

Implementation of Public Procurement Act 663 (2003) in National Health Insurance Scheme (NHIS)

Edward Frimpong

*University of Science & Technology, College of Architecture & Planning,
Department Of Building Technology
Email: frimedward@yahoo.com*

I. INTRODUCTION

Health care financing in Ghana began with a tax-funded system that provided free public health care services to all after independence. As this system gradually became financially unsustainable with economic stagnation in the 1970s, initially low user fees were established for hospital services to discourage unnecessary use, locally recover some costs and generate provider performance incentives. Continued declines in government spending on health through the 1970s and 1980s led to shortages of medicines and supplies and deteriorating quality of healthcare. Following adoption of structural adjustment reforms in 1983, the Rawlings' administration raised and expanded user fees for public health care services in a system that became known as "cash and carry." The user fee system improved operating revenues for some facilities, but it was poorly regulated, inconsistently implemented, and found to have worsened access to healthcare for the poor Blanchat, (2012). On September 05, 2003, following a series of pilots in selected districts; the National Health Insurance Scheme was born. On this day, the National Health Insurance Act, 2003, (Act 650) was signed into law. In 2012, the Act was repealed and replaced by a new law (Act 852), (NHIA 2012 Annual Report). Among the new things the new Act 852 brought was to change the names of all the District Mutual Health Insurance Schemes to the District Offices of National Health Insurance Authority (NHIA). The act also sought to ensure standardisation of all operational activities in the district offices. It again nullified the existence of the individual scheme's Board of Directors and further ensured that all the administrative powers are centred at the Accra Headquarters through the regional offices.

The vision is to be a model of a sustainable, progressive and equitable social health insurance scheme in Africa and beyond. The NHIA has as its mission statement to provide financial risk protection against the cost of quality basic healthcare for all residents in Ghana, and delight its subscribers and stakeholders with an enthusiastic, motivated, and empathetic professional staff who share the values of accountability in partnership with all stakeholders. Since its introduction, the NHIS has grown to become a major instrument for financing health care delivery in Ghana. About 85% of all internally generated funds (IGF) of all government and missionary health institutions now come from the NHIS. The Scheme which currently caters for about 9 million subscribers engages with more than 3,200 healthcare service providers and offers a generous Benefit Package that covers about 95% of disease conditions in Ghana. The Scheme presently provides premium-free healthcare for nearly 70% of its total registered membership, underscoring its social protection credentials. (NHIA, 2014).

The NHIS scheme is credited with improvements in the healthcare-seeking behaviour of many people who now tend to seek medical attention earlier than before, thereby avoiding unnecessary deterioration in their condition. The NHIS has grown exponentially from a small membership base of a little over 1 million subscribers at inception, to nearly 9 million active members in 2012. The increases in membership and utilization of healthcare services underscore the scheme's popularity and significance (NHIA, 2014). "The NHIA has been experiencing increasing claims and other costs over the years" (NHIA Annual Report, 2012). There is therefore the need to find out how these claims increases come about. This is because perhaps the major procurement NHIA does is procurement of services provided by the service providers. While increasing claims and other costs may be attributed to the increasing number of active members, moral hazards that are associated with insurance schemes may not be ruled out. Accordingly, management instituted cost containment measures such as the establishment of a Consolidated Premium Account (CPA), strengthening of the Clinical and Internal Audit Divisions, linking of treatment to diagnosis, piloting of a new prescription form for deployment across the country, the establishment of Claims Processing Centres (CPCs) and the introduction of capitation as an additional provider payment mechanism, beginning with a pilot in the Ashanti Region. The primary objective was to introduce efficiency in claims management (NHIA Annual Report, 2012).

Procurement may be defined as identifying and obtaining needed goods and services. There is more to procurement than just the identification and obtaining. There should be critical considerations as to what is needed and who can supply at the most cost effective way. Public procurement is the process through which public entities utilize public funds for purchases of goods and services for public good. With better compliance come better way of public spending. Health care financing is a major global concern. Ghana, a developing country is not devoid of coming up with ways and means of financing health and this has brought in the National Health Insurance Scheme. This health financing strategy caters for the health needs of the country. However, there are factors that militate against the successful procurement of healthcare services for its members. Whereas previous studies have always looked at compliance and non-compliance of public procurement procedures not all factors have been dealt with within the Health Insurance Authorities. The aim of the Public Procurement Act of 2003 was to promote fairness, transparency and nondiscrimination in procurement in public institutions with the main aim of ensuring efficient use of public funds.

However, studies reveal that even after the enactment of the Act, there are losses of public funds that can be attributed to public procurement. Based on the literature reviewed, the researcher intends to evaluate the indicators that impede the successful institutionalization of the Public Procurement Act. Exercise of strict adherence to the PPA 663 by the NHIA and strict evaluation of open tenders ranked first (81) on the severity index. These two were followed by enforcing the integrity of the procurement personnel (80) and education on Public Procurement (76). Ranking 5th and severity index of 75, some respondents said there should be supervision from Head office of the NHIA and also procurement officers should be employed. Criminalization of offences with severity index of 50 ranked last. Respondents were asked to openly state in their own opinion means through which Public Procurement can be successfully implemented by the NHIA. 70% of them responded that there should be procurement officers at the district offices or one line officer should be trained to perform procurement functions as well. Alternatively, 65% said there should be a Regional Procurement Officer who can be charged to oversee all forms of procurements in the Ashanti Region.

II. CONCLUSION

The results of study have shown that procurement process at the district offices of Ashanti NHIA does not comply with the Ghana's PPA 663 and comes with a myriad of challenges. These challenges have affected the smooth flow of logistics in the organization. The NHIA head office procures most of the goods, works and services for the district offices. Staff of NHIA are aware of the PPA 663 but there is non-adherence to the Act. Procurement by the NHIA can be said to be arbitrary done which brings in unnecessary spending and wastage due to untrained procurement officials to oversee affairs of procurement.

The following measures have been identified as measures that can help improve upon the successful implementation of the Act. Exercise of strict adherence to the PPA 663 by the NHIA, strict evaluation of open tenders, enforcing the integrity of the procurement personnel and education on Public Procurement are some of the measures found. Others are there should be supervision from Head office of the NHIA and also procurement officers should be employed.

III. RECOMMENDATIONS

In reference to the findings of this study, the following recommendations are being proposed to aid in successful implementation of Public Procurement Systems, especially by the district offices of Ashanti NHIA.

1. There should be strict adherence to the use of the PPA 663 in the district offices of Ashanti NHIA and there should also be advertisement for tenders so as to make contracting of health providers very competitive and keen.
2. There should be supervision from Head Office of the NHIA on all procurement issues at the district offices of Ashanti NHIA.
3. There should be an establishment of procurement departments in the district offices of Ashanti NHIA.
4. Recruitment of well qualified procurement professionals at the district offices or one procurement professional at the Ashanti Regional Office is highly recommended.
5. The district offices under the supervision of Ashanti Regional Office of the NHIA should be allowed to undertake major procurements.

References

- Bailey, P., Farmer, D., Jessop, D., & Jones, D. (2004). *Purchasing Principles and Management, eighth edition*, Prentice Hall: Great Britain
- Balabanova D, McKee M. (2002). 'Access to health care in a system transition: the case of Bulgaria'. *International Journal of Health Planning and Management* 17:377-95.
- Barikisi, S. P (2012) The extent of compliance of the Public Procurement Act, Act 663 of 2003-A case of Tamale Central Hospital.
- Barrett, P. (2000). "Balancing accountability and efficiency in a more competitive public sector environment", *Australian Journal of Public Administration*, Vol. 59 No.3, pp.58-71.
- Bartle, R. J., & Korosec, L. R. (2003). A review of state procurement and contracting. *Journal of Public Procurement*, 3(2), 192-214.
- Bartle, R. J., & Korosec, L. R. (2003). A review of state procurement and contracting. *Journal of Public Procurement*, 3(2), 192-214.
- Bashuna, A (2013) Factors affecting effective management of procurement function at Naguru North Sub-County. *International Journal of Business*. Vol. 1, No. 7.
- Bolton, P. (2006), Government procurement as a policy tool in South Africa. *Journal of Public International Journal of Research in Management*
- Bovis, C.H. (2007), *European Union Public Procurement Law*, Elgar European Law Series, Edward Elgar Publishing.
- Brinkerhoff DW. (2004). Accountability and health systems: Toward conceptual clarity and policy relevance. *Health Policy and Planning* 19:371-9.
- Bryman, A. (2004) *Social Research Methods*, 2nd edition. Oxford: Oxford University Press. pp. 1-748.
- Callender, G., & Matthews, D. (2002). "The Economic Context of Government Procurement: New Challenges and New Opportunities". *Journal of Public Procurement*, 2 (1): 55-71.
- Cambodian Ministry of Economics and Finance: <http://www.mef.gov.kh/> World Bank Country procurement assessment report (September 2004)
- Carrin G. (2002) Social health insurance in developing countries: a continuing challenge. *International Social Security Review*, 55(2):57.
- Chaudhury N, and Hammer J. (2004). *Ghost doctors: Absenteeism in Bangladeshi rural health facilities*. *The World Bank Economic Review* 18:423-41.
- Chiamin Lai and Michael Laverty(2008). *Improving Global Health Impact Through Tailored Supply Chains: A Case Study of Ghana*; Thesis Submitted to the Zaragoza Logistics Center.
- Daily Graphic. (2006) August 26 Publication, page 16.
- Dawson, C. (2002) *Practical Research Methods*, New Delhi, UBS Publishers' Distributors
- DCD/DAC. (2003). *Strengthening Procurement Capacities in Developing Countries*. Paris: OECD/DAC-World Bank Round Table.
- Eyaa, S. & Oluka, P.N. (2011). Explaining noncompliance in public procurement in Uganda. *International Journal of Business and Social Science*. 2(11), June: 35-44.
- Fawcett, S.E., Ellram, L.M. & Ogden, J.A. 2007. *Supply chain management – from vision to implementation*. Upper Saddle River, Pearson Prentice-Hall.
- Field, A. (2005). *Discovering statistics using SPSS(2nd ed.)*. London: Sage.
- Forgor E. S. (2007) *Proposed amendments to make procurement flexible: the practical experiences of District Chief Executives with respect to the implementation of the Public Procurement Law, Decentralization Agenda*, 3rd March 2007, pp 1-3.
- Gadde, L.-E., & Hakansson, H. (1998). *Supply Network Strategies*. Chichester, UK: John Wiley.