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Strengthening Health Outcomes
through the Private Sector

Increasing Domestic Resources for HIV Coverage through Private Health Insurance in Kenya



BRIEF

Summary: This brief identifies the main obstacles that limit the expansion of the insurance industry in Kenya and describes the interventions implemented by the SHOPS project to reduce costs, eliminate inefficiencies, improve knowledge, and expand access among target groups. Based on the experience of SHOPS, the authors discuss several lessons that can inform similar efforts in Kenya and other countries.

Keywords: AIDS, antiretroviral treatment, health financing, health insurance, HIV and AIDS, Kenya, private health insurance

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Cover photo: Jessica Scranton

Project Description: The Strengthening Health Outcomes through the Private Sector (SHOPS) project is USAID's flagship initiative in private sector health. SHOPS focuses on increasing availability, improving quality, and expanding coverage of essential health products and services in family planning and reproductive health, maternal and child health, HIV and AIDS, and other health areas through the private sector. Abt Associates leads the SHOPS team, which includes five partners: Banyan Global, Jhpiego, Marie Stopes International, Monitor Group, and O'Hanlon Health Consulting.

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Increasing Domestic Resources for HIV Coverage through Private Health Insurance in Kenya

Over the past decade, Kenya has experienced significant economic growth and improvements in health indicators, such as child mortality and life expectancy. The Kenyan government, donors, and private sector stakeholders have invested heavily in HIV prevention, care, and treatment services. As a result, trends are moving in the right direction: HIV prevalence among adults declined from a peak of 10.8 percent in 1997 to 5.3 percent in 2014, and annual AIDS-related deaths decreased from 130,000 in 2003 to 33,000 in 2014 (UNAIDS, 2015). The number of Kenyans on life-saving antiretroviral therapy (ART) grew from 29,000 in 2002 to more than 744,000 in 2014, the second highest number in sub-Saharan Africa (PEPFAR, 2014).

However, HIV remains a persistent challenge and is attributable to 18 percent of deaths in Kenya. With an estimated 1.4 million people living with HIV (PLHIV) and 56,000 new infections per year, Kenya has the world's seventh-largest population of PLHIV (UNAIDS, 2015). Using UNAIDS data and assuming stable incidence of 56,000 new infections annually, the country could have 1.7 million PLHIV by 2020. To achieve the UNAIDS 2020 goal of 90-90-90 (see text box), Kenya will need to increase the number of PLHIV on ART by approximately 1 million while maintaining the more than 744,000 currently receiving treatment. This estimate represents a 134 percent increase in the population of PLHIV receiving ART.

In Kenya, HIV prevalence is highest among women and the second, middle, and fourth wealth quintiles (Figure 1). These data suggest that HIV affects a relatively high-income population who can potentially afford to pay for health insurance. Private sector facilities constitute 51 percent of the health facilities in Kenya and represent an opportunity to expand HIV care and treatment. However, this will require reducing financial barriers to access care with financing options like comprehensive private health insurance.

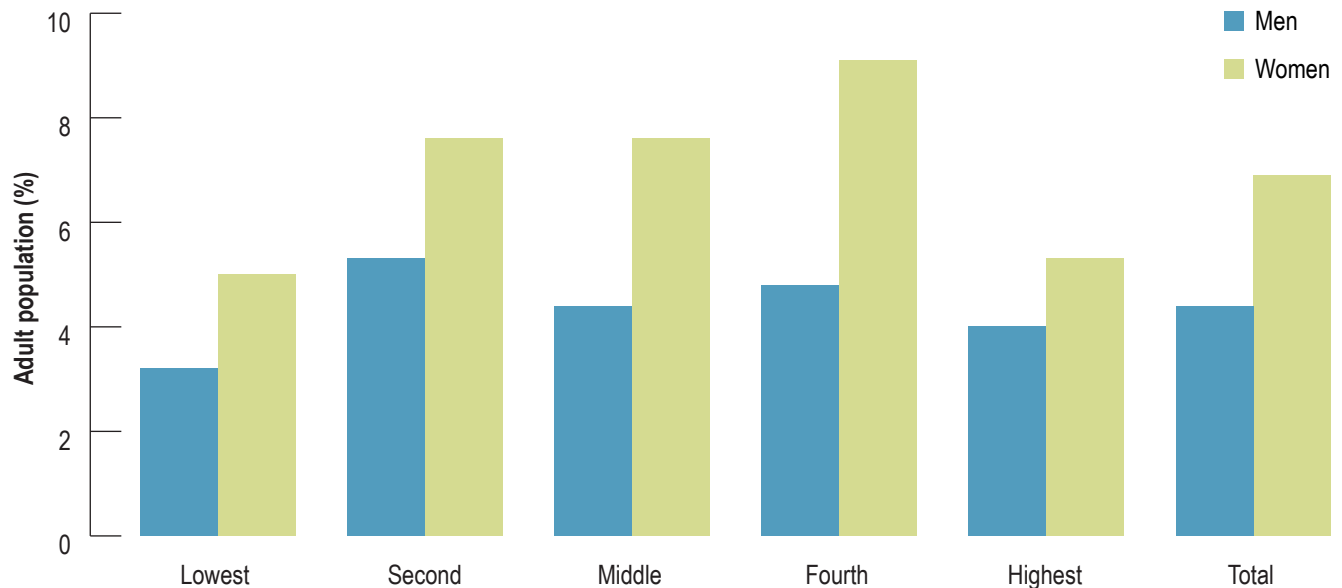


Jessica Scranton

UNAIDS 90-90-90 Goal

In response to the worldwide HIV and AIDS crisis, in 2014 the Joint United Nations Program on HIV/AIDS (UNAIDS) announced a fast-track approach to end the epidemic by 2030. To reach that target, UNAIDS set a goal for 2020 of 90-90-90: 90 percent of all people living with HIV will know their HIV status, 90 percent of all people diagnosed with HIV will receive sustained ART, and 90 percent of all people receiving ART will have viral suppression.

Figure 1. HIV prevalence by gender and wealth quintile



Source: National AIDS and STI Control Programme, 2014

Increasing the use of private health insurance can mobilize domestic resources by acting as a contribution mechanism for those with the ability to purchase insurance products, directing their personal investment to protect their families from unexpected out-of-pocket (OOP) health expenditures. Such strategies can liberate donor and public resources to target low-income groups who cannot afford to pay.

Kenya's government has a constitutional commitment to provide the highest attainable standard of health care and to achieve universal health care. The growing HIV burden threatens these goals; even with donor assistance, the predicted cost to support millions of Kenyans on ART is daunting. The epidemic could reach a point where donors and the government will be unable to keep pace with providing treatment for new infections. Accordingly, it is critical that the country scales ART to curb new infections.

The private sector has the capacity to increase access to ART by reducing physical and financial barriers to care. To this end, the government provides free HIV test kits and ART to private facilities to increase access. However, although private sector HIV commodities are subsidized, private sector care is not and requires steady revenues. To harness this latent potential, the government will need to align achievement of public health goals with incentives for private providers.

GOALS

The Strengthening Health Outcomes through the Private Sector (SHOPS) project received U.S. President's Emergency Plan for AIDS Relief (PEPFAR) support through USAID to establish a field program in Kenya between October 2012 and September 2015. The SHOPS objective in Kenya was to increase the role of the private health sector in delivering sustainable and high quality information, products, and services through expanded health care financing mechanisms and scale-up of innovative service delivery models. To expand health care financing mechanisms, SHOPS focused on identifying and strengthening promising finance models. Simultaneously, SHOPS advocated on behalf of vulnerable populations, including those at risk of catastrophic health costs and PLHIV, to increase private insurance companies' awareness and focus on product design. By promoting marketing strategies, producing new data, and piloting interventions that control medical costs, the SHOPS team demonstrated that vulnerable populations were ready for private sector financial services. Through this work, SHOPS moved toward its goal of increasing the number of lives covered by private health care financing mechanisms to support a sustainable and effective HIV response.

PRIVATE HEALTH SECTOR AND FINANCING

Private providers (both for-profit and nonprofit) represent 51 percent of all health facilities in Kenya, and for-profit providers deliver approximately 33 percent of HIV counseling and testing services and 25 percent of ART (National AIDS and STI Control Programme, 2014). The World Health Organization's Service Availability and Readiness Assessment Mapping 2013 estimates that 52 percent of for-profit and 71 percent of nonprofit health facilities have the infrastructure and human resources required to provide HIV services (Government of Kenya, 2014).

Currently, only 900 facilities (representing 22 percent of all private facilities) provide HIV services. The assessment mapping identified an additional 1,361 private facilities not offering HIV services that have adequate infrastructure and staff. These additional facilities represent an idle capacity that can be used to expand access to HIV services and demonstrate that the private sector has the capacity to meet 85 percent of the unmet ART need (Banke et al., 2014). To leverage the availability of private providers for the delivery of HIV services, Kenya needs to address how to finance care at those facilities.

Kenya Snapshot

Population: **45.5 million**

Gross national income per capita: **\$1,160**

2013 annual private insurance premiums: **\$235 million**

HIV prevalence: **5.3%**

People living with HIV: **1.4 million**

HIV incidence: **56,000 per year**

Estimate of people living with HIV in 2020 (with stable incidence): **1.7 million**

90% of people living with HIV on ART in 2020: **1.6 million**

Source for HIV prevalence, people living with HIV, HIV incidence, and 2020 estimates: UNAIDS, 2015

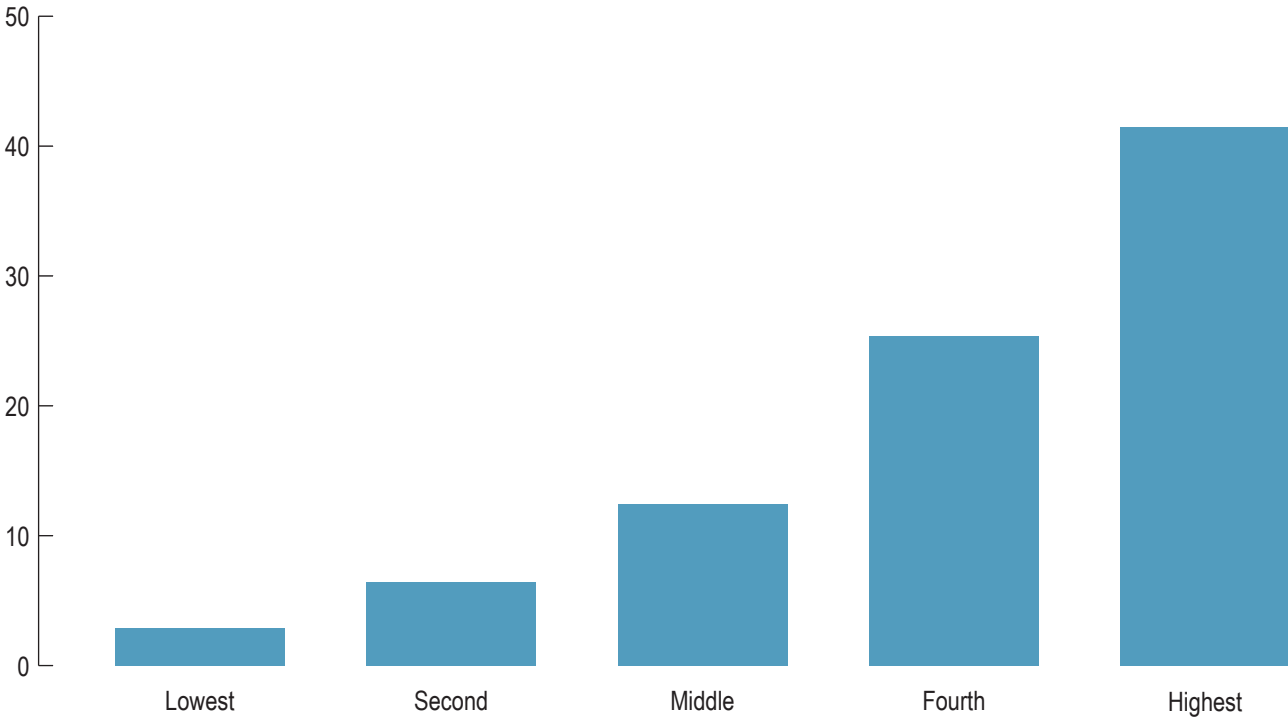
Eighty percent of HIV expenditures originating from private sources are paid OOP, while only 20 percent are paid through health insurance. Kenyans paying OOP often delay seeking care or forgo care altogether. Specific to HIV, delays or inconsistent behavior in seeking care can lead to unfavorable outcomes, including delayed enrollment in ART and poor adherence. Out-of-pocket payments also promote inequities, as they tend to account for a larger percentage of poorer households' incomes and punish those who require additional health care, including PLHIV. In 2010, PLHIV spent Ksh 3 billion OOP at commercial facilities (SHOPS Project, 2014). This amount represents 54 percent of all OOP spending by PLHIV.

Health insurance schemes can help protect PLHIV by reducing financial barriers to accessing care in the private sector and minimizing the risk of impoverishment as a result of health care expenses.

This can improve health-seeking behaviors, increase treatment adherence to achieve viral load suppression, and improve health outcomes. Private insurance coverage can offer PLHIV a wider choice of providers beyond the public sector. By shifting more PLHIV to private facilities, private health insurance can free up public sector resources for PLHIV who cannot afford to pay for insurance and require a public subsidy.

Insurance currently covers 20 percent of the Kenyan population. Approximately 86 percent of the insured population is covered by the public National Hospital Insurance Fund, 10 percent by private health insurance, and 4 percent by community health insurance schemes. Disparities exist, with the highest coverage in the wealthiest quintile (42 percent) and lowest in the poorest (3 percent) (Figure 2).

Figure 2. Population insured by income quintile (%)



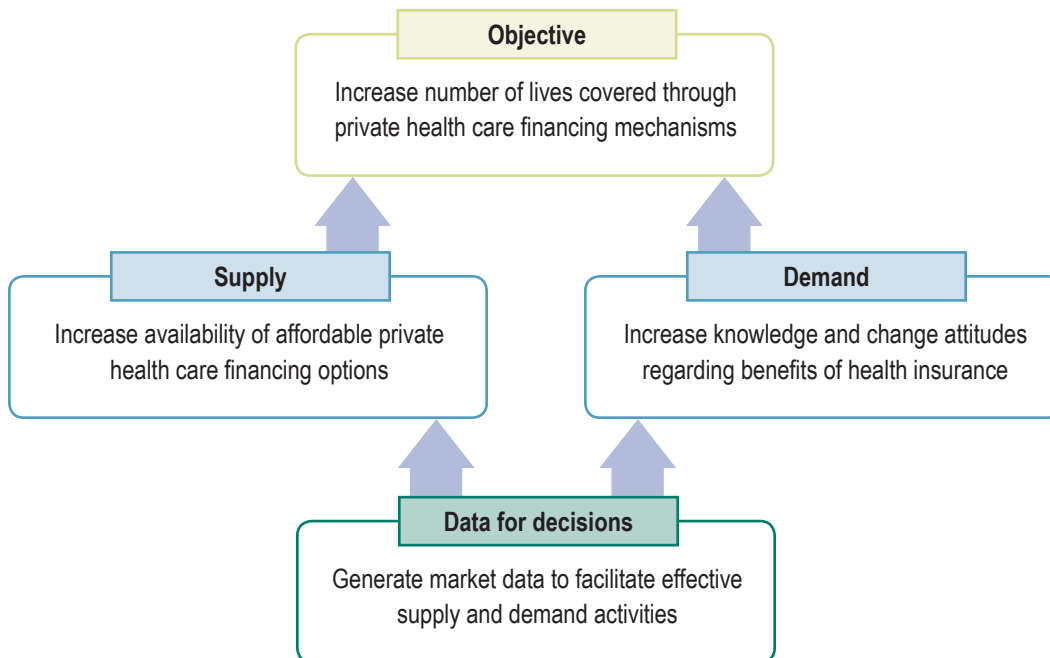
There are many reasons for low insurance uptake (see table). Frequently, insurers in Kenya do not have the data to design appropriate and affordable products. Furthermore, many insurance companies lack the necessary resources and expertise to identify and develop channels to sell and distribute targeted products. To understand demand for insurance products among lower-income and informal sector workers, SHOPS conducted a survey in Nairobi, the county with the largest population of PLHIV. The data showed that participants generally understood the value of health insurance, but they believed it was unaffordable and were not knowledgeable about how and where to acquire it. Also, accreditation and quality assurance systems to monitor health care services were weak. Health care insurers and providers found insurance administration burdensome due to complicated products and laborious manual claims processes. Private insurance companies collected Ksh 20.5 billion (\$235 million) in 2013—approximately 50 percent of PEPFAR funding for Kenya that year. Although insurance premiums will not replace the need for donor funds, this represents significant amounts of donor resources used for health.

INCREASING DOMESTIC RESOURCES FOR HIV FINANCING

SHOPS designed health care financing interventions to tackle supply- and demand-side barriers to health insurance uptake and to increase the health insurance coverage of PLHIV through private health care financing mechanisms (Figure 3).

Barriers to health insurance uptake	
Health care providers	<ul style="list-style-type: none"> • Varied quality of providers • Health insurance is complicated to administer
Insurers	<ul style="list-style-type: none"> • Limited expertise and data to design products • Medical inflation due to fee-for-service payment
Clients	<ul style="list-style-type: none"> • Limited knowledge of health insurance • Few affordable products
Sales channels	<ul style="list-style-type: none"> • Lack of well-trained sales agents

Figure 3. SHOPS Kenya health care financing approach



Addressing Supply

Design low-cost financing products.

The high prevalence of HIV among the middle- and fourth-income quintiles presents an opportunity to design well-priced health insurance for PLHIV who have the ability to pay. Equity Bank, the largest bank in Africa by customer base, reported that medical reasons contribute to 25 percent of defaulted loan repayments. Recognizing that poor health threatens the bank's ability to achieve its goal of increasing financial services to transform socioeconomic growth, Equity Bank is committed to making health care widely available that is affordable, standardized, of a high quality, and comprehensive.

Equity Afia is Equity Bank's solution to addressing access and financial barriers to health care. Equity Group Foundation will manage the Equity Afia franchise, which will serve as a sustainable, integrated health delivery model that will increase the provision of health services. The franchise will include an affordable and comprehensive health financing component.

SHOPS supported Equity Group Foundation in establishing the Equity Afia franchise and developing health care financing products, including medical savings and health insurance products. Building on the popularity of the Equity brand, Equity Afia primarily targets Equity Bank's eight million account holders. The objective is to increase health insurance sales to include vulnerable populations such as PLHIV, especially those living in urban areas such as Kisumu and Nairobi. This partnership between PEPFAR and Equity Bank contributes to PEPFAR's goal of increasing domestic resources for HIV and access to ART while achieving Equity Bank's goal of socioeconomic growth in Kenya.

Increase uptake of affordable private health insurance.

To increase insurance coverage and reduce the financial barriers to access in the private health sector, SHOPS established a partnership with Kenya's Cooperative Insurance Company (CIC) to strengthen and expand the reach of its low-cost health insurance products, Afya Bora and Equihealth. These products were designed to offer



The SHOPS project partnered with Kenya's Cooperative Insurance Company to expand the reach of its low-cost health insurance products, Afya Bora and Equihealth.

health insurance to more than 10 million people who were traditionally considered to be an unviable health insurance market.

Afya Bora covers up to \$3,500 in comprehensive outpatient and inpatient care costs for a family of seven members for a premium of \$190 per year. The comprehensive benefits package includes HIV prevention, care, and treatment services at low-cost private hospitals across Kenya.

SHOPS initiated technical assistance in February 2013 to develop distribution strategies and open new distribution channels to increase access to

Afya Bora. SHOPS and CIC focused on building the capacity of trusted financial intermediaries commonly used by low-income Kenyans. SHOPS supported CIC in monitoring Afya Bora’s performance in achieving sustainable growth, ensuring that Afya Bora remained well-priced for the second, middle, and fourth wealth quintiles.

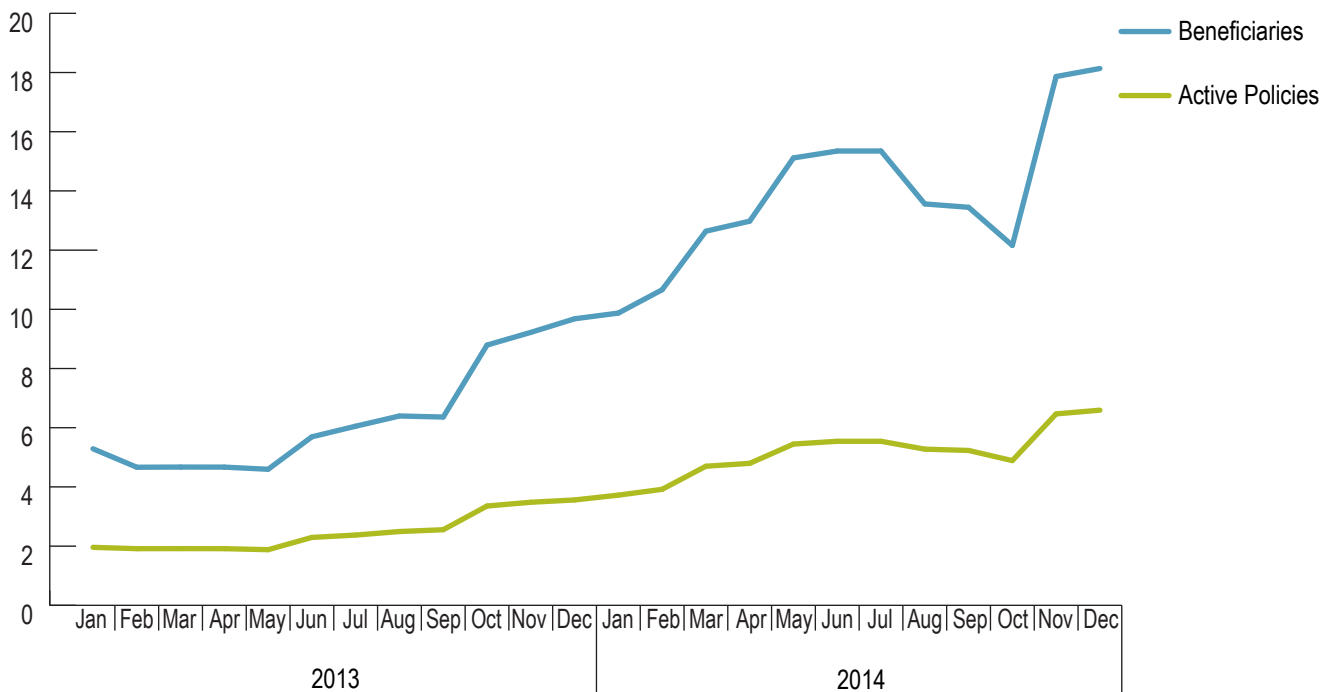
In addition, the project supported a partnership between CIC and Equity Bank to increase uptake of Equihealth, a micro-health insurance product sold solely through Equity Bank branches and its agents, with the potential to reach its 8 million account holders. SHOPS provided technical assistance to develop new distribution channels through the bank’s 10,000 agents by piloting the sale of Equihealth through 1,000 agents in Nairobi County and documenting the lessons learned from this experience to inform future efforts. With SHOPS technical assistance, Afya Bora and Equihealth’s

“I have told everyone in my family about Afya Bora, and they are all keen to join. They have seen through my experience that health care can be expensive, but with medical coverage, it is a lot more manageable.”

– Afya Bora policyholder who has an HIV-positive wife and child

policies increased from about 2,000 to 6,600 and beneficiaries grew from 4,600 to 18,000 lives covered between February 2013 and December 2014 (Figure 4).

Figure 4. Afya Bora and Equihealth policies and beneficiaries, January 2013–December 2014 (in thousands)



Note: The October 2014 decline in numbers is attributed to a loss of policies due to client preference for broader benefits beyond Afya Bora coverage and service delivery challenges that have since been resolved.

Control medical inflation through prospective payment mechanisms.

Private providers are paid through a fee-for-service payment mechanism, perpetuating an incentive for providers to give unnecessary services and contributing to medical inflation, which is estimated at 20 percent per year. In 2013, the private health insurance industry collected \$235 million in premiums and recorded a profit margin of only 1 percent, making health insurance an unprofitable business compared with other insurance business lines. As a result, insurers are forced to increase premiums annually, driving the price out of reach for many Kenyans and reducing the incentive to design low-cost products. This annual price increase fuels the negative perception that insurance is too expensive and designed for the wealthy, as shown by a health insurance knowledge, assessment, and perceptions study conducted by SHOPS.

To address these rising costs, SHOPS advocated for the introduction and adoption of capitation models (see text box) to Kenya's largest private health insurance providers and private health care facilities. Through workshops, SHOPS presented international experiences and lessons learned, and facilitated planning exercises and partnership discussions. By shifting the financial risk from payers to providers, capitation provides an incentive for providers to deliver only necessary services. By containing medical costs, health insurance companies save money that can be passed to their members in the form of lower premiums or increased benefits.

Capitation: payment per person

In capitation, rates are set to provide a defined package of care at a fixed sum per person enrolled with a provider for a defined period of time (World Health Organization, 2010). This financing approach creates incentives for providers to be cost-effective and actively discourages overprescription, deters patient-induced fraud, and encourages rollout of preventive health programs.

Leverage technology to reduce administrative costs.

Despite Kenya's being a regional leader in technology and innovation, health insurance operations are largely manual and paper-based. This practice perpetuates high administrative burdens and costs for both insurers and providers. A working group comprising the largest health insurance companies—and more than 60 percent of Kenya's total health insurance market—approached SHOPS for technical assistance to resolve claims management problems.

“Paper-based systems are costly and inefficient. We need to change now.”
– *General manager of a private insurance company*

SHOPS contracted a Kenyan technology firm, Savannah Informatics Limited, and facilitated discussions among insurers, providers, and the firm to develop an electronic data interchange (EDI) to automate claims payments. The EDI generates data on service provision, including HIV services, funded by private health insurance. Policymakers and funders can use this information to inform understanding of the private sector's contribution to HIV service delivery and financing and how they can better leverage the private sector. It can also inform insurers' decisionmaking processes regarding health insurance product design and provider payment mechanisms. The EDI is expected to reduce both the turnaround time of claims payments and the paper and labor required for claims management. Funds saved by these measures may be shifted to insurance members in the form of lower premiums or increased benefits.



Providers and insurers discuss aspects of health insurance products at a SHOPS workshop.

Addressing Demand

Promote uptake of existing health insurance products.

SHOPS conducted market research to inform the design of the CIC health insurance product and sales strategy. The team developed a campaign with print materials and radio scripts to support sales efforts. CIC distributed the print marketing materials through its distribution channels to educate consumers and support sales.

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SHOPS supported the design of posters in English (left) and Kiswahili (right) to promote the benefits of Afya Bora.

Address knowledge gaps using mass media.

A significant barrier to the uptake of health insurance is the lack of knowledge about affordable products. The cost of consumer education is a barrier for health insurance companies, particularly for providers of low-cost insurance products. This perpetuates barriers to market growth for companies who may offer products at affordable rates but cannot reach new clients.

SHOPS carried out market research to assess the health insurance knowledge of Nairobians working in the informal sector, living in Nairobi, and earning between \$5 and \$15 per day. The intervention helped stakeholders understand the knowledge gaps, attitudes, and perceptions of this population group regarding health insurance. Findings from the baseline survey show that informal sector workers are aware of their exposure to health risks and the direct and indirect value of owning health insurance, but they lack clarity on insurance terms. They have a general mistrust of private insurance companies and view products as expensive and designed for the wealthy. However, respondents indicated interest in affordable, comprehensive products with flexible payment options.

“I have never bothered to follow up on health insurance because I think it’s expensive. They may charge me some insane amount of money that I cannot afford.”
– Middle-aged, uninsured female focus group participant

SHOPS collaborated with the insurance industry association and the insurance regulator to conduct a media campaign that addressed many of the misconceptions identified in the survey. The campaign used a variety of channels, including radio, television, advertising, as well as door-to-door and market activations. It aimed to increase demand for private health insurance among Kenyans—particularly women living with HIV—in the informal sector. This partnership included cobranding with the insurance regulator and the industry association as well as joint community engagements with insurers through marketing to promote relevant health insurance products.



SHOPS supported the design of posters to increase general knowledge and awareness of health insurance.

Improve data for decisionmaking.

Kenya lacks data on cost, use, and quality to inform pricing, benchmarking, and decisionmaking for private health insurers and providers. Lack of accurate cost and utilization data has reduced the capacity of insurers to design products that sustainably cover HIV services, thereby reducing the availability of affordable insurance products for PLHIV. In addition, insurers have inadequate systems to monitor the quality of care provided to members and the weak quality assurance procedures do not allow insurers to set rates based on the quality of care.

SHOPS conducted an analysis of private sector cost, using data collected in partnership with the German Society for International Cooperation. The study generated outpatient visit and inpatient bed-day unit costs, service-specific costs for HIV (HIV counseling and testing, ART), and other health areas at private clinics, health centers, and hospitals. Simultaneously, SHOPS conducted a quality assessment on the same private facilities. Using these data, SHOPS compared the cost and the quality of care delivered at private health facilities.

Findings showed a wide variability of costs across the different levels of care, indicating opportunities to improve technical efficiency. Quality of care was generally low, with the smaller facilities scoring lowest. This showed a need for continuous quality improvement and quality assurance systems to ensure patient safety. In comparing cost and quality, there were a few facilities offering relatively better care at lower cost, and these could provide lessons for achieving technical efficiency and quality. The results from this study could inform private health care delivery reform, insurance product design, prospective payment mechanisms, negotiation of reimbursement rates between private providers and private and public insurers, and HIV investment decisions toward a sustainable response to HIV.

In addition, data and evidence are important factors in identifying new opportunities for health insurance distribution and market development. Leveraging technology like the EDI will improve reporting and strengthen health information systems that are critical for policymakers and HIV programs.

LESSONS LEARNED

The experience of SHOPS in Kenya can inform the efforts of private sector stakeholders, donors, the public sector, and partners in planning and implementing policy through the following lessons.

An unbiased facilitator can help insurers and providers form effective partnerships.

In its work to introduce capitation and the EDI platform, SHOPS served as an unbiased facilitator to invest significant resources in building partnerships with industry players. Private insurers and providers had a tense relationship due to years of payment delays and other disputes. In response, SHOPS focused on the operational and technical challenges that stakeholders had in common and prioritized solutions that would benefit both sides. For example, SHOPS focused its technical and financial resources on the EDI pilot to overcome hesitations and generate evidence for the use of new, potentially cost-saving platforms for health insurers and health care providers.

Opportunities exist that can increase access to private health financing services to vulnerable communities, while promoting private sector growth.

From a business perspective, SHOPS's activities focused on reducing administrative costs, increasing revenue for health care, and generating data that



Diane Friedmann

are useful to management. For example, the EDI provides data for decisionmaking and supports the design of affordable products. Private providers and insurers may not put emphasis on generating data that are geared solely toward HIV programming, but they are aware of the high administration costs of claims management and the need for automation. By addressing the business challenge of claims automation, systems will now be able to generate HIV claims data that can inform policymakers and future HIV programming.

The private sector needs support to improve a culture of data sharing for decisionmaking that promotes growth.

The SHOPS experience with collecting costing data was challenging, as it required gaining sensitive financial information that many facilities were unwilling to share. Many facilities had misgivings due to previous surveys and studies that had interrupted their operations—but did not benefit them—as the results were not disseminated and shared. SHOPS shared the results with the facilities to demonstrate the value of the exercise and to provide actionable data. Dissemination of results will foster a culture of data sharing that is critical for appropriate business planning and understanding the determinants of ART expansion in the private sector.

Data on market preferences, understanding insurance, health care use, and health expenditures are sparse, but critical, for health insurance industry growth.

To grow market opportunities for low-cost insurance, data are necessary to inform product design and marketing strategies. The market research conducted for CIC was critical to inform opportunities for Afya Bora growth and helped to increase sales following more precise distribution strategies that used the collected data. In addition, the data informed further product design and partnerships with new intermediaries, such as Equity Bank, and design of marketing materials that resonate with the target audience. The generic health insurance marketing campaign provided unique insights on the low-income informal sector workers that informed the media campaign. These insights can be used by private companies and development partners interested in introducing new insurance products.

Well-targeted donor funds can attract further financing from the private sector.

Private sector partners dedicated significant resources to ensure that the projects were completed in a timely manner, ensuring that SHOPS's activities were on a path to sustainability beyond the life of the project. For example, CIC invested twice the contribution of SHOPS in project specific activities and its larger micro-health insurance portfolio. Additionally, participating private providers and insurers contributed their managerial staff and committed their technical and operational human resources. This commitment translated to numerous man hours and participation in project management meetings—more than 160 hours for the EDI steering committee.

For the health insurance media campaign, several private organizations providing low-cost health insurance committed to running parallel media initiatives to augment the campaign and provided staff as subject experts for radio shows. By carefully programming the available donor funds, SHOPS quadrupled its effect by leveraging domestic funds from private sector players.



Jessica Scanton

CONCLUSION

By aligning the goals of all stakeholders, Kenya is uniquely positioned to meet its constitutional mandate to provide the highest attainable standard of health care and achieve an AIDS-free generation. The country can achieve these goals by expanding access to private health facilities through supporting private health care financing mechanisms. The private sector has the capacity to increase its current scope and coverage, including HIV prevention, care, and treatment services to address barriers. Unlike the public sector, the unsubsidized private sector must earn the necessary revenues to cover costs and reach growth targets.

SHOPS demonstrated that these incentives can be aligned to achieve public health goals. Increasing access for people who are willing to pay for insurance premiums and other services can allow the public sector to direct its limited resources toward those who cannot pay. In this way, private facilities can support the scale-up of specific health goals, including the increased provision of ART, closing the treatment gap, and reaching the UNAIDS 90-90-90 goal.

As Kenya's economy grows, external resources for disease-specific programs such as HIV, tuberculosis, and malaria will eventually decline and taper off. To mitigate this, ongoing discussions address increasing domestic resources for health. SHOPS demonstrated increased investment of approximately \$2.3 million from partnerships with insurance and technology companies. This figure includes insurance premiums of approximately \$1.3 million raised through Afya Bora and Equihealth sales. This experience has shown that private health insurance increases domestic resources for health and creates a sustainable response to HIV financing. Private health insurance decreases the likelihood of catastrophic health expenditure and reduces adverse coping mechanisms, such as borrowing and selling productive assets for health care expenditures. These changes will be critical as Kenya prepares to adopt a test-and-treat strategy to get more PLHIV on ART.

Pursuing domestic financing strategies will require active engagement from the private sector, continuous innovation, and determination. The work of SHOPS in Kenya demonstrates potential for the private provision of health financing to contribute to a sustainable HIV response and, broadly, an improved health system for all Kenyans.



Access Afya

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For more information about the SHOPS project, visit: www.shopsproject.org



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