HEALTH FINANCING PROFILE

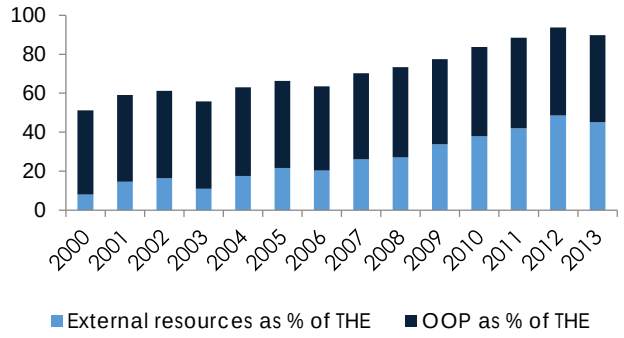
KENYA

May 2016

Key Indicators	
Population (2014)	44.9 million
GDP per capita (2014, current USD)	$1,420
Income classification	Lower-middle
Health Financing (2013)	
THE per capita (USD)	$66.6
THE as % of GDP	6.8%
GHE as % of THE	33.5%
GHE as % of GGE	6.1%
OOP as % of THE	29%
DAH as % of THE	26%
Pooled private as % of THE	2%
HIV Financing	
HIV/AIDS prevalence (2012)	5.6%
DAH for HIV as % of TAE	72%
TAE per PLHIV (USD)	$366
GAE as % of GGE	0.6%
GAE as % of TAE	20%

Source: MOH, 2015; UNAIDS, 2014.
THE = total health expenditure, GDP = gross domestic product, GHE = government health expenditure, GGE = general government expenditure, OOP = out-of-pocket payment, DAH = development assistance for health, TAE = total AIDS expenditure, PLHIV = people living with HIV, GAE = government AIDS expenditure.

Figure 1: Shares of Total Health Expenditures (THE)



Source: WHO, 2015.
LMIC = lower middle-income country

Overview

Kenya's total health expenditure (THE) in fiscal year (FY) 2012/13 accounted for 6.8% of gross domestic product (GDP), up from 5.4% in FY 2009/10 (Figure 1). Government health expenditure as a proportion of THE increased from 28.8% to 33.5% in the same timeframe, and the government health budget grew by 31% from FYs 2012/13 to 2014/15. While 4% of the total national government budget in FY 2014/15 was allocated to health, this excludes county allocations. Following the adoption of the 2010 constitution, the Government of Kenya (GOK) has devolved its governance system. This change has resulted in a 57% increase in health budget support at the county level from FYs 2013/14 to 2014/15.

Out-of-pocket expenditures as a proportion of THE increased from FYs 2009/10 to 2012/13 (Figure 2). The World Health Organization estimates these expenditures represent nearly three-quarters of private expenditure on health. In 2007, 11.1% of households experienced catastrophic health spending, up from 10.3% in 2003 (Kimani and Maina, 2015). Despite increased domestic contributions to health, Kenya is still dependent on donors, with 57% of the FY 2014/15 development health budget estimated to be funded by development partners.

In 2009, Kenya developed a draft health financing strategy to guide the country toward universal health coverage. This draft was revised in 2015 and is moving toward finalization. The country has begun implementing health financing reform in recent years:

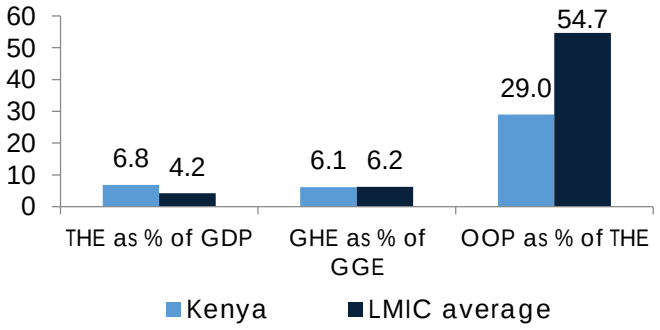
- In 2013, the GOK abolished all user fees in public dispensaries and health centers, and provided nearly US$7 million for compensation to lower-level facilities.
- The GOK implemented a free maternity care policy, committing approximately US$38 and US$40 million for free maternal health services in FYs 2013/14 and 2014/15, respectively.

Health Financing Functions

Revenue contribution and collection

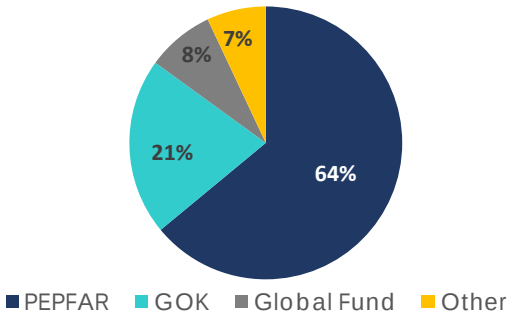
National allocation to Kenya's 47 counties is based on a resource allocation formula that takes seven factors into account, including population, poverty, land share, and others. County allocations are given as block grants and counties determine the share to be allocated to health. County governments also collect some of their own revenue which are included as part of the county budgets before allocation to different sectors. In FY 2014/15, 38 of the 47 counties allocated at least 15% of their budget to health.

Figure 2: Comparative Health Expenditure (2013)



Source: MOH, 2015; WHO, 2015.

Figure 3: HIV Funding, by Source (2013)



Source: PEPFAR, 2015.

Pooling

The National Hospital Insurance Fund (NHIF), the oldest government-supported insurance scheme in Africa, currently covers 4.5 million Kenyans (11% of the population). It is mandatory for all formal sector employees (public and private) and voluntary for those in the informal sector. Premium contributions are calculated on a graduated income scale for the formal sector and at a fixed rate for the informal sector. The NHIF recently introduced capitated outpatient care as part of the insurance benefit package, which is only available to contributing members. Private health insurance covers a small proportion (4%) of the population; some rural areas have community-based health insurance schemes. In 2014, the Health Insurance Subsidy Programme for the Poor was launched as a pilot, providing a comprehensive package of outpatient and inpatient services to 21,500 households and supported by the World Bank and other development partners. In 2015, the government introduced a health insurance program for the elderly and people with severe disabilities. The Health Financing Strategy lays out a three-stage, 15 year process of reforms. One area of focus is designing and adopting an affordable Essential Package of Health services.

Purchasing

Healthcare is provided through a mix of public (49%) and private providers (48%). Different organizations purchase health services through several mechanisms. The Ministry of Health is the main purchaser of health services; others include local governments, the NHIF, community-based health insurance schemes, private health insurance, and employers. Three referral hospitals receive about half of the national government allocation for health. NHIF outpatient benefit payments are made on a capitation basis, based on the number of persons registered at a particular facility, whereas inpatient service benefits are fee-for-service and vary slightly according to the hospital category, diagnosis, and type of care required.

HIV Financing

The total national expenditure on HIV was US$511.9 million in FY 2012/13. HIV expenditure as a percentage of GDP remained relatively constant in recent years, at 1.3%. HIV expenditure accounted for 19% of THE in FY 2012/13, which closely aligns with the disease burden, as 19% of all deaths in Kenya are attributable to HIV. Government allocation to HIV has increased significantly in recent years, from US$57.49 million in FY 2006/7 to US$153 million in FY 2012/13. However, Kenya's HIV response is still funded primarily by donors (Figure 3). The total five-year cost of the HIV response under the *Kenya AIDS Strategic Framework 2014/15 to 2018/19* is estimated to be US$5.5 billion, indicating the need for increased domestic resource mobilization. In its FY 2015/16 budget, the GOK allocated about US$26 million for HIV commodities, showing a commitment to increase domestic funding for HIV.

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