Health Inequities in Nepal: Does Universal Health Coverage address it?

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Acronyms

UHC	Universal Health Coverage
OOP	Out of Pockets
WHO	World Health Organization
CBHI	Community Based Health Insurance
NHI	National Health Insurance
PHCC	Primary Health Care Center
HP	Health Post
SHP	Sub-Health Post
CPA	Comprehensive Peace Agreement
SDH	Sustainable Development Goal
CBS	Central Bureau of Statistics

Abstract

Health is right of people. Health of a nation depends on its health system. Good health system offers equity, quality, efficiency and accessibility. There is inequality of healthcare services between rural and urban area in Nepal. Many of health care institutions and worker are reluctant work in rural area. Fragmented healthcare benefits to formal, informal and vulnerable people increases administrative cost and increases gap among them in respect of healthcare inequality. Due to storage problem, even free drugs and services are not easily available urban in the rural area. Integrated health system can address not only health care inequality between rural and urban but also brings all the existing form of insurance and other fragmented benefits into an integrated single payer system.

Part I Health Care and Economic Background

Background

WHO definition of Universal Health Coverage (UHC) means that all people can use the promotive, preventive, curative, rehabilitative and palliative health services they need, of sufficient quality to be effective, while also ensuring that the use of these services does not expose the user to financial hardship. The UHC is firmly based on the WHO constitution of 1948 declaring health a fundamental human right and on the health for all agenda set by the Alma Ata declaration in 1978. UHC cuts across all of the health-related Sustainable Development Goals (SDGs) and brings hope of better health and protection for the world's poorest. Over one million still lack access to basic healthcare service in the world. To address this issue, UN passed a resolution in 2012 to pursue, for all countries, the transition of their health system toward universal health coverage. Its inclusion into the SDG are highly recommended by the WHO, WB and other government agencies. The UHC has significant benefits on population health by providing access to health services, reducing inequalities and protecting them from financial ruin due to illness and contributing to the economic growth of a nation. However, it is complex, costly and sensitive process to pursue by politician at head of state level rather than ministry of health.

Country Background and Economic Status in Nepal

Economic Status of Nepal

The following table shows increasing Gross Domestic Product (GDP) and portion of which used for Total Health Expenditure from fiscal year 2006 to 2008. One third of the Total Government Expenditure(TGE) was found to be allocated for the THE.

Table1: Total Health Expenditure in relation to GDP in Nepal

Year	GDP (Rs mil.)	TGE (Rs mil)	THE as %GDP	THE as %TGE
2006	654,084.00	110,889.00	5.30	31.40
2007	815,658.00	161, 350.00	5.30	27.00
2008	988,053.00	219,602.00	5.30	23.90

Source: National Health Account 2008/09

Population Demography

Bulk of the population (55%) of Nepalese population are in active working age group. Dependent population above the age of 65 is at most 5% compare to big proportion of population is below age 16 years old. This shows that there are younger population than older.

Table2: Population distribution of Nepal

Age<=	16	22	28	35	43	50	60	65	70
Population %	40	52	62	72	80	87	93	95	97

Source: National Census 2011

Labor Force in Nepal

Most people in Nepal survive in agricultural occupation and only small slice of the population are employed formally. The following figure shows that any sort of income generating occupation contains around 78% of the working age population while only 24 percent are found in non-agricultural job. To offer healthcare benefits is challenging to them and exiting services are not evenly distributed.

Table3: Status of labor market in Nepal

Description	**Percent**
Employed	78.30
Unemployed	4.00
Population engaged in non- agriculture	24

Health Coverage Status in Nepal

Public health services deliveries in Nepal are provided by public and private institutions. Both Public and private health institutions provide healthcare services. The public health service consists of three levels: primary (Health Post, Sub-Health Post and Primary Health Care Centre), secondary (Regional, Zonal and District) and tertiary (Central and Teaching Hospital).

Every country aims to achieve universal health coverage (UHC) irrespective of whether country is resource-constrained or lacks adequate support system. There are some countries with fairly a long history of UHC with well-established institutions such as United Kingdom and Germany. Countries like Nepal where achieving UHC is still a big challenge, however it has moved towards universal coverages by providing targeted free care as mentioned in the table 5.

There are more private hospitals compared to public, however private hospitals are mainly located in the urban area. The following table 4 show composition of public and private hospitals and their workforce. There are 1.35 health facilities per 1000 population and 1.78 health professional per 1000 population in Nepal (CBS 2011 and MOHP 2012).

Table 4 a): Number of Hospitals and Health Workers

Public Hospitals	**Primary Health Care Center**	**Health Posts**	**Sub-Health Post**	**Total**
102	208	1559	2247	4116

There are around 55,000 health workers in Nepal servicing to a population of 27 million. The private sector is growing much faster than public and most private hospitals are based in the urban area. This is also one reason; they have employed half of the health workforce.

Table 4 b) Health Workforce in Nepal

Public	**Private**	**Total**
32,809	21,368	54,177

Source: Annual Report 2071/072, MOHP, Nepal Government; Nepal HSSP

Nepal has more than two decades long history of the free health care service. The following are some of the declared government announcement in order to make foundation toward universal coverage.

Table5: Evolution of Free Care policy in Nepal

Evolution	Reforms
15-Dec-06	Declared targeted free care from District and PHCC
8-Oct-07	Declared abolishing user fee at HP &SHPs for all
16-Nov-08	Expanded universal free care to all at PHCC
15-Jan-09	Free outpatients at DHS to targeted population, 40 essential drug free, later on declared all essential drug free.

Source: MOHP, Nepal Government

There is no single social health insurance in Nepal, however different form of social health protections is provided as mentioned in the table below. In order to provide equitable heath care system, it is necessary to run different sort of health care mechanism into standard form

such as National Health Insurance (NHI), Social health Insurance (SHI), Community Based Health Insurance (CBHI) etc. The types are fragmented healthcare free services provided to formal, informal and other marginalized group is provided below.

Table 6: Form of employment and health benefits offered

Formal Sector *	**Informal sector (registered)**	**Universal**
a) Maternity health Protection b) Occupational Health Safety c) Medical Expenses d) Disability Compensation e) Sick leave	a) Sick leave b) Work Injury/accident	a) Free primary health care b) and listed 72 medicine

Source: MOHP, Nepal Government

Coverage by population and amount of Benefits

The existing health system provides some sort of health care guarantee to small portion of population in an inequitable and inefficient way. The amount is insignificant, distribution system is also not cost saving, however it is sort of basic need to those who are marginalized and considered vulnerable. Funding is from general revenue and amount is going to increase in coming days as many people are not aware of the benefits as well as it is hard for government to close any sort of benefits which is not properly run. However, it is good start to cover

Table 7: Health care benefits and their amount in Nepal (Local currency Rs)

Types of Population	**Rate**	**Number of Beneficiary (000)**	**Total Annual amount (Rs million)**
Senior Citizens	500.00	783.40	4,700.00
Single women	500.00	797.90	4, 787.30
Child	200.00	458.13	1, 099.50
Total Disable	1000.00	19.50	233.80
Partial disable	400.00	6.90	33.00
Endanger race	500.00	21.30	127.70
Total Amount		**2065.70**	**10, 981.60**

Source: Ministry of Local Development. * Formal sector: Civil servants, Security force and Teacher

Part II Health Care Problems in Nepal

In effectiveness: Large proportion of the population falls under the informal sector that are not covered under any system**.** There is no government plan and political commitment to address this issue and bring all informal sector workforce under some sort of health care coverage. They have huge Out Of Pocket (OOP) expenditure. Existing healthcare system in not effective to address it.

Inefficient: Since the system is fragmented and it has large administrative cost and hence is not an efficient one. Going into a single payer system incorporate all the existing form of insurance, providing larger pool and lowering premium amount but increasing benefits to the people. This also helps to increase coverage to more excluded area such as cancer or any tertiary care.

Inequitable: The richest household benefits disproportionately. From the table 7, it is clear that only 7% of the whole population is covered for mere nominal amount of money and free health care services in Nepal. Table 6 shows some sort of coverage but in the rural and remote area it is very difficult for people to receive services even if some drugs and primary care are free. There always remains drug shortage, in some case out dated drug without physician.

For better coverage, community based health insurance running by government in six place but not covering the entire population even in piloted area. The reason behind it that it is not made mandatory. Only 3.4% of the total population are covered by the CBHI in those area (Raut NK). Geographical complexity to access the health facilities causing out of stock medicine, bureaucratic process to utilize the free and extended health services, poor mechanism to identity beneficiary of target program, limited financial protection, unregulated private sector causing high OOP. CBHI are too localize and in isolation, not merged into to a single system to organize. Though Japan has a very good health system, it had gone tremendous difficulties like the CBHI in Nepal and we need broader coverage to population for wider risk pooling.

Human Resource

In the USA, there are almost 25 health work force per 1000 population which is very high compared to South –East Asia (4.3) (WHO, 2006 Report). But from the table 4, it shows that there are 0.15 health workers per 1000 population in Nepal which is very very low compared to UA. On top of this, there is high rate of brain drain and trend to stay in the urban only. Not only this, there is higher rate of increment in NCDs. To address all these problems; Nepal should come into a single payer system by combining all the existing system into NHI.

Part III Solution to the Health Care inequalities in Nepal

Integrated National Health Care System

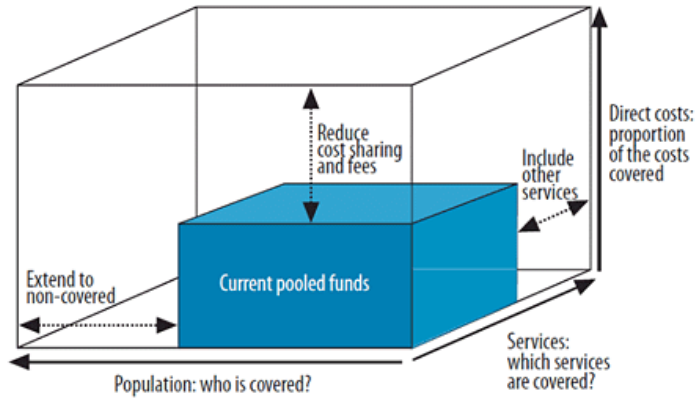
Healthcare system is fragmented into private and public as well as for profit and not-for profit. There is no mandatory Social Health Insurance (SHI) system for formal sector and not a social safety net is not sufficient to cover minimal need. However, lot of private insurance companies and Community Based Health Insurance (CBHI) program are underway to cover informal sector population. Security departments have their own sort pooling mechanism without using insurance companies. In this situation an Integrated National Health Insurance as Universal Health Coverage can be good vehicle to bring all population into a well and robust healthcare system in Nepal.

What constitute Universal Health Coverage

It was actually in 2006 that the free health care program was introduced in Nepal providing free of cost; the primary health care services to everyone through primary health care centers such as PHCCs, HPs and SHPs. Furthermore, the political transition in the country with signing of Comprehensive Peace Agreement (CPA) between the Government and the maoist strengthened the assurance of the program by mentioning free basic health care as a basic right of every citizen in the interim constitution drafted in 2007. Some listed medicines are also available for free at these facilities. District hospitals, in addition to inpatient and outpatient services, also provides emergency services for free to some targeted groups such as poor, ultra-poor's, helpless, disabled, senior citizen as mentioned in the table 7.

Three dimensions of UHC is proper way forward for country's potential to merge into universal system. UHC covers: 1) higher percentage of population covered/entitled; 2) benefits or service covered; and the 3) financial protection covered i.e. the share of health costs covered, as shown in the cube below. On the basis of UHC foundation, National Health Insurance can bind all the existing form of fragmented benefits into a single system.

Three dimensional Cube for UHC



Three dimensions to consider when moving towards universal coverage

The interesting part of cube is that, given limited resources, there is always a trade- off among these, and it depends upon the individual country which one or some of these three dimensions they want to increase and to what extent. For example, in case of Nepal, it has been evident that in addition to the service has actually come at the cost of low population coverage however this has further improved the level of financial protection. The OOP has actually declined from 74% to 60% (Shrestha et al, 2012) after number of services of different types were added over time. Although the situation now has been improving, Nepal still has a long way to go so far as achieving UHC is concerned.

Population Coverage

The good health system should cover all its citizens irrespective of their economic status, caste, creed, religion etc. As already discussed, in principle, all citizens are covered with basic health care services and that the targeted groups and some specific diseases are provided additional services/treatment free of cost. The question of equity is important the answer to which basically depends upon whether the better quality services are provided at the lowest cost possible to the larger population or equity should be given priority. It is really a challenging task to strike an optimal balance along these three important dimensions.

Service Coverage

Most of the health workers are based in the urban area and very few like to stay in remote area of Nepal. This is a because of higher payment from private health services providers in the urban area. This not only leaves rural people without services but also increases their OOP payment incurred due to transportation and logistics. Single payer system in the nation, can solve the

above problem by allocating equity in payment and career opportunity, better utilization of the fund raised with less administrative cost. This will cover huge population by offering better services at lower cost reducing their OOPs.

Financial Protection

This is the most important part of the three dimensional cube mentioned earlier. Nepal has comparatively the higher OOP health expenditure. Recent statistics show that private OOP health expenditure accounts for more than 50 percent of the total health expenditure in Nepal. Besides, poor economic growth rate of less than 3 percent in the last several years restrains it to be liberal in health expenditure allocation. To address problem of financial protection, there need to be integrated health insurance system in the nation.

Financing Mechanism

Social Health Insurance

There is estimate of 1.2 million employees in the formal sector but they are not covered into single health insurance system. With the help of the SHI, Nepal can achieve UHC in a very short period of time provided there is political understanding to push forward NHI. The NHI will have lower administrative cost, lower adverse selection and lower claim frequency and size as formal sector employees always remain with sort of proper life style.

Community Based Health Insurance

Most Health Insurance Services in Nepal is basically private and covers a very small segment of population with higher ability to pay. Nepal had some history of Community Based Health Insurance (CBHI) initiated by INGOs such as BP Koirala Institute of Health Sciences (BPKIHS), but now it has been closed due to the problem of adverse selection and moral hazard- claims. But Government of Nepal has initiated six pilot schemes in 2003 in six different PHCCs across the nation as a subsidized insurance scheme with the intention to gradually expand it to other districts. The same public health facility is also entrusted with the administration of the scheme i.e. the service provider and the insurer are basically the same institution. The insurance program basically intends to provide basic health services to the poor and disadvantaged groups by enhancing the community participation and contribution. The Community Health Insurance Operational Guideline 2006 set standards to be followed to operate an insurance scheme and also mention the broad range of services in the benefit package. Provided the CBHI is integrated into

the NHI, the problem of adverse selection and costing will go down and it will help to accelerate covering larger population of Nepal through the NHI.

Private Insurance

Arrangement can be made for those who wish to cover for the services not covered by NHI. The component of the private insurance will go down whenever there are more and more service benefit will be covered under the NHI. Those who have higher paying capacity and wish to cover more of insurance will be arranged though this rout. Insurance companies will charge premium on the basis of risk associated with them. Promoting private insurance scheme will help to cover self-employed, people who like to extend coverage and hence bring into larger risk pooling.

Social Safety Net

Marginalized, poor, disable, some sort of unemployment will be covered into this program backed by general revenue. This scheme will replace the existing different form of health care free services, drugs and integrated into the NHI.

Service Providers Mechanism

NHI takes responsibilities of providers' payment. There may be arrangement of public and private providers and payment mechanism can be done partly through third party administrator or publicly or in mix of both as there is lack of human resources with public level at once. Since insurance is demand shifter, there is high need of medical and supporting staffs. For this government should encourage private institutions to increase rising demand of health care by providing them tax subsidies in the equipment and soft loan to establish heath institutions.

Conclusion

It is necessary to cover full population of Nepal under some sort of health care benefits and services. A mandatory NHI mechanism is essential in order to offer some sense of security and better healthcare system. To achieve secure, equitable and sustainable healthcare, top level political commitment and leadership is essential. On top of this, it is necessary to increase the level of health care providers. This is possible with the help of private health care providers and institutions. Running a single payer system is much easier, cost effective and address the

outlying risk and pools risk within the population and fairly lower premium will be sufficient to cover for tertiary care. The integrated healthcare system or single payer system not only covers entire population but gives economies of the scale and help to generate more premium which NHI department can invest in a sector of higher rate of return and NHI itself can be self-sustainable. In the present scenario, only integrated National Health Insurance is best option for Nepal to address inequality in healthcare and to move forward into Universal Health Coverage.

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