



Health insurance systems in Uganda: An analysis of public and private coverage

¹ Nyonjo Jason & ² Nakibuule Sauda

¹ Bachelor's Degree Candidate, Department of Economics and Applied Statistics, College of Economics and Management, Kampala International University (Main Campus), Uganda, Email: jason.nyonjo@studmc.kiu.ac.ug

² Department of Economics and Applied Statistics, College of Economics and Management, Kampala International University (Main Campus), Uganda, Email: sauda.nakibuule@kiu.ac.ug

Abstract

This paper examines the development and current state of health insurance in Uganda, analyzing public and private systems, community-based insurance, and Health Maintenance Organizations (HMOs). The analysis includes theoretical perspectives on risk management, utility, and welfare economics, highlighting how these principles underpin health insurance frameworks. Findings indicate that while health insurance holds significant potential for improving healthcare accessibility, numerous hurdles remain, including political, infrastructural, and financial limitations

Keywords: Health Insurance, Uganda, National Health Insurance Scheme, Community-Based Health Insurance, Digital Innovations, Risk Management, Welfare Economics.

Introduction

The health policy landscape in Uganda has evolved significantly. Health insurance is a critical component of healthcare systems worldwide, offering financial protection against high medical costs and providing individuals with access to healthcare services. The concept of health insurance involves the pooling of financial resources, where individuals pay premiums that cover potential healthcare expenses for the group. This

pooling reduces the financial risk that any single individual faces due to illness or injury (Barr, 2016). In developing countries like Uganda, where healthcare costs are often prohibitive, health insurance has the potential to improve access to essential health services, especially for low-income populations (Oberlander, 2017).

In Uganda, health insurance remains a relatively recent development. Historically, the Ugandan healthcare system has relied on

direct payments by patients, known as out-of-pocket spending, which has often placed a significant financial burden on households (Pauly, 2008). Out-of-pocket payments in Uganda account for over 40% of total health expenditures, making healthcare unaffordable for many citizens and creating a barrier to access. This system has also led to delays in seeking care, as individuals may wait until a condition worsens before seeking treatment due to cost concerns (World Health Organization, 2021). Recognizing the need for alternative financing mechanisms, Uganda has gradually moved toward implementing various health insurance schemes, including the development of a National Health Insurance Scheme (NHIS) to provide broader coverage.

Uganda's healthcare infrastructure consists of both public and private sectors. The public sector is managed by the Ministry of Health and operates through a decentralized system, providing healthcare services at various levels, from national referral hospitals down to village health teams. Despite this system, Uganda's healthcare indicators reveal persistent challenges. The country faces high maternal and child mortality rates and significant disease burdens from infectious diseases such as malaria, HIV/AIDS, and tuberculosis (UNICEF, 2022). Moreover, non-communicable diseases are rising, adding further strain to Uganda's healthcare system, which is already limited by funding and resources.

The introduction of health insurance in Uganda aims to address these gaps by distributing healthcare costs more evenly across the population, improving access, and

reducing the financial barriers to essential services. The government's NHIS initiative represents a major step toward achieving universal health coverage (UHC) by providing a mechanism to pool funds from employee and employer contributions. The NHIS model draws on economic theories related to risk and welfare, which suggest that risk pooling can significantly reduce financial vulnerability for individuals and provide broader social benefits (Arrow, 1963). However, implementing the NHIS has encountered several obstacles, including political challenges, legislative delays, and logistical issues, particularly in rural areas (World Bank, 2021).

Aside from public initiatives, private health insurance providers such as Jubilee Insurance, UAP Old Mutual, and AAR Healthcare have also entered the Ugandan market, offering a variety of health plans aimed at middle- and upper-income earners. Although private insurance contributes to healthcare financing, it remains limited to a small, affluent segment of the population. This creates an inequality in healthcare access, as premiums for private plans are often beyond the reach of the average Ugandan (Pauly, 2008). Additionally, the growth of community-based health insurance (CBHI) schemes and Health Maintenance Organizations (HMOs) has attempted to fill some gaps in healthcare access, especially for rural and low-income communities. These community-driven models are designed based on solidarity principles, where members contribute small premiums that are pooled to cover healthcare costs when needed (World Health Organization, 2021).

In recent years, the rise of mobile technology has enabled digital innovations in health insurance delivery, allowing low-income and informal sector workers to access microinsurance plans. Digital solutions like MicroEnsure and M-TIBA leverage mobile payment systems, making it easier for Ugandans to pay premiums and access healthcare (GSMA, 2020). These technological advancements have demonstrated potential to expand healthcare access, particularly in rural areas.

This paper explores Uganda's evolving health insurance landscape, analyzing public and private systems, CBHI, HMOs, and digital innovations. Using theoretical frameworks of risk, welfare, and utility, this paper aims to provide insights into the opportunities and challenges Uganda faces in achieving universal health coverage. By understanding these dynamics, policymakers and stakeholders can better address the health needs of Uganda's diverse population.

Overview of the Ugandan Healthcare System

Uganda's healthcare infrastructure primarily functions through a public system managed by the Ministry of Health. Decentralized, it spans from national referral hospitals to village health teams. Despite improvements in health indicators, issues like high maternal mortality and the prevalence of diseases such as malaria, HIV/AIDS, and tuberculosis remain significant.



Theoretical Foundations of Health Insurance

Risk Management and Uncertainty (Frank Knight, 1921):

Knight distinguished between measurable risk and true uncertainty. Health insurance operates on managing risk by pooling resources to cover unpredictable health events. This model is crucial for Uganda, where individuals face high out-of-pocket costs and unpredictable healthcare needs.

Expected Utility Theory (Milton Friedman and L.J. Savage, 1948):

This theory explains that individuals are generally risk-averse, meaning they prefer to avoid significant financial losses. Health insurance in Uganda offers this utility by reducing the financial risk of unexpected medical expenses, appealing to individuals' desire for financial stability.

Welfare Economics and Social Utility (Alfred Marshall, 1890; John Stuart Mill, 1848):

Welfare economics suggests that government intervention, particularly for essential services like healthcare, can improve overall societal welfare. Public health insurance initiatives, like Uganda's NHIS, aim to promote social equity by reducing health disparities and providing more citizens with access to essential services.

Moral Hazard and Adverse Selection (Kenneth Arrow, 1963):

Arrow's study highlights that insurance can lead to moral hazard (overuse of services by insured individuals) and adverse selection (only high-risk individuals seek insurance). These are key challenges for Uganda's NHIS, which aims to provide universal coverage while managing these economic inefficiencies.

Evolution Of Health Insurance in Uganda

Health insurance is a relatively new concept in Uganda. Traditionally, healthcare financing has depended heavily on out-of-pocket expenses, exposing citizens to financial risk. Since the 1990s, Uganda has explored various health insurance models, including the National Health Insurance Scheme (NHIS), to improve accessibility and affordability.

National Health Insurance Scheme (NHIS)

The NHIS proposal seeks universal health coverage by pooling funds from both employees and employers. This scheme covers services like outpatient and inpatient

care. Despite its potential, NHIS faces challenges such as political inconsistencies, legislative delays, and logistical difficulties, particularly in rural areas. The expected utility theory underlines why the NHIS is an attractive model, as it provides economic security and reduces financial risks for citizens.

Private Health Insurance

Private health insurance in Uganda is largely accessible to middle- and high-income earners. Companies like Jubilee Insurance, UAP Old Mutual, and AAR Healthcare offer plans covering hospital admissions, surgeries, and specialist care. However, high premiums and limited rural availability mean private insurance remains out of reach for many Ugandans. The welfare economics perspective advocates for a balanced private-public insurance model to ensure broad access without exacerbating inequalities.

Community-Based Health Insurance (CBHI)

CBHI schemes, tailored to low-income and rural communities, are organized by community groups or NGOs. Small premium payments are pooled to cover basic healthcare needs, fostering solidarity and mutual support among members. CBHI aligns with the utility theory by addressing the specific risk preferences and financial limitations of lower-income populations. However, challenges related to limited coverage and sustainability persist, highlighting the need for stronger frameworks.

Health Maintenance Organizations (HMOs)

HMOs provide integrated care through contracted providers, allowing members access to healthcare within a network. AAR Healthcare and the International Medical Group (IMG) are notable HMOs in Uganda. Like private insurance, HMOs are accessible primarily to higher-income individuals and formal sector employees, indicating a gap in inclusivity that the NHIS aims to address.

Digital And Mobile Health Insurance Innovations

With high mobile penetration in Uganda, companies like MicroEnsure and M-TIBA offer microinsurance products via mobile networks, facilitating premium payments and service access, especially for low-income populations. Innovations in digital health insurance align with welfare economics by aiming to increase inclusivity, especially among informal sector workers who might not afford traditional insurance plans.

Challenges in Implementation

Uganda faces several obstacles in scaling health insurance, including inconsistent political support, limited healthcare infrastructure, and the public's perception of insurance. According to welfare economics, enhancing public trust and accessibility in health insurance is vital for effective implementation. Building infrastructure and adapting policies to mitigate adverse selection and moral hazard are essential steps toward sustainable health coverage.

Conclusion

Health insurance has the potential to transform healthcare access in Uganda.

Achieving universal coverage requires enhancing infrastructure, gaining public trust, and focusing on inclusivity for vulnerable populations. The integration of public and private insurance, along with community-based and digital innovations, offers a comprehensive approach that aligns with welfare economics and risk management principles. Continued efforts to strengthen health insurance systems could significantly benefit Uganda's healthcare landscape.

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