



Viewpoint Article

Universal Health Coverage, Health Insurance, and Public Health in Nepal

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Abstract

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Nepal's National Health Insurance Program (NHIP) aims to advance Universal Health Coverage (UHC), but it faces a severe fiscal and operational crisis. Low premiums relative to service costs, fragmented risk pools, overlapping schemes, and political influence, such as hospitals owned by politicians to boost public support, threaten sustainability. Voluntary enrollment in a predominantly informal economy, coupled with rising misuse of insurance due to low awareness of responsible utilization, further strains resources. Strategic reforms are needed: hybrid financing combining contributions and tax-based funding, strategic purchasing tied to outcomes, federal-provincial coordination, primary health care as the anchor, and continuous health literacy campaigns. Fiscal innovations such as VAT-backed funding and preventive programs, including national supplementation schemes, can improve efficiency and equity. This paper argues that only by addressing structural, financial, operational, and behavioral challenges together can Nepal achieve a resilient, equitable, and sustainable health system for its emerging generation.

Keywords: Financing, Health Insurance, Public Health, UHC**Declaration:** There is no conflict of interest.

Introduction

Nepal's National Health Insurance Program (NHIP) was introduced to reduce people's healthcare costs and help achieve Universal Health Coverage. However, the program is currently facing serious financial and operational problems. Many government hospitals, including Tribhuvan University Teaching Hospital (TUTH), have stopped providing services under the insurance scheme because the Health Insurance Board (HIB) has not paid them for the services they have already provided. TUTH alone is waiting to receive about NPR 400 million, while hospitals across the country are owed more than NPR 11 billion. As a result, several hospitals have suspended insurance services because they cannot continue operating without timely payments (Fiscal Nepal, January 12, 2026). At the same time, the money collected from insurance premiums (around NPR 4 billion per year) is much less than the amount needed to pay hospital claims. In fiscal year



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2081/82, the program enrolled 9,874,415 people, but only 5,927,836 were active members, showing that many enrolled individuals were not regularly using or renewing their insurance. Although HIB has made some payments to hospitals, only about 46% of the outstanding claims had been settled by Ashoj 2082. With unpaid claims increasing every month, the financial sustainability of the program is becoming a major concern (HIB, 2026). Most discussions about the program focus on problems such as delayed payments, hospitals leaving the scheme, and low enrollment. However, the bigger issue is whether Nepal's health insurance system is designed to meet the country's economic conditions, governance system, and healthcare needs. Small improvements, such as issuing more insurance cards, digitizing claims, or slightly increasing premiums, are unlikely to solve these problems. Nepal needs to rethink the overall design of its health insurance system to ensure its long-term sustainability and achieve Universal Health Coverage.

A. Insurance in an Informal Economy: Awareness, Politics, and Risks

Nepal's National Health Insurance Program requires formal sector employees to contribute to the scheme, while enrollment is voluntary for most other people. Since most Nepalese work in the informal sector, many healthy people choose not to join, while those who expect to need medical care are more likely to enroll. This creates an imbalance in the insurance system and increases healthcare costs. In addition, some people may use health services more than necessary because they know the insurance will cover the cost. In the beginning, awareness campaigns encouraged people to join NHIP by explaining that a small premium could provide financial protection during illness. This helped increase enrollment. However, as more people joined, misuse and unnecessary use of health services also increased. Therefore, awareness programs should not only encourage enrollment but also educate people about using health insurance responsibly.

Political factors also affect the program. In some cases, politicians encourage large numbers of people to enroll, especially before elections, to gain public support. This may increase the number of insurance cardholders, but it does not always mean that the system is working effectively or that resources are reaching the people who need them most. The current premium is difficult for many low-income families to afford; many people do not renew their membership, and the insurance pool remains too small. Without major improvements in the design of the program and better public awareness, it will be difficult for Nepal's health insurance system to remain financially sustainable.

B. Fragmentation Across Schemes

Nepal's health system has several different health financing programs, including the NHIP, the Social Security Fund (SSF), health benefits for senior citizens, and programs for specific diseases. Because these programs operate separately, some people, especially government and formal sector



employees, may be covered by both SSF and NHIP, while many poor and vulnerable people may still not have adequate coverage. This overlap wastes resources, creates unfairness, and makes the system more difficult to manage. Bringing these programs together could reduce duplication, make better use of resources, and ensure that benefits are distributed more fairly. Nepal's federal system also creates challenges. Provincial and local governments are responsible for providing health services, but the federal government controls most funding and major financial decisions. Without strong coordination among different levels of government, resources may not reach the areas where they are most needed, making it difficult to ensure accountability and the efficient use of funds.

C. Paying for Quality Instead of Quantity

At present, the NHIP pays hospitals based on the number of services they provide, rather than the quality of care they provide. This can encourage unnecessary tests and treatments, increase healthcare costs, and reduce the focus on providing better care. A better approach is strategic purchasing, where hospitals are paid in ways that encourage high-quality and cost-effective services.

- **Capitation:** Healthcare providers receive a fixed amount for each enrolled person, encouraging them to focus on disease prevention and regular care rather than providing more treatments.
- **Gatekeeping:** Patients first visit a primary healthcare provider, who refers them to higher-level hospitals only when necessary. This helps reduce unnecessary hospital visits.
- **Performance-based payment:** Hospitals and healthcare providers receive incentives based on the quality of care and health outcomes they achieve, instead of the number of services they provide.

These approaches can help improve the quality of care, use health resources more efficiently, reduce unnecessary costs, and make the health insurance system fairer and more sustainable (WHO, 2017).

D. Key Practical Gaps

1. The amount people pay for health insurance is much lower than the actual cost of the healthcare services they receive. As a result, hospitals do not receive enough money, which threatens the long-term sustainability of the program.
2. Expensive tests, such as Vitamin D testing, are often used more than necessary. In many cases, national programs that provide Vitamin D supplements would be less expensive and more effective in improving people's health.
3. People need better information about how to use health insurance responsibly and the importance of preventive healthcare. Early awareness campaigns mainly encouraged people to



enroll in the insurance program. Now, more education is needed to reduce unnecessary use of health services, promote responsible use of insurance, and protect limited health resources.

4. The government can improve the financial sustainability of the insurance program by using additional funding sources, such as Value Added Tax (VAT) or other health-related taxes. Countries like Ghana have successfully used tax-based funding to expand health insurance coverage.
5. Measures such as small co-payments or deductibles, rewards for using preventive healthcare services, and ongoing public education can reduce unnecessary use of health services and help keep the insurance system financially sustainable.

E. Why Small Changes Are Not Enough

Small improvements, such as issuing more insurance cards, digitizing the claims process, or slightly increasing insurance premiums, will not solve the main problems of Nepal's health insurance system. To make the program successful, Nepal needs major changes in how health services are financed, managed, and paid for. It also needs stronger public health programs and better health literacy so that people understand how to use health insurance responsibly. Without these broader reforms, Universal Health Coverage (UHC) may exist only on paper, while many people still face difficulties in accessing affordable, high-quality, and equitable healthcare.

F. A Framework for Improving the Health Insurance System

1. **Use different sources of funding:** Combine insurance premiums with government tax revenue to make the program more financially stable. Make enrollment compulsory, provide financial support for poor families, and use stable funding sources such as VAT or other taxes.
2. **Pay for better care, not more services:** Instead of paying hospitals based only on the number of services they provide, use payment methods that encourage good-quality care, disease prevention, and efficient use of resources.
3. **Improve coordination between governments:** Clearly define the responsibilities of the federal, provincial, and local governments so that funding and health services are better coordinated and resources reach where they are needed most.
4. **Strengthen primary healthcare and public health:** Give greater importance to primary healthcare, public health and national programs such as vaccination and nutrition supplementation. Preventing illness is less expensive than treating disease later.
5. **Increase health literacy:** Provide continuous public education about health insurance, preventive healthcare, and the responsible use of health services. Better awareness will help people use the system wisely and ensure that resources are used fairly and efficiently.

G. Building a Better Health System for Nepal's Future



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Nepal's young generation has grown up during major political changes, rapid urbanization, and the COVID-19 pandemic. They deserve a health system that provides quality healthcare, treats everyone fairly, and can respond well to future challenges. Simply giving more people health insurance cards without improving the health insurance system and increasing public awareness will not achieve UHC.

To make the system work better, Nepal needs to:

- Improve how healthcare is financed, managed, and delivered at the federal, provincial, and local levels.
- Give more importance to preventive healthcare, public health programs, and health education so that people know how to stay healthy and use health insurance responsibly.
- Use stable sources of funding, such as VAT or other taxes, and reduce duplication and waste in different health financing programs.

By making these important changes and addressing financial, political, management, and public behavior challenges, Nepal can build a stronger and more sustainable health system that provides quality healthcare for everyone, especially the people who need it most.

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