

## Abstract

Striking the balance between the health needs of Kenya's population and its resources will continue to require a careful balance of healthcare financing strategies. As the country's needs change over time, the government will need to continue to strengthen and adapt healthcare financing policies and implementation mechanisms. Employer -provided health insurance is one of the financing mechanisms, which can be explored to increase economic growth by increasing productivity and shift part of financial burden from the government to private health insurance schemes. Although employer- provided health insurance cannot be used solely to finance health care because it is based on employment, it can supplement and or compliment the already existing National Hospital Insurance Fund (NHIF). It is also a foundation block for developing a National Social Health Insurance (NSHI). Employer-provided health insurance will reduce the effects of adverse selection associated with private health insurance (PHI) markets because risks are usually spread among many employees and at the same time inject resources to the health system, increase supply of highly qualified health personnel in both private and public health institutions and lead to faster access to health services with private health care providers (Custer 1999, OECD 2004). However, employer-provided health insurance has not played a significant role in financing health care in Kenya with only 541,000 people covered by year 2008 either through employer or through personal initiative (AKI 2008). This study investigated the factors which determine whether an employer will or will not afford a Private Health Insurance policy for his/her employees among registered employers in Nairobi province. Sampling was done by randomly selecting 422 companies from a sampling frame of 9,685 companies obtained from the Kenya National Bureau of Statistics (KNBS). Data were collected through structured interview questionnaire with both open and closed ended questions. A total of 347 employers were interviewed. Among the companies interviewed 37.8% had less than or equal to 20 employees, 22.5% had between 21 and 40 employees and about 19.6% companies had over 100 employees at the time of the study. A few companies had between 61 and 100 employees. Most of the companies interviewed were Kenyan owned representing 88% and 12% were foreign owned. The mean age of companies interviewed was 19 years with a range of 105 years in existence. Four factors were found to be significant in relation to PHI subscription. Increasing annual turnover and number of employees is associated with increasing the probability of the employer providing health insurance to employees when all the other factors were controlled. In companies where employees are more professionals than non-

professionals was found to be associated with increased probability of the employer providing health insurance to employees and when a company had union workers there was an increased probability of the employees being provided for health insurance cover. Age and ownership of a company were found to be significant when the other factors were not controlled for. This study concludes that these factors are important to consider if uptake of PHI among employers is to be increased. Cost of premiums is to be considered if a policy to increase PHI is to be adopted. There is a great potential for SHI in Kenya as 66% of employers were willing to participate. This study recommends that the Kenya employment act should be revised and reinforced to ensure that employers give health benefits to employees with emphasis on health insurance. In this study, 70% of employees perceived PHI to be very important and 73% perceived it to increase productivity. However 47% of employers had no knowledge about the effect of PHI on company's profit. The government through IRA should organize educational programmes to employers on the effects and importance of PHI on the company's well being. Insurance Regulatory Authority should also organize for open day between employers and MIPs for employers to learn more about products available and for MIPs to learn the challenges employers are facing with the products. Education on importance of health insurance to the public is also crucial as this study found that employees prefer other modes of health benefits which may not be as beneficial as insurance in event of illness. The major reason why most employers do not offer PHI to employees is because PHI is expensive. With the escalating cost of living the government needs to consider increasing the tax relief for employers who offer PHI as an incentive. In developed countries like the United States and Canada, governments intervene in the market by subsidizing employer provision of health benefits by excluding employer contributions to these benefits from the employee's taxable income, which is one factor that has led to the predominance of employer provided health insurance in these countries (Finkelstein 2002). Medical insurance providers should also be flexible to the mode of payments by the employers.