

Discussion paper: Targeting the poor

Discussion of effectiveness, leakage, cost and acceptability

Introduction

The Ministry of Health (MOH) and the National Health Insurance Authority (NHIA) are working in concert to achieve universal and equitable access to health services for all Ghanaians^{1,2}. In order to improve equity in access to health services there is an ongoing dialogue between the Ministry of Health, NHIA and health partners to identify strategies to target the poorest and most vulnerable Ghanaians for premium subsidy under the National Health Insurance Scheme (NHIS).

Targeting

Targeting is the method used to get subsidies to the people who really need them, in this case the very poor and vulnerable. The concept of poverty itself is not universal and can be debated. One way to define poverty is that poor people cannot get access to essential goods and services which help them to function at an acceptable minimum level in their daily lives. Access to health services is an example of such an essential service. Thus, providing subsidies for health services for the poor is a poverty alleviating intervention itself.

Providing subsidies

Services are commonly supplied through a market of some kind, where users have to pay a price for the service they consume. In Ghana users of health services can pay for services out of pocket whenever they need the service, or choose to register with the NHIS and prepay for services possibly consumed in the future. Subsidies are provided by the National Health Insurance

Fund for; formal sector workers who contribute to Social Security and National Insurance Trust (SSNIT); children less than 18 years if both parents are card holders; the aged above 70; SSNIT pensioners; and the indigent. For individuals not belonging to any of the currently subsidised groups, membership of the NHIS comes at the cost of a premium. Currently, approximately one percent of the population is categorised as indigent and receive NHIS premium subsidy. It is a concern that the poorest people in Ghana, apart from the earlier mentioned indigent, cannot access health services because they cannot afford the full economic cost of health services nor can they afford the full economic cost of the NHIS premium.

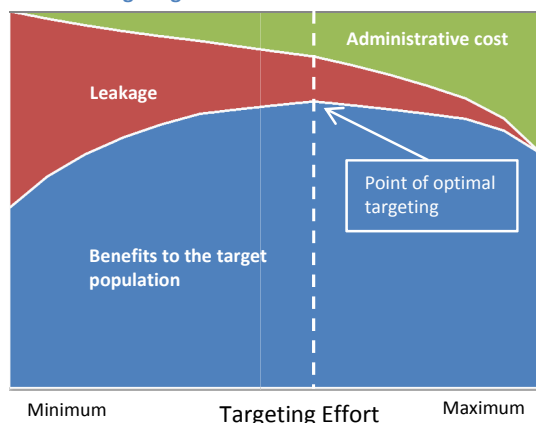
One way of addressing poverty is to subsidise the services for the poor. This means that poor people do not have to pay the full economic cost of the premium and are therefore better able to afford it.

Effectiveness, leakage and administrative cost

It is essential that subsidies are used effectively because they are paid out of a limited resource pool. This is why targeting is important. *Effectiveness* of targeting is defined as the proportion of total subsidy reaching the targeted population. The very act of getting the subsidy to the right people comes with inherent cost as there are many administrative tasks involved; this is classified as *administrative cost* of the subsidy programme. Every time the subsidy gets to individuals outside the target group, it is said to be *leaking*. Leakage results both from the design of the subsidy strategy and the way it is implemented.

In every case of providing a subsidy with a fixed resource envelope, the effort of targeting should be established as a balanced trade off between effectiveness, acceptable level of leakage and the administrative cost (Figure 1). Minimal targeting effort will result in minimal administrative cost, but would lead to a high level of leakage and ineffective targeting. As the targeting effort increases, so does the effectiveness of targeting and the inherent administrative cost. At a certain point there will be an optimum for the targeting effort, where the targeting is said to be most effective, i.e. the largest proportion of the total subsidy reaches the target group. Increased effort of targeting beyond this point would result in a decreased proportion of the total subsidy reaching the target population because of “crowding

Figure 1:
Effective targeting



out” by administrative cost. Therefore, within a fixed resource envelope, further efforts to target beyond the point of effective optimum would not benefit the targeted population. Ideally, any subsidy programme should aim for the point where the largest proportion of the total funding is benefitting the target population.

The universal approach to subsidies

Universal approaches, i.e. universally subsidising the whole population or providing subsidies to a defined sub population, may be relatively simple and cheap to administer, but leakage is usually high; however, the universal approach remains a strong alternative to targeting, because it is simple, easy to make transparent, needs relatively little administrative and technical capacity, and is often more politically acceptable than targeting. Some would argue that at least the poor get some assistance quickly, instead of having to rely on a process, such as targeting, that could become caught up in complicated administrative schemes and political debate.

Discussion

Several initiatives to provide subsidies to the poorest have been initiated. Noteworthy, are the initiative to decouple all children below the age of 18 from their parents, and grant them subsidised NHIS membership and the Livelihood Empowerment Against Poverty (LEAP) project. The delinking of all children below 18 would be regarded as a universal approach with the inherent low administrative cost but high levels of leakage (left of the optimal point on figure 1). The LEAP project is expected to be further to the right on figure 1, representing higher targeting effort resulting in decreasing leakage but increasing administrative costs. There is a risk that the targeting effort of subsidy programmes like the LEAP project exceeds the optimal point and hence entails increasing administrative cost and decreasing target effectiveness (right of the optimal point in figure 1).

The policy decision to better target the poor under NHIS should focus on the balance between effectiveness, leakage and administrative cost. This would require specific information regarding these issues for each alternative of providing subsidies to the poor and vulnerable. In order to obtain this information, further analysis of the different targeting options would be required within the Ghanaian context.

¹ National Health Policy (third draft), Ministry of Health, July 2006

² Policy Framework for the Establishment of Health Insurance in Ghana, Ministry of Health, March 2002