**Title: Does the type of purchaser matter? Examination of three private purchasing mechanisms in Kenya**

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**Abstract:**

**Background**

About 20% of Kenyans are covered by health insurance: the majority by the National Hospital Insurance Fund (NHIF); and the rest by Private Health Insurance (PHI), micro insurance (MHI), community-based health insurance (CBHI), and other employer-based schemes. PHI and MHI work on a for-profit basis. PHI cover private formal sector employees, whereas MHI offer health insurance products to the low-income population. CBHI mainly operate in rural areas and are often linked to sponsor, non-government organizations (NGO). Although health insurance currently only covers a small proportion of the population, the Kenyan Government considers that different types of insurance mechanisms may allow the expansion of financial protection for health care in progress towards universal health coverage (UHC). The study examines health care purchasing in the private, voluntary health insurance mechanisms (PHI, MHI and CBHI) operating in Kenya.

**Methods**

A case study approach was employed to purposively study selected PHI, MHI, and CBHI networks. Data was collected through document review, FGD with citizens and key informant interviews with purchasers, the government and regulatory authorities, health providers, and NGO.

**Findings**

While contracts are used as the basis for the provider-purchaser relationship, there is widespread use of ‘relational’ contracting in that strict compliance with contract terms, including imposition of penalties and sanctions, rarely occurs. Of the three private mechanisms, MHI demonstrates the greatest use of bargaining power with purchasers using their membership numbers as leverage to negotiate better contract terms. All three mechanisms utilize fee-for-service as a provider payment mechanism, and do not use other levers such as essential drug lists, standard treatment guidelines or monitoring to improve healthcare service quality and efficiency. The design of benefit entitlements varies for the three mechanisms: PHI focus on consumer choice and ability to pay and offer a wide variety of high cost, individual-risk-based insurance products; MHI prioritize simplicity and affordability of benefit options and offer a smaller variety of moderate cost, family-based insurance products; and CBHI work with a limited number of service providers and the rural, low-income population so offer a limited range of low-cost family-based benefit packages. No clear guidelines or regulatory framework exist in relation to the operation of private purchasers.

**Conclusion**

The three mechanisms display policy design and implementation gaps that result in a deviation from ideal strategic purchasing. The study highlights the need for Government stewardship that embraces private purchasers in the pursuit of the public health goals in Kenya.