Market Assessment of Prepaid Health Schemes:

Summary of Findings

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Overall Goal of the Market Assessment

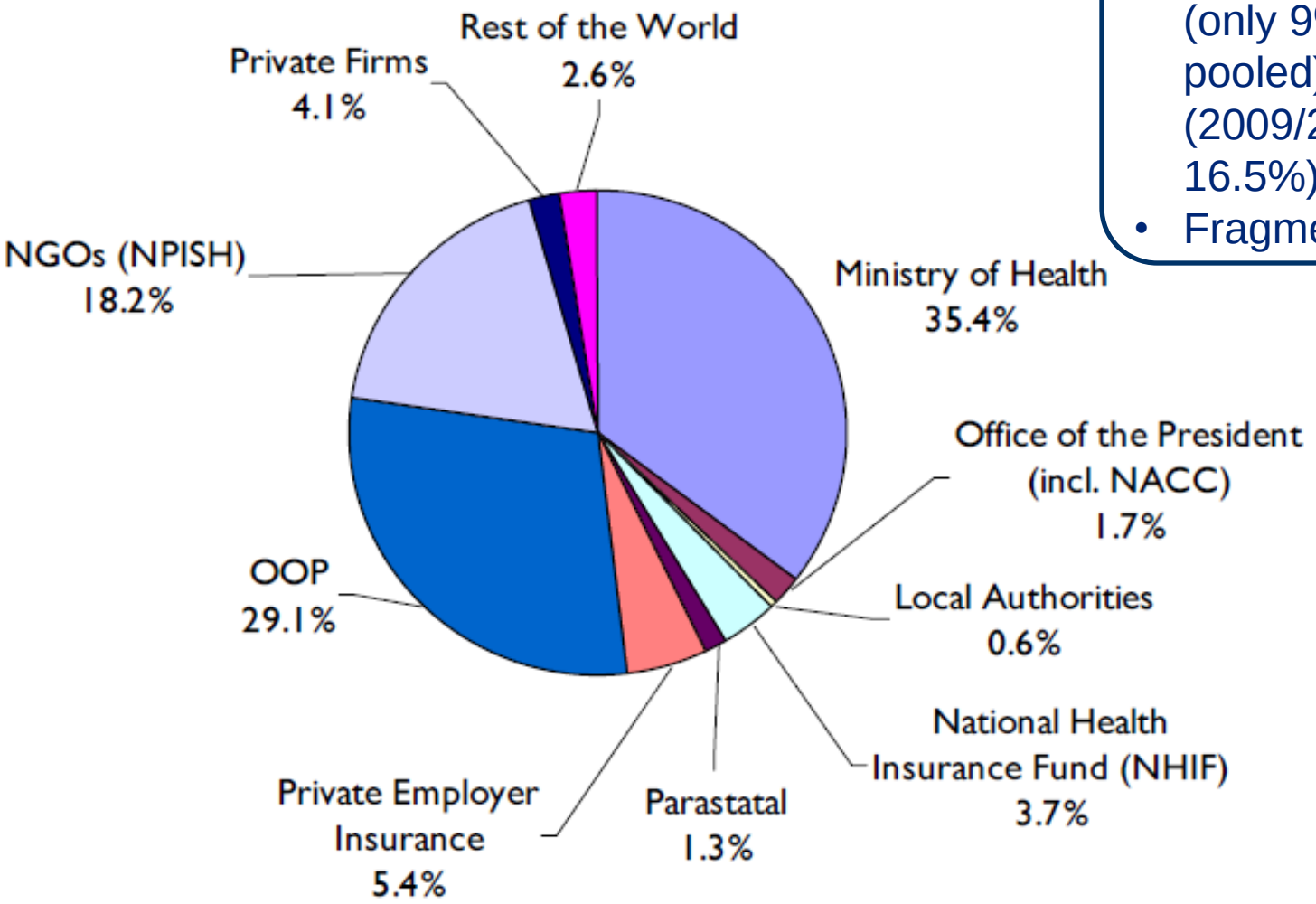
- *'Assess Kenya's private prepaid health schemes to determine their scope and probable role in the ongoing healthcare financing reforms.*

The assessment is to:

- Determine the best way to structure the sector to support the broader goals of healthcare financing in Kenya.
- Provide a basis for the strategic growth of the sector

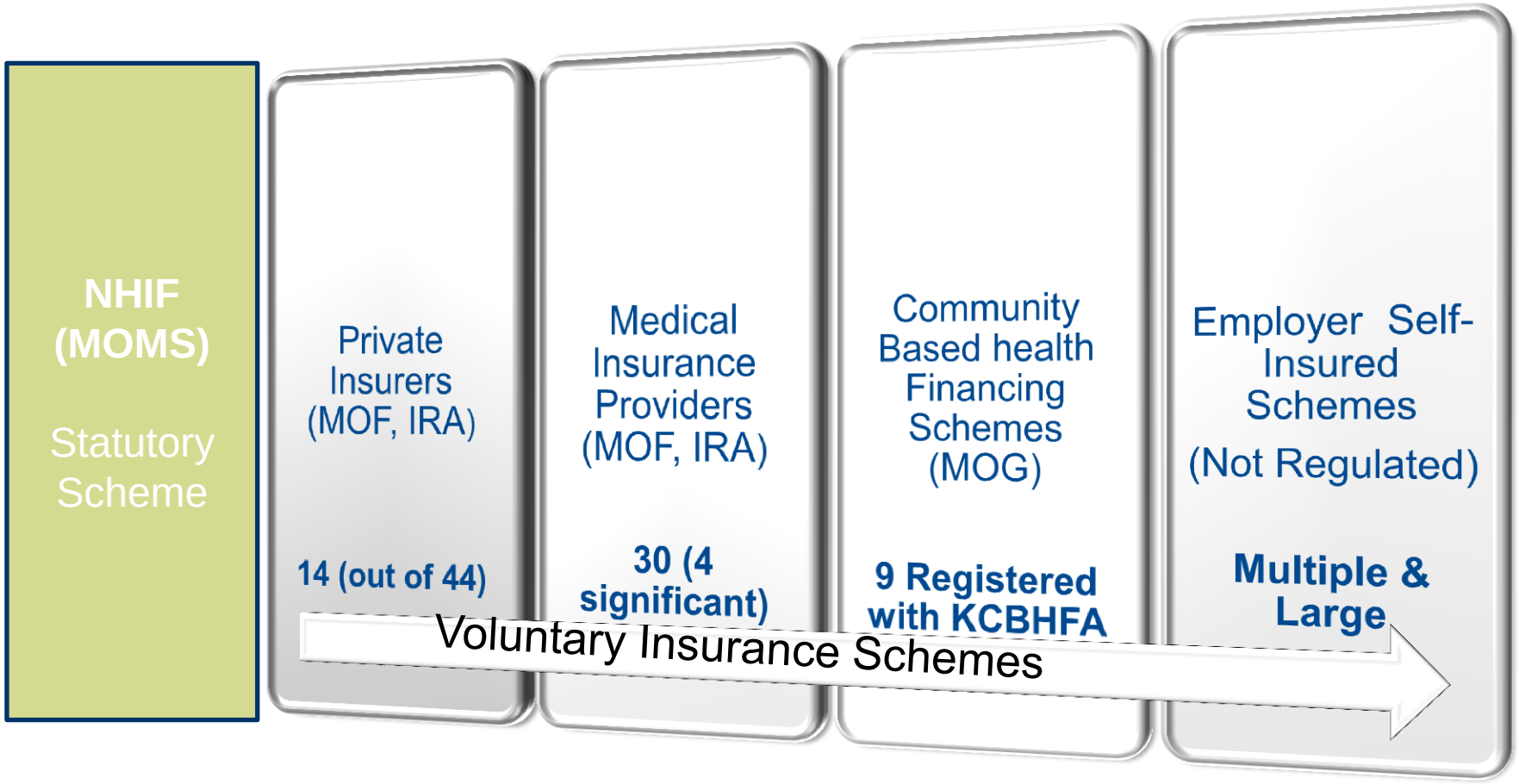
Overview of Health Financing actors in Kenya (NHA 2006)

- Lack of Pooling (only 9% pooled) (2009/2010 – 16.5%)
- Fragmentation

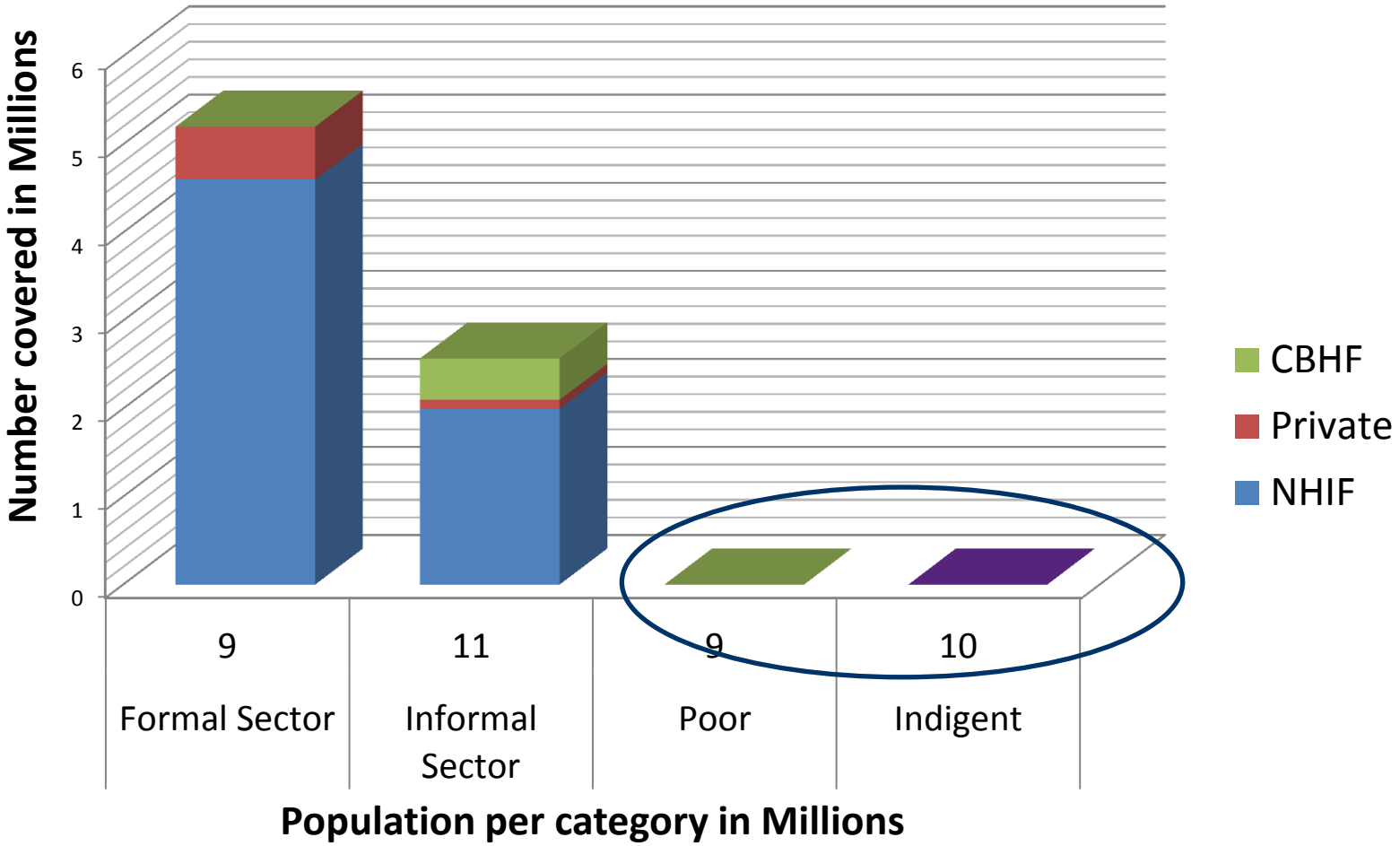


Overview of Prepaid schemes

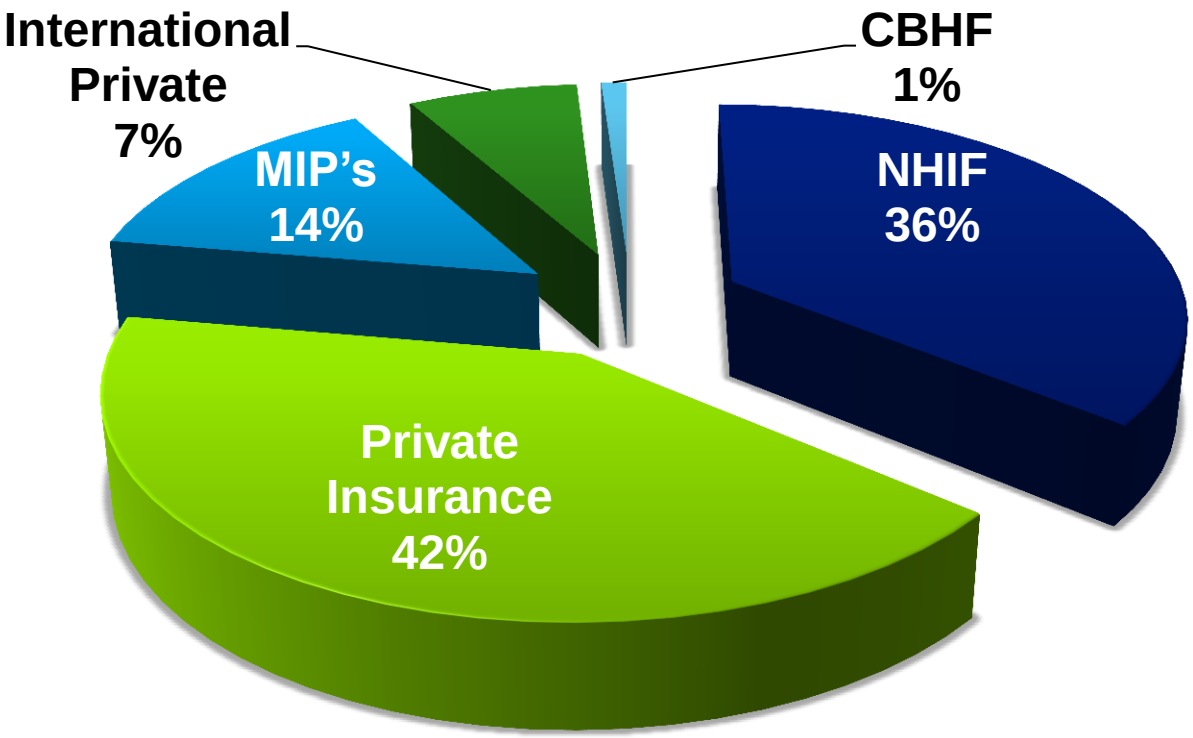
Wide range of prepaid schemes and different regulators



Health Insurance Market Size estimates by Population size: Large uninsured population



Pooled funds in 2009 by risk pool vehicle: Private health insurance was the largest fund (until 2011)



- Private insurance held 64% of pooled funds (Kes. 8.9 billion) compared to NHIF (Kes. 5.1 billion) but insured a tenth of NHIF's pop

Summary of Performance

- **Gross premium:**
  - Significant growth ranging from 11% to 25% pa from 2006 to 2009
  - Not clear if market grew in terms of insured lives or premiums went up
- **Payout (Loss) ratios:**
  - Gross loss ratios within international benchmarks (62.5% in 2006 to 83% in 2011 with a rising trend) but they have now entered loss making ranges (over 70%)
  - Non-communicable conditions have some gaps in cover

Administration expenses:

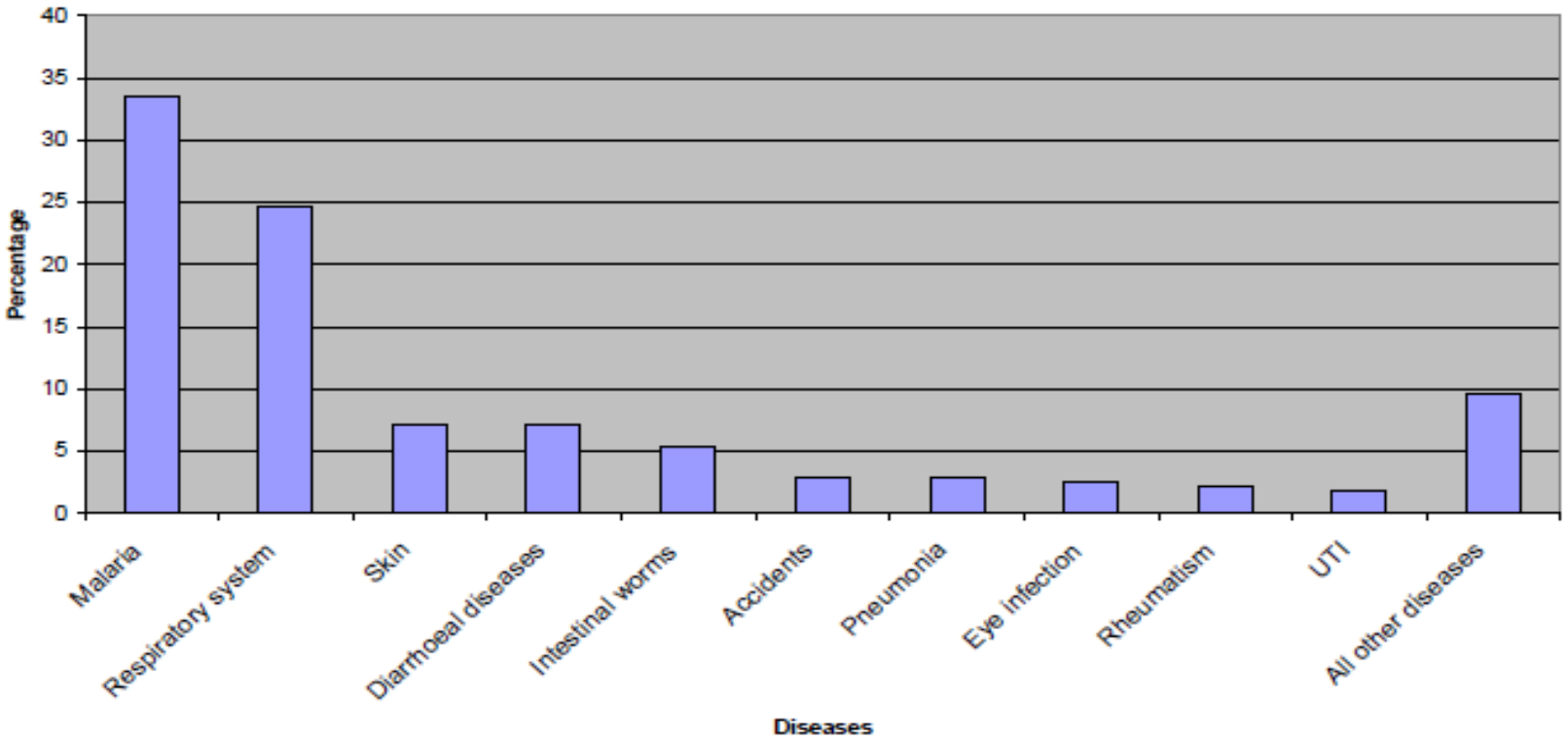
- Ranged between 19% to 22% of gross premium and within international benchmarks
- Intermediary commission rates among the highest globally (below 6% in many markets)

- **Underwriting profit/loss:**
  - Volatile performance since 2006.
  - Industry has made underwriting losses the last three years in a row (over 0.5B in 2011).

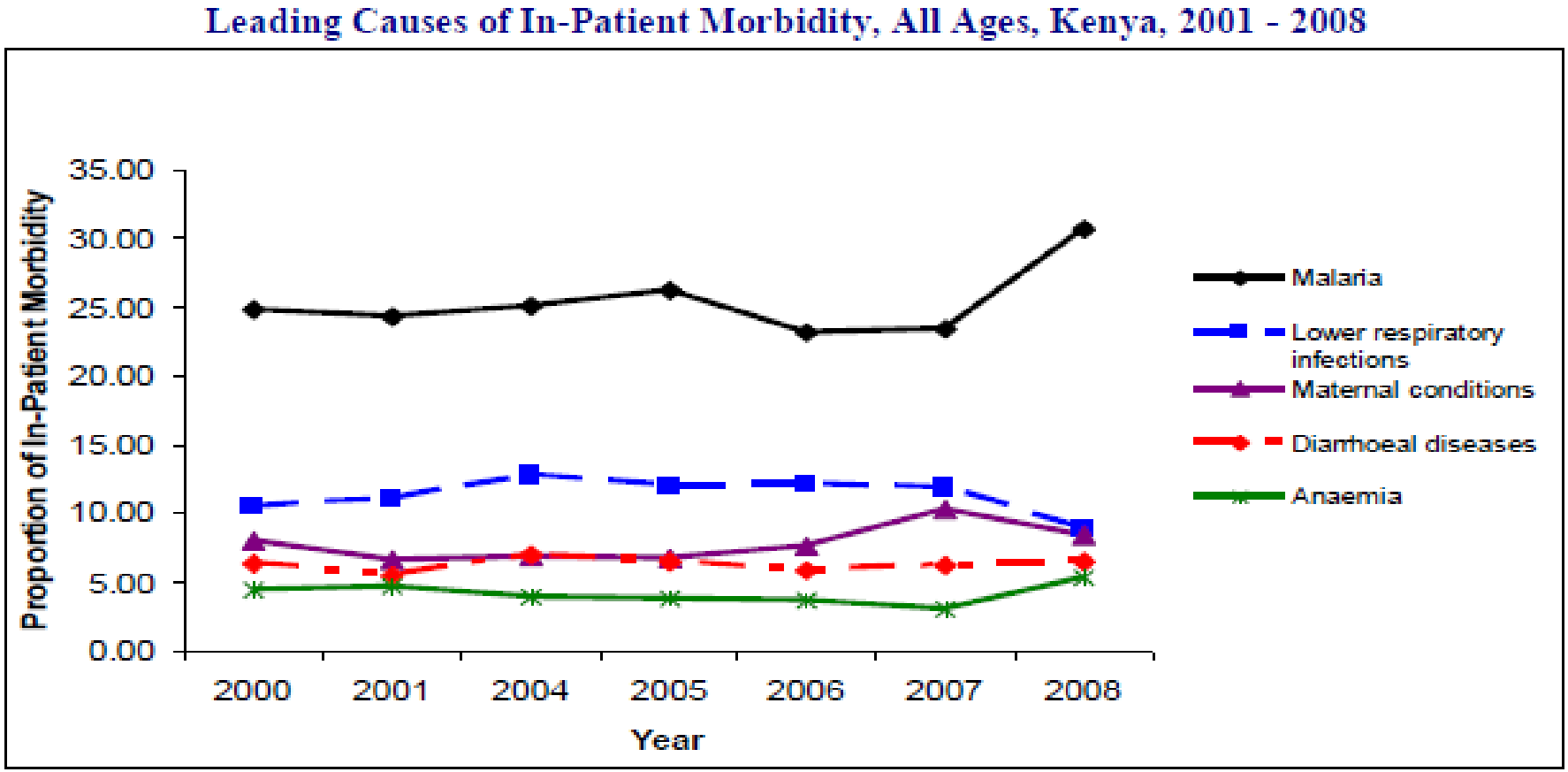
Level of population coverage excluding employer self-insured schemes (*Scheme administrative data estimates 2010*)

Prepaid scheme provider	2010 estimates from schemes (19.9% covered)	% of 2010 population (39 million) covered
NHIF	6,600,000 (85%)	16.9%
Private Insurance Companies & MIP's	700,000 (9%)	1.8%
CBHF	470,000 (6%)	1.2%
Total	**7,770,000**	**19.9%**

Depth of Coverage: MOH Leading causes of outpatient utilisation 2008: Mainly preventable primary health conditions.

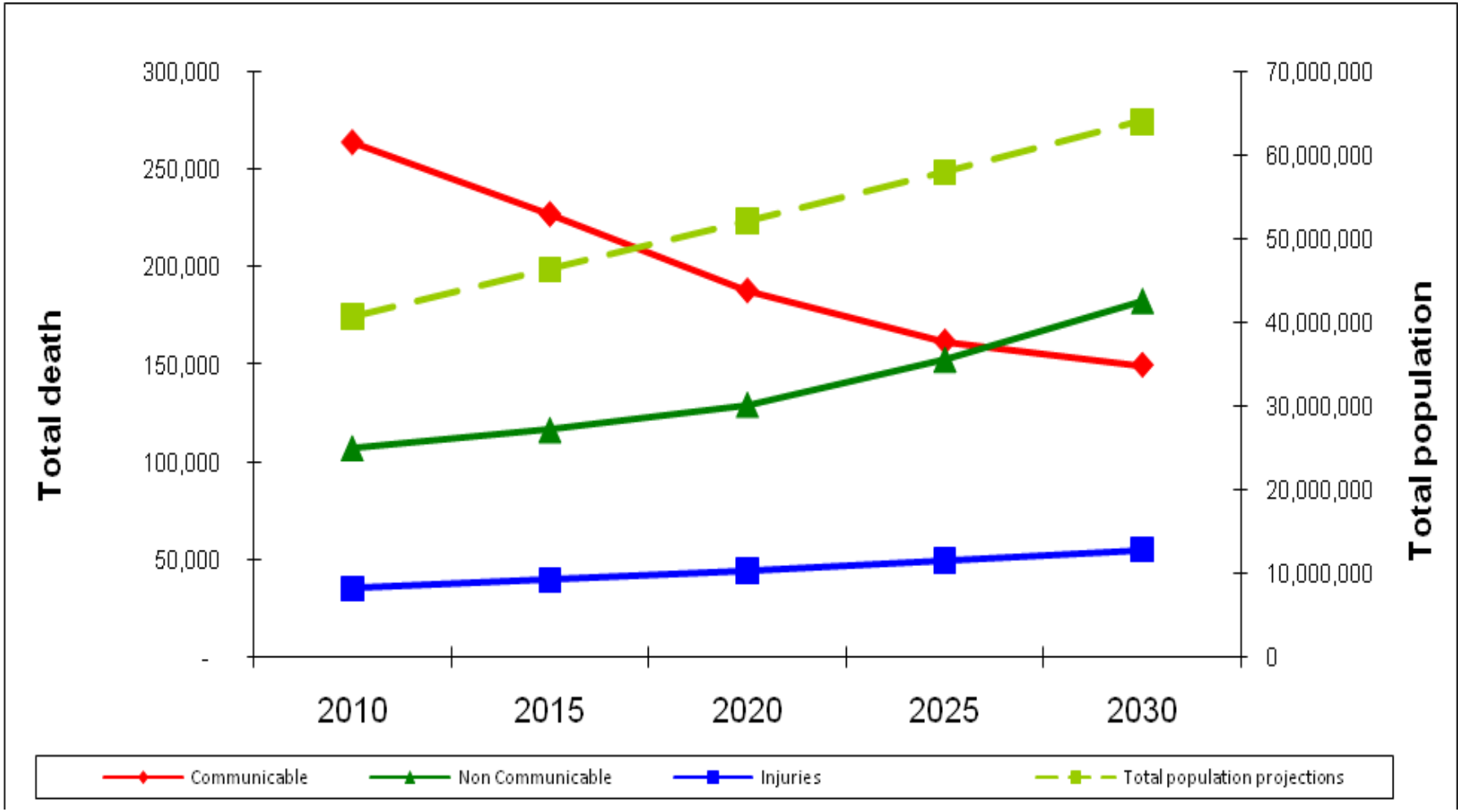


Depth of Coverage: MOH Leading causes of inpatient utilisation: Mainly primary care and maternal conditions.

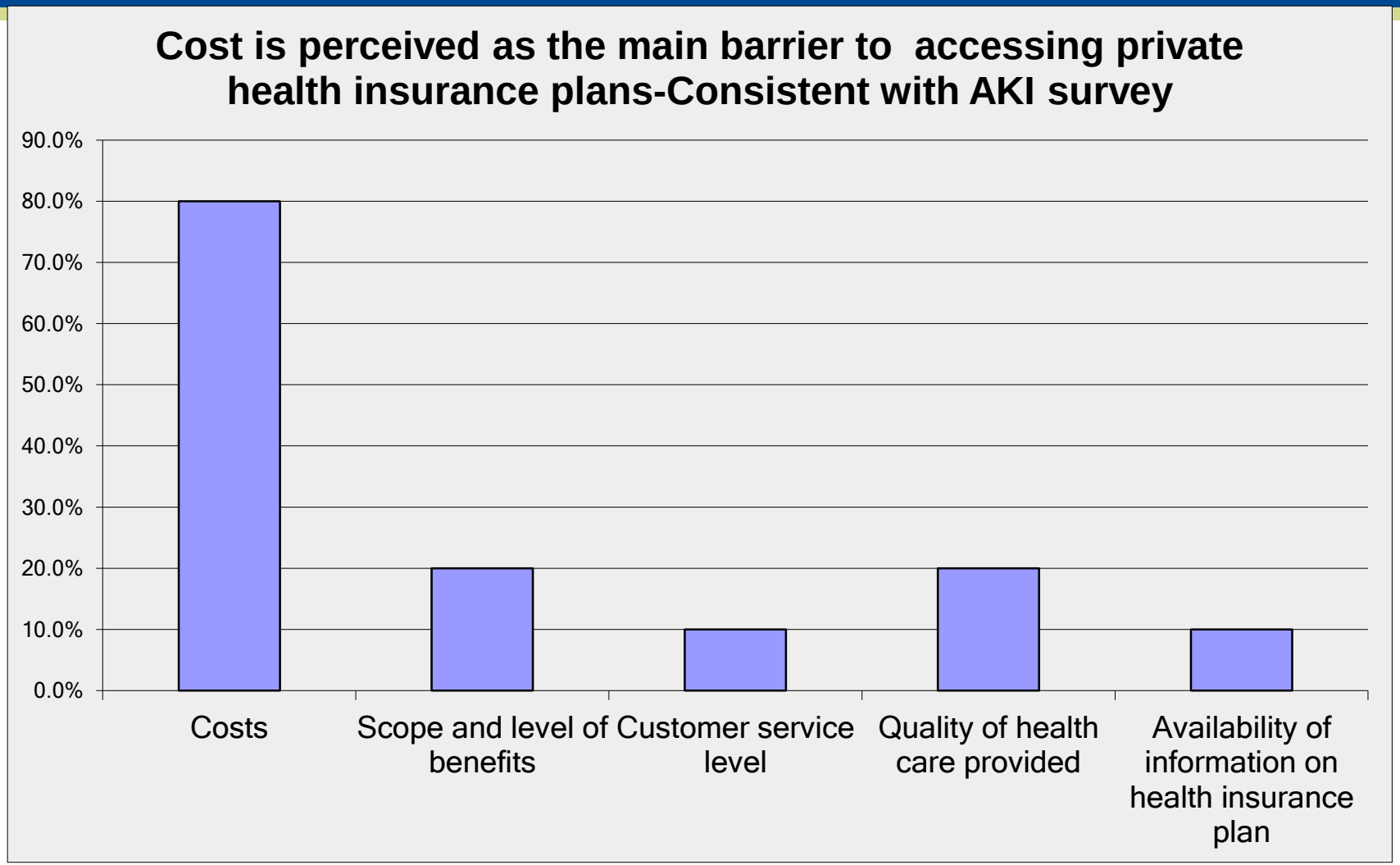


- All leading causes of IP and OP utilisation are covered in prepaid schemes except some limitations on maternity and HIV/AIDS cases
- Cover limitations exist for chronic non-communicable conditions

Future projections: Causes of Death In Kenya (KIPPRA). Chronic diseases will become important. How will they be Financed?



Consumer Perceived Barriers to Access – Private Prepaid Health Schemes Products



Summary: Key findings on private prepaid schemes

- **Level of population coverage:**
  - Low at 3% (though largest pool in monetary terms); 1.8% for private insurance and MIP's and 1.2% for CBHF
- **Depth of cover:**
  - Primary care and commonest causes of morbidity adequately covered
  - Non-communicable conditions have some gaps in cover

Height of cover:

- Minimal copayments for inpatient care but there are financial limits to contend with.
- Outpatient cover copayments exist in some schemes to reduce moral hazard but may create barrier to access.
- Indirect costs of seeking medical care are not covered (except for accidents in some cases).

- **Payout ratio & Admin expenses:**
  - Good payout ratio in the market and close to international benchmarks.
  - Admin expenses within international benchmarks but commission rates may need to be reviewed to reduce costs further.

Summary: Key findings of private prepaid schemes

Access – Key access barriers for consumers:

- High cost of health insurance premiums
- Lack of Information on benefits of risk pooling
- Poor Image of insurance companies & MIP's

Efficiency:

- Small fragmented risk pools
- Variable use of ICT with poor integration to providers and consumers. Manual processes that can be automated still persist.
- Complex claims processing procedures and therefore inconsistent claims turn around time.

- **Policy & Regulation:**
- HCF policy was not concluded hence market uncertainty
- No specific health insurance law hence legal/regulatory gaps
- Several different prepaid schemes under different regulatory regimes

Overall recommendations from the Market Assessment

- **Promote a stable, sustainable & efficient health insurance market and address market failures**

1. Legal & regulatory reform – Develop a comprehensive health insurance law and strengthen health insurance regulation (new entity or a revamped division within IRA).
   - Redefinition of the various types of risk pooling and prepayment mechanisms
   - Redefinition of various health insurance vehicles and capitalisation
   - Performance benchmarks for health insurers (coverage breadth, depth, height , payout ratio, admin expenses, efficiency etc)
   - Regulation of healthcare quality and cost-effectiveness (supply side)

Overall recommendations from the Market Assessment

2. Consumer protection:
   - Prescribed Minimum Benefits, Choice, Disclosure and marketing standards etc.
   - Grievances handling and appeals
   - Consumer empowerment - education, charter and advocacy mechanisms.
3. Complete HCF policy process to clear uncertainty on policy direction & implement specified changes.

Overall recommendations from the Market Assessment

- 4. Clarify role of private schemes in providing mandated national health insurance
  - Either to continue playing a supplementary and complementary role only
  - Or in addition to above, be part of providing mandated social health insurance for the whole market or segments of the same: Develop mechanisms, criteria/benchmarks to qualify (Risk pool size, efficiency and other performance measures). Consider Opt-out option with social tax on premiums.
- 5. Other possible PPP's with public insurance (e.g. Marketing/distribution, benefit purchasing, claims administration services).

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