Market Assessment of Prepaid Health Schemes:

Summary of Findings

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Courtesy of MOMS/IFC/Deloitte
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

NHIF (MOMS)
Statutory Scheme

Private Insurers (MOF, IRA)
14 (out of 44)

Medical Insurance Providers (MOF, IRA)
30 (4 significant)

Community Based health Financing Schemes (MOG)
9 Registered with KCBHFA

Employer Self-Insured Schemes (Not Regulated)

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

Number covered in Millions

<table>
<thead>
<tr>
<th>Population per category in Millions</th>
<th>Number</th>
<th>CBHF</th>
<th>Private</th>
<th>NHIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Sector</td>
<td>9</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Informal Sector</td>
<td>11</td>
<td>0.5</td>
<td>0.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Poor</td>
<td>9</td>
<td>3</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Indigent</td>
<td>10</td>
<td>0</td>
<td>0.5</td>
<td>9.5</td>
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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*)

<table>
<thead>
<tr>
<th>Prepaid scheme provider</th>
<th>2010 estimates from schemes (19.9% covered)</th>
<th>% of 2010 population (39 million) covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHIF</td>
<td>6,600,000 (85%)</td>
<td>16.9%</td>
</tr>
<tr>
<td>Private Insurance Companies &amp; MIP’s</td>
<td>700,000 (9%)</td>
<td>1.8%</td>
</tr>
<tr>
<td>CBHF</td>
<td>470,000 (6%)</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>7,770,000</td>
<td>19.9%</td>
</tr>
</tbody>
</table>
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

Cost is perceived as the main barrier to accessing private health insurance plans - Consistent with AKI survey

- Costs: 80.0%
- Scope and level of benefits: 10.0%
- Customer service level: 20.0%
- Quality of health care provided: 30.0%
- Availability of information on health insurance plan: 40.0%
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).
• Thanks