Filling the gaps in Kenya's state funded medical insurance

When your business operates in a country such as Kenya which provides state-subsidised health insurance, is there any need to take out private cover for your employees?

It's a common dilemma but it's important to be aware of the relative benefits that state-funded and private health cover offer, so that you can make the most informed choice possible.

In the last two years, Kenya's health sector has enjoyed a 33% increase in funding, catalysed by an expanding middle class, which comprises 45% of the 46 million population. The majority of this new funding has come via two types of insurance: the government provided National Hospital Insurance Fund (NHIF) and private medical insurance (PMI). NHIF has been around for over 50 years and is by far the most popular form of health cover. A 2011 report by Deloitte found that, of the roughly eight million Kenyans who currently have some kind of health insurance, 85% are covered under NHIF.

But it is not a comprehensive service, so employers wanting to safeguard the wellbeing of their staff would be well advised to consider PMI.

What's covered by the NHIF?

The large take-up of Kenya's NHIF is partly due to the fact that it is mandatory for formal sector workers. Membership is open to anyone aged 18 or older with a monthly income of more than KES 1,000. The amount you pay depends on your income bracket, but it does cover your spouse and children. As of 2015, self-employed members are charged KES 500 a month, while formal sector employees pay anything from KES 150 to KES 1,700. The more you earn, the more you pay.

For the money, employees receive a range of benefits including medical consultations with a doctor, specialist hospital care including surgery and maternity, as well as essential medication and dental work. Until recently outpatient services were excluded, but a 2015 enhancement now allows selection of a single preferred clinic.

So far, so good.

But look closer and you begin to notice the cracks in the NHIF: a lack of flexibility; limited choice of hospitals; long waiting lists; financial limitations; quality and reliability of care. PMI, on the other hand, is flexible in who it can be offered to, whether individual, family, small business or corporation. It is flexible on benefits, meaning options like dental, maternity or eye care cover are available. It's also flexible on covering pre-existing conditions and chronic illness. And it's flexible on price.

So for employers wishing to attract and retain high quality staff, PMI offers a more persuasive incentive than state-funded health cover.

PMI outperforming NHIF

Looking into these points in more detail shows a number of areas in which PMI outperforms state-subsidised health insurance and should, therefore, be considered very carefully.

1. Wider inpatient coverage: NHIF offers access to 1,100 hospitals. These are categorised into three bands. In Category A there are 600 hospitals. These are public hospitals access to which costs nothing. The remaining 500 hospitals are private or mission, and split into Category B or C. If admitted to a Category B, the patient pays nothing unless they have surgery, in which case they co-pay. Category C is the most expensive, meaning cover is limited and dependent on the deal agreed with the hospital. It is, therefore, vital to check which category the hospital in use has been classified.

With PMI, all named hospitals are fully covered. Using Jubilee’s

PMI as an example, there are 13 inpatient hospitals to choose from in Nairobi. In NHIF Category A there are only seven.

2. Wider outpatient coverage: Sometimes we tend to focus on inpatient care because one illness could be very costly. However, in the long run outpatient care is far more expensive. In 2013, the Ministry of Health found that outpatient costs accounted for 78% of a family's out-of-pocket expenses – an average of KES 1,254.

Outpatient care is relatively new to NHIF and can only be received at one clinic. Clearly different clinics offer different levels of care. To compound matters, the better clinics are also likely to have the longest waiting times. With PMI there is the option to ramp up outpatient care.

3. Guaranteed staffing: The recent doctors' strike that afflicted NHIF hospitals is still fresh in residents' memories. If media reports are to be believed, the 5,000 striking healthcare workers took action to demand a 300% pay rise for a reduced working time. Meanwhile, patients allegedly died because they couldn't receive the care they need.

Doctors in private hospitals didn't strike. Their salaries are paid privately, not by the state, so there is less likelihood of private medical services being disrupted by industrial action.

4. Reduced waiting times: Access to the required treatment, expertise and equipment isn't always immediate in the state-funded health sector. This is prevalent throughout the world. In 2012, researchers compared the performance of private and public healthcare systems in low-to-middle income countries like Kenya. Their review of the literature found that 'wait times were consistently shorter in private sector than in public sector facilities'.

5. Better quality service: The same research found that public healthcare services were far more likely to experience limited availability of equipment, medications and trained workers than their private counterparts. Private hospitals, however, were sometimes perceived as less efficient because they had a tendency to 'over test'.

The purchasing decisions of Kenyan health providers were critically analysed in a 2015 working paper by research consortium RESYST. It found that the NHIF often failed to rigorously assess the facilities it contracted, whereas PMI providers made active decisions on which facilities to contract based on geographical access, quality, cost and capacity. RESYST noted that, while the NHIF has regulations to delist poor performing hospitals, penalties were often difficult to enforce because the hospital was the only public provider in under-served areas.

6. Access to mental healthcare: Approximately one in 10 Kenyans have a mental health problem, yet there is no formal mental health policy. A 2014 study by the London School of Economics revealed that Kenya only has 20 psychiatrists. At the time of the study, there were just three public rehabilitation centres for substance abuse, compared with 32 private ones. So it's fair to say that if you require quality psychiatric care in Kenya, then PMI is a must.

7. Side-step cuts: As with any state-funded scheme, NHIF investment is vulnerable to political forces. This means the government could choose to change or cap services at any moment. Such limitations are not an issue with PMI.

8. Attractive to employees: In 2014, Deloitte published its *Kenyan Human Capital Trends* report which surveyed 34 employers – 80% of whom ran small-to-medium sized companies. 'Retention and engagement' ranked as the most urgent issue, chosen by 76% of respondents. PMI is a great way to achieve this. A good employee healthcare package is shown to be high up on the list of priorities in an employee's decision to join or stay at a company.

Which PMI package?

If I've convinced you that you need PMI, the next question is which PMI to buy? Here are the key things to consider when shopping around for private health cover.

1. Research policies: Carry out a detailed analysis. Who are the major players and what policy options do they offer? Is there a minimum number of employees? Find out the costs and map out the hospital services available, so you can easily compare against NHIF services. Also consider any deductibles or co-pay demands.

2. Research staff requirements: What do your staff want? Have any of them had problems accessing healthcare in the past? If your staff frequently travel, consider where they travel to and what access they should have to medical care, especially if they frequently leave the country.

3. Research company requirements: The way you offer medical cover is likely to be dictated by the size of your company. Smaller companies generally have one policy for everyone, while larger firms may offer a choice of plans or a hierarchical scheme, whereby senior staff get a higher standard of cover.

4. Research your competitors: Consider what similar companies offer. Can you offer something better? Being able to advertise an employee healthcare plan that outdoes all others will prove hugely attractive to the most skilled employees.

5. Contact an insurance broker: Brokers have the benefit of knowing the market and being able to access the very best deals. Just be sure to weigh up their advice with the expectations of your employees.

While state-funded health insurance like Kenya’s NHIF is a laudable statement of intent from a government looking to safeguard the health of its people, ultimately the purpose of health insurance is to provide peace of mind – the knowledge that you can get the medical treatment you need, for any condition, any time, anywhere.

The only way to truly achieve that for your employees is to invest in PMI.

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Alniz founded Lifecare 20 years ago in his native country Kenya to address the growing need for individual and corporate health insurance solutions. Soon thereafter Alniz expanded into Dubai, and in recent years he added yet another office with the establishment of Lifecare's presence in Qatar. As CEO of Lifecare Alniz is responsible for the strategic direction of the business, and it is his drive and passion to help people get the right healthcare through affordable insurance that has resulted in Lifecare's strong growth over the years. Today Alniz proudly oversees 100 caring and passionate employees who work tirelessly to deliver an excellent service to the 1,200 businesses and 25,000 members who are part of the Lifecare client portfolio. Alniz is a graduate of the University of Western Ontario, Canada in Finance and Economics, and is an active member of the Young Presidents' Organisation in Kenya, and the World Presidents' Organisation in the United Arab Emirates.