

**AHME successfully introduced an exemption strategy into the Ogun State Supported Health Insurance Scheme (Araya) to extend coverage to the poorest of the poor, free of charge**



This snapshot considers lessons learned from AHME’s work with Ogun State to integrate free health care coverage for the poor within its Araya health insurance scheme, including ways to finance the system through cross-subsidies. It discusses development of this demand side financing approach (DSF) as a model for other state-supported schemes.



**Intervention**

In Nigeria, out-of-pocket payments for health services are nearly double the sub-Saharan African average, constraining access for the poorest. To address this, in 2012 AHME undertook a study to consider potential strategies for extending healthcare coverage to indigent households. The study assessed multiple DSF mechanisms, weighed national versus state-based approaches, and included baseline health surveys, willingness-to-pay studies, and actuarial analysis. The results pointed to state-based approaches, which were already gaining traction in different parts of the country.

The study focused on six Nigerian states receptive to expanding equity in health care access, and found that Ogun State presented the best conditions for collaboration. The State’s Araya scheme was a nascent scheme in development, building on Ogun’s existing community-based health insurance programme, but with room for adaptation and input from AHME. There was strong political and financial commitment in Ogun, with money allocated from the State budget. The Health Commissioner and his team were very motivated and open to new ideas. Moreover, Ogun State met International Finance Corporation (IFC) criteria for transparency in the administration of health programs and the setting up of a risk pool that included the poor.

One element of AHME’s input into the scheme’s design focused on the proposed exemption strategy, including both the social and financial benefits associated with exempting individuals in the poorest quintile. AHME also addressed considerations of long-term sustainability and where AHME could have the highest impact.

With the Health Commissioner and his team, AHME delved into the financial risks and complexities of a scheme where costs of exempted beneficiaries would be cross-subsidized by non-exempted members.

The plan extended healthcare coverage to all populations in Ogun, so that the scheme would benefit from a wide, and thus sustainable, risk-sharing pool of beneficiaries. Expanded coverage was expected to drive up demand for healthcare services, providing health facilities with a regular income to invest in improving the range and quality of their care.

To ensure sustainability of the scheme, Ogun State planned to pass a bill embedding Araya into State legislation through the Health Financing Bill.

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### Result

Ogun State Government agreed to Araya design amendments which included the establishment of an equity fund that provided premium exemptions for the lowest quintile to ensure equitable healthcare access.



### Examples and Evidence

*"We have devised a program that will bring efficient healthcare within the reach of our people, who are hit hard when they incur bills as a result of ill health, or who may not even be able to afford care at all,"*

Dr. Olaokun Soyinka, (formerly) Honourable Commissioner for Health, Ogun State



### Lessons Learned

Although the Araya scheme design has changed since its original inception, it remains an important model for others looking to finance and institutionalise insurance exemptions for the poor.

Ensuring a full range of services for people living in the poorest areas remains a challenge, particularly among social franchise providers who tend to be more likely to serve indigent and rural populations.



**For Healthy Communities**



### Outlook

Ogun State was one of the first in Nigeria to implement a state health insurance scheme. The concept of free health insurance for the poor has now been embedded in the National Health Act of 2015. Araya thus can serve as an important model for other states looking to increase the scale and quality of public and private provider networks using demand-side financing.