



**BASCAPITAL**

# Recapitalize To Revitalize A Vision For HMO Sustainability

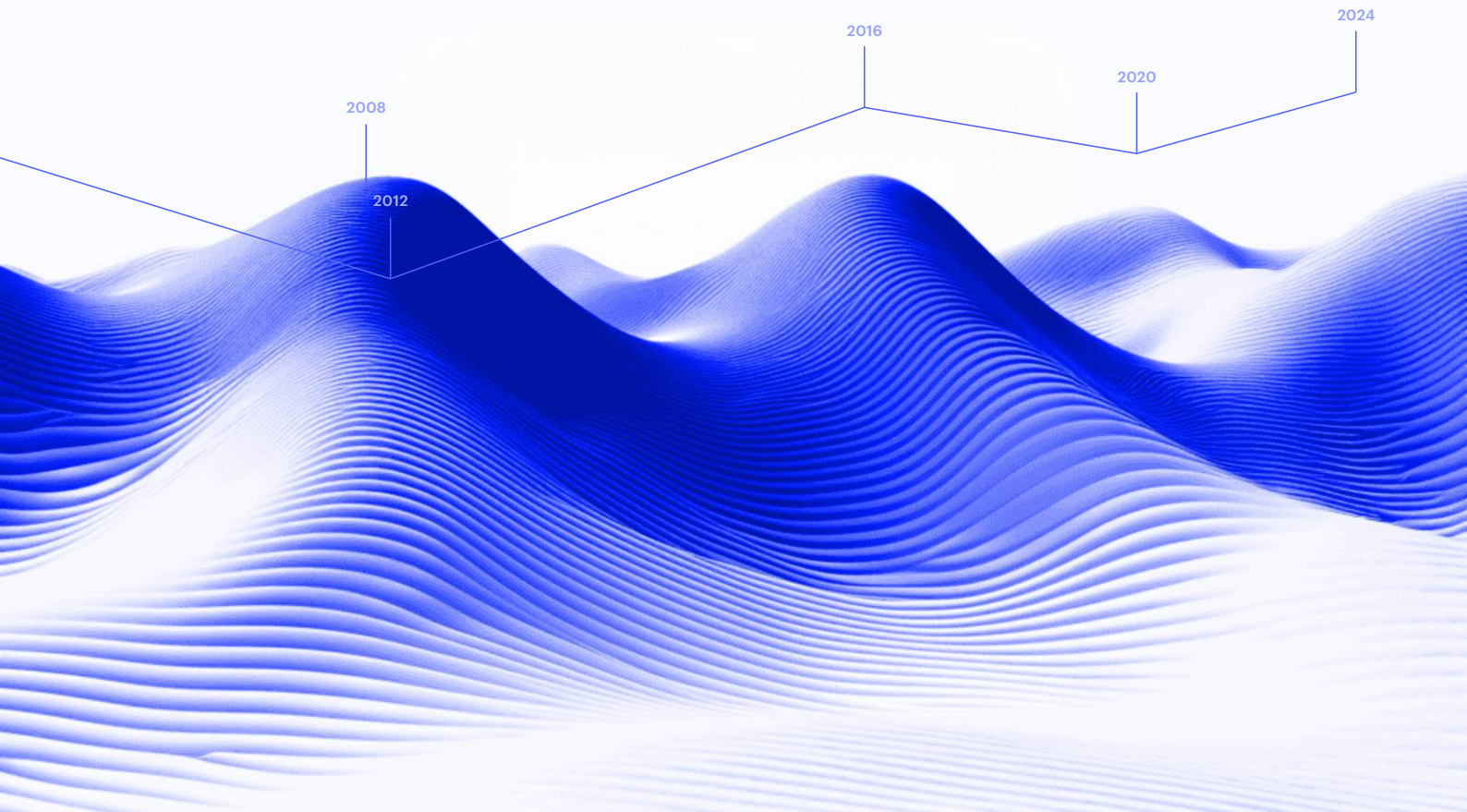


**MAY 2024**





The National Health Insurance Authority has updated its operational guidelines on the modalities for the recapitalization exercise including specifics on the new minimum capital requirements.



## CAPITAL REQUIREMENTS

The NHIA Operational guidelines 2023, had required that, for HMO's (Health Management Organization) to retain business, they must be capitalized to:

**750MN**

for National  
Based license

**500MN**

for Zonal  
Based license

**250MN**

for State  
Based license

**Amidst the tough business operating Environment, the NHIA has doubled down on its stance on the guidelines given, impacting all HMO's.**

The NHIA has also stated that any HMO who wishes to upgrade, will be treated as a new application and will be required to pay an upgrade fee of N500,000 (Five Hundred thousand Naira only).

## PREVIOUS RECAPITALIZATIONS

The National Health Insurance Scheme (NHIS) in Nigeria has embarked on several recapitalization efforts in the past to strengthen the operations and financial stability of Health Maintenance Organizations (HMOs).



These initiatives aimed to enhance the efficiency, effectiveness, and sustainability of healthcare delivery under the NHIS framework. Understanding the impact of previous recapitalizations provides valuable insights for assessing the current initiative and charting the future course for HMOs in Nigeria.

# 2005 2012

## 2005

The NHIS initiated a recapitalization exercise in 2005 to bolster the financial base of HMOs. This involved setting minimum capital requirements for HMOs to ensure their solvency and ability to meet contractual obligations. The recapitalization led to the consolidation of the HMO sector, with fewer but stronger players emerging.

## 2012

Another significant recapitalization occurred in 2012, focusing on increasing the minimum capital requirements for HMOs. This move aimed to improve the quality of services provided by HMOs and enhance their capacity to meet the growing healthcare needs of Nigerians. The 2012 recapitalization also emphasized the need for HMOs to invest in technology and human resources to drive innovation and efficiency.

## IMPACT OF PREVIOUS RECAPITALIZATIONS



Previous recapitalization efforts have yielded mixed results. While they succeeded in strengthening the financial base of HMOs and improving their operational capacity, challenges such as limited coverage, poor advice, and regulatory compliance issues persisted. Additionally, some HMOs struggled to adapt to the new capital requirements without proper guidance, unfortunately, leading to market consolidation and the exit of weaker players.

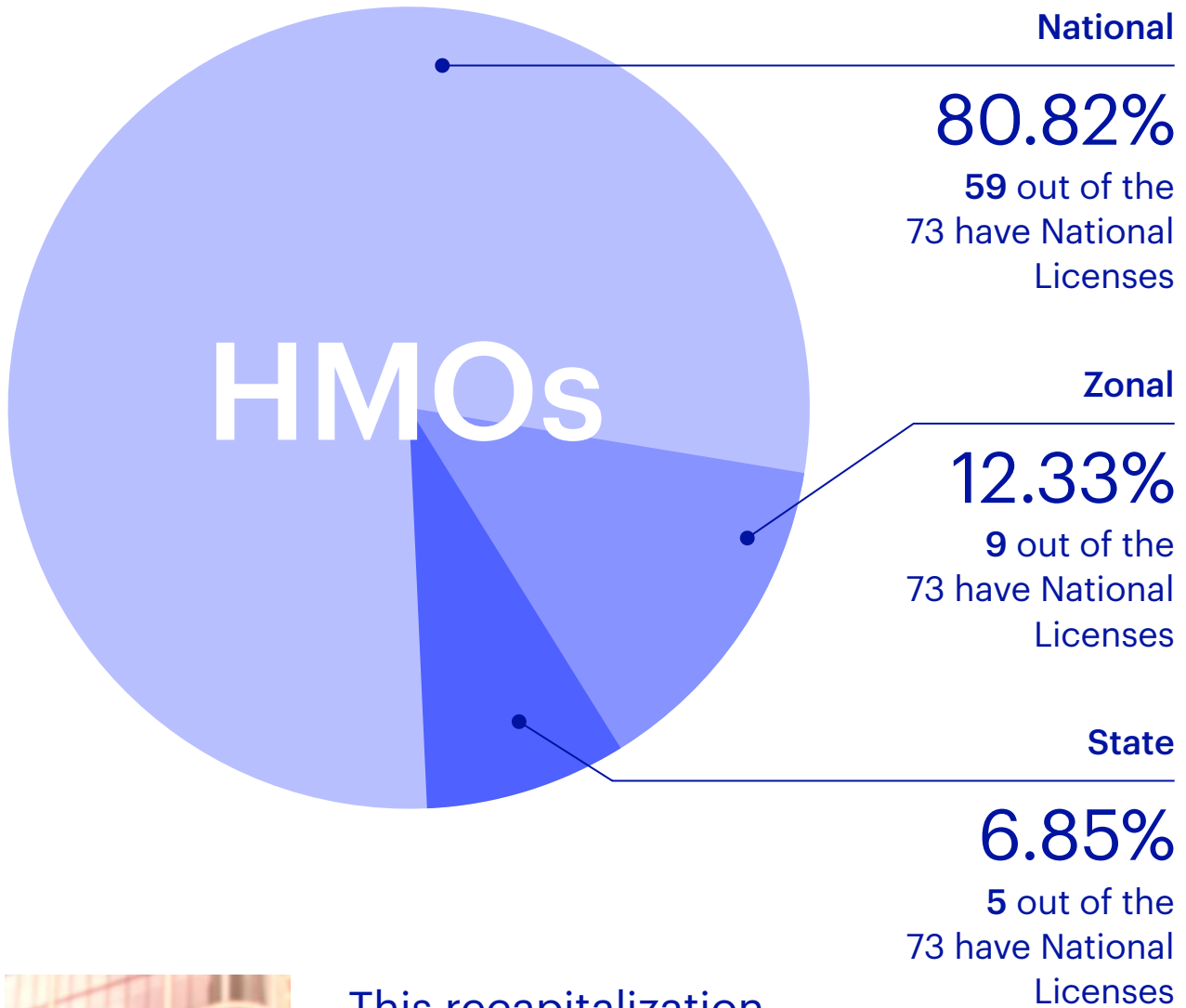
## CURRENT RECAPITALIZATION INITIATIVE



The NHIS recently announced another round of recapitalization aimed at further strengthening HMOs and enhancing the sustainability of the healthcare system. This initiative includes revising capital requirements, improving regulatory oversight, and fostering innovation and collaboration within the HMO sector.

## MARKET SPACE

There are a total of 73 HMOs in the Nation



This recapitalization affects these institutions who wishes to upgrade their licenses or acquire new licenses.

# THE FUTURE OF THE HMO SPACE

Predicting specific developments in the Health Maintenance Organization (HMO) space over the next ten years involves considering various factors such as technological advancements, regulatory changes, demographic shifts, and evolving healthcare needs. While the future is uncertain, here are Six developments that could shape the HMO landscape:



## DIGITAL TRANSFORMATION

The integration of technology into healthcare delivery is expected to accelerate, with HMOs leveraging telemedicine, wearable devices, remote monitoring, and electronic health records to improve access, efficiency, and patient outcomes.



## EXPANSION OF COVERAGE

Efforts to achieve universal health coverage may lead to the expansion of HMOs' coverage to underserved populations, rural areas, and informal sector workers. Thereby hinting at another recapitalization which may arise in the future.



## CONSUMER EMPOWERMENT

Consumers may have greater control and decision-making power over their healthcare choices, facilitated by transparency, education, and digital health tools. HMOs may need to enhance engagement, communication, and support services to meet evolving consumer expectations.





## COLLABORATIVE CARE NETWORKS

HMOs may form strategic partnerships and collaborative care networks with healthcare providers, insurers, technology companies, and community organizations to create integrated care ecosystems that offer seamless and coordinated services across the continuum of care.



## GLOBAL HEALTH TRENDS

Global health trends such as aging populations, infectious disease outbreaks, climate change, and health disparities could influence HMO strategies and priorities, driving innovation and adaptation to changing healthcare needs.



## EMERGENCE OF NEW BUSINESS MODELS

Disruptive forces such as artificial intelligence, blockchain, and structures, and alternative forms of healthcare could lead to the emergence of new HMO business models, innovative payment.



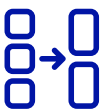
## WHAT ARE THE OPTIONS?

Three options we advise Includes;



### THE OPTION TO RAISE CAPITAL

This option is given to Institutions who wish to recapitalize and desire to raise the funds by either inviting existing shareholders or issuing new shares to new shareholders by way of private placements.



### THE OPTION TO RESTRUCTURE

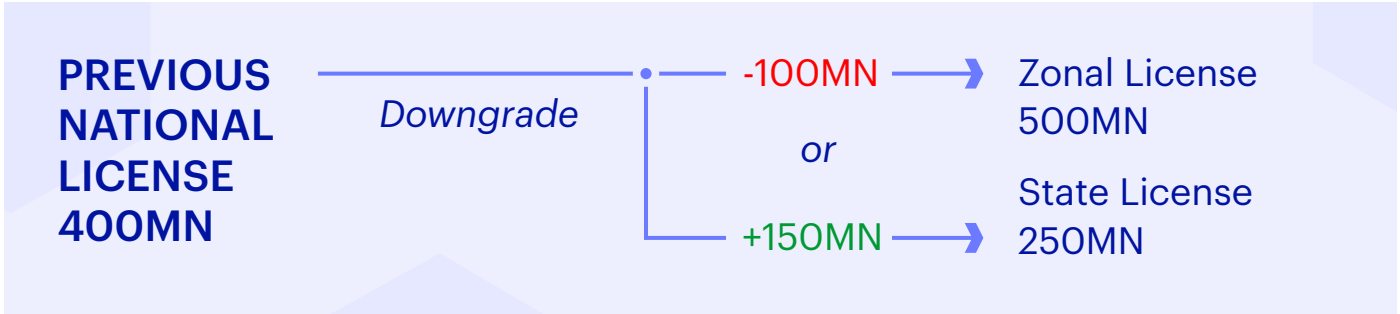
This option comes in two folds;  
Institutions who wish to downgrade by acquiring another license.  
Institutions who wish to merge with another license.



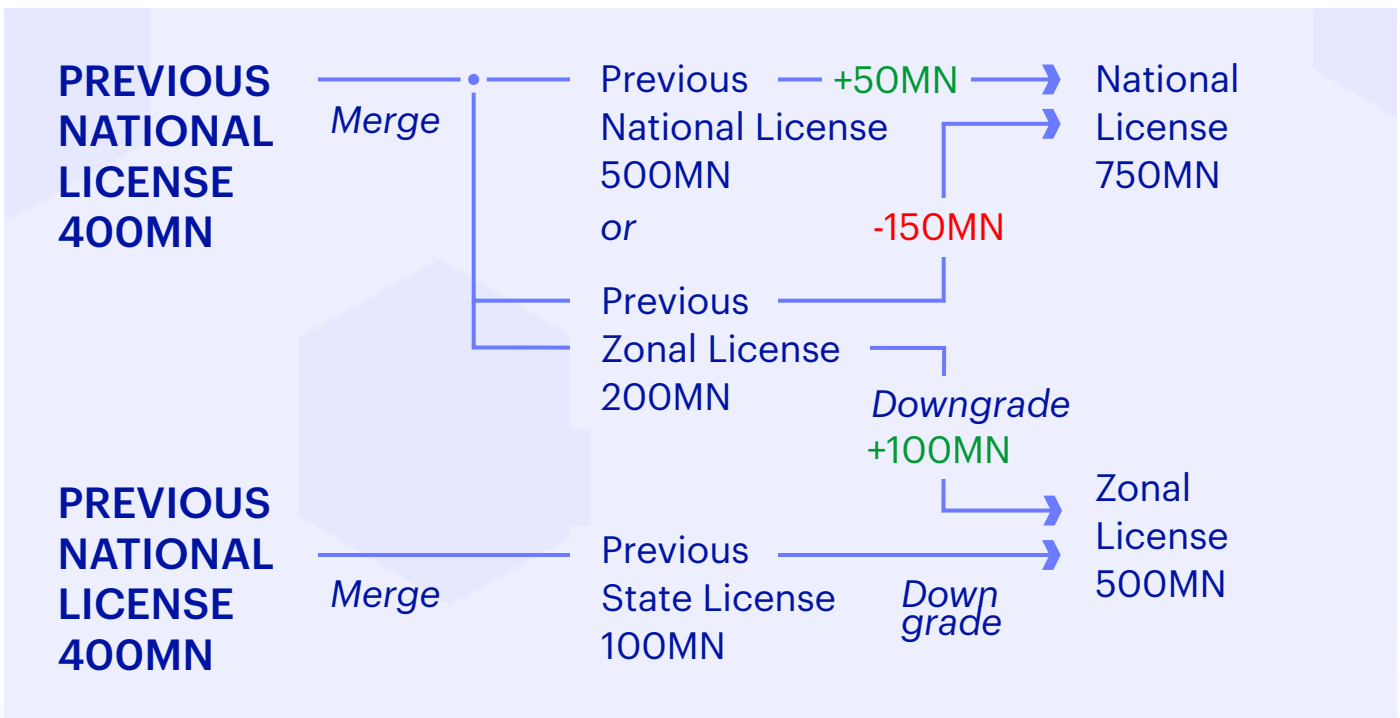
### THE OPTION TO DIVEST

This option is also open to the shareholders who wish to exit. Shareholders may exit by selling their existing shares to gain value in the short term while allowing new shareholders bring in more capital and innovation to drive their legacy.

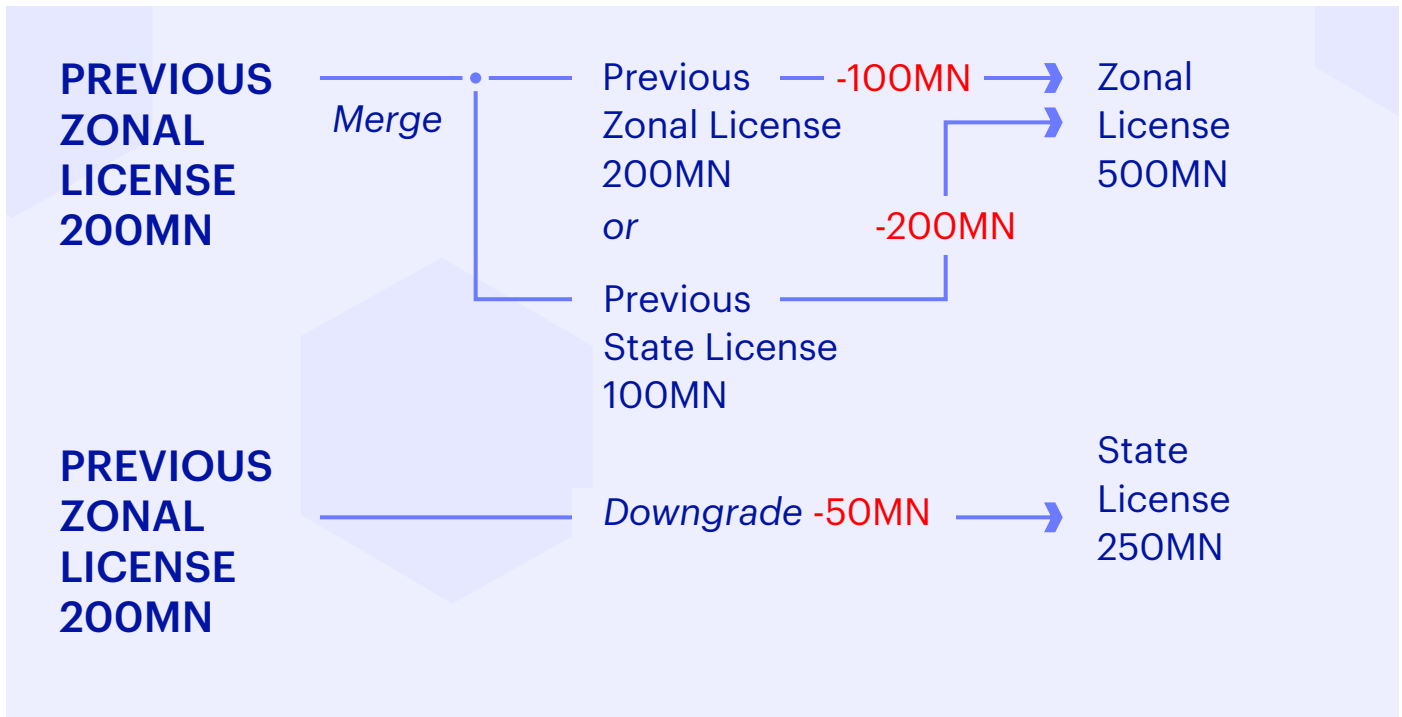
# WHAT ARE THE OPTIONS FOR NATIONAL HMOs?



The option exists to downgrade their licenses from a national to a state to have excess capital or a zonal License by injecting the deficit capital.



The option exists to merge their license with either a national or zonal license to retain their National license or merge with a state or zonal license to downgrade to a Zonal HMO.



The option exists for zonal HMOs to either merge to retain their license or downgrade their license to a state License by raising additional capital.

# SCENARIO ONE THE INCLUSION OF A THIRD PARTY ADMINISTRATOR

## A THIRD PARTY ADMINISTRATOR

A Third Party Administrator or TPA is a public or private owned entity which can carry out functions as provided in the NHIA and has a validity of three (3) years.

Functions of a TPA:

- Collections of premium
- Claims management
- Enrolment
- Continuous quality assurance
- Operations of call centers
- Perform any other function as may be required by the Authority

## NATIONAL THIRD PARTY ADMINISTRATOR

This National TPA is to have a minimum paid up capital of N20,000,000 and an accreditation fee of N250,000.

Whilst having a state or zonal HMO License, It is a possibility to acquire National TPA license.

Every three years, this TPA must be re-accredited.

This TPA can operate Nationally.

HMOs with either an eventual State or Zonal license can operate a stand-alone National TPA license to upscale their operations.



## SCENARIO TWO

### THE ABSENCE OF A THIRD PARTY ADMINISTRATOR

	NATIONAL	ZONAL	STATE
RAISE CAPITAL	Upgrade to National to make N750mn <b>-350MN</b>	Upgrade to Zonal to make N500mn <b>-300MN</b>	Upgrade to State to make N250mn <b>-150MN</b>
DOWN GRADE	Downgrade to either Zonal or State Licenses	Downgrade to State License	

HMOs can raise capital to retain a National, Zonal or state License, aiming to meet the N750,000,000, N500,000,000, and N250,000,000 minimum paid up capital respectively or;

Restructure by downgrading license or merging with another license by raising the capital shortfall or have excess capital.

## SUMMARY

There are several options to choose from in regards to the recapitalization set up by the NHIA:

The major options here are situated in three folds;

- The option to Raise capital to upscale.
- The option to Merge or downgrade to its predecessor license.
- The option to divest and sell shares to new shareholders.



# ABOUT BAS CAPITAL LIMITED

BAS Capital Limited is a boutique Financial Advisory and Principal Investment Firm established on May 29, 2020. The company specializes in offering financing and advisory solutions to Businesses.

BAS Capital is dedicated to assisting businesses in achieving their objectives while providing comprehensive financial and advisory support.



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## OUR VISION

Our Vision is to build a leading, innovative global service group that transforms businesses.

## OUR MISSION

BAS will utilize its knowledge and professional capabilities to seek, create and stimulate opportunities for its clients, stakeholders and the society at large to deliver long lasting solutions and verifiable investment opportunities.

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## OUR SERVICES

- Funds Arrangement
- Buy-outs
- Capital Raising
- Business & Equity set up
- Transaction Advisory
- Mergers & Acquisitions
- Optimizing HMO operations through technology

# CONTACT US

Need an expert? We would love to hear from you.



## VISIT US

29a Ndjamena Crescent, Wuse II,  
Abuja.



## VOICE / MAIL

### Chief Executive Officer

Abdulateef Hussein

+234 909 291 9945

abdulateef@basgroup.ng

### Chief Operating Officer

Adnan Kayode

+234 706 302 1593

adnan@basgroup.ng

### Senior Analyst, Corporate Finance

Perela Toby

+234 915 363 9817

perela@basgroup.ng



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