

BUSINESS DAILY

ECONOMY

Employers to pay NHIF contributions for staff

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SUMMARY

- Kenyan employers face additional burden of statutory deductions if Parliament passes a Bill that requires business owners to match workers' monthly contributions to the National Hospital Insurance Fund (NHIF).
- Doubling the Sh1,700 that top contributors make to the NHIF ranks high on the list of targeted changes to the NHIF Act, which will be introduced to Parliament this morning at a special session.
- The plan is to have the workers continue paying same amounts and employers matching in a structure modelled on the National Social Security Fund (NSSF).

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The plan is to have the workers continue paying same amounts and employers matching in a structure modelled on the National Social Security Fund (NSSF).

This will see employers pay at least Sh25 billion to NHIF, a hit to firms that are yet to recover from coronavirus-induced slump, which triggered job cuts, hiring freezes and business closures.

“The bill proposes to amend Section 15 of the Act to provide for the liability of employers to make a matching contribution to the fund equal to that which the employee is liable and makes it mandatory for Kenyan residents to contribute to the fund,” says the government-backed Bill to be introduced in Parliament by National Assembly Majority Leader, Amos Kimunya.

“A person liable to pay a matching contribution under Section 15 shall pay such contribution in their capacity as an employer and shall not deduct such contribution from the salary or other remuneration of the employee.”

The NHIF had 8.898 million members at end of June 2020, with 4.452 million drawn from the formal sector and 4.546 million from the informal segment.

Formal workers contributed Sh24.89 billion to the NHIF in the financial year ended June 2017, the latest available detailed financial statement shows, a pointer that employers will pay at least Sh25 billion.

This has the potential of making NHIF the richest State-backed firm with annual collections of close to Sh100 billion given its receipts of Sh60 billion in the year to June. It paid out Sh54.3 billion to hospitals as members’ claims.

The changes to the NHIF law are silent on whether the fund will enhance its benefits on the back of near doubling of its annual collection.

Employers who remit the money late or beyond the 9th of each month will be liable to a penalty of 25 percent of the outstanding contribution and also foot all medical bills for workers who fall sick within the default period. As at present, individual contributors who fail to pay their premiums by the ninth of every month pay a 50 percent penalty.

“Employer shall be liable to pay the penalty prescribed in subsection (I) and pay the costs incurred by the employee when seeking treatment from a contracted health care provider during the period when the contribution is due,” says the Bill.

Having businesses pay for yet another medical scheme for workers — in addition to the private health insurance they already buy their employees — is expected to face stiff opposition from employers, who see it as raising the cost of doing business in Kenya.

The proposal comes barely six years after the NHIF raised workers' contributions from Sh320 to a graduated scale of between Sh500 and Sh1,700 per month based on monthly pay.

The higher fees came with the introduction of outpatient cover for contributors and enhanced benefits for specialised treatment such as cancer and kidney dialysis.

Private sector employers currently match the Sh200 monthly contribution that their employees make to the NSSF for a total of Sh400.

The review of the NHIF contributions comes as the State mulls a universal health coverage (UHC) scheme for outpatient and inpatient services, including maternity, dialysis, cancer treatment and surgery.

Each household without a parent in formal employment will be required to make a compulsory monthly contribution of Sh500 or Sh6,000 annually to the fund in the quest to offer health cover for all Kenyans.

Currently, informal workers have a choice to join or drop NHIF membership, with their monthly contributions set at Sh500. Formal sector workers must be NHIF members.

The planned mandatory NHIF membership will be an upgrade of the current scheme where only workers in the formal sector are compelled to join.

The State has offered to sponsor one million poor households at the onset of the UHC scheme, which is modelled on the US's Obamacare that requires all Americans to buy insurance cover. Due to low insurance penetration, a quarter of all Kenyans' healthcare bills are paid out of pocket, according to the World Bank.

This leaves many families vulnerable and reliant on debt and donations or disposal of assets such as livestock. Kenya has ranked top the attainment of UHC by 2022 by expanding the NHIF after years of false starts.