The role of efficiency gains in expanding fiscal space for health in Nigeria

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A major component of achieving universal health coverage in many developing countries is reducing out-of-pocket (OOP) expenditure which is a critical demand side barrier to accessing care. Nigeria has the highest OOP expenditure in Africa and government health spending is below par compared to recommended benchmarks. Given the correlation between government spending and improvement in health outcomes, its importance cannot be overemphasized. This study sought to explore and identify viable options to increase health spending in Kaduna state, Nigeria.

Our study involved qualitative and quantitative approaches. First, we developed a conceptual framework to explore fiscal space for health. This included a comprehensive review of literature and theoretical frameworks. Our framework consisted of 6 thematic areas: macroeconomic growth, reprioritization of health, health sector specific sources, developmental assistance/grants, public private partnerships and efficiency gains. Second, we conducted key informant interviews with 13 participants including public expenditure experts and senior program managers and policy makers. Third, we conducted a quantitative desk review to inform our revenue projections and the feasibility of the identified fiscal space options. Data sources included audited reports, government budget and expenditure data, household surveys, health account surveys, annual expenditure reports, and economic growth data.

Building on previous analysis of the health needs in the state, in addition to the current health spending, ₦16bn is required to fund the health system. We found that the health sector can obtain a ₦5.2bn if 80% of budget performance is achieved; premium payments from a planned social health insurance scheme could generate an additional ₦2bn; and earmarked taxes could potentially generate ₦1.5bn. However, health budget performance has been poor (an average of about 50% over the past 5 years) and implementing health insurance or earmarking taxes require legal frameworks and careful design that are time and resource consuming. Efficiency gains in terms of improving health budget performance appears to be the most feasible, sustainable, and cost effective fiscal space option for the State. To obtain potential revenue from this option, the state ministry of health (SMOH) and other health agencies would need to liaise and frequently engage with the ministry of budget and planning and finance to effectively communicate the need to prioritize health in terms of budget release for the sector, which can be achieved by providing measurable evidence of impact, value for money, and accountability for previously disbursed funds.