

Health Insurance Coverage for Formal Sector Low Income Employees

Employers' Perspective: Unique Health Insurance
Needs & Challenges of Low Income workers

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Introduction

- Employers provide health coverage for their employees and families for various reasons including:
 - It makes business sense since employees are their most important asset and their health has a dramatic impact on productivity and employment costs
 - Part of corporate social responsibility
 - Legal requirement – Employment Act
- Low income employees make up a large proportion of employees in the formal sector and there are many challenges providing for their health coverage



Current Health Coverage Initiatives by Employers

- Provision of private health insurance (local and international)
 - IP or IP and OP
 - Non-contributory (majority) or contributory schemes (minority)
- Facilitation of NHIF cover to employees (employers do not contribute to NHIF currently)
- Provision of in-house self-insured schemes (IP and OP or either)
- Actual provision of healthcare services in employer-owned and -managed clinics
- *The share of healthcare financing by employers has not been accurately estimated due to the above multiple flows.*



Key Challenges Facing Employers in Sourcing Private Health Insurance

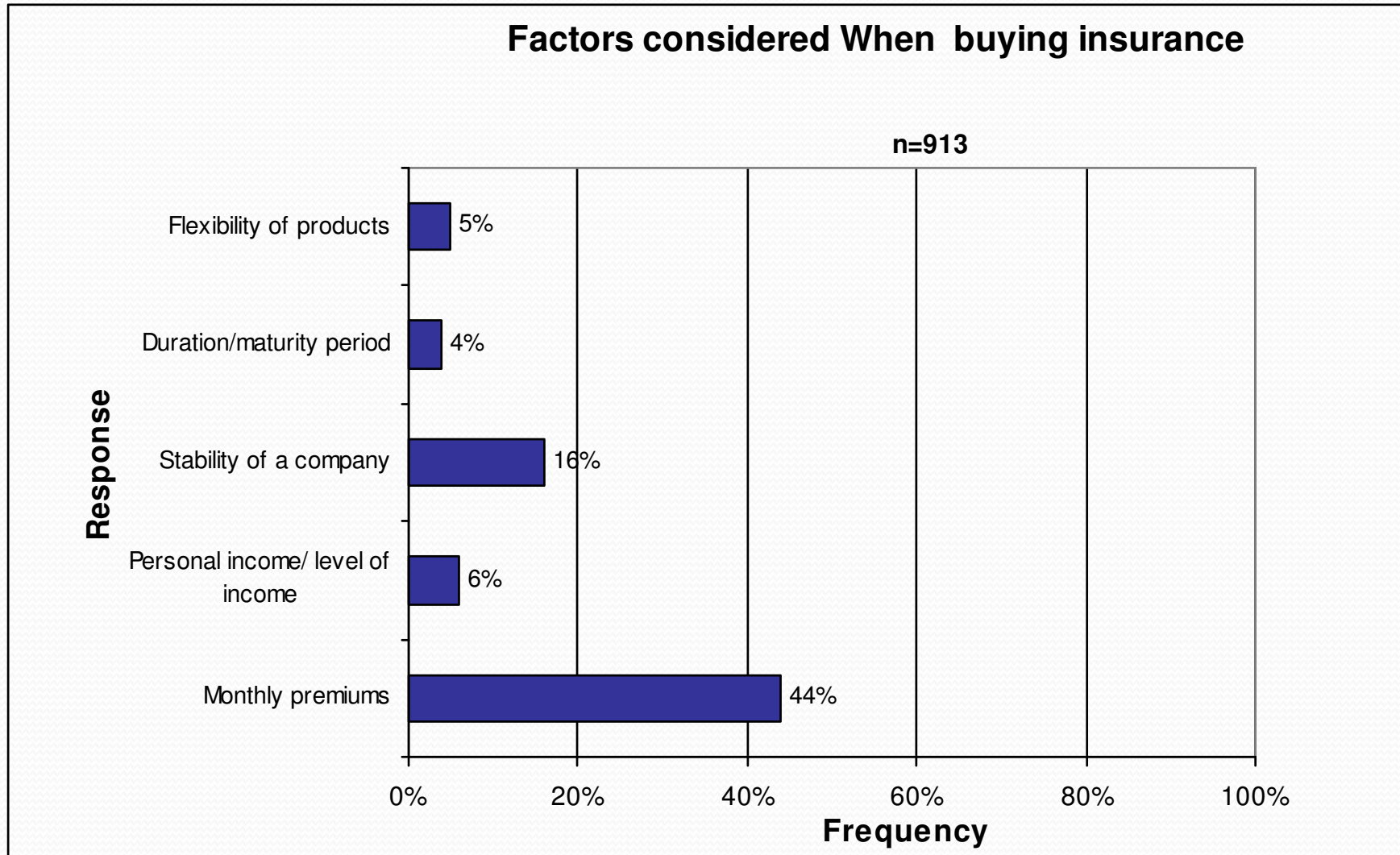
- Inadequate information on available products and services coupled with limited capacity to assess and evaluate insurance products in the market
- High and increasing insurance premiums (contributions)
- Complex products (design and presentation), services and operations/administration
- Restrictive insurance products that lead to employers and employees spending additional funds out-of-pocket (inadequate depth/height of cover)



Key Challenges Facing Employers in Sourcing Private Health Insurance, Contd.

- Lack of, or few, innovative and flexible insurance products in the market
- Poor customer service from insurers/MIPs
- Increasing employee expectations
- Lack of information and awareness by employees (consumers/users) on insurance concepts and operations
- Poor public image of insurers/MIPS and lack of trust

Consumer Perceived Barriers to Access – Life & Health Products – AKI Survey 2008: Premium Levels Are Largest Barrier





Who Are Low-Wage Workers?

- Men and women struggling to support their families, toiling away with menial jobs for bosses who consider them expendable
 - Advocates have called for public sector to expand work support programs e.g. earned income credits, wage subsidies, training programs, minimum wage and health insurance
- Hourly rates differ according to town but average KSh.80/=
- LW workers are mostly employed in industries, & agricultural enterprises



Relevant Characteristics of Low-Wage Workers

- Education & Age: Low education - primary or no education at all and young (18-29)
- Marital status: About half are married with children, another half with children are in single-parent families
 - Unique characteristic – a significant number of the worker’s families live in rural areas away from the employee due to economic reasons.
 - Tend to have large families
- Health status-more likely to be in poor health due to conditions related to low income/standard of living
 - Residential location-more likely reside in poor overcrowded neighborhoods (slums) with poor or no basic amenities such as water, toilet facilities, sanitation etc.
- Labour status: Frequently disempowered, exploited and have high job insecurity



Specific Challenges of Providing Health Insurance

Coverage to Low-Income Employees

- Neglect of the lower market segments by health insurers and MIP's
- Poor customer service by insurers and providers
- Lack of flexible and innovative health insurance products & services that address the needs of low income employees:
 - Few low cost but adequate insurance products
 - Few preventative care and wellness benefits
 - Complex products and difficult language
 - Restricted provider panels do not cater for families living apart
 - Consumer feedback and redress mechanisms hardly exist



Oserian Dev Company Experience

- ODCL total workforce is approximately 5000, of which 90% are unionizable, i.e. low-wage earners
- ODCL offers 100% free medical care to its low income employees and their dependents
 - Requirement of international horticultural certification agencies
 - Part of CBA with Labour Union renewed every 2 years
- ODCL has two health centers that serve the employees, spouse and four of their children
- No form of insurance for LW workers except NHIF in place.
 - No consideration of private insurance yet since in-house health facilities (which are a requirement as above) meet the need
- There is a preferred panel of private hospitals/specialists for referral



Challenges Faced by ODCL

- Being a free service more often misused increasing total cost
 - Alternative system of financing care difficult to develop due to CBA and strong Union and requirement of certification bodies for in-house health facilities
- Stringent market standards (Flo-cert, KFC, etc.) that ODCL subscribes to increasing standards every year
- Trade union every year demanding higher medical care for its members
- 90% illiteracy lead to large families increasing costs
- NHIF benefit package is limited & claiming is a challenge.
- HIV/AIDS prevalence increases cost of Medicare



Way Forward: Engagement and Partnerships

- Insurers and MIP's to design and develop products that meet the needs of low income employees.
 - Basic and affordable benefit package.
 - Simplified design, presentation and language
 - Focused on both treatment and *prevention* of common illnesses and injuries.
- Innovations beyond conventional insurance?
- Partnerships between employers, unions, insurers/MIP's and donors
- Improve NHIF benefit package (IP & OP cover) and develop easy and efficient system of claims processing

Thank you.