

Social Health Insurance: A Key to achieve Universal Health Coverage in Nepal

Sujan Poudel,¹ Anusha Parajuli,² Shishir Paudel³

¹Nobel College, Pokhara University, Kathmandu, Nepal

²Visible Impact, Kathmandu, Nepal

³Department of Public Health, CiST College, Pokhara University, Kathmandu, Nepal.

Corresponding author: Shishir Paudel; Email: shishirpaul11@gmail.com

ABSTRACT

Social health insurance, which offers financial security and risk sharing for health care expenses, could be the key to achieving Universal Health Coverage (UHC) in Nepal. The social health insurance program in Nepal has advanced significantly, but many adjustments in the insurance mechanism are needed to make it truly a key to UHC.

Keywords: Health financing, social health insurance, universal health coverage, out-of-pocket expenditure

INTRODUCTION

Access to quality healthcare is essential for people's well-being and quality of life, but healthcare can be costly, especially in the developing world. Global Health Expenditure Database suggests global health spending reached approximately \$9 trillion in 2020, accounting for around 11% of the global Gross Domestic Product (GDP). On average, per capita health spending in 2020 increased by 1.7% to \$39 in low-income countries, 4.7% to \$125 in lower-middle-income countries, 3.8% to \$515 in upper-middle-income countries, and 5.7% to \$3,708 in high-income countries.¹ In the context of Nepal, the health expenditure was 5.17% of GDP in the year 2020, and the out-of-pocket spending has been slightly reduced from 59.4% in 2015 to 54.2% in 2020.² The government of Nepal has taken significant actions to make healthcare more accessible to the citizens which reduced the catastrophic health expenditure and ensuring the health rights of Nepalese citizens. The Social Health Insurance Program (SHIP) is one such action initiative with the potential to drive the agenda of Universal Health Coverage (UHC).

Health insurance refers to a mechanism that offers coverage for defined expenses resulting from sickness or injury. This could include insurance for losses from accidents, medical bills, disability, or accidental death and dismemberment. Health insurance operates in the risk pooling concept which is an effective strategy that increases the likelihood of affordable and timely access to healthcare services for those in need. By pooling resources, the program enables the transfer of funds from the healthy to the sick, ensuring that individuals and

households can access healthcare services without facing financial hardship.³ But in the context of the Social Health Insurance scheme, in its current form it seems it has been operated for charitable purposes rather than risk pooling, due to its uniform financial contributions from households, regardless of their level of risk or ability to pay. The goal is to ensure that no one is deprived of health services due to a lack of funds for treatment and to increase access, quality, and utilization of health services. These were the reasons for launching the social health insurance program by the Nepal government.⁴ However, to make it truly a key towards UHC, a few adjustments are needed in the current mechanism adopted by the insurance program.

Social health insurance a roadmap for UHC

UHC envisions everyone to have access to health services, whenever and wherever necessary, without any financial hardship. Globally, the significance of UHC is revived by its inclusion in the Sustainable Development Goals (SDGs) in 2015, while its conceptual foundation dates back to the Alma Ata Declaration of 1978.⁵ When SDGs were envisioned, UHC was one of the committed targets by the nations to achieve by 2030 to guarantee all persons have access to high-quality health services without facing financial difficulty.⁶ SHI can simultaneously work to achieve UHC by working on the major dimensions of UHC i.e. on population coverage, service coverage, and reduce out-of-pocket expenditure (OOP) as suggested by the World Health Organization.⁷ (Figure 1)

Overview of the Social Health Insurance Scheme in Nepal

The Government of Nepal approved the ordinance to

Article information

Received: 01 June 2023

Accepted: 20 August 2023

Published online: 30 August 2023

Copyright © 2023 by the author(s), wherein the author(s) are the only owners of the copyright of the published content
Licensing: This published content is distributed under the terms of the [Creative Commons Attribution International License \(CC BY 4.0\)](https://creativecommons.org/licenses/by/4.0/) license, and is free to access on the Journal's website. The author(s) retain ownership of the copyrights and publishing rights without limitations for their content, and they grant others permission to copy, use, print, share, modify, and distribute the article's content even for commercial purposes.

Disclaimer: This publication's claims, opinions, and information are the sole creations of the specific author(s) and contributor(s). Errors in the contents and any repercussions resulting from the use of the information included within are not the responsibility of the publisher, editor, or reviewers. Regarding any jurisdictional assertions in any published articles, their contents, and the author's institutional affiliations, the Journal and its publisher maintain their objectivity.

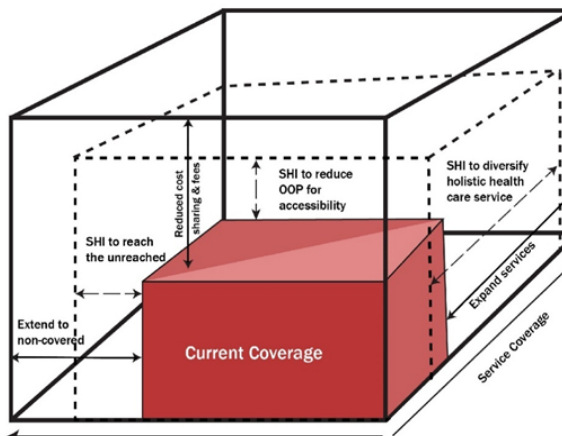


Figure 1: SHI-key to address three dimensions of UHC envisioned by WHO,⁷ modifications made by the authors.

establish the Social Health Security Development Committee in 2014 which was tasked to launch a new approach to healthcare financing in the form of the Social Health Insurance Scheme.⁸ This scheme was envisioned based on the principle of financial protection through prepayment and risk pooling in healthcare.⁹ The national health insurance program was piloted in 2016 in three districts of Nepal including Kailali, Baglung, and Ilam districts. After four years of implementation in the piloted districts and assessing its progress, coverage, and overall satisfaction among the clients, the program was expanded to all 77 districts of Nepal in 2021. The program's ultimate goal is to transform from a voluntary health coverage system to a mandatory health security system.¹⁰

In this SHI program, a family is considered a unit. When the program was first introduced, families of up to five members were able to enroll in the scheme by paying a yearly premium of NRs 2500 (\$22), which provided the family coverage for health expenses up to NRs 50000 (\$441) at Health Insurance Board registered health facilities. The program covered health services packages including emergency services, outpatient department (OPD) services, selected inpatient department (IPD) services, and available drugs at registered health facilities. Currently, a family of up to five members pays an annual premium of NRs 3500 (\$29) to receive health services equivalent to NRs 100,000 (\$833). The family with more than five members, pays an additional NRs 700 (\$5.83) per person, increasing the equivalent health services cost by NRs. 20,000 (\$167) to a maximum of NRs 200,000 (\$1666). Moreover, the Government itself pays partial or full premium amounts for targeted groups.¹¹

Reaching the Unreached/Population Coverage

The government has made the provision to provide free insurance services to ultra-poor households, the population living with certain disabilities, the population having MDR-TB and HIV, and senior citizens above the age of 70 ensuring their uninterrupted access to healthcare services.¹¹ Similarly, SHI extends coordination and cooperation with service providers and health facilities to increase the steady expansion of health insurance programs throughout the country ultimately covering the

entire population of the country aiming to make health service accessible to every citizen regardless of the ability to pay and increase community participation in health.

Reduce the cost of healthcare

Nepal's health expenditure is estimated to be three times higher than the limit set by the WHO, making it one of the four highest countries in the region in this regard. The OOP covers 58% of total health expenditure in Nepal, among which 55% is associated with non-communicable diseases, while 66% of all expenses are on pharmaceutical and medical supplies.¹² A recent report by WHO on global monitoring of financial protection in health depicts that 1.7% of people have reached below the poverty line only due to treatment costs, and more than 10% of the population have fallen under economic crisis due to personal health expenses, which seems to increase rapidly after the COVID-19 pandemic.¹³ SHI can promote prepayment, mobilize financial resources for health by risk pooling mechanisms in an equitable manner, and manage the health services by eliminating financial obstacles to utilizing health services, concentrating on the underprivileged and marginalized.¹⁴

Expansion of the services in benefit package/ Service coverage

Social health insurance has gradually increased its service coverage, individuals can get promotive, preventive, and curative services including outpatient, inpatient, diagnostic, rehabilitative, and emergency care services along with some level of coverage towards assistive devices through its current insurance packages. A recent study showed that families with health insurance are 74 times more likely to use health services in comparison to those without health insurance.¹⁵ It has been observed that OPD service utilization has increased to 77% in the year 2021 from 72% in 2016, and the SHI program has expanded to all the districts of Nepal.¹⁶

Current Status of SHI: Opportunities and Challenges

By the end of October 2022, a total of 6,178,140 Nepalese citizens have enrolled in the SHI program. Although there has been a 5% increase in enrollment rate in the year 2021 in comparison to 2020, the percentage of insured people utilizing the scheme is only 42%. There are currently 451 health facilities registered by the Health Insurance Board (HIB) to operate the SHI schemes, where 1123 drugs are available under SHI across the country.¹⁷ In the current context, SHI has many opportunities and challenges to make it a key driver to increasing health coverage in the country. The present fifteenth five-year plan of the country has envisioned to address the need for health facility with health insurance in each ward and aims to reach 60% of the Nepalese population under SHI by the end of 2024.¹⁸ The National Health Policy, 2019 and Nepal Health Sector Strategic Plan 2022-2030 has recommended specialized health services to be added in the insurance package.¹⁹ As of 2022, health insurance has covered about 23% of the country's population and is expected to increase its coverage all over the country.¹⁷ Despite the governmental priority to health insurance programs, the outcomes are not meeting expectations. Even though there has been an increase in the rate of enrollment, the number of dropouts has also increased, and many target groups are still beyond the reach of insurance.¹⁴ A recent study

revealed one out of ten families had left the health insurance program.¹⁵ Similarly, 410 out of 753 local-level governments do not have primary-level health facilities to provide the package.⁴ It has been observed that people were interested in the scheme in its initial phase but, in recent times due to various reasons such as unavailability of drugs,^{14,20} inadequate human resources in health facilities,^{14,21} inadequate laboratory services,¹⁴ they are gradually dropping out.

It has been highlighted that more than 40% of client complaints are related to service quality and medicines.²² Similarly, the long waiting hours for the clients seeking health service through SHI card, and the long administrative process are the major complaints.^{14,15} The response of the hospital and health workers greatly affects the success of the insurance program. The difference in behavioral treatment of the client with and without social insurance, the practice of prescribing brand names of the medicines instead of generic names, reducing the difference in waiting hours, and easing the tedious referral mechanism are some aspects where the health service providers play an important role.¹⁵ There have been different issues of moral hazards observed in the insurance program from both the side of demand and supply. From the consumer side, there has been an overconsumption of healthcare services, such as claiming for routine whole-body checkups, and irrational collection of medicines for home storage. Similarly, on the supply side, it has been noted that government health institutions are keeping different rates for the same health services for clients who are enrolled and not enrolled. This has created a sense of distrust among the insurance clients, for instance, OPD services are subsidized or free for non-insurance clients but charged to clients with social health insurance.^{16,23} These issues have threatened the overall rationale, accountability, and transparency of the program. The reimbursed amount from the SHI program has already outweighed the collected premium amount, making it hard to sustain without help from an external source.²² This indicates the need for support from external sources.

Although the provision of subsidies is available in the rate of insurance premiums for the ultra-poor and marginalized population, credible data and procedural paperwork to enroll poor and disadvantaged individuals are still lacking.²² Nepal has various fragmented health financing schemes in multiple vertical funding programs like basic health service packages, safe motherhood programs.²⁴ All of these social health protection approaches can be integrated into health insurance programs to prevent duplication and waste of financial resources and expand insurance packages. Despite the formation of the Health Insurance Coordination Committee Guideline 2021, there is a delay in its implementation. Lack of awareness about health insurance, weakness in the management system of the Health Insurance Board (HIB), delay in claim mechanism, inadequate permanent positions in the HIB, and poor coordination between the three tiers of the government for health insurance operations are the major reasons behind the inefficiency in current health insurance program.

Ways forward

The expanding insurance program must address the dropout rate and voluntary participation. If the health

insurance program does not revise its current structure and integrate into the existing health financing scheme, this ideal program is likely to collapse due to low enrollment rate and higher expenditure. An alternative strategy of co-payment could counter the moral hazard observed in the current scheme. Ensuring robust information system, adequate health workforce, effective service delivery system and mandatory enrollment of every citizen are vital to assure sustainability of the program. Local governments can play an important role in identifying the ultra-poor households and the target groups under the social health security program, residing inside their political boundaries using participatory rural appraisal and proper household databases. Integration of SHI with other social security programs can reduce duplication and create a unified approach promoting one door policy. Swift review, verification, and payment systems by HIB can tackle claim delays and motivate service providers. More emphasis should be given to raising awareness regarding the benefits of the program to rural as well as urban settlements. To guide SHI towards UHC and to create a resilient health system a mechanism for health promotion, risk assessment, disease prevention, and wider risk coverage is needed to tackle wider determinants of health. Health insurance is pivotal for Nepal's citizens and requires joint efforts from both the government and individuals, taking responsibility for health of all. Therefore, promoting awareness and ownership is key to achieving Universal Health Coverage and the 2030 Sustainable Development Goal.

Conflict of interest: Authors declare no conflict of interest.

Source of funding/support: Authors declare no external support.

REFERENCES

1. World Health Organization (WHO). Global spending on health: rising to the pandemic's challenges.2022. <https://www.who.int/publications/i/item/9789240064911>
2. World Health Organization (WHO). Global Health Expenditure Database. https://apps.who.int/nha/database/country_profile/Index/en
3. Pauly MV, Herring B. Pooling health insurance risks. American Enterprise Institute; 1999. [Google Scholar]
4. Health Insurance Board. Government of Nepal, Annual report Fiscal year 2021/22. 2022.
5. World Health Organization (WHO). Regional Office of Europe. Declaration of Alma-Ata; 1978. <https://www.who.int/publications/i/item/WHO-EURO-1978-3938-43697-61471>
6. Ifeagwu SC, Yang JC, Parkes-Ratanshi R, Brayne C. Health financing for universal health coverage in Sub-Saharan Africa: a systematic review. *Global health research policy*. 2021;6:1-9.doi: 10.1186/S41256-021-00190-7 [Google Scholar] | [PubMed] | [PMC] | [Full Text]
7. World Health Organization (WHO). The world health report: health systems financing: the path to universal coverage. 2010. <https://apps.who.int/iris/handle/10665/44371>
8. Government of Nepal, Social Health Security Development Board (Formation) Order, 2071 (2014) (2014). <https://lawcommission.gov.np/en/?cat=203>
9. Ministry of Health and Population. Government of Nepal, Nepal Health Sector Strategy (2015-2020). http://www.nhssp.org.np/NHSSP_Archives/health_policy/NHSS_english_book_2015.pdf
10. Ghimire P, Sapkota VP, Poudyal AK. Factors associated with enrolment of households in Nepal's national health insurance program. *International Journal of Health Policy Management*. 2019;8(11):636. doi:10.15171/IJHPM.2019.54 [Google Scholar] | [PubMed] | [PMC] | [Full Text]

11. Health Insurance Board. Government of Nepal, Health Insurance Board Regulation 2075. https://hib.gov.np/public/uploads/shares/notice_hib/health-insurance-regulation-2075.pdf
12. Nepal Health Research Council. Eighth National Summit of Health and Population Scientists in Nepal Proceeding Report. Nepal Health Research Council (NHRC). <https://nhrc.gov.np/wp-content/uploads/2022/08/8th-Summit-Proceeding-Report-MD-Inner-Book.pdf>
13. World Health Organization (WHO). Global monitoring report on financial protection in health 2021. <https://www.who.int/publications/i/item/9789240040953>
14. Nepal Health Research Council. Assessment of Social Health Insurance Scheme in selected districts of Nepal. 2018. <https://nhrc.gov.np/wp-content/2019/Health-Insurance-CTP>
15. Paneru D, Adhikari C, Poudel S, et al. Adopting Social Health Insurance in Nepal: A Mixed Study. *Frontiers in Public Health*. 2022;4704. doi: 10.3389/fpubh.2022.978732 [Google Scholar] | [PubMed] | [PMC] | [Full Text]
16. Department of Health Services. Ministry of Health and Population, Government of Nepal, Annual Report FY 2020/21. Department of Health Services. <https://dohs.gov.np/wp-content/DoHS-Annual-Report-FY-2077-78>
17. Government of Nepal, Universal Health Coverage Celebration Day Health Insurance Board; 2022.
18. National Planning Commission. Government of Nepal, The fifteenth plan (Fiscal year 2019/20–2023/24). 21. https://npc.gov.np/images/category/15th_plan_English_Version.pdf
19. Government of Nepal, Ministry of Health and Population. National Health Policy 2019. http://dohs.gov.np/wp-content/uploads/2014/04/NHP-2074_policy-01.pdf
20. Pokharel R, Silwal, Pushkar Raj. Social health insurance in Nepal: A health system departure toward the universal health coverage. *The International journal of health planning management*. 2018;33(3):573-580. doi: 10.1002/hpm.2530 [Google Scholar] | [PubMed] | [Full Text]
21. Ranabhat CL, Subedi R, Karn S. Status and determinants of enrollment and dropout of health insurance in Nepal: an explorative study. *Cost Effectiveness Resource Allocation*. 2020;18(1):1-13. doi:10.1186/s12962-020-00227-7 [Google Scholar] | [PubMed] | [PMC] | [Full Text]
22. Khanal GN, Bharadwaj B, Upadhyay N, Bhattarai T, Dahal M, Khatri RB. Evaluation of the National Health Insurance Program of Nepal: are political promises translated into actions? *Health Res Policy Syst*. 2023;21(1):7. doi: 10.1186/s12961-022-00952-w. [Google Scholar] | [PubMed] | [PMC] | [Full Text]
23. Health Insurance Board. Description of services and Rate of benefit package in Kathmandu, Nepal; 2017. https://hib.gov.np/public/uploads/shares/notice_hib/beneir-package.pdf.
24. Ministry of Health and Population. Situation analysis of health financing in Nepal. MoHP, World Bank, WHO, GIZ, 2019. <https://worldbank.org/curated/en/187641594202895951/Situational-Analysis-of-Health-Financing-in-Nepal>