**HEALTH INSURANCE**

One of the fundamental ways to finance health care is through health insurance measures. This is an institutional and financial mechanism that helps economic agents to set aside financial resources to meet medical care in the event of illness. Recall that everyone require health care at one time or the other for preventive care, treatment of sickness and injuries which are accompanied with payment of certain fees. The affordability of such fees however are important as they sometimes form a level of difficulty. However insurance converts the unpredictable, highly dynamic and volatile future expenses into payments that can be budgeted for in advance. This makes the insurance scheme differ from user fees which most times called “cash and carry”.

Health insurance can be described as a health care scheme in which prospective consumers make payments to a third party, which in the event of future illness will pay the provider of care for some or all the expenses incurred. Payments are usually made by the insurer pays the medical cost of the insured if (s)he becomes sick due to covered causes or accident. The insurer may be a private organization or government agency. HI is usually an agreement between a person (the policy holder) and an insurance agent(or carriers of organization that offer financial protection) who then pays for the policy holder’s medical treatment. Simply put HI firms work on the concept of balance out cost, such that a pool of policy holders are optimal in health at a certain period while some are not. Therefore the resources paid by the optimal individuals are used to offset the bills of the sick per time.

INSURANCE AGENT

Premium Payments

MEMBERS Services PROVIDER

STRUCTURE OF HEALTH INSURANCE

The HI concept actually proposed in 1694 by Hugh the Elder Chamberlen from the Peter Chamberlen family, though by late 19th century HI firms only answer to disability which cost of emergency care for injuries that could lead to disability. This tremd continued till 20th century in the US, but today HI schemes cover wider area of health care to include cost of routine, preventive and emergency health care procedures. HI can also be traced to medieval Europe when labour unions, associations of employers of labour and craftsmen formed guilds which in turn raise funds to help members in period of need on account of illness, which was later broadened to request doctors to certify illness and pay them to provide care. This later became compulsory for employees as employers in specific high risk industries like mining, became to tie employment to the readiness to pay contributions. These were exploited in Germany(1883), UK(1910), Austria(1887), Norway(1902), such that by 1930s health schemes was already adopted in most developed industrialized countries of Europe with the name sickness and maternity insurance.

**Types of Health Insurance**

**Private HI**  is the contract between an insurance company and the consumer and in the private sector. it may in form of groups(i.e. companies, labour unions, professional organization etc) or for individuals. This mostly is through employer owned on-sight health facilities or contract with outside providers. The contributions is based strictly on the needs of the policy holder.

**Public HI** is a public sector third party for parastatals, insurance scheme, government and social security. They are usually publicly funded; hence the good and bad risks are all covered without regard to health status, which eliminates adverse selection and amplifies moral hazard.

**Social HI** is a scheme financed by government through tax revenues that guarantee citizens financial benefits for events beyond individual control such old age, disability or poor health. Payments are usually irrespective of needs but based on employment and income level.

* Based on principle of solidarity
* Contribution based on ability to pay
* Resources are usually pooled together among as large population
* Enhances security of each individual in the group.

**Community Sponsored HI** is usually operates in the rural areas and mostly localized such that health care systems in Thailand, Tsonga in Kwara State, Nigeria.

Others types of HI include *Direct* (building/ rent structure for the purpose of providing health care service to insured persons), *Indirect* ( making contract with selected providers for defined service provision at negotiated prices, thus authority makes payment instead of the insured) and *Reimbursement* (patients buy his/her medical care in the private market and send in receipts to the insured who then reimburses the insured person either in part or on the basis of standard payment for a particular service; which a usually below the price actually paid).

**Problems of Health Insurance**

* Increasing cost of Health Care
* Inappropriateness in charging by private insurance firms
* Limitation on the type of ailment covered by the scheme
* Recipient of the health care is not involved in the negotiation of cost of care.
* Differentiated rates for same procedure for those insured and those not insured.

**Problems with Private HI**

* Adverse Selection: possibility of buying scheme because you will benefit from it, balancing out becomes an issue.
* Moral hazard: state of mind and change of behaviour with the knowledge that health insurance will take care of medical bills; hence they tend to overuse the scheme. In other words people without health insurance may wait long hours/ period for the ailment to become pronounced before seeking help due to fear of high bill/out-pocket expense.

**HEALTH CARE FINANCING IN NIGERIA**

All tiers of government in Nigeria are involved in the provision of health care, though the budgetary allocation varies across levels. However the effective use of meager financial resources available to the health sector in Nigeria is a fundamental bottleneck.

The National Health Care Policy was enacted in 1988 that Federal(teaching hospitals), States(specialist/ general hospitals) and LGAs(primary health care) shall review the budgetary allocation of resources to the health sector within the available resources given priority to primary health care, community resources are expected to be mobilized in the spirit of self-help or reliance. Its states further that effort will be made to redistribute financial allocation among primitive, preventive and curative health care services. Highlights include

* Exploration of Health Insurance Scheme
* User charges for curative services but at subsidized rates for preventive
* Public assistance to be provided for the socially and economically disadvantaged
* Private individuals are allowed to establish and finance private health care services in underserved area; for collaboration purpose.
* Community are encouraged to finance health care directly or location local community solutions to health problems through the contribution of funds and materials
* Establishment of mechanisms to undertake continual studies on benefits of various health programmes as it relates to cost and inclusion of analysis of needs in terms of cost, materials and personnel in all consideration of health technology and of the establishment and maintenance of health infrastructure.

However, the NHCP address the health care in Nigeria, it does not appear satisfactory. The gap in funding over the years has brought other options into health care financing. Data available on Nigeria shows that user fee is the highest contributor to health care financing in the country. The funding of the sector by government arguably is far below the benchmark set by World Health Organization (WHO).