



# Redrawing The Pharma Business Model

Drug Pricing And Market Access  
Under Nigeria's NHIA Reform Era

+234 (0)702 558 0053

3 Theophilus Orji Street, Off Fola Osibo  
Road, Lekki Phase 1, Lagos, Nigeria

[www.strenandblan.com](http://www.strenandblan.com)

[contact@strenandblan.com](mailto:contact@strenandblan.com)  
[@strenandblan](https://www.instagram.com/strenandblan)

24th November  
2025



# Introduction

Nigeria's shift from a voluntary health insurance scheme to a mandatory national system under the National Health Insurance Authority (NHIA) Act represents one of the most consequential transformations in the country's healthcare financing landscape. For decades, the pharmaceutical market has been dominated by an out-of-pocket (OOP) payment structure, where individual patients bore the financial burden of accessing medicines. This created a fragmented, price-sensitive market with unpredictable demand, limited treatment adherence, and significant barriers to scale.

The NHIA reforms fundamentally alter this equation. This is far more than a policy update; it marks a structural transition from an OOP-dependent market to an insurance-driven healthcare economy, reshaping how medicines are financed, purchased, priced, and accessed across the country. With pooled financing, predictable premium contributions, and a coordinated purchasing framework led by insurers and the NHIA, the power dynamics of the pharmaceutical ecosystem are shifting.

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<sup>1</sup>The Nigerian Health Insurance Act, Section 18.

In this environment, payers, not individual patients will, increasingly determine which medicines enter formularies, how prices are negotiated, and how reimbursement flows are managed.<sup>1</sup> For pharmaceutical companies, this means the commercial levers that once mattered most, brand reputation, salesforce strength, and retail distribution, will gradually give way to evidence-based value, affordability, and strategic alignment with payer priorities.

pivotal business inflection point that compels pharmaceutical manufacturers, marketers, policymakers, and investors to rethink pricing strategies, redesign market access pathways, and recalibrate business models to compete effectively in an insurance-dominated environment.

The NHIA reform era is, therefore, not only a health policy milestone it is a





## The Market Before NHIA: A System Too Small to Sustain Profitability

Prior to the NHIA reforms, Nigeria's pharmaceutical market operated under conditions of chronic underinsurance. Fewer than 5% of Nigerians were enrolled in any form of health insurance, severely limiting medicine uptake, reimbursement pathways, and predictable demand.<sup>2</sup>

Out-of-pocket payments accounted for over 70% of total health expenditure, a level far above the global average. This made the market extremely price sensitive, with demand heavily skewed toward low-cost generics and over-the-counter medications. Retailers, rather than institutional buyers, drove market behaviour, resulting in inconsistent pricing and limited transparency across the distribution chain.

Regulatory overlaps further complicated the situation. Agencies responsible for product registration, consumer protection, procurement oversight, and formulary governance often operated without non-harmonised mandates. This created uncertainty in setting ex-factory prices and negotiating supply contracts, especially for innovative or specialised therapies.

Ultimately, despite Nigeria's large population, the pharmaceutical market remained constrained in its ability to absorb premium products or support large-scale investments, particularly from multinational manufacturers evaluating market-entry strategies.

<sup>2</sup> Eze OI and Others, 'The National Health Insurance Scheme (NHIS) in Nigeria: current issues and implementation challenges' (2024) <https://joghep.scholasticahq.com/article/120197-the-national-health-insurance-scheme-nhis-in-nigeria-current-issues-and-implementation-challenges> accessed 16 November 2025



# What the NHIA Reforms Change

The introduction of mandatory health insurance begins to unlock the country's latent purchasing power. By requiring public and private employers, and eventually informal-sector actors, to contribute to health insurance pools, the Act expands access to medicines through predictable, prepaid funding. Even gradual implementation significantly increases the share of the population able to access care without catastrophic spending.

This creates a fundamentally different commercial environment, reimbursement structures, not household income, determine medicine utilisation.

A second critical shift is centralised purchasing. Instead of dispersed retail

transactions, procurement will increasingly occur through HMOs, State Health Insurance Agencies, and large provider networks. These institutional buyers have stronger negotiating power and will demand value, price discipline, and consistent supply performance.

The NHIA Benefit Package and national formulary function as gatekeepers for market access. Inclusion in the formulary becomes essential for market scale, while exclusion effectively limits commercial reach to a shrinking out-of-pocket segment.

These reforms elevate the importance of health economics, value demonstration, and early regulatory engagement.



# Implications for Pharmaceutical Companies: Pricing, Market Access, and the New Profitability Model

The NHIA reforms represent more than a policy shift; they fundamentally redefine the commercial logic of the Nigerian pharmaceutical market. For the first time, the sector is moving toward a purchaser-driven, value-based, insurance-financed ecosystem, making it both more predictable and more competitive. The implications for manufacturers, distributors, and investors are profound.

- **A New Competitive Landscape Shaped by Payers, Not Patients**

Pharmaceutical companies must now design strategies around institutional purchasers, not retail consumers. Decisions that once depended on patient affordability will increasingly depend on:

- i. Formulary listing
- ii. Reimbursement ceilings
- iii. Cost-effectiveness thresholds
- iv. Outcomes data and real-world evidence

This shifts competitive advantage from marketing-led demand to payer-aligned, evidence-based market access strategies.

- **Pricing Power Will Shift Away from Manufacturers**

With centralized purchasing, reference pricing, and reimbursement caps, manufacturers must prepare for:

- i. Tighter margins
- ii. Stronger oversight over pricing methodologies
- iii. Higher expectations for transparency and justification
- iv. Increasing relevance of pharmacoeconomics

Pricing strategies must evolve from **“What will the market pay?”** to **“What value will payers reimburse?”**

- **Local Manufacturing Becomes a Commercial Imperative**

Companies reliant on imports face increasing procurement risks and pressure from insurers seeking cost-effective domestic alternatives.

Manufacturers investing in local production, backward integration, and GMP-compliant facilities will benefit from:

- i. Better tender competitiveness
- ii. More stable margins
- iii. Preferred reimbursement status
- iv. Policy supports from government and insurers

Local manufacturing is now a central pillar of market access strategy.

#### • Market Access

As Nigeria shifts toward payer-driven health financing, companies must build sophisticated market access functions to navigate:

- i. Formulary negotiations
- ii. Reimbursement submissions
- iii. Real-world evidence requirements

This formalizes the competitive environment and rewards companies capable of demonstrating value for money, not just clinical efficacy.

#### • Digital Transformation and Data Compliance Become Business-Critical

With Nigeria Data Protection Act (NDPA) obligations, e-pharmacy regulations, and insurer reporting standards, pharma companies must:

- i. Digitize supply chains
- ii. Implement compliant health-data systems

- iii. Ensure traceability and auditability
- iv. Strengthen cybersecurity
- v. Integrate data analytics into commercial decision-making

Digital maturity will directly influence regulatory compliance, procurement opportunities, and reimbursement eligibility.

#### • Operational Risks Must Be Proactively Managed

Expanded insurance coverage introduces new risks, including:

- i. Delayed reimbursement and cashflow pressures
- ii. Increased compliance costs
- iii. Greater scrutiny from NHIA, National Agency for Food and Drug Administration and Control (NAFDAC), Pharmacists Council of Nigeria (PCN), and the Nigeria Data Protection Commission (NDPC).
- iv. Portfolio misalignment with formularies

Companies must invest in better:

- i. Risk management
- ii. Internal controls
- iii. Credit governance
- iv. Regulatory affairs capabilities

Operational excellence becomes a competitive advantage



## Conclusion

The NHIA reforms are a turning point in Nigeria's pharmaceutical trajectory. The shift from fragmented, retail-led drug purchases to a structured, payer-driven system has profound implications for profitability, pricing, and long-term investment decisions.

Manufacturers that adapt quickly by strengthening their market access capabilities, investing in local production, building strong payer relationships, and generating robust value evidence will not only protect their margins but also capture significant new opportunities in one of Africa's most influential healthcare markets.

Companies that continue to rely on legacy retail models risk declining relevance. In essence, the NHIA reforms do not reduce the commercial potential of the Nigerian market; they unlock it for the players prepared to compete on value, efficiency, and strategic foresight.



# About Stren & Blan Partners

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Stren & Blan Partners is an innovative and dynamic Law Firm with a compelling blend of experienced lawyers and energetic talents. We are focused on providing solutions to our client's business problems and adding value to their businesses and commercial endeavours. This underpins our ethos as everything we do flows from these underlying principles.

Stren & Blan Partners is a full-service commercial Law Firm that provides legal services to diverse local and multinational corporations. We have developed a clear vision for anticipating our client's business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

## Authors

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**Francisca  
Igboanugo**

Team Lead

FranciscaIgboanugo  
@strenandblan.com



**Emmanuel  
Ughanze**

Associate

EmmanuelUghanze  
@strenandblan.com



**Oluchukwu  
Nwakor**

Associate

OluchukwuNwakor  
@strenandblan.com



**Ifechukwu  
Ewulum**

Associate

IfechukwuEwulum  
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[@strenandblan](https://www.instagram.com/strenandblan)