

# **Economic Burden of Expanding Health Insurance Coverage for the Informal Sector: Who will carry it?**

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## **Research Brief**



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**August 2014**

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## Background:

Recent developments in the health insurance landscape have witnessed a movement towards universal health coverage (UHC). The momentum generated by UHC coupled with the increasing commitment of global and national actors in the health sector to it its achievement seems to have made it the key health goal in the post-MDG development framework<sup>1</sup>. However, moving towards UHC with a view to covering the entire population and improving their health outcomes and financial resilience is strewn with encumbrances that require among others a transformation of health financing at country level to adequately accommodate those in the informal sector. As such, ensuring improved access to quality health care and extending financial protection to those in the poorest wealth quintiles and vulnerable groups continue to be a challenge to advancing and achieving the potentials of UHC<sup>2</sup> - particularly in the informal sector where the anguish of poverty aggravates their characteristic low health status, high morbidity and sufferings from illness<sup>3</sup>.

Available evidence has shown that over 90% of the people who are unable to seek appropriate care live in low-income countries with high dependence on the informal sector occasionally regarded as “missing middle”. The key challenge therefore is to establish sustainable health financing policies, systems and institutions that could facilitate the equitable access of this segment of the population to needed health care without exposing them to the risks of financial catastrophe and impoverishment<sup>4</sup>. However, the burden of protecting and ameliorating the health and financial risks faced by those in the informal sector must be borne. Who is to carry the burden? Is there a “free launch”? The answer is possibly yes from the perspective of those who are to receive subsidy or total exemption in the informal sector but no from the standpoint of the sponsoring stakeholders – government, community, philanthropic organizations, etc. The distribution of the burden among stakeholders and an assessment of their carrying capacities also raise issues for reflection to be addressed in the brief.

In line with the afore-stated concerns, this project intends to undertake economic and financial assessment of the liability of providing health insurance to those in the “missing middle” underscoring the importance of factors that influence policy options, implementation and outcomes of expanding health coverage to them. It will focus on the contextual arrangements of carrying the burden as it relates to the division of responsibilities of the relevant stakeholders, political commitment to key strategies, opportunity cost or trade-off of allocating scarce resources to target informal sector, etc. In specific terms, the brief will report on the results of model simulation of the likely expenditure outlays and revenue flow potentials of health insurance coverage, evaluation of the source(s) of the financing gaps, analysis of alternative health financing and health insurance pathways and assessment of the sustainability of the system over a period. It will also evaluate the capacity of identified streams of resource flows to indicate alternative courses of action.

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<sup>1</sup> *The world health report 2010. Health systems financing: the path to universal coverage*, Geneva, World Health Organization, 2010.

<sup>2</sup> *The world health report 2010. Health systems financing: the path to universal coverage*, Geneva, World Health Organization, 2010.

<sup>3</sup> Ojo, K., C. Nwali, and O. Smile. 2013. "Is Community Based Health Insurance Scheme possible in Gombe State?" *CHECOD Working Paper 2013 - 9, Centre for Health Economics and Development, Nigeria*

<sup>4</sup> Health Policy Brief: Health Insurance Exchanges and State Decisions,” *Health Affairs*, July 18, 2013

More importantly, is the fiscal capacity and related solvency issues in financing deficit from health insurance fund balance in individual countries which are key economic determinants of sustainable investment in universal health insurance coverage<sup>5</sup>. The institutional challenges of governance and organization structures, eligibility criteria, monitoring quality health care service delivery, accreditation of purchaser and provider of service etc. associated with scaling up health related expansion of health insurance raises another concern for inquiries within the scope of this project. Appropriate initiatives that countries might take to expand coverage to the uninsured especially those in the informal sector will be recommended.

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<sup>5</sup> Ojo, K., C. Nwali, and O. Smile. 2013. "State Initiated Health Insurance Schemes in Nigeria: Whose fiscal responsibility?" *CHECOD Working Paper 2014 - 3, Centre for Health Economics and Development, Nigeria*