HERAF
Health Rights Advocacy Forum

FACT SHEET

A HEALTH RIGHTS ADVOCACY FORUM (HERAF) PUBLICATION

HEALTH FINANCING: What options are there for Kenyans?

Health financing reforms are a core part of health sector development in low and middle income countries. The current debate in Kenya is on the need to move away from excessive reliance on out-of-pocket payment as a source of health financing towards a system which incorporates a greater element of risk pooling (for example, through health insurance) and thus affords greater protection for the poor. Limited funding by the government means out-of-pocket spending remains a key source of funds for healthcare.

Kenya has one public health insurance scheme, the National Health Insurance Fund (NHIF); a non-for-profit institution created by an Act of Parliament in 1966 as a department in the Ministry of Health. At inception, NHIF was intended to provide accessible health insurance for salaried public and private sector employees earning a monthly salary of Ksh. 1,000 and more. Since its inception, however, the NHIF has undergone several changes over the years to include more benefits, target informal sector households, and to introduce outpatient care.

Financing mechanisms practiced in Kenya

1) Tax-based financing

Health services are paid for out of general government revenue such as income tax, corporate tax, value added tax, import duties etc. There has been a discussion whether Kenya should introduce special earmarked taxes (e.g. cigarette, alcohol, road accidents fines, air time and air ticket among other taxes) for health care.

2) Social insurance financing

Health services are paid for through contributions to a health fund. In Kenya this is in the form of National Hospital Insurance Fund (NHIF) whose main mode of contribution is the payroll. Currently there is a flat rate that the employee contributes to the funds but the employer does not make any contribution. There are suggestions that payment to the fund be pegged on one's monthly salary.

The independent of NHIF has however been put into question with many stakeholder expressing the view that the government is in total control and some decisions such as the amount spent on salaries and administration are not a priority to the contributors. There has been call for a tight regulatory framework on the Fund.

Premiums are linked to the average cost of treatment for the group as a whole, not to the expected cost of care for the individual. Hence there are explicit cross-subsidies from the healthy to the less healthy.

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Though, membership of social health insurance schemes such as NHIF is mandatory, the scheme has allowed self-employed persons to make voluntary contributions. In order for the country to ensure all citizens have an insurance cover there is need to inform, educate and mobilise all to join this scheme.

3) Private insurance

In these schemes people pay premiums related to the expected cost of providing services to them. Thus people who are in high health risk groups pay more, and those at low risk pay less. Cross-subsidy between people with different risks of ill health is limited. Membership of a private insurance scheme is usually voluntary. The insurance fund is held by a private (frequently for-profit) company.

Examples of private insurance firms in Kenya include;

- Pan Africa Insurance Holding
- APA Insurance Services
- Heritage Insurance Company
- British American Insurance Company
- UAP Provincial Insurance Company
- Kenindia Assurance Company
- Insurance Company of East Africa (ICEA) Lion Group
- Blue Shield Insurance
- Cooperative Insurance

4) User fees

Patients pay directly, according to a set charge, for the health care services they use. This is the most common way of paying for health services in Kenya both private and for public sector services. There have however been attempts by the government to cushion vulnerable groups such as women and children accessing maternal and child health services in public facilities through waiver system and direct fund to the facility. The user fee system has been extended until the present day. In June 2004, there was a policy statement by the Minister of Health; however, stipulating that health care at dispensary and health centre level would be free for all citizens, except for a minimal registration fee in government health facilities.

5) Community-based health insurance

As for social health insurance, premiums are commonly set according to the risk faced by the average member of the community i.e. there is no distinction in premiums between high and low risk groups. However, unlike social health insurance schemes enrolment is generally voluntary and not linked to employment status. Funds are held by a private non-profit entity.

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