



Aon Consulting
Proposed NHIF Changes Update



“Shaping the workplace of the future”

The National Hospital Insurance Fund (NHIF), which has been in existence since 1966, has been offering in-patient health care cover by way of daily rebates depending on level of hospital.

NHIF has now announced a raft of changes it is implementing in line with Vision 2030 where it envisages that by 2030 all Kenyans should be covered by the social health insurance.

These proposed changes include:

1. Change in Contribution Rates

The new rates have already been gazetted, and the monthly contributions per member have gone up by an average of 159%. Attached is a schedule of the applicable contribution rate per salary band as well as a copy of the gazette notice.

These changes are effective from 1st September 2010.

2. Extension of benefits

The fund will propose to cover all costs related to diseases that require specialised treatment like kidney illnesses and management of chronic diseases like HIV and diabetes. This will be an extension to the current benefits where only a daily rebate is paid.

3. Cover for Outpatient Services

NHIF proposes to introduce cover for outpatient services for all its members at accredited service providers. Under this benefit, expenses for doctors' fees, medicines and laboratory tests will be covered up to limits to be communicated. NHIF has been carrying out a pilot project in selected districts in the country among them Mumias in Western province and Nairobi.

4. Increasing the amount paid for admissions in high cost hospitals.

Under the new program, NHIF proposes to pay a higher proportion of the amount incurred in high cost hospital, as opposed to the current daily rebate. When the new system commences, NHIF plans to have different relationships with different



hospitals, the majority of whom will offer unlimited medical services fully paid by NHIF, while high cost hospitals will receive a higher amount paid than is currently.

IMPLICATIONS OF PROPOSED NHIF CHANGES TO OUR CLIENTS

- Outpatient benefit will be a welcome improvement on the NHIF cover and more people will be able to benefit from the scheme.
- For Outpatient benefits, the cost of insurance schemes will decrease and in the case of self-funded schemes the cost to the employer will reduce.
- The enhanced inpatient benefit payment to high cost hospitals will mean that members will pay less for admissions especially those without alternative covers.
- Both outpatient benefits and enhanced inpatient payments by NHIF will result in improved claims ratio for private insurance schemes as the NHIF rebate will now be significantly higher. Introduction of outpatient benefits will also significantly improve performance of private health insurance schemes since outpatient expenses contribute on average 60% of total expenditure in a scheme.
- In the long run, we anticipate that the proposed changes might yield lower premiums to employers for private insurance schemes once insurers start factoring in NHIF contribution in their pricing.
- The higher employee contributions are likely to raise concerns on value for money as evidenced by media statements from COTU and other organisations.

AON'S CONCERNS

- The proposed premium / contribution rates as well as effective have been gazetted but the actual benefits have not yet been gazetted or advised
- We have also not been advised on the Service Providers and are not certain if benefits will be enjoyed in your full current panel of service providers
- The impact of these changes will result in an increase in wage bill deductions relative to the cost of your private healthcare scheme. This may have labour relations implications
- Concerns by various stakeholders on the sustainability of these changes and we await further information on the same



We are following closely with NHIF on details of the actual benefit limits to be provided and the provider network to be adopted, and we will update our clients on this and any other relevant developments on a timely basis.



**PROPOSED NHIF RATES(LEGAL NOTICE NO. 107 - NATIONAL
HOSPITAL INSURANCE FUND ACT AMENDMENT 2010)**

Salary (Kshs)	Old Contribution (Kshs)	Proposed New Contribution (Kshs)	Change (Kshs)	% Change
1,000 - 1,499	30	150	120	400%
1,500 - 1,999	40	150	110	275%
2,000 - 2,999	60	150	90	150%
3,000 - 3,999	80	150	70	88%
4,000 - 4,999	100	150	50	50%
5,000 - 5,999	120	150	30	25%
6,000 - 6,999	140	300	160	114%
7,000 - 7,999	160	300	140	88%
8,000 - 8,999	180	400	220	122%
9,000 - 9,999	200	400	200	100%
10,000 - 10,999	220	400	180	82%
11,000 - 11,999	240	400	160	67%
12,000 - 12,999	260	500	240	92%
13,000 - 13,999	280	500	220	79%
14,000 - 14,999	300	500	200	67%
15,000- 15,999	320	600	280	88%
16,000 - 19,999	320	600	280	88%
20,000 - 24,999	320	750	430	134%
25,000 - 29,999	320	850	530	166%
30,000 - 49,999	320	1,000	680	213%
50,000 - 99,999	320	1,500	1,180	369%
100,000 +	320	2,000	1,680	525%
Self Employed	160	500	340	213%
AVERAGE			330	156%

THE NATIONAL HOSPITAL INSURANCE FUND ACT

(No. 9 of 1998)

IN EXERCISE of the powers conferred by section 20 of the National Hospital Insurance Fund Act, the National Hospital Insurance Fund Board in consultation with the Minister for Medical Services makes the following Regulations:—

**THE NATIONAL HOSPITAL INSURANCE FUND (STANDARD
AND SPECIAL CONTRIBUTIONS) (AMENDMENT)
REGULATIONS, 2010**

1. These Regulations may be cited as the National Hospital Insurance Fund (Standard and Special Contributions) (Amendment) Regulations, 2010.

2. Regulation 3 of the National Hospital Insurance Fund (Standard and Special Contributions) Regulations, 2003 is amended by deleting paragraph (3) and substituting therefor the following—

L.N. 185/2003.

(3) The rate of contribution shall be graduated as follows—

<i>Gross income (KSh.)</i>	<i>Contributions (KSh.)</i>
< 5,999	150
6,000 to 7,999	300
8,000 to 11,999	400
12,000 to 14,999	500
15,000 to 19,999	600
20,000 to 24,999	750
25,000 to 29,999	850
30,000 to 49,999	1,000
50,000 to 99,999	1,500
Over 100,000	2,000
Self employed (special)	500

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AON