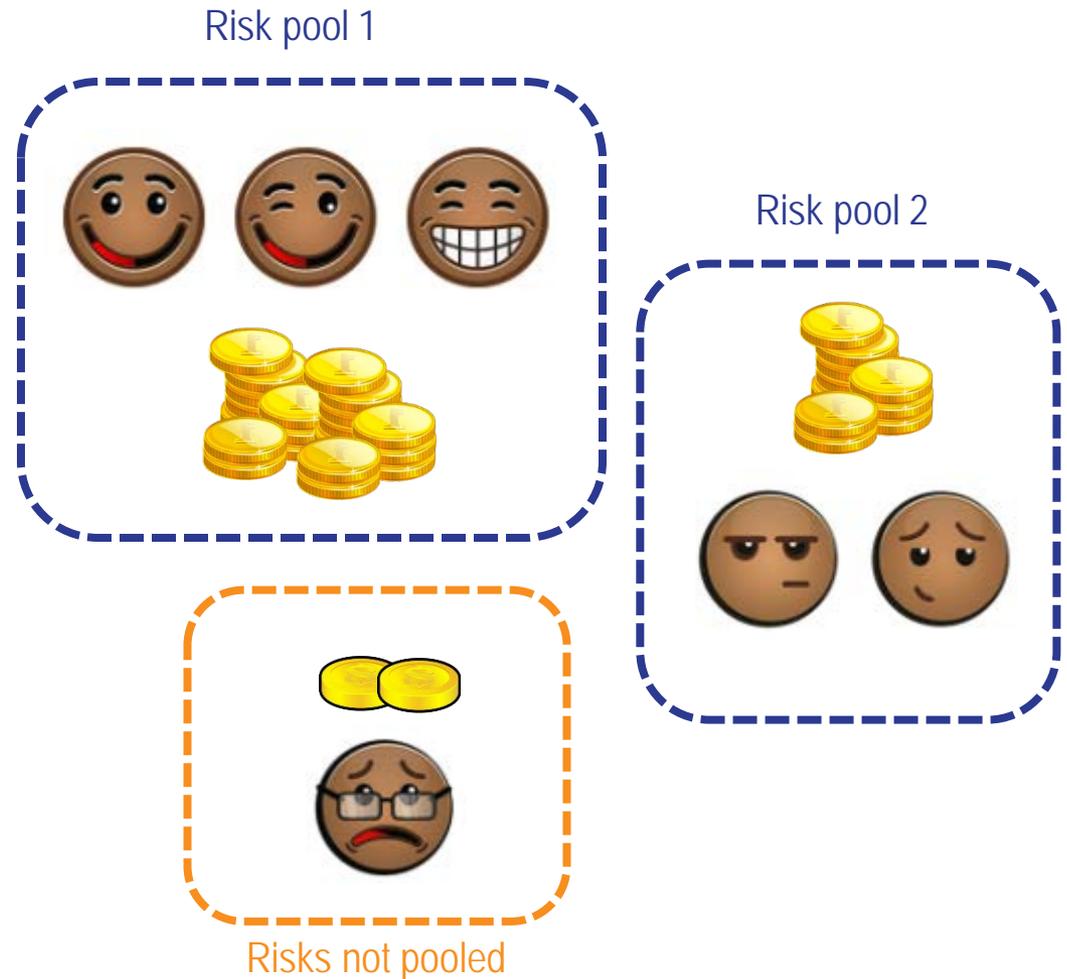
Fragmentation is the enemy

- ▶▶ Supply side fragmentation
 - ❖ Fragmentation of PHC mgt.
 - ❖ MoLG, SMOH, LGSC, SPHCA and LGAs fund PHC
 - ❖ PHCOUR will remove fragmentation
- ▶▶ Demand side fragmentation
 - ❖ Several small pools of CBHIS across the country
 - ❖ Fragmented pools will not achieve the goals of HCF reform



The cost of fragmentation

- ▶ Inefficiencies lead to greater costs
- ▶ Hinders redistribution of prepaid funds
- ▶ Limits the ability to cross-subsidize
- ▶ Want more pre-payment - not more prepayment schemes



What should change and why?

- ▶▶ Align context-appropriate policy instruments with policy objectives;
- ▶▶ Introduction of schemes that pool funds and risk;
- ▶▶ Prioritization of the vulnerable groups in the pool;
- ▶▶ Coalesce existing pools into larger pools and avoid further fragmentation;
- ▶▶ The need for subsidization by government is crucial;
- ▶▶ Effective risk pooling and strategic purchasing will not only improve health but it will improve economic prosperity
 - ❖ Poverty reduction
 - ❖ Improved productivity and GDP
 - ❖ Increased employment opportunity



Governance and Effective Pooling

- ▶▶ **Policy environment:**
 - ❖ Necessary laws, policy, strategy and understanding of PE
- ▶▶ **Institutional capacity and arrangement;**
 - ❖ For managing various insurance functions
- ▶▶ **Management systems**
 - ❖ ICT for registration, claim management and accountability
 - ❖ Fiscal Space Analysis and resource tracking
 - ❖ Benefit Incidence Analysis
- ▶▶ **Coordination and collaboration**
 - ❖ For synergy and resource mobilization
- ▶▶ **Voice, accountability and oversight**
 - ❖ Three dimensional accountability and oversight: Executive, Legislative and citizen



Main messages on pooling

Core objectives:
Maximize
redistributive capacity

Size (bigger) and
diversity more
(more)

Government subsidy
Is crucial

Voluntary pool will
Not lead to UHC

Fragmentation is
the enemy

Governance is
the glue

Thank you

www.hfgproject.org



Abt Associates Inc.

In collaboration with:

Avenir Health | Broad Branch Associates | Development Alternatives Inc. (DAI) | Johns Hopkins Bloomberg School of Public Health (JHSPH) |
Results for Development Institute (R4D) | RTI International | Training Resources Group, Inc. (TRG)