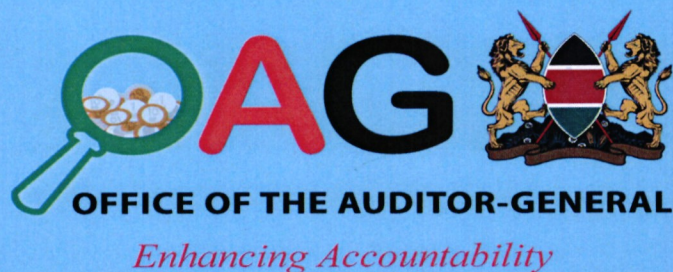


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**THE AUDITOR-GENERAL**

**ON**

**NATIONAL HEALTH INSURANCE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



# ANNUAL REPORT AND FINANCIAL STATEMENTS



FOR THE FINANCIAL  
YEAR ENDED JUNE 30,  
2022

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

28 APR 2023

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PREPARED ON ACCRUAL BASIS OF ACCOUNTING IN ACCORDANCE WITH THE  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)







# **NATIONAL HEALTH INSURANCE FUND**

*Reports and Financial Statements  
For the year ended June 30, 2022*

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## **TABLE OF CONTENTS**

|                                                                                                         |     |
|---------------------------------------------------------------------------------------------------------|-----|
| TABLE OF CONTENTS .....                                                                                 | 1   |
| KEY NHIF INFORMATION.....                                                                               | 2   |
| THE BOARD OF MANAGEMENT .....                                                                           | 6   |
| KEY MANAGEMENT TEAM.....                                                                                | 14  |
| CHAIRPERSON'S STATEMENT .....                                                                           | 18  |
| REPORT OF THE CHIEF EXECUTIVE OFFICER .....                                                             | 20  |
| REVIEW OF NHIF PERFORMANCE FOR THE FINANCIAL YEAR 2021/2022.....                                        | 22  |
| CORPORATE GOVERNANCE STATEMENT.....                                                                     | 37  |
| DISCUSSION AND ANALYSIS .....                                                                           | 42  |
| ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....                                                        | 66  |
| REPORT OF THE BOARD OF MANAGEMENT .....                                                                 | 72  |
| STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES .....                                               | 73  |
| STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME FOR<br>THE YEAR ENDED 30 JUNE 2022 ..... | 76  |
| STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 .....                                                | 77  |
| STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 .....                                    | 78  |
| STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....                                           | 79  |
| STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR<br>ENDED JUNE 30, 2022.....           | 80  |
| NOTES TO THE FINANCIAL STATEMENTS.....                                                                  | 82  |
| APPENDIX 1: DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS .....                                    | 120 |
| APPENDIX 2: INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES SCHEDULE<br>.....                          | 121 |
| APPENDIX 3: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....                                       | 122 |
| APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES<br>.....                              | 139 |

# **NATIONAL HEALTH INSURANCE FUND**

## ***Reports and Financial Statements For the year ended June 30, 2022***

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### **KEY NHIF INFORMATION**

#### **Background information**

The National Health Insurance Fund (NHIF) was first established under the National Hospital Insurance Fund Act (Cap. 255 of the Laws of Kenya) in 1966, transformed into a state corporation by the National Hospital Insurance Fund Act, No. 9 of 1998, and presently being regulated by the National Health Insurance Fund Act No. 9 of 1998 (Revised 2022).

NHIF's mandate is to sustainably register beneficiaries, generate revenue and pay for health benefits for its members. The key deliverables are securing financial risk protection against the catastrophic effect of out-of-pocket spending on healthcare services for all Kenyan residents through prudent financial management of members' contributions and other resources.

Membership is open to all Kenyans who have attained the age of 18 years and covers members and their declared dependants (spouse and children). Services are available in 156 service outlets including 70 fully-fledged branch offices, 33 satellite offices, and 53 Huduma Centres countrywide. As strategy to bring services closer to members, the Fund has availed selfcare platforms both on mobile and web portal, as well as a 24-hour call centre.

#### **Principal Activities**

NHIF is mandated to: -

1. Receive contributions and other payments.
2. Make payments out of the Fund to declared hospitals.
3. Set criteria for the declaration of hospitals and to declare such hospitals in consultation with the Cabinet Secretary.
4. Regulate the contributions payable to the Fund, benefits and other payments made from the Fund.
5. Protect the interests of contributors to the Fund.
6. Advise the Minister on the national policy to be followed regarding national health insurance and to implement all Government policies relating thereto.
7. Facilitate attainment of Universal Health Coverage (UHC) with respect to health insurance.
8. Administer employee benefits as provided under this Act on behalf of employers in respect of their employees.
9. Perform such other functions as are conferred on it by this Act or by any other written law.



# **NATIONAL HEALTH INSURANCE FUND**

## **Reports and Financial Statements**

### **For the year ended June 30, 2022**

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#### **Vision**

To be the trusted and valued partner in Securing the health of our community

#### **Mission**

To enhance equitable and sustainable health and wellbeing of our community, cushioning them from financial hardship

#### **Core Values**

- i) **Find a Better Way:** This is about continuous improvement, creativity and innovation, and not letting emerging challenges prevent us from achieving our objectives.
- ii) **We Make a Difference:** In the Funds decisions and delivery of services, there will be a deliberate effort to enhance the quality of customer services.
- iii) **We Win Together:** NHIF recognizes that the achievement of objectives and its corporate vision require teamwork, strategic partnerships and involvement of all stakeholders, including its clientele and Kenyans at large. Thus, the need for togetherness and joint efforts.
- iv) **Do the Right Thing:** Integrity is necessary for effective execution of the Fund's mission. In the day-to-day duties, the Fund will remain beholden to high standards of integrity, knowing that making the right decision will always take us a step closer to our vision.

#### **Customer Service Charter**

The Fund has a customer service charter that pledges and commits the following to the customer:

- ❖ Treating with courtesy and respect
- ❖ Upholding professionalism in serving
- ❖ Providing quality service
- ❖ Being accessible
- ❖ Providing accurate, relevant, timely and clear information
- ❖ Being responsive to customer needs and expectations
- ❖ Monitoring and evaluating customer satisfaction levels
- ❖ Handling all customer information with utmost confidentiality
- ❖ Upholding ethics in a corruption free environment

# **NATIONAL HEALTH INSURANCE FUND**

## **Reports and Financial Statements For the year ended June 30, 2022**

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### **Other Key Information of the Fund**

#### **Registered Office/ Headquarters**

NHIF Building  
Ragati Road  
P.O. Box 30443, 00100  
Nairobi, KENYA

#### **Corporate Contacts**

Telephone: (254) 020 2723255/6  
E-mail : [info@nhif.or.ke](mailto:info@nhif.or.ke)  
Website: [www.nhif.or.ke](http://www.nhif.or.ke)

#### **Chief Executive Officer**

Dr. Peter Kamunyo  
P.O. Box 30443, 00100  
Nairobi.

#### **Ag. Corporation Secretary**

Ms Janet Boit  
P.O. Box 30443-00100  
Nairobi

### **Corporate Bankers**

#### **National Bank of Kenya**

Hill Branch  
P.O. Box 45219-00100  
Nairobi, Kenya

#### **Co-operative Bank of Kenya**

Parliament Road Branch  
P.O Box 5772-00200  
Nairobi, Kenya

#### **Kenya Commercial Bank**

Moi Avenue Branch  
P.O BOX 30081-00100  
Nairobi, Kenya

#### **Equity Bank Limited**

Community Branch  
P.O Box 8181-00100  
Nairobi, Kenya

#### **NCBA Bank Kenya Plc**

Mara Rd, Upper hill  
P.O Box 44599-00100  
Nairobi Kenya

### **Independent Auditors**

#### **Auditor General**

Anniversary Towers,  
University Way  
P.O. Box 30084, GPO 00100  
Nairobi, Kenya

### **Actuarial Consultants**

#### **Kenbright Actuarial & Financial Services**

ACK Garden House, Block D  
P O Box 28281 - 00200  
Nairobi, Kenya



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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### Principal Legal Advisers

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#### **The Attorney General**

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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#### **Kithure Kindiki & Associates**

Annex C, 6th Floor, Tetezi Towers

P.O. Box 38077-00100, Nairobi

#### **KTK Advocates**

4th Floor, Kemu Towers

P.O. Box 10176-00100, Nairobi

#### **Munyao Muthama Kashidi Advocates**

Chaka Place, 3rd Floor ("TCA")

P.O. Box 24482-00100, Nairobi

#### **MMC Africa Law**

MMC Arches, Spring Valley Crescent

P.O. Box 75362-00200, Nairobi

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#### **Robison Harris Advocates**

Transnational Plaza, 6th Floor

P.O. Box 67845-00200, Nairobi

#### **Ogetto Otachi & Company Advocates**

Sifa Towers, 7th Floor

P.O. Box 79438- 00200, Nairobi

#### **Waweru Gatonye & Company Advocates**

Timau Plaza, 4th Floor

P.O. Box 55207-00200, Nairobi

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

### THE BOARD OF MANAGEMENT

The Board of Management is representative of all key stakeholders and is charged with the running of the Fund through policy formulation and decision making on all policy matters.

The Board members who served the entity during the period 2021/2022 were as follows:

| NAME                    | TITLE/ REPRESENTING                     | DATE OF APPOINTMENT         | EXPIRY OF APPOINTMENT       |
|-------------------------|-----------------------------------------|-----------------------------|-----------------------------|
| Hon. Lewis Nguyai       | Chairman                                | 22 <sup>nd</sup> April 2021 | 21 <sup>st</sup> April 2024 |
| Dr. Peter Kamunyo       | Chief Executive Officer                 | 14 <sup>th</sup> April 2020 | 13 <sup>th</sup> April 2023 |
| Mr. Dominic Ndegwah     | CS Health Appointee                     | 25 <sup>th</sup> March 2022 | 24 <sup>th</sup> March 2025 |
| Ms. Susan Mochache, CBS | PS Ministry of Health                   | 1 <sup>st</sup> Nov 2019    |                             |
| Dr. Isabella Maina      | Alternate Member, PS Ministry of Health | 22 <sup>nd</sup> Sept 2020  | 21 <sup>st</sup> Sept 2023  |
| Mr. Michael Kahiti      | Alternate Member, CS National Treasury  | 24 <sup>th</sup> Nov 2021   | 23 <sup>rd</sup> Nov 2024   |
| Albert Obed Njeru       | Central Organisation of Trade Unions    | 25 <sup>th</sup> March 2022 | 24 <sup>th</sup> March 2025 |
| Dr Andrew. W. Onyino    | Kenya Medical Association (KMA)         | 25 <sup>th</sup> March 2022 | 24 <sup>th</sup> March 2025 |
| Mr. Ben Wakhungu        | Rep. of Council of Governors            | 25 <sup>th</sup> March 2022 | 24 <sup>th</sup> March 2025 |
| Dr. Silpah Owich        | Rep. of Council of Governors            | 25 <sup>th</sup> March 2022 | 24 <sup>th</sup> March 2025 |

Other members who served the entity during the period 2021/2022 include the following:

| NAME                                 | TITLE/ REPRESENTING                                            | DATE OF APPOINTMENT        | EXPIRY OF APPOINTMENT       |
|--------------------------------------|----------------------------------------------------------------|----------------------------|-----------------------------|
| Mr. Joseph M. Kamau                  | Alt. Member/CS/The National Treasury                           | 16 <sup>th</sup> May 2016  | 23 <sup>rd</sup> Nov 2021   |
| Dr. Jacqueline Kitulu                | Kenya Medical Association                                      | 30 <sup>th</sup> Nov 2018  | 29 <sup>th</sup> Nov 2021   |
| Mr. Latiff Shaban                    | Faith Based Healthcare Organisations                           | 30 <sup>th</sup> Nov 2018  | 29 <sup>th</sup> Nov 2021   |
| Mr Samuel M. Arachi CBS, OGW, ndc(k) | Alternate Member, PS Ministry of Public Service Youth & Gender | 4 <sup>th</sup> March 2019 | 3 <sup>rd</sup> March 2022  |
| Dr. Jared Nyakiba                    | Alternate Member, DG Ministry of Health                        | 18 <sup>th</sup> Sept 2020 | 24 <sup>th</sup> March 2022 |
| Hon. Roba Duba                       | COTU (K)                                                       | 9 <sup>th</sup> May 2019   | 24 <sup>th</sup> March 2022 |
| Mr. Wycliffe Omucheyi                | Kenya National Union of Teachers                               | 9 <sup>th</sup> May 2019   | 8 <sup>th</sup> May 2022    |
| Dr. Rachel M. Monyoncho              | Federation of Kenya Employers                                  | 9 <sup>th</sup> May 2019   | 8 <sup>th</sup> May 2022    |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

Detailed information of members of the Board of Management are as follows:

| Name                                                                                                                                                     | Academic Qualifications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br>Hon. Lewis Nguyai<br>Chairman                                       | <p><b>Date of Birth:</b> 15<sup>th</sup> April 1964</p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"><li>• Global Executive MBA - United States International University</li><li>• Degree Name Bachelor of Arts (BA) - University of Nairobi</li></ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"><li>• <b>Jan 2017 - Date:</b> Chairman, Finance Plan Limited</li><li>• <b>Oct 2015 - Oct 2018:</b> Director / Chairman of Finance, Investment and Strategy, LAPFUND</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <br>Dr. Peter Kamunyo<br>Chief Executive Officer<br>&<br>Secretary     | <p><b>Date of Birth:</b> 20<sup>th</sup> December 1971</p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"><li>• Master of Science (MSC) degree in Public Health - University of London, England</li><li>• Bachelor of Medicine &amp; Bachelor of Surgery - University of Nairobi</li><li>• Postgraduate Diploma in Sexually transmitted infections and HIV Management - University of Nairobi</li><li>• Certificate of Proficiency in Insurance - Kenya College of Insurance</li></ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"><li>• <b>April 2020 - Date:</b> Chief Executive Officer, NHIF</li><li>• <b>Sept 2017 - March 2020:</b> Chief Executive Officer - MedSource Group Limited</li><li>• <b>2019 - 2020:</b> Board Member - Kenya Coordinating Mechanism</li><li>• <b>2016 - 2020:</b> Board Member - East Africa Healthcare Federation</li><li>• <b>2015 - 2020:</b> Board Member - Kenya Healthcare Federation</li></ul> |
| <br>Mr. Joseph M. Kamau<br>Alternate Member / CS<br>National Treasury | <p><b>Date of Birth:</b> 1970</p> <p><b>Qualifications</b></p> <ul style="list-style-type: none"><li>• Master's Degree in Economics (Financial Sector Policy)</li><li>• Master of Business Administration - Finance</li><li>• Bachelor's Degree in Economics and Mathematics</li><li>• Certified Financial Analyst - FA 00273</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022



Ms. Susan Mochache, CBS  
PS Ministry of Health

**Date of Birth:** 1973

#### Qualifications

- Master of Science (MSC) in Communications Management, University of Strathclyde
- Bachelor of Science, International Business

#### Work Experience

- **2019 to Date:** Principal Secretary, Ministry of Health in the Government of Kenya
- **2015 to 2019:** Principal Secretary in the Ministry of Labour, Social Services and East Africa Affairs.
- **2005 to 2015:** Assistant Director Universal Service Obligation and Funding



Dr. Isabella Maina  
Alternate Member / PS  
Ministry of Health

**Date of Birth:** 27<sup>th</sup> December 1970

#### Qualifications

- Ph.D. in Public health (Ongoing)
- Master's Degree in public Health (UON)
- Diploma in Health systems management (Galilee)
- Post graduate Diploma-management of sexually transmitted infections (UON)
- Fellowship Health systems management (Mahidol)
- Bachelors Dental Surgery (UON)

#### Work Experience

- **2019 to date:** Head, Division of Healthcare Financing, Ministry of Health
- **2017 to 2019:** Deputy Head, Universal Health Coverage, Coordination Department, Ministry of Health
- **2013 to 2017:** Head, Health Sector monitoring and evaluation unit, Ministry of Health



Mr. Lattif Shaban  
Faith Based Organisations

**Date of Birth:** 14<sup>th</sup> April 1952

#### Qualifications

- Diploma in Advanced Management and Leadership - Galilee International Management Institute
- General Certificate of Education - Cambridge University

#### Work Experience

- **2008 to date:** Board Member of the National taxpayers association
- **2002 to date:** Member of National Oversight Committee of the Kenya Coordinating Mechanism for the Global Funds program of Malaria, AIDs and TB
- **2000 to date:** Director General, Supreme Council of Kenya Muslims



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022



Mr. Samuel Arachi, CBS,  
OGW, ndc (K)  
Alternate Member/  
Ministry of Public Service,  
Youth and Gender

**Date of Birth:** 9<sup>th</sup> April 1962

#### Qualifications

- Master's Degree in International Relations,
- Post graduate Diploma in International Relations
- Bachelor's Degree in Arts

#### Work Experience

- **2018 to date:** Secretary Administration - State department of Gender, Ministry of Public Service, Youth and Gender
- **2018 to Date:** Chairman Tana & Athi Rivers Development Authority Board
- **2016 to 2017:** Ag. Inspector General National Police Service



Dr. Jacqueline Kitulu  
Kenya Medical Association

**Date of Birth:** 26<sup>th</sup> December 1972

#### Qualifications

- Master of Business Administration - Health Care Management - Strathmore Business School
- Bachelor of Medicine & Surgery

#### Work Experience

- Currently the Kenya Medical Association (KMA) National Chairperson. Represents KMA at the Kenya Health Federation
- **2008 to 2012:** Chairperson, Kenya Medical Women Association (KMWA)



Mr. Wycliff Omucheyi  
Kenya National Union of  
Teachers

**Date of Birth:** 1961

#### Qualifications

- Bachelor of Education
- Certificates in Education



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022



Hon. Roba Duba  
Central Organisation of  
Trade Unions(K)

**Date of Birth:** 19<sup>th</sup> March 1955

### Qualifications

- Master of Arts in Governance & Ethics - Mt Kenya University
- Master's in Business Administration- Jomo Kenyatta University of Agriculture and Technology
- Bachelor of Arts, Sociology - University of Nairobi

### Work Experience

- **2014 to date:** General Secretary, Kenya County Government Workers Union, Trade Union.
- **2015 to Date:** Executive Board member, COTU(K)
- **2013 to 2017:** Member of Parliament, Moyale Constituency



Dr. Rachel Monyoncho  
Federation of Kenya  
Employers

**Date of Birth:** 28<sup>th</sup> March 1963

### Qualifications

- Doctor of Philosophy (Ph.D.) Organisational Theory and Behaviour- University of Nairobi
- Master of Business Administration - Strategic Management and International Business - University of Nairobi
- Bachelor of Science in Chemistry, Botany and Zoology - Punjabi University

### Work Experience

- **2015 to date:** Independent management consultant and part-time University teaching.
- **2009 to 2011:** Human Resource Director, G4S Security Limited
- **2006 to 2008:** Human Resource Manager, Northland and Eastern Africa Coca-Cola Subgroup



Dr. Jared Nyakiba  
Alternate Member / DG  
Ministry of Health

**Date of Birth:**

### Qualifications

- Doctor of Philosophy (Ph.D.) in Health Services - Walden University
- Master of Public Health, Health Service Management. - Moi University
- Master of Pharmacy in Clinical Pharmacy - University of Nairobi
- Bachelor of Pharmacy - University of Nairobi

### Work Experience

- **July 2019 to Date:** Assistant Chief Pharmacist (Clinical Pharmacist (Clinical Pharmacist/Public health specialist at MOH (Universal Health Coverage Secretariat)
- **Jan 2018 to June 2019:** Assistant Chief Pharmacist (Clinical Pharmacist/Public health Specialist) at MOH
- **Jan 2017- Dec 2017:** Assistant Chief Pharmacist at Pharmacy and Poisons Board (Clinical pharmacist/public Health Specialist at pharmacy and Poisons Board



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

- Jan 2011 - Jan 2017: Assistant Chief Pharmacist/Clinical Pharmacist at KMTC, Nairobi
- Oct 2010 to Dec 2010: Assistant Chief Pharmacist at Provincial Medical Officer's Office, Nairobi

**Date of Birth:** 1<sup>st</sup> Jan. 1965



Mr. Michael Kahiti  
Alternate Member / CS  
National Treasury

### Qualifications

- Master's degree in Economic Policy Management - Makerere University
- Bachelor of Economics - University of Nairobi

### Work Experience

- July 2020 - Date: Director of Planning - National Treasury (Experienced in facilitation compilation of external borrowing plan financial negotiations on eternally funded development projects)
- Feb 2006 - Jan 2021: Head of Central Planning & Project Monitoring Unit



Mr. Ben Wakhungu  
Rep. Council of Governors

**Date of Birth:** 3<sup>rd</sup> September 1959

### Qualifications

- Master of Science, Business Administration - University of Illinois
- Bachelor of Arts, Business Studies, City of London polytechnic, United Kingdom
- GCE Advanced Level, Southwark College, Blackfriars Road, London

### Work Experience

- January 2016 - Date: Chairman and CEO, Oasis Blu Hotel & Suites
- April 2012 - January 2016: General Manager, Emergency plus Services (E-Plus) of the Kenya Red Cross Society
- August 2006 - March 2012: Managing Director, Chain Reaction East Africa
- May 2005 - May 2006: General Manager, Outdoor Advertising Kenya Ltd



Dr. Silpah Owich  
Rep. Council of Governors

**Date of Birth:** 17<sup>th</sup> October 1975

### Qualifications

- Doctor of Business Administration (DBA) - United States University (USIU-Africa)
- Global Executive Master of Administration (MBA) - United States University (USIU-Africa)
- Master of Arts in Sociology - Kenyatta University
- Bachelor of Arts (First Class hon.) - Kenyatta University
- Executive Diploma in Marketing



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## Work Experience

- **June 2015 - Date:** Head Personal Banking, Stanbic bank, Kenya
- **August 2013 - June 2015:** Head of Consumer Banking, Equatorial Commercial Bank
- **April 2010 - July 2013:** Head of Retail Banking, Bank of Africa
- **March 2008 - March 2010:** Head of Retail & Commercial Banking, United Bank of Africa (Uganda).
- She also held senior retail leadership positions in Kenya Commercial bank (KCB), Standard Chartered bank & ABSA bank.



Dr. Andrew W. Onyino  
Kenya Medical Association

**Date of Birth:** 30<sup>th</sup> August 1983

## Qualifications

- Masters, Plastics and Reconstructive and Aesthetics Surgery- University of Nairobi
- Fellow, Capacity Building for Effective Health (CBEH), Human Resource in Health
- Bachelor of Medicine and Bachelor of Surgery degree - University of Nairobi

## Work Experience

- **July 2020 - Date:** President, Kenya Medical Association
- Consultant Plastics and Reconstructive and Aesthetics surgeon - KNH (Health regulation, policy development and implementation)
- **November 2014 - October 2019:** Developed together with IFC- World Bank and other sister regulatory bodies, the joint Health Inspection Checklist for the Ministry of Health that focused on patient safety
- **November 2015 - October 2016:** Consultant Program Officer- Cluster Team Lead, IMA World Health USAID Afya Jijini Project
- **April 2014 - November 2015:** Technical Officer, Liverpool School of Tropical Medicine



Mr. Dominic Ndegwah  
Appointee Cabinet  
Secretary Ministry of  
Health

**Date of Birth:** 15<sup>th</sup> June 1959

## Qualifications

- Executive master's in business administration - JKUAT
- Bachelor's degree in business administration
- Several ICT, Projects and Management Certifications (including "The Bullet Proof Manager")
- Professional Member Computer Society of Kenya - voted Computer Manager of the Year in 2002

## Work Experience

- **2015 - Date:** Da Bulls Limited
- **2012 - 2015:** ICT Manager, ICEA LION General Insurance
- **1995 - 2012:** Head of IT, Lion of Kenya Insurance Company



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

|                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                   | <ul style="list-style-type: none"><li>• <b>1986 - 1995:</b> Assistant DP Manager, Kenya Cooperative Creameries, Nairobi</li><li>• Technical Committee member at Kenya Bureau of Standards (KEBS) on Identification cards &amp; Biometrics</li><li>• Project Management Committee member Kenya Medical Training College (KMTTC) Mukurweini Campus</li><li>• Long serving BOM member of two Secondary Schools in Mukurweini, Nyeri</li></ul>                                                                                |
|  <p>Mr. Albert Obed Njeru<br/>Central Organisation of<br/>Trade Unions(K)</p>    | <p><b>Date of Birth:</b> 1959</p> <p><u><b>Qualifications</b></u></p> <p><u><b>Work Experience</b></u></p> <ul style="list-style-type: none"><li>• Secretary General of KUDHEIHA Workers (Accounts and a diligent defender of workers' rights)</li></ul>                                                                                                                                                                                                                                                                  |
|  <p>Ms. Janet Boit<br/>Ag. Corporation Secretary<br/>/ Head Legal Services</p> | <p><b>Date of Birth:</b> 16<sup>th</sup> November 1980</p> <p><u><b>Qualifications</b></u></p> <ul style="list-style-type: none"><li>• Certified Public Secretary - CPS(K)</li><li>• Post Graduate Diploma in Human Resource Management - Cambridge International College</li><li>• Post Graduate Diploma in law (Dip, Kenya School of Law</li><li>• Bachelor of Laws (LLB), Moi University</li><li>• Member of the Law Society of Kenya (LSK)</li><li>• Member of the Institute of Certified Secretaries (ICS)</li></ul> |

# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## KEY MANAGEMENT TEAM

The Key Management team is comprised of the Chief Executive officer, Directors and heads of departments who are dedicated professionals working with staff and clients to provide strategic planning for the Fund's future goals. The following are the key management of the Fund who served during the year 2021/2022.

| Name                                                                                                                                                            | Academic Qualifications                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br>Dr. Peter Kamunyo<br>Gathege<br>Chief Executive Officer                    | <ul style="list-style-type: none"><li>• Master of Science (MSC) degree in Public Health - University of London, England</li><li>• Bachelor of Medicine &amp; Bachelor of Surgery - University of Nairobi</li><li>• Postgraduate Diploma in Sexually transmitted infections and HIV Management - University of Nairobi</li><li>• Certificate of Proficiency in Insurance - Kenya College of Insurance</li></ul> |
| <br>Ms. Hazel J. Koitaba<br>Director, Beneficiary and<br>Provider Management | <ul style="list-style-type: none"><li>• Bachelor of Business Marketing</li><li>• Postgraduate Dip. in Business Marketing</li></ul>                                                                                                                                                                                                                                                                             |
| <br>Mr. Nicodemus Odongo<br>Director, Strategy,<br>Planning & Marketing      | <ul style="list-style-type: none"><li>• Master of Arts (Economics) - University of Nairobi</li><li>• Bachelors in Economics - University of Nairobi</li><li>• Member of MRS</li><li>• Member of KIM</li></ul>                                                                                                                                                                                                  |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022



Mr. Washington Okoth  
Ag. Director ICT

- Master of science in Information Systems
- Master of Arts - Project Planning & Management
- Bachelor of Science (Information Systems)
- Diploma in Computer Systems



Ms. Fransisca Mwanza  
Ag. Director Financial Services

- Master of Business Administration (Finance)
- Bachelor of Arts (Economics)
- Certified Public Accountant Kenya
- Member of ICPAK



Mr. Joseph Tonui  
Head, Administration Services

- Bachelor of Education
- Higher Diploma in Human Resource
- Member of IHRM
- Member of KIM



CPA. Rodgers Miranyi  
Ag. Head, Process & Systems Audit

- Master of Business Administration - Finance
- Certified Public Accountant Kenya
- Certified Internal Quality Assessor
- Member of ICPAK
- Member of IIA - Kenya Chapter

## **NATIONAL HEALTH INSURANCE FUND**

**Reports and Financial Statements**  
**For the year ended June 30, 2022**

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**Mr. Ali Abdullahi Issack**  
**Head, Provider**  
**Management**

- Master of Business Administration
- Bachelor of Science in Applied Geology



**Ms. Phyllis Nyakiba**  
**Head, Marketing &**  
**Communication**

- Master of Arts (Rural Sociology)
- Bachelor of Arts
- Diploma in Marketing Management



**Mr. Wambugu Kariuki**  
**Head, Beneficiary**  
**Management**

- Master of Arts, Project Planning & Management (Ongoing) - University of Nairobi
- Bachelor of Education, Technology Education - Moi University
- Diploma in Marketing Management - Kenya Institute of Management
- Member of Kenya Institute of Management



**Ms. Rose Mugambi**  
**Head, Supply Chain**  
**Management**

- Master of Business Administration (Strategic Management) - Kenya Methodist University
- Bachelor of Science - Egerton University
- Graduate Diploma - Purchasing & Supplies - Chartered Institute of Purchasing and Supplies (CIPS-UK)
- Diploma - Purchasing & Supplies - Chartered Institute of Purchasing and Supplies (CIPS-UK)
- Certificate in Corporate Governance - Centre for Corporate Governance
- Certificate in Strategic Leadership Development (SLDP) - Kenya School of Government



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022



Dr. Samson Kuhora  
Kairang'a  
**Head, Benefits Design &  
Actuarial Assessment**



Mr. Daniel Mulinge  
**Ag. Head Policy, Strategy  
& Planning**



Ms. Janet Boit  
**Ag. Corporation  
Secretary/ Head Legal  
Services**

- Performance Measure Process (PuMP) Certification - Stacey Barr Institute, Australia
- Member of Chartered institute of Supplies Management (MCIPS)
- Member of Kenya Institute of Management (KISM)
- Master of Business Administration
- Master of Science (Epidemiology)
- Bachelor of Pharmacy
- Master of Business Administration (Finance)- University of Nairobi
- Bachelor of Arts (Economics)- Kenyatta University
- Certified Public Accountant (K)
- Certificate in General Insurance- College of Insurance of Kenya
- Certificate - Blue Ocean Strategy- The Strategy Centre
- Certificate in Strategy Development & Operationalization- Peak Performance
- Certificate Implementing the Balance Scorecard (BSC)- ESAMI
- Certificate in Professional Marketing - Marketing Society of Kenya
- Certificate in Health Financing Policy for Universal Health Coverage- WHO
- Certificate in Project Management Skills- Global Training Institute (GTI)
- Member of ICPAK
- Member of MSK
- Post Graduate Diploma in Human Resource Management - Cambridge International College
- Post Graduate Diploma in law (Dip, Kenya School of Law
- Bachelor of Laws (LLB), Moi University
- Certified Public Secretary - CPS(K)

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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### CHAIRPERSON'S STATEMENT

The Board is proud of the achievements and performance of the NHIF during the fiscal year 2021/22. The Board is encouraged by the organization's resilience during the year and the continued dedication to ensuring the Fund's sustainability as we work towards Universal Health Coverage.

The financial year was excellent, with strong financial results that saw the organization earn a surplus of KES 2.73 billion. This is good news for the organization recovering from a financial deep of over Kes 3.6 billion in FY2018/19 that was occasioned by various factors, including introducing enhanced benefits packages that focused more on the population needs and less on sustainability. In addition, the high awareness by members meant high utilization, hence weakening the reserve funds.

The encouraging results are due to various strategies introduced by the Ministry of Health to reform NHIF as a strategic purchaser of healthcare services and deliver UHC. The Fund has continued to implement these strategies, including the revision of the NHIF Act No. 9 of 1998 that expands the mandate of the Fund, digitization of processes, and strengthening the organizational structure to align the operations towards UHC.

In addition, the reforms recommended redesigning the benefits package to factor in the ever-changing environment in the health sector, including the emerging disease patterns that now put non-communicable diseases in the front, the population needs, and the country's strategies to ensure all Kenyans access quality healthcare without suffering financial hardship.

To maintain resilience in the organization's business, the Fund must continue to innovate by implementing sustainable solutions to meet the needs of the beneficiaries and the stakeholders. This means focusing on the unpredictability of changes in the business environment and minimizing the potential adverse effect of risks on performance.

A notable example of managing some business risks in the Fund is minimizing the frequency of fraud, wastage, and abuse through digitalizing processes. Currently, NHIF is carrying out Biometric registration and identification of its members and the E-claim platform to enhance efficiency and accuracy in processing of claims and reimbursement of healthcare facilities. Digitization of processes is mainly aimed at improving service delivery by ensuring processes' efficiency at the facility level and at the NHIF service points.

With the Fund in its final year into the 2018- 2022 strategic plan guided by the purpose of transforming lives and leaving no one behind, its success is a testament to the commitment to placing the beneficiaries and the stakeholders at the heart of everything we do. Ours is a business of trust, we have done exemplary well, and with focus, confidence, and teamwork,



# **NATIONAL HEALTH INSURANCE FUND**

## ***Reports and Financial Statements***

***For the year ended June 30, 2022***

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we shall make history in contributing to the economy through availing affordable and quality healthcare services to the people of Kenya.

 . 27.04.2023

CHAIRPERSON - BOARD OF MANAGEMENT

# **NATIONAL HEALTH INSURANCE FUND**

## **Reports and Financial Statements**

**For the year ended June 30, 2022**

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### **REPORT OF THE CHIEF EXECUTIVE OFFICER**

NHIF continued to thrive in Financial Year 2021/2022. The Fund delivered outstanding results for beneficiaries and stakeholders and made essential strides in delivering affordable healthcare financing solutions to the people, therefore, cushioning them against the high costs of medical services.

We did great in the year ended FY2021/22. I project that we will still perform exceptionally well in the FY2022/23 because it is already shaping up to be even better in many ways. As at 30<sup>th</sup> June 2022, the Fund reported total revenues just shy of the Kes 80 billion for the year in contributions, premiums and other income, an increase of 26% from the previous FY2020/21 that closed at Kes 62.2B. The five-year trend has been promising in terms of revenue received, with FY2017/18 closing at Kes 47.6B, FY2018/19 at Kes 58.1B, and FY2019/20 at Kes 60.8B. The benefit incurred in the year under review was Kes 68.6B and a payout ratio of 87% compared to the previous FY2020/21 at Kes 54.1B and a payout ratio of 83%.

The Fund did great in membership growth. The FY2020/21 recorded 13.9 million principal members compared with FY2021/22, which registered 15.5 million members covering a total population of over a 32million beneficiaries. In addition, member retention has steadily grown over the years from 32% to 42% in the year under review, a positive trend owing to various strategies implemented by the Fund.

Some of the strategies include reducing the costs of administrative expenses, which dropped to 10% compared to the previous year when it closed at 11%. The other strategy involved putting measures to curb fraud, wastage, and abuse through the digitization of processes. In addition, the biometric registration and identification of members and the deployment of the E-Claim System at all Level IV and above healthcare providers eased the cost of doing business by improving efficiency, reducing the claims turnaround time, and enhancing customer experience.

Further, the Fund implemented a tailor-made benefits package based on the population needs, considered the emerging trends in diseases, and the country's policy direction of universal health coverage.

These outstanding achievements could not be achieved without a strong team. I am grateful to our Board of Management, who have accorded the unwavering team support in policy formulation. The staff has done an outstanding job in discharging the mandate of the organization. Ours is a business of trust. Trust that we shall deliver the promise of affordable healthcare services to our beneficiaries and stakeholders, who have entrusted us with their money.



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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We play a crucial role in saving and improving the quality of life of our people. This comes with much responsibility. At the heart of our operations, we always put our people. Our Vision, mission, and core values speak to this. To make a difference, we need to do the right thing and be innovative by finding a better way. We win together as true partners.



Dr. Samson K. Kuhora

Ag. CHIEF EXECUTIVE OFFICER

## REVIEW OF NHIF PERFORMANCE FOR THE FINANCIAL YEAR 2021/2022

Section 81 subsection 2(F) of the public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the National government entity performance against predetermined objectives.

The Fund developed a five (5) year Strategic plan 2018-2022 premised on accelerating achievement of Universal Health Coverage (UHC) by end of term. As per best practice, the plan was reviewed mid-way in order to align the Fund's activities with the demands of the changing environment. The Fund's Strategic Plan was anchored on four major pillars/themes namely:

1. Achievement of Financial Sustainability by end of 2022
2. Striving to Achieve 100% Health Insurance Coverage for all Kenyans by 2022
3. Enhancing Operational Efficiency with Focus on the Customer, Process Standardization and Automation
4. Enhancing Institutional Capacity.

### Objectives

The Fund also developed a set of objectives that were connected to the above-mentioned pillars. These objectives are:

- i) To Engage & Educate Customers
- ii) To Enhance Operational Excellence
- iii) To Manage Risk
- iv) To Build a High-Performance Culture

### General Direction

#### Corporate Statements

The Fund also developed a set of corporate statements (vision, mission and core values). The statements developed were as follows:



# **NATIONAL HEALTH INSURANCE FUND**

## **Reports and Financial Statements**

**For the year ended June 30, 2022**

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### **Vision**

*To be the trusted and valued partner in Securing the health of our community*

### **Mission**

*To enhance equitable and sustainable health and wellbeing of our community, cushioning them from financial hardship*

### **Core Values**

- i) **Find a Better Way:** This is about continuous improvement, creativity and innovation, and not letting emerging challenges prevent us from achieving our objectives.
- ii) **We Make a Difference:** In the Funds decisions and delivery of services, there will be a deliberate effort to enhance the quality of customer services.
- iii) **We Win Together:** NHIF recognizes that the achievement of objectives and its corporate vision require teamwork, strategic partnerships and involvement of all stakeholders, including its clientele and Kenyans at large. Thus, the need for togetherness and joint efforts.
- iv) **Do the Right Thing:** Integrity is necessary for effective execution of the Fund's mission. In the day-to-day duties, the Fund will remain beholden to high standards of integrity, knowing that making the right decision will always take us a step closer to our vision.

### **Statement of Performance against Predetermined Objectives for FY-2021-2022**

This section outlines the strategic themes of the strategic plan, the corresponding objectives, the planned activities and their performance indicators and targets and the achievements. These are deliverables are as tabulated below:

**NATIONAL HEALTH INSURANCE FUND**  
Reports and Financial Statements  
For the year ended June 30, 2022

**FINANCIAL PERSPECTIVE**

| PILLAR                                          | STRATEGIC OBJECTIVE                          | STRATEGY                                                                                                   | ACTIVITY                                                                                         | KEY PERFORMANCE INDICATOR (KPI)        | TARGET FOR YEAR 2021/22 | ACHIEVEMENT                            |
|-------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|----------------------------------------|
| Achieve financial sustainability by end of 2022 | To Increase Surplus to Ksh10 Billion by 2022 | Diversification of revenue streams                                                                         | Enhance Sponsorship/ support for indigents by National Government                                | No. of Indigents covered               | 2.5M                    | 1,214,796                              |
|                                                 |                                              |                                                                                                            | Enhance Sponsorship/ support for indigents by County Govts                                       | No of counties                         | 47                      | 18                                     |
|                                                 |                                              |                                                                                                            | Improve Member Retention- Formal                                                                 | Retention Rate %                       | 80%                     | 84%                                    |
|                                                 |                                              |                                                                                                            | Improve Member Retention- Informal                                                               | Retention Rate %                       | 74%                     | 15%                                    |
|                                                 |                                              |                                                                                                            | Grow investment income                                                                           | Kshs.                                  | Kshs 1.7B               | 1,656,818,549                          |
|                                                 |                                              | Improve member retention to over 80% (formal sector from 77% to 88%) and (informal sector from 30% to 74%) | Review pricing & management for Enhanced schemes to support recommended overall claim/loss ratio | % Loss ratio - Reviewed Pricing Report | 80 (1 report)           | 75 (1 report)                          |
|                                                 |                                              |                                                                                                            | Enhancing system controls                                                                        | Admin cost                             | <15%                    | 9.7%                                   |
|                                                 |                                              |                                                                                                            | Implementation of NHIF Bill to make membership mandatory for all citizen adults                  | Retention Rate %                       | 74%                     | New act signed. Implementation Ongoing |
|                                                 |                                              |                                                                                                            | Improve customer satisfaction to build on loyalty                                                | Customer Satisfaction Index %          | 80                      | 72%                                    |
|                                                 |                                              |                                                                                                            | Automate customer payment and reminders                                                          | Customer Satisfaction Index %          | 80                      | 80                                     |
|                                                 |                                              |                                                                                                            | Enhance employer compliance                                                                      | % Of compliant employers               | 100                     | 87.4                                   |



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements

For the year ended June 30, 2022

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY                                                                     | ACTIVITY                                                                 | KEY PERFORMANCE INDICATOR (KPI) | TARGET FOR YEAR 2021/22 | ACHIEVEMENT |
|--------|---------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------|---------------------------------|-------------------------|-------------|
|        |                     | Increase the number of sustainable enhanced schemes                          | Advocacy to enjoin more County Governments, State Corporations and MDA's | No. of new schemes              | 10                      | 22          |
|        |                     | Reduce fraud from 29% to below 5% (Note: we are zero tolerant to corruption) | Build a fraud index (Build a profile of potential frauds)                | Report                          | 1                       | 0.59        |

## CUSTOMER PERSPECTIVE

| PILLAR                                                         | STRATEGIC OBJECTIVE           | STRATEGY                                            | ACTIVITY                                                                                 | KEY PERFORMANCE INDICATOR   | TARGET | Achievement/ Status |
|----------------------------------------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------|--------|---------------------|
| Strive to Achieve 100% Health Coverage for all Kenyans by 2022 | To Engage & Educate Customers | Increase Member and Stakeholder Satisfaction to 90% | Review customer service policy and charter                                               | Reviewed CSC & CS policy    | 1      | 1                   |
|                                                                |                               |                                                     | Implementation of CS Policy & CSC                                                        | Customer satisfaction index | 80%    | 80%                 |
|                                                                |                               |                                                     | To develop a framework of managing stakeholders such as government, employers and unions | Stakeholder Framework       | 1      | 1                   |
|                                                                |                               |                                                     | Conduct annual member and stakeholder satisfaction survey                                | Satisfaction Index          | 80     | 72%                 |

## NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY                    | ACTIVITY                                                                                                                                                             | KEY PERFORMANCE INDICATOR       | TARGET         | Achievement/ Status |
|--------|---------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------|---------------------|
|        |                     |                             | Expand options for customer service, such as through email, mobile text and annual customer engagement week                                                          | Customer satisfaction index     | 80             | 72%                 |
|        |                     |                             | Continuously update our website and enhance interactivity                                                                                                            | Quarterly Update reports        | 4              | 4                   |
|        |                     |                             | Keep customer updated information and contact data base                                                                                                              | Updated Database                | 100%           | 100%                |
|        |                     |                             | Enhance contact Centre systems to include online survey                                                                                                              | Automated Online survey tool    | Survey Reports | 1                   |
|        |                     | Improve Customer Experience | Public education engagements                                                                                                                                         | Customer Satisfaction Index (%) | 80             | 72%                 |
|        |                     |                             | Stakeholder engagements                                                                                                                                              | Customer Satisfaction Index (%) | 80             | 72%                 |
|        |                     | Improved Corporate Image    | Develop annual communication strategies based on data trends and entail creative use of media channels, forums, exhibitions and other public awareness opportunities | Brand Index                     | 85%            | pending             |
|        |                     |                             | Creatively support community activities                                                                                                                              | No. of activities               | 8              | 8                   |
|        |                     |                             | Support continuous training of relevant staff to update knowledge and skills                                                                                         | % of staff trained              | 25%            | 60%                 |
|        |                     |                             | Improve web content                                                                                                                                                  | Customer satisfaction index     | 80             | 77%                 |



## NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY                                 | ACTIVITY                                      | KEY PERFORMANCE INDICATOR   | TARGET | Achievement/ Status |
|--------|---------------------|------------------------------------------|-----------------------------------------------|-----------------------------|--------|---------------------|
|        |                     | Increased Customer Retention             | Implement a customer feedback loop            | Customer retention rate (%) | 65     | 15%                 |
|        |                     | Enhance research and product development | Conduct research in line with emerging issues | No.                         | 2      | 2                   |
|        |                     |                                          | Implement research findings                   | % Of findings implemented   | 100    | 50%                 |

### PROCESS PERSPECTIVE

| PILLAR                                                                                            | STRATEGIC OBJECTIVE               | STRATEGY                                              | ACTIVITY                                                                  | KEY PERFORMANCE INDICATOR          | TARGET (FY 2021/2022) | Achievement/ Status |
|---------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------|-----------------------|---------------------|
| Enhance Operational Efficiency with focus on the customer, process standardization and automation | To Enhance Operational Excellence | Automation of business processes                      | Roll out of e-claim & biometric system to all Healthcare Providers (HCPs) | % Implementation                   | 100                   | 2,097 (27%)         |
|                                                                                                   |                                   |                                                       | Link NHIF system with relevant government agencies                        | No of agencies                     | 2                     | 2                   |
|                                                                                                   |                                   |                                                       | Automation of benefit package authorization system                        | % Automation                       | 100                   | 100                 |
|                                                                                                   |                                   |                                                       | Enhance ERP systems                                                       | % Implementation                   | 100                   | 80%                 |
|                                                                                                   | Standardization through use of    | Update existing and develop new policies & guidelines |                                                                           | % of Reviewed & developed policies | 100%                  | 50%                 |

**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
*For the year ended June 30, 2022*

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY                                                         | ACTIVITY                                                                                                                                                                         | KEY PERFORMANCE INDICATOR                           | TARGET (FY 2021/2022) | Achievement/ Status |
|--------|---------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------|---------------------|
|        |                     | ISO, Policy and SOP                                              | Enhance compliance to existing International Standards                                                                                                                           | % Compliance                                        | 100%                  | 100%                |
|        |                     |                                                                  | Create a one stop pre-authorization system                                                                                                                                       | Pre-authorization system                            | 1                     | 1                   |
|        |                     | Simplification of processes                                      | Review and simplify procedure manuals to become user friendly                                                                                                                    | Reviewed Procedure manuals                          | 1                     | Partly Done         |
|        |                     |                                                                  | Centralize customer experience                                                                                                                                                   | % Implementation                                    | 100                   | 100                 |
|        |                     |                                                                  | Centralize the preauthorization process                                                                                                                                          | % Implementation                                    | 100                   | 100                 |
|        |                     | Outsourcing of non-core/support services                         | Outsource logistics such as vehicles                                                                                                                                             | Contract                                            | 1                     | 1                   |
|        |                     | Risk Management structure                                        | Design and implement a new claim risk management framework that builds upon our existing financial risk management policies and ensures that we adopt and maintain best practice | % Implementation of claim risk management framework | 100                   | 50%                 |
|        | To Manage Risk      | Educate and create individual accountability for risk mitigation | Individual Accountability contracts                                                                                                                                              | % Enforcement of accountability contracts           | 100                   | Pending             |
|        |                     |                                                                  |                                                                                                                                                                                  | % Compliance                                        | 100                   | Ongoing             |



## NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements

For the year ended June 30, 2022

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY             | ACTIVITY                                                      | KEY PERFORMANCE INDICATOR         | TARGET (FY 2021/2022) | Achievement/ Status |
|--------|---------------------|----------------------|---------------------------------------------------------------|-----------------------------------|-----------------------|---------------------|
|        |                     | Fraud and Corruption | Enforce compliance with Healthcare Providers (HCPs) contracts |                                   |                       |                     |
|        |                     |                      | Enhance the case management system                            | Reviewed Case management system   | 1                     | Pending             |
|        |                     |                      | Upscale the automation of the claims management system        | % Automation                      | 100                   | 100                 |
|        |                     |                      | Establish mechanisms to manage medical fraud                  | Medical fraud detection Mechanism | 1                     | Ongoing             |
|        |                     |                      | Prevent corruption and unethical practices                    | Corruption perception index       | 1                     | 0.59                |

## LEARNING AND GROWTH PERSPECTIVE

| PILLAR                         | STRATEGIC OBJECTIVE                 | STRATEGY                 | TACTICS/ACTIVITY                  | KEY PERFORMANCE INDICATOR        | TARGET YR 1 | Achievement / Status                 |
|--------------------------------|-------------------------------------|--------------------------|-----------------------------------|----------------------------------|-------------|--------------------------------------|
| Enhance Institutional Capacity | To Build a high-performance Culture | Inculcate a clan culture | Communicate desired values        | Organizational Performance Score | 2.8         | Pending awaiting external evaluation |
|                                |                                     |                          | Continuous Learning & development | % Implementation of TNA          | 100         | 100                                  |

**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
*For the year ended June 30, 2022*

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY                  | TACTICS/ACTIVITY                                                                      | KEY PERFORMANCE INDICATOR                         | TARGET YR 1 | Achievement / Status                 |
|--------|---------------------|---------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------|-------------|--------------------------------------|
|        |                     |                           | Implement Change Management                                                           | Organizational Performance Score                  | 2.8         | Pending awaiting external evaluation |
|        |                     |                           | Recruitment & Selection                                                               | Organizational Performance Score                  | 2.8         | No recruitment was done              |
|        |                     |                           | Strengthen development of strategic management competencies of the whole organization | Organizational Performance Score                  | 2.8         | Pending awaiting external evaluation |
|        |                     |                           | Offer professional training                                                           | % Implementation of CPD based training            | 100         | 47%                                  |
|        |                     | Enhance staff development | Develop & Implement mentorship & coaching program                                     | % Implementation of mentorship & coaching program | 100         | 100                                  |
|        |                     |                           | On job training                                                                       | % Implementation of TNA                           | 100         | 75                                   |
|        |                     |                           | Embrace E-Learning Programs                                                           | Impact of programs quarterly reports              | 4           | 4                                    |
|        |                     | Attract & retain Talent   | Become a competitive employer                                                         | Annual Entry and Exit Survey Reports              | 1           | 1                                    |
|        |                     |                           | Continuous Learning process                                                           | Implementation of TNA                             | 70%         | 75%                                  |



## NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

| PILLAR | STRATEGIC OBJECTIVE       | STRATEGY                           | TACTICS/ACTIVITY                                                                                         | KEY PERFORMANCE INDICATOR                      | TARGET YR 1 | Achievement / Status |
|--------|---------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------|----------------------|
|        |                           | Review of organizational structure | Implementing the organizational structure                                                                | % Implementation                               | 100%        | 90%                  |
|        |                           |                                    | Align and balance the human resources skills to key Functions                                            | % Role realignment                             | 100         | 90%                  |
|        | Leadership and governance |                                    | Embedding key trust and accountability indicators into senior management and board performance contracts | % Review of management contracts               | 100%        | 100%                 |
|        |                           |                                    | Institutionalize decision making processes                                                               | Review and develop new policies                | 100%        | 90%                  |
|        |                           |                                    | Become a risk intelligent organization                                                                   | Risk index                                     | 80          | Not established      |
|        |                           |                                    | Clearly define roles and functions of institutional organs                                               | Institutional organs roles document            | 1           | 1                    |
|        | Performance Management    |                                    | Compliance with laws and Regulations                                                                     | Annual compliance Report                       | 1           | 1                    |
|        |                           |                                    | Inculcate a performance-oriented culture                                                                 | Organizational Performance Score               | 2.8         | pending              |
|        |                           |                                    | Aligning people, Processes and Systems to the organizational Goals                                       | % Implementation of the Organization Structure | 100         | 90%                  |
|        |                           |                                    | Regularly Performance Reviews & Feedback                                                                 | Bi-annual performance reviews                  | 2           | 2                    |

## NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

| PILLAR | STRATEGIC OBJECTIVE | STRATEGY | TACTICS/ACTIVITY                                                                                | KEY PERFORMANCE INDICATOR                         | TARGET YR 1 | Achievement / Status           |
|--------|---------------------|----------|-------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------|--------------------------------|
|        |                     |          | Build strong links between performance and rewards                                              | % Implementation of performance & reward policies | 60          | Approval of the policy pending |
|        |                     |          | Conduct annual performance evaluations and 360 assessments to inform training and skills needs  | annual performance evaluations                    | 1           | Pending                        |
|        |                     |          | Instill a culture of core values through the quarterly recognition programme and annual awards. | recognition programme award ceremony              | 4           | Pending                        |
|        |                     |          | Apply pay for performance scheme                                                                | Develop Reward & remuneration scheme              | 1           | Pending                        |
|        |                     |          | 4.29 Train staff on BSC to enhance performance                                                  | No. of staff trained                              | 1900        | 20                             |

### Comments on the Organization's Strategic Plan 2018-2022

The 2018-2022 Strategic Plan took cognizance that the Fund was a key driver towards realization of Universal Health Coverage (UHC). It is worth noting that as at the end of the financial year 2017/18 the Funds membership stood at **7.6 million** which translated to an overall coverage of **27.2 million** Kenyans (principal contributors and their dependants), implying that over **50%** of the Kenyans were covered by NHIF. The target during the 3<sup>rd</sup> Medium Term plan (2018-2022) period was to achieve over **70%** health insurance coverage.

Looking back, it is evident that the strategies put in place to increase membership to the Fund did bear fruits considering that the Fund closed the financial year 2020/2021 with a membership of **15.5 million** Members which means that the membership doubled during the



## **NATIONAL HEALTH INSURANCE FUND**

### ***Reports and Financial Statements***

#### ***For the year ended June 30, 2022***

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implementation period of the Strategic plan. In the same vein, the Fund was injecting Kshs 33 billion as at the end of 2017/18 which has increased overtime to a tune of over **Kshs 70 billion**.

Key strategies behind the tremendous growth of the Fund include, stakeholder engagements, cooperation with National and County Governments and increased enrollment of enhanced schemes among other strategies.

The implementation of the Strategic Plan has also led to realization of major milestones such as enhanced connectivity to e-claim to **2,097** healthcare facilities out of the total the total number of empanelled facilities of **7,666** facilities translating to a percentage connectivity of **27%**. In addition, in order to continue to respond to members concerns, the Fund put in place a centralized customer experience center accessible to all citizens through the toll-free number 0800720601.

The coming into being of the NHIF Act 2022 was a major milestone in the implementation of the Strategic Plan 2018-2022 which was aimed at creating the necessary legal reforms in the Journey towards UHC realization. This was followed by putting together a set of regulations that were going to operationalize the amended Act. The proposed regulations touched on Beneficiary Identification, Member registration, Contributions, Claim & Benefits and Empanelment & Contracting.

Despite the above achievements, the Fund continued to contend with a few challenges which affected a 100 percent realization of the set targets. These challenges include delayed approval of budgets and negative effects of COVID 19. There were also legal disputes that challenged the implementation of regulations on matching of contributions by employers, payments of benefits through a centralized Provider Management System and sponsoring of indigents by the National Government.

#### **Projections and Next Steps.**

Going forward, NHIF will continue to pursue appropriate resolutions in order to give way to implementation of the NHIF Act 2022 regulations which are important enablers in the journey towards realization of UHC. In addition, NHIF will continue to pursue the necessary collaborations

**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
*For the year ended June 30, 2022*

at the National and County Government levels in order to maintain a progressive revenue growth as was projected in the estimates shown below:

**a) Revenue Projections**

|                         | Baseline<br>FY2017/18<br>('000) | FY 2018/19 ('000) | FY 2019/20 ('000) | FY 2020/21<br>('000) | FY 2021/22<br>('000) | FY 2022/23 ('000)  |
|-------------------------|---------------------------------|-------------------|-------------------|----------------------|----------------------|--------------------|
| <b>REVENUES</b>         | Audited                         | Audited           | Un-Audited        | Budget               | Projections          | Projections        |
| Contributions from NHS  | 33,041,644                      | 36,502,989        | 37,724,131        | 43,437,897           | 47,921,427           | 51,275,927         |
| Premiums for UHC Scheme | -                               | -                 | -                 | 6,000,000            | 15,000,000           | 18,000,000         |
| Enhanced schemes        | 9,666,305                       | 20,544,801        | 22,529,564        | 24,582,909           | 26,005,486           | 27,885,206         |
| Sponsored Programmes    | 2,702,981                       | 4,514,781         | 5,385,862         | 5,441,808            | 5,971,200            | 6,720,480          |
| Investments             | 2,188,839                       | 1,793,916         | 1,314,426         | 1,245,824            | 1,656,819            | 1,774,478          |
| <b>TOTAL REVENUES</b>   | <b>47,599,768</b>               | <b>58,081,073</b> | <b>60,814,542</b> | <b>80,708,438</b>    | <b>96,554,932</b>    | <b>105,656,091</b> |



## NATIONAL HEALTH INSURANCE FUND

*Reports and Financial Statements*

*For the year ended June 30, 2022*

### b) Surplus Expenditure

| Item Description                                     | Actual (Kshs in Millions) |             | Projection (Kshs in Millions) |            |             |             |
|------------------------------------------------------|---------------------------|-------------|-------------------------------|------------|-------------|-------------|
|                                                      | Year 18/19                | Year 19/20  | Year 20/21                    | Year 21/22 | Year 22/23  | Total       |
| Total Revenues                                       | 58,081,073                | 60,814,542  | 80,708,438                    | 96,554,932 | 105,656,091 | 401,815,076 |
| Total Recurrent Expenditures                         | 61,389,613                | 61,700,741  | 75,498,709                    | 90,438,093 | 99,564,511  | 388,591,667 |
| Gap/Surplus (Total Revenues less Total Expenditures) | (3,671,996)               | (1,124,367) | 5,032,658                     | 5,874,700  | 5,831,391   | 13,223,409  |
| Capital Expenditure                                  | 551,091                   | 243,369     | 1,686,400                     | 850,000    | 650,000     | 3,980,860   |

**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
*For the year ended June 30, 2022*

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The Fund will also be developing a new Strategic plan 2023-2027 as a best practice, in order to continue to align its activities with the operating environment.

**Conclusion**

This report has given highlights on the Financial and Non-Financial performance indicators for the FY 2021/2022. The Fund will continue to address the identified gaps in performance in the FY 2022/2023. In addition, the process of development of the Strategic Plan 2023-2027 will also be initiated where critical lessons learnt from the implementation of the Strategic plan 2018-2022 will provide critical insights in the development process.



## CORPORATE GOVERNANCE STATEMENT

### Principles of Corporate Governance

NHIF has established high standards of corporate governance which are key contributor to the long-term success of the Fund. The Fund is managed by an effective Board which is composed of competent, diverse and qualified members capable of exercising objective and independent judgment.

The Board of Management's appointment and composition is in line with the NHIF Act No. 9 of 1998. The Board has autonomy and authority to exercise its functions and accountable to shareholders and act responsibly towards stakeholders.

The Board of Management promotes the best practice of corporate governance and is bound by the highest standards of integrity and accountability in its operations. The Board adheres to the Code of Governance prescribed in the Mwongozo (The Code of Governance for State Corporations) NHIF Act and other Government of Kenya guidelines.

### Management Board

The NHIF Act No. 9 of 1998 establishes the National Health Insurance Fund to be managed by a Board of Management. The Board of Management is ultimately accountable to all stakeholders for ensuring that the Fund's business is conducted in accordance with high standards of corporate governance. Of particular importance to the Fund is the protection of stakeholders' interests and open corporate communication.

The Board of Managements' conduct is regulated by the provisions of the Board Charter. It dictates among other things the size, role, responsibilities, functions and powers of the Chairperson and other members, inductions, appointments, performance evaluation and remuneration of the members. It also comprises a Work Plan setting out the schedule of Board meetings and the main business to be dealt with at those meetings.

The Board continues to undertake annual self-evaluations and reviews of its performance, which include the review of the suitability of its composition, the diversity of skills and experience on the Board performance against the terms of reference and succession planning, together with the performance of the Committees, Chairperson, Chief Executive Officer and Fund's Corporate Secretary.

### Board Responsibilities

The Board of Management is charged with the duty of steering the Fund. It is responsible for formulating NHIF policies and strategies and ensuring that business objectives, aimed at promoting and protecting stakeholder value are achieved.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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The Board defines the Fund's strategic intent, objectives and values to ensure that procedures and practices are in place to protect the Fund's assets and reputation. It is responsible for the stewardship of the Fund and assumes responsibility for retaining full and effective control over the Fund.

The conduct of Board members is consistent with their duties and responsibilities to the Fund and they must always act within the limitations imposed by the NHIF Act.

In order to ensure that the Board is able to discharge its responsibilities, the Management is required to provide adequate and timely information on the Fund's policies. It also considers an operational report from the Chief Executive Officer; Management Accounting for each quarter; reports from each Board Committee, specific proposals for capital expenditure and acquisitions; and major issues and strategic opportunities for the Fund.

The Fund also trains its Board members continuously on Board processes. Members of the Board have attended varied courses on Corporate Governance Principles and Practices.

In line with the Mwongozo code on organisational risks, the Board has in place Risk and Management Policy and the Whistle Blowing Policy.

### Composition of the Board

Section 4 (1) of the Act establishes the Board of management comprising of the following:

1. A chairperson to be appointed by the President by virtue of his knowledge and experience in matters relating to insurance, financial management, economics, health or business administration.
2. The Principal Secretary in the Ministry for the time being responsible for matters relating to Health or his representative appointed in writing.
3. The Principal Secretary in the Ministry for the time being responsible for matters relating to Finance or his representative appointed in writing.
4. One person nominated by the Kenya Medical Association.
5. One person nominated by the Federation of Kenya Employers.
6. One Person nominated by the Central Organization of Trade Unions.
7. Two persons, not being Governor, nominated by the Council of County Governors.
8. Two persons, not being public officers, nominated by the Cabinet Secretary; and
9. The Chief Executive Officer, who shall be an *ex-officio* member of the Board.
10. The Corporation Secretary who shall be the Secretary to the Board



The governance, control and administration of the Fund are vested in the Management Board.

#### **Responsibility for Financial Reporting**

The Board of Management recognizes its responsibility to present a true and fair view of the state of the financial affairs of the Fund. The Fund's financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the PFM Act, the State Corporations Act and the NHIF Act.

#### **Remuneration**

In remunerating the Board of Management, the Fund's policy has been to consider, the demands and requirements made on the board of management in relation to the business of the Fund and the availability of the board of management for ad hoc consultation. The board members' sitting allowances are only paid subject to attendance at the board and/or committee meetings confirmed by the register of attendance.

Details of the Board of Directors' remuneration are set out on page 104.

#### **Service Contracts and Compensation**

Apart from the Chief Executive Officer, no Board member or a party related to a member has a service contract or receives compensation from the Fund.

#### **Disclosure of Interests**

The Board members are under a fiduciary duty to act honestly and in the best interests of the Fund. To curb instances where the Board members' self-interests conflict with their duty to act in the best interests of the Fund, the Fund has instituted policies requiring the Board members to make declarations on any such interests at any such meeting where such business will be discussed in addition to absolving themselves from making decisions on the respective business.

#### **Transparency**

The Fund publishes an Annual Report, Quarterly Reports and Monthly Bulletin. On an annual basis, the financial statements are published in the Fund's website.

#### **Role of the Chairperson vs. the Chief Executive Officer**

The roles of the Chairperson and the Chief Executive Officer are clearly defined and are not vested in the same person. The day-to-day executive management of the Fund is delegated to the Chief Executive Officer whereas the running of the Board is the responsibility of the

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

Chairperson. The Chief Executive Officer directs the implementation of the Board of Management's decisions and instructions on the general management of the Fund with the assistance of the Senior Management team. However, both the Chairperson and the Chief Executive Officer work together to achieve the goals of NHIF.

### Board Committees

To assist the Board better discharge its responsibilities, the Board has constituted four Board Committees comprising a balanced mix of the Board members. Each Board Committee has a Charter which contains provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's detailed duties. Annual performance reviews of each Committee are carried out and presented to the Board. The Board has set up the following committees:

#### 1. Audit and Risk Committee

| No. | Name of Member        | Organisation                         | Position  |
|-----|-----------------------|--------------------------------------|-----------|
| 1.  | Mr. Michael Kahiti    | Alt. Member/PS/ National Treasury    | Member    |
| 2.  | Mr. Albert Obed Njeru | Central Organization of Trade Unions | Member    |
| 3.  | Mr. Ben Wakhungu      | Council of Governors                 | Member    |
| 4.  | Mr. Dominic Ndegwah   | CS Appointee - Independent           | Member    |
| 5.  | Mr. Rodgers Miranyi   | Ag. Head, Internal Audit             | Secretary |

#### 2. Finance, Investment and Compliance Committee

| No. | Name of Member     | Organisation                         | Position    |
|-----|--------------------|--------------------------------------|-------------|
| 1.  | Dr. Silpah Owich   | Council of Governors                 | Chairperson |
| 2.  | Mr. Michael Kahiti | Alt. Member/PS/The National Treasury | Member      |
| 3.  | Dr. Isabella Maina | Alt. Member/PS/Ministry of Health    | Member      |
| 4.  | Dr. Andrew Onyino  | Kenya Medical Association            | Member      |
| 5.  | Dr. Peter Kamunyo  | Chief Executive Officer              | Secretary   |

#### 3. Operations, Strategy and Information Technology Committee

| No. | Name of Member      | Organisation               | Position    |
|-----|---------------------|----------------------------|-------------|
| 1.  | Mr. Dominic Ndegwah | CS Appointee - Independent | Chairperson |
| 2.  | Mr. Albert O. Njeru | COTU                       | Member      |
| 3.  | Dr. Andrew Onyino   | Kenya Medical Association  | Member      |
| 4.  | Dr. Silpah Owich    | Council of Governors       | Member      |
| 5.  | Dr. Peter Kamunyo   | Chief Executive Officer    | Secretary   |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### 4. Governance and Human Resource Committee

| No. | Name of Member     | Organisation                      | Position  |
|-----|--------------------|-----------------------------------|-----------|
| 1.  | Mr. Ben Wakhungu   | Council of Governors              | Member    |
| 2.  | Dr. Isabella Maina | Alt. Member/PS/Ministry of Health | Member    |
| 3.  | Dr. Peter Kamunyo  | Chief Executive Officer           | Secretary |

#### Corporate Secretary

All members of the Board have direct access to the Corporation Secretary who is responsible for ensuring that board procedures, rules and regulations are followed. The Corporation Secretary is also the Chief Legal Officer, she reports independently and directly to the board on litigious matters affecting the Fund.

#### External Auditors

Whereas the Board of Management is responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Fund, the external auditors examine and give their opinion on the reasonableness of the financial statements. The auditor reports independently and directly to the Board through the Chief Executive Officer who is the Fund's accounting officer and the Secretary to the Board.

#### Internal Auditors

The Fund's internal auditors report directly to the Audit and Integrity Assurance Board Committee.

#### Going Concern

The Board of Management submits this annual report and financial statements for the year ended 30 June 2022. The annual report and financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Fund's position and prospects. The Board reports that the business is a going concern, and they have no reason to believe that the Fund will not be a going concern into the foreseeable future.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### DISCUSSION AND ANALYSIS

#### MEMBERSHIP & REVENUE

##### Member Registration

The Law requires NHIF to registers all eligible Kenyans who are of age 18 years and above, together with their dependants as its members.

The members of NHIF are categorised into formal and informal sectors. For those in the formal sector, it is mandatory under the NHIF Act to be a registered member of the Fund. However, for those in the informal sector and retirees, the membership is not mandatory, but it is open and voluntary.

- i) **Formal Sector:** which consists of members from the Private Sector (medium-sized and large companies) and the Public Sector. This category of members makes a monthly contribution between **KES. 150** and **KES. 1,700** based on their monthly income.
- ii) **Informal Sector:** Comprises of members who are self-employed and retirees. This category of members pays a monthly contribution of **KES. 500**.
- iii) **Sponsored Program:** Members in the informal sector who are paid for by Government of Kenya, sponsors/donors.

Membership registration being one of the key functions of the Fund, the Fund has been continuously registering new members.

During the period under review, a total of **176,442** members were registered under the formal sector as compared to **933,132** members in the informal sector. According to the table below, the formal sector (statutory contributors) accounts for **4.82 million** people, or **31%** of the total enrolled population, the informal sector (voluntary contributors) accounts for **8.16 million** people, or **53%**, whereas the sponsored programs account for **2.48 million** which translates to **16%**.

| Sectors           | 30 <sup>th</sup> June 2021 | 30 <sup>th</sup> June 2022 | Growth    | % Growth |
|-------------------|----------------------------|----------------------------|-----------|----------|
| Formal Sector     | 4,645,981                  | 4,822,423                  | 176,442   | 4%       |
| Informal Sector   | 7,224,728                  | 8,157,860                  | 933,132   | 13%      |
| Sponsored Program | 2,071,089                  | 2,478,946                  | 407,857   | 20%      |
| Total             | 13,941,798                 | 15,459,229                 | 1,517,431 | 11%      |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

The number of NHIF members has increased from **13.9 million** in the final quarter of 2021/2022 to **15.5 million** in the current quarter, with **6.5 million** active members.

### Trend of Active Membership by Sector

| Period        | Q1<br>2020/21                   | Q2<br>2020/21     | Q3<br>2020/21     | Q4<br>2020/21     | Q1<br>2021/22     | Q2<br>2021/22     | Q3<br>2021/22     | Q4<br>2021/22     |
|---------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Sector</b> | <b>Total Enrolled Members</b>   |                   |                   |                   |                   |                   |                   |                   |
| Formal        | 4,566,604                       | 4,589,758         | 4,621,309         | 4,645,981         | 4,671,106         | 4,695,080         | 4,731,808         | 4,822,423         |
| Informal      | 6,843,892                       | 6,958,203         | 7,113,366         | 7,224,728         | 7,584,012         | 7,887,443         | 8,014,131         | 8,157,860         |
| Sponsored     | 1,691,215                       | 1,699,986         | 1,752,781         | 2,071,089         | 2,071,182         | 2,190,407         | 2,399,443         | 2,478,946         |
| <b>TOTAL</b>  | <b>13,101,711</b>               | <b>13,247,947</b> | <b>13,487,456</b> | <b>13,941,798</b> | <b>14,326,300</b> | <b>14,772,930</b> | <b>15,145,382</b> | <b>15,459,229</b> |
| <b>Sector</b> | <b>Active Membership</b>        |                   |                   |                   |                   |                   |                   |                   |
| Formal        | 2,818,000                       | 2,981,810         | 2,981,453         | 3,009,013         | 3,955,544         | 3,832,824         | 3,802,887         | 3,939,054         |
| Informal      | 1,109,094                       | 1,137,961         | 1,177,470         | 1,191,702         | 1,139,207         | 1,132,658         | 1,151,395         | 1,113,823         |
| Sponsored     | 263,297                         | 307,262           | 302,168           | 328,859           | 426,665           | 422,573           | 1,386,047         | 1,433,732         |
| <b>TOTAL</b>  | <b>4,190,391</b>                | <b>4,427,033</b>  | <b>4,461,091</b>  | <b>4,529,574</b>  | <b>5,521,416</b>  | <b>5,388,055</b>  | <b>6,340,329</b>  | <b>6,486,609</b>  |
| <b>Sector</b> | <b>Percentage (%) Retention</b> |                   |                   |                   |                   |                   |                   |                   |
| Formal        | 62%                             | 65%               | 65%               | 65%               | 85%               | 82%               | 80%               | 82%               |
| Informal      | 16%                             | 16%               | 17%               | 16%               | 15%               | 14%               | 14%               | 14%               |
| Sponsored     | 16%                             | 18%               | 17%               | 16%               | 21%               | 19%               | 58%               | 58%               |
| <b>TOTAL</b>  | <b>32%</b>                      | <b>33%</b>        | <b>33%</b>        | <b>32%</b>        | <b>39%</b>        | <b>36%</b>        | <b>42%</b>        | <b>42%</b>        |

As shown in the table above, active membership in the formal sector is at 82% and this is from the paid-up members for the period under review while that of informal sector is 14% as at 30<sup>th</sup> June 2022.

The active membership for the informal sector has been arrived at considering members who have made any payment within the last 12 months. The number of active members in the informal sector fluctuates due to the voluntary nature of the sector and the state of the economy leading to inconsistencies in payments.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### Revenue Performance

#### Overall

NHIF's Financial Strategy identifies the following as sources of income:

- Contributions from members (statutory, voluntary and sponsorship)
- New products (HISP - Orphaned & vulnerable Children (OVC) and HISP - Older Persons & Persons with Severe disability (OPPSD), Civil Servants & Disciplined Services Scheme and Secondary School Students)
- Investment income (interest earnings & rental income)
- The Fund administers the Linda Mama project for the Government

As at 30<sup>th</sup> June 2022, the Fund had received contributions and premiums totalling to **KES. 78.2 billion**. This was a **KES 16.0 billion** increase over the **KES 62.2 billion** collected in the 2020/2021 financial year.

#### National Health Scheme Revenue

**KES. 40.7 billion** was collected under the National Health scheme (NHS) during the period ended 30<sup>th</sup> June 2022. However, included in this amount are statutory contributions for the enhanced schemes totalling to **KES. 6.6 billion**. This therefore brings net contributions under the National Health Scheme to **KES. 34.1 billion**.

Table below gives a summary of National Health Scheme net revenue earned during the four quarters of 2021/2022 financial year.

#### STATUTORY CONTRIBUTIONS

| National Health Scheme       | AMOUNT (KES)          |
|------------------------------|-----------------------|
| Statutory Contributions      | 27,765,347,528        |
| Self Employed Contributions  | 5,985,005,603         |
| Penalties                    | 320,714,894           |
| <b>Total</b>                 | <b>34,071,068,025</b> |
| <b>Other Schemes</b>         |                       |
| Civil Servant Medical Scheme | 2,149,924,450         |
| NPS & KPS Medical Scheme     | 2,257,664,483         |
| County Medical Scheme        | 1,689,185,300         |
| Parastatals Medical Schemes  | 461,719,770           |
| Retirees Schemes             | 22,878,000            |
| <b>Total</b>                 | <b>6,581,372,003</b>  |
| <b>GRAND TOTAL</b>           | <b>40,652,440,028</b> |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

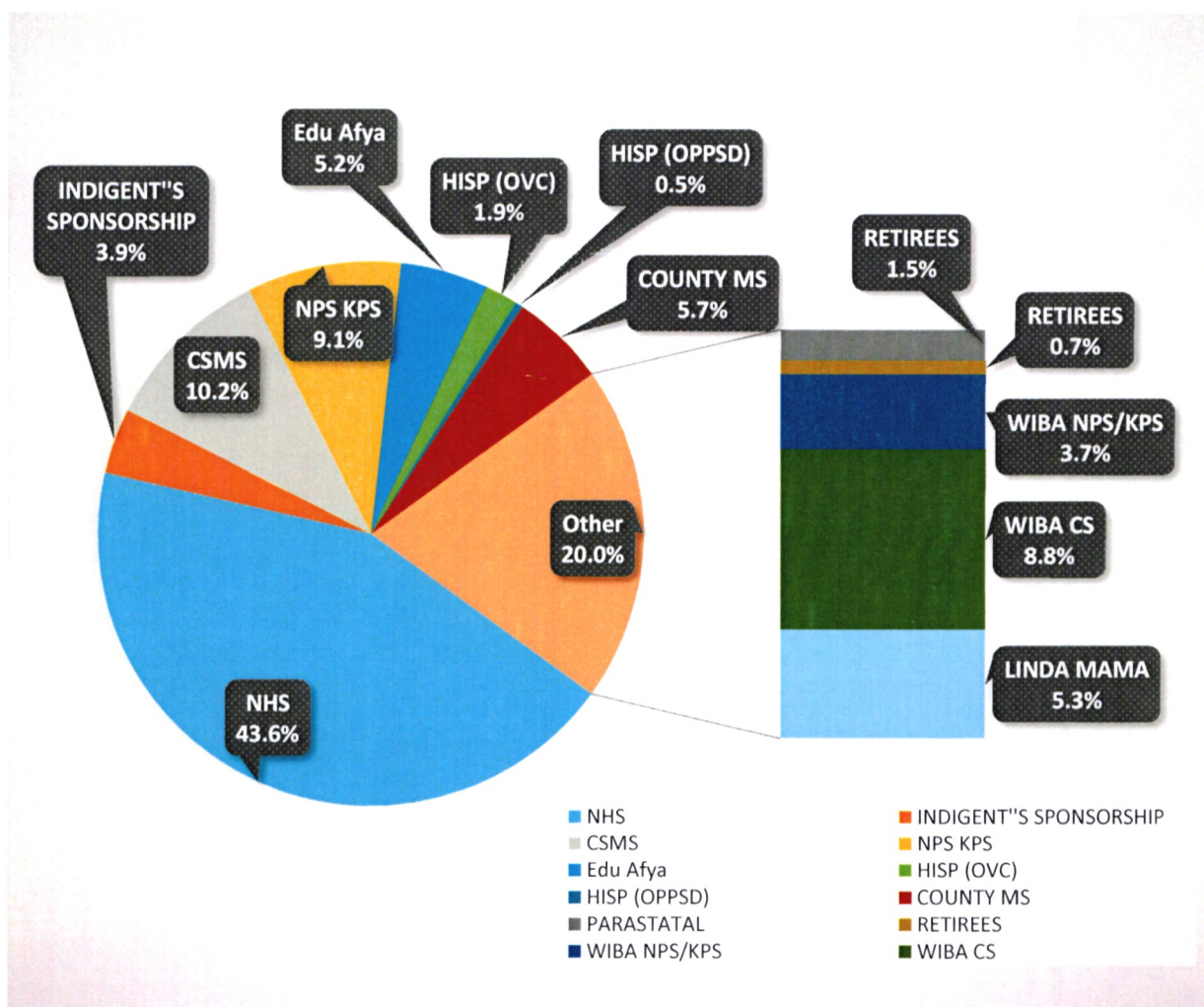
For the year ended June 30, 2022

#### Other Income

Included in the total revenue collected was other incomes of KES. 1,565,278,280. This income comprises of; Interest from Investment, Rental Income, Interest from South B Estate, Agency Commission, Miscellaneous Receipts and Gain on Disposal, as shown in the Table below.

| OTHER INCOMES                          | AMOUNT (KES)         |
|----------------------------------------|----------------------|
| Interest on investment                 | 1,241,617,176        |
| Interest on disposal of South B Estate | 69,840               |
| Rental Income                          | 321,359,139          |
| Agency Commissions                     | 2,498,656            |
| Miscellaneous Receipts                 | 1,436,481            |
| <b>Total</b>                           | <b>1,567,597,066</b> |

#### Income Distribution Chart



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

#### Total Expenditure

Main areas of the Funds expenses include:

- Benefits Expenditure - payment to health care providers for the services rendered to the members of the various schemes.
- Administrative expenses - personnel, office administration and other operating expenses.
- Capital expenditure - Property, Plant and Equipment and ICT related expenses.

#### Benefits Utilization (Loss Ratio)

Overall loss ratio for risk bearing schemes stood at 87% where a total of **Kes. 64.5 billion** were paid out in benefits against contributions and premiums of **Kes. 74.3 billion**. The table below shows the loss ratios for each scheme.

| Scheme                       | Contributions & Premiums (Earned) | Benefits              | Utilization% |
|------------------------------|-----------------------------------|-----------------------|--------------|
| National Health Scheme       | 34,071,068,025                    | 27,353,750,116        | 80%          |
| Indigents Sponsorship (GoK)  | 3,042,000,000                     | 1,361,557,798         | 45%          |
| Civil Servant Medical Scheme | 7,941,258,645                     | 8,618,131,112         | 109%         |
| NPS & KPS Medical Scheme     | 7,130,267,535                     | 9,884,509,523         | 139%         |
| Edu Afya Medical Scheme      | 4,050,000,000                     | 3,248,095,999         | 80%          |
| HISP OVC Program             | 1,520,400,000                     | 290,537,742           | 19%          |
| HISP (OPPSD) Program         | 352,800,000                       | 91,413,962            | 26%          |
| County Medical Scheme        | 4,426,061,322                     | 1,966,058,021         | 44%          |
| Parastatals Medical Schemes  | 1,201,445,249                     | 1,317,076,537         | 110%         |
| Retirees Schemes             | 508,194,530                       | 705,634,479           | 139%         |
| WIBA NPS&KPS                 | 2,877,255,761                     | 2,862,753,432         | 99%          |
| WIBA CS                      | 6,873,209,875                     | 6,790,954,170         | 99%          |
| <b>TOTAL</b>                 | <b>73,993,960,943</b>             | <b>64,490,472,890</b> | <b>87%</b>   |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

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#### Enhanced Scheme Receivables

Receivables from Enhanced Schemes as at 30<sup>th</sup> June 2022 stood at Kshs. **4.56 billion** as shown in the table below.

| SCHEME                            | AMOUNT (KES)         |
|-----------------------------------|----------------------|
| Civil Servants' Medical Scheme    | 2,396,321,415        |
| NPS&KPS Medical Scheme            | 184,086,972          |
| HISP-OVC Program                  | 253,617,833          |
| NPS&KPS Exgratia Receivable       | 306,131,676          |
| WIBA NPS&KPS Receivable           | 7,861,625            |
| WIBA - Civil Servants' Receivable | 1,447,565,526        |
| <b>Total</b>                      | <b>4,595,585,047</b> |

#### Personnel Emoluments and Other Administrative Expenses

Expenditure on Personnel Emoluments as at 30<sup>th</sup> June 2022 was **KES. 4.8 billion** against year-to-date budget of **KES. 5.1 billion**, representing a variance of **5%**.

As at 30<sup>th</sup> June 2022, other operating expenses stood at **KES. 2.85 billion** against year-to-date budget of **KES. 3.93 billion**.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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### VISION 2030 FLAGSHIP PROJECTS

#### Executive Summary

Universal social health protection ensures that all people in need have effective access to at least essential care and is thus a key mechanism for achieving these objectives. It is designed to alleviate the burden posed by ill health, including death, disability, and loss of income. Social health protection coverage also reduces the indirect costs of disease and disability, such as lost years of income due to death, short and long-term disability, care of family members, lower productivity, and hampered education and social development of children due to sickness. It hence plays a significant role in poverty alleviation.

Equity, solidarity, and social justice are understood as basic characteristics of universal access to social health protection founded on burden sharing, risk pooling, empowerment, and participation. It is up to national governments and institutions to put these values into practice. Achieving universal social health protection coverage - defined as effective access to affordable quality health care and financial protection in case of sickness - is a central objective for the NHIF.

In Kenya, the fundamental issue contributing to “insufficient attention” to the health needs of the poor remains to be budgetary constraints. The experience world-wide is that the allocation from the Treasuries of Government is not the most efficient way of addressing the health budget or indeed providing healthcare to the general population. An approach where economically able members of the community contribute to health insurance to which the poor members of the community also have access, promotes financial efficiency.

Through this mechanism healthy and richer members of the community contribute indirectly towards supporting the health needs of the frequently sick and poor members of the community. Government subsidy to the health insurance in respect of the poor is one method that has been successfully employed elsewhere and enabled countries particularly South-East Asia to assure entire populations access to good quality healthcare that the country can afford. The system eliminates wastage through out-of-pocket catastrophic payments and economic loss due to high rates the sick and costs of bereavement.

It is for these reasons that the Kenya Government adopted the well tested approach of health insurance subsidies for all and introduce transfers of its subsidy on behalf of indigents to the NHIF. The subsidies augment the internal cross subsidy inherent in health insurance - of the trickle down from the well-to-do contributors to the poor through the mechanism of pooling of resources. It is expected that with economic growth, the proportion of the



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

poor will drop to the point that contributions from members will offset any further increase in Government subsidy.

NHIF is currently implementing four (4) subsidy programs since inception in 2014 namely, HISP - OVC for Orphans and Vulnerable Children, HISP - OPPSD for Older Persons & Persons with Severe Disability, Linda Mama Program for pregnant women and Universal Health Coverage (UHC) for indigents. The subsidy programs are detailed in the Social Pillar of Vision 2030 Flagship Economic Blueprint. Collectively, NHIF reports on the subsidy programs under the umbrella name of Vision 2030 Flagship Programs.

This report documents the implementation of the programs highlighting utilization of benefits, funds utilization, challenges and recommendations for the period ending 30<sup>th</sup> June 2022.

*"THE GOAL OF THE HEALTH INSURANCE SUBSIDIES IS TO IMPROVE HEALTH OUTCOMES OF POOR HOUSEHOLDS IN KENYA AND REMOVE THE FINANCIAL BARRIERS TO ACCESSING HEALTH CARE"*

### Health Insurance Subsidy (HISP-OVC) Programme

The Health Insurance Subsidy Programme (HISP) is a demand financing health intervention that intends to enhance utilisation of health services and at the same time reduce out of pocket spending by the indigent population. This programme is expected to align with the Kenya Constitution and the approved National Policies on Universal Health Coverage and Social Protection. Both policies envisage an integrated approach in tackling the issue of inequity in healthcare as well as social security.



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

NHIF rolled out HISP in 2014 targeting beneficiaries of the Orphans and Vulnerable Children Cash Transfer Program implemented by the State Department for Social Protection. Currently, there are 181,968 households registered and covered by NHIF. For the FY 2021/22, the Ministry of Health indicated that there is additional funding to cover 72,400 OVC households.

The State Department for Social Protection through the Ministry of Health shared the datafile of 72,400 HHs with NHIF which were subjected to IPRS verification and subsequently registered. Thus, 254,368 OVC households covered as at 30<sup>th</sup> June 2022.

NHIF branches vide memo REF HF/HQ/MEM/16/ (32) dated 15<sup>th</sup> June 2022, were instructed to liaise with County Children and Social Development officers within the State Department for Social Protection to mobilize the registered beneficiaries for biometric registration and sensitization.

#### Financial Administration

As at the end of the quarter under review, a total of 254,368 households registered across the country are beneficiaries of HISP program. Since inception, Ministry of Health has disbursed funds as shown below:

| Cover Period                | Covered Population | Premiums Payable | Previous period arrears | Total Outstanding | Premium Received | Balance       |
|-----------------------------|--------------------|------------------|-------------------------|-------------------|------------------|---------------|
| Dec 01, 2017 - Nov 30, 2018 | 181,968            | 1,091,808,000    | 129,278,000             | 1,221,086,000     | 300,000,000      | 921,086,000   |
| Dec 01, 2018 - Nov 30, 2019 | 181,968            | 1,091,808,000    | 921,086,000             | 2,012,894,000     | 1,728,070,500    | 284,823,500   |
| Dec 01, 2019 - Nov 30, 2020 | 181,968            | 1,091,808,000    | 284,823,500             | 1,376,631,500     | 284,823,500      | 1,091,808,000 |
| Dec 01, 2020 - Nov 30, 2021 | 253,400            | 1,520,400,000    | 1,091,808,000           | 2,612,208,000     | 1,520,400,000    | 1,091,808,000 |
| Dec 01, 2021 - Nov 30, 2022 | 253,400            | 1,520,400,000    | 1,091,808,000           | 2,612,208,000     | 1,520,400,000    | 1,091,808,000 |

#### HISP Benefit Analysis

HISP beneficiaries are entitled to similar benefit package applicable to the National Health Scheme beneficiaries. These include inpatient, outpatient, and special packages & products. A total of **KES 290,537,742** was paid out as benefits for beneficiaries of the program as at 30<sup>th</sup> June 2022.

| COVER                     | AMOUNT             |
|---------------------------|--------------------|
| Outpatient                | 5,071,571          |
| Inpatient                 | 143,218,980        |
| Special benefits packages | 139,022,206        |
| IBNR                      | 3,224,985          |
| <b>TOTAL</b>              | <b>290,537,742</b> |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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### 1. Older Persons & Persons with Severe Disability (OPPSD) Scheme

Although the population of older people in Kenya is increasing, and older people are becoming increasingly vulnerable due to urbanization, breakdown of family structures and rising healthcare costs, most African countries have no social health protection for older people.

When they are ill, older people very often have inadequate access to medical care. And when there is access, they may be unable to pay for the care they require and/or the service is of very low quality. Health insurance is available to some, but in developing countries, most older people do not have health insurance.

It is for this reason that the Government of Kenya through NHIF introduced the Health Insurance Subsidy Program for Older Persons & Persons with Severe Disabilities in 2015 targeting 42,000 households distributed in all 47 counties. However, in 2021/22, the Ministry of Health increased coverage with an additional 16,800 households.

#### Operational Highlights

##### Targeting of Beneficiaries for OPPSD

The OPWD target group constitutes the households under the Older Persons and Persons with Severe Disability Cash Transfer Program. The targeting and identification is carried out by the Ministry of Labour and Social Protection (ML&SP) through proxy means testing and community verification.

The 58,800 households were ranked by the Ministry of Labour and Social Protection as the poorest among in the database of beneficiaries in the Older Persons and Persons with Severe Disability cash transfer program.

##### Registration Status

NHIF obtained the data of the 16,800 HHs from the State Department for Social Protection which was verified using IPRS and auto registered in June 2022. Thus, the total number of HHs covered under this program is 58,800 HHs as at 30th June 2022.

##### Access to Health Services

The OP&PWSD households have access to benefits as prescribed under the National Scheme guidelines including inpatient, diagnostic testing, chronic care management and outpatient services among others to all NHIF members including HISP beneficiaries.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

#### Financial Administration

The table below shows disbursements.

| Cover Period                  | Covered Population | Premiums Payable | Arrears from previous periods | Total Outstanding | Premium Received | Balance     |
|-------------------------------|--------------------|------------------|-------------------------------|-------------------|------------------|-------------|
| April 01, 2018 - Mar 31, 2019 | 42,000             | 252,000,000      | -                             | 252,000,000       | 189,000,000      | 63,000,000  |
| April 01, 2019 - Mar 31, 2020 | 42,000             | 252,000,000      | 63,000,000                    | 315,000,000       | 315,000,000      | -           |
| April 01, 2020 - Mar 31, 2021 | 42,000             | 252,000,000      | -                             | 252,000,000       | -                | 252,000,000 |
| April 01, 2021 - Mar 30, 2022 | 58,800             | 352,800,000      | 252,000,000                   | 604,800,000       | 342,300,442      | 262,499,558 |
| April 01, 2022 - Mar 30, 2023 | 58,800             | 352,800,000      | 262,499,558                   | 615,299,558       | 352,800,000      | 262,499,558 |

#### Benefit Utilization

OPPSD members are entitled to a similar benefit package applicable to the National Health Scheme beneficiaries. These include inpatient, outpatient, and special packages & products. A total of **KES 91,413,962** was paid out as benefits for members of the scheme at 30<sup>th</sup> June 2022.

| COVER                    | AMOUNT            |
|--------------------------|-------------------|
| Inpatient                | 807,150           |
| Outpatient               | 41,891,736        |
| Special benefit Packages | 47,978,395        |
| IBNR                     | 736,681           |
| <b>Total</b>             | <b>91,413,962</b> |

## 2. Linda Mama

The Government of Kenya introduced Free Maternity Services in 2013 to address the high maternal morbidity and mortality rates. The Ministry of Health transitioned the Free Maternity Services Program to NHIF in 2016 which was rebranded to “Linda Mama Program”. The reason for this transition was to leverage on the NHIF infrastructure and systems that enable real-time member identification, registration, verification, and claims processing. In addition, to working with all government/public healthcare facilities, NHIF has empanelled private and faith-based healthcare providers to increase the choice for the pregnant mothers across the country.



Significant sustained increase of 89%, 97%, and 98% has been observed in the antenatal care visits, health facility deliveries, and live births respectively, after the policy implementation.



Immediate and significant increase of 27% was also noted for those women who received Emergency Obstetric Care (EmONC) services in either the level 5, 4 and 3 health facilities\*. NHIF provides access to maternal services

including skilled delivery, antenatal and post-natal care services as well as complications arising from pregnancy.

In addition, to working with all government/public healthcare facilities, NHIF has empanelled private and faith-based healthcare providers to increase the choice for the pregnant mothers across the country.

#### **Registration of Expectant Mothers**

All pregnant women who are Kenyan citizens are eligible to benefit from the program. Registration of expectant women is done through the following modes:

- a) Mobile platform - USSD Code \*155# and follows the simple steps
- b) Contracted health facility - through NHIF Health System
- c) NHIF country wide offices and Huduma Centres.

The registration requirements include the following:

- i) Pregnant women of age 18 years and above will be registered using their national identification cards and the Ante Natal Care records.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

- ii) Pregnant women under 18 years will be registered using Ante Natal Care records and their guardians' national identification cards.
- iii) Pregnant women above 18 without national Identification cards will be registered using the Ante Natal Care records.

#### Linda Mama funds and Utilization of Benefits

Free Maternity service is a managed funds scheme where NHIF administers the program by receiving funds from the Government of Kenya through the Ministry of Health (MOH), registering eligible women, contracting facilities and reimbursing the providers for services rendered.

#### Benefit Package & Utilization

The Linda Mama Benefit Package is as outlined by the Kenya Essential Package for Health (KEPH) and entails *(4) antenatal visits, delivery (normal or caesarean), four (4) post-natal visits and complications arising from pregnancy for both mother and new-born*. This cover is activated by the preferred healthcare provider upon confirmation of pregnancy and is valid for 12 months.

The utilization of the program in the period under review is as follows:

| BENEFITS PAID - OUT | AMOUNT IN KES |
|---------------------|---------------|
| Inpatient Care      | 747,279,078   |
| Caesarean Section   | 598,954,101   |
| Normal Delivery     | 1,978,327,987 |
| Ante-Natal Care     | 426,515,462   |
| Post-Natal Care     | 41,859,556    |
| IBNR                | 371,646,482   |
| Total               | 4,164,582,667 |



### **Access to Benefits**

NHIF continues to engage potential healthcare providers including public, private, and faith-based facilities to give the pregnant women a varied choice of service providers. Currently, over 6,000 healthcare facilities are in the Linda Mama program to offer services.

### **Other Emerging Issues**

NHIF engaged United Nations International Children's Emergency Fund (UNICEF) towards supporting Linda Mama communication. As such UNICEF provided technical support via consultant that has been working with programs Department since May 2021. The output of this will be a communication strategy and an advocacy plan for Linda Mama.

### **Partnerships**

NHIF engaged UNICEF in August 2020 to support the development of a Linda Mama Communication Strategy and Advocacy Plan.

- This culminated in the contracting of a consultant by UNICEF in May 2021 who commenced the desk review and formative assessment of gaps in Linda Mama Communication.
- Next steps will be to host a stakeholder workshop and thereafter drafting of the communication strategy

NHIF successfully negotiated with International Labor Organization (ILO) to support the feasibility study, design, and costing of a Maternity Income Protection (MIP) benefit. ILO has contracted a consultant in May 2020 who is in the process of drafting an inception report before commencement of the feasibility study.

- The NHIF CEO appointed a taskforce to coordinate the MIP project which is chaired by the Head of Benefit Design and members from all departments.
- The study period is May 2021 to October 2021

### **3. Inua Jamii 70+ Program (IJP)**

Inua Jamii 70+ Program is a government flagship program that rolled out in April 2018 and aims to extend coverage to older persons as part of its commitment to achieving Universal Health Coverage as underscored in the Big Four Agenda.

# **NATIONAL HEALTH INSURANCE FUND**

## **Reports and Financial Statements**

**For the year ended June 30, 2022**

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The Ministry of Labour and Social Protection expanded the Older Persons Cash Transfer Program to cover all poor and vulnerable persons aged 70 years and above. Therefore, this group of beneficiaries are set to access health insurance cover through the National Health Insurance Fund (NHIF).

### **Operational Highlights**

#### **Targeting of Beneficiaries for IJP 70+**

The Inua Jamii 70+ program constitute individuals who are 70 years old and above. The Ministry of Labour & Social Protection conducted the targeting, identification and created a database of the population. This data was forwarded to NHIF on **19<sup>th</sup> April 2018** in a file which contained 484,086 beneficiaries. NHIF verified the data through the Integrated Population Registration System (IPRS) after which the list of beneficiaries was uploaded into the NHIF database.

#### **Registration Status for IJP 70+**

During the year under review, all the 484,086 beneficiaries have been registered to be issued with cards.

#### **Access to Health Services**

Currently, the beneficiaries of Inua Jamii 70+ program are not accessing benefits due to the fact NHIF is yet to receive the premiums for the beneficiaries. However, the beneficiaries are eligible to access to benefits as prescribed by under the National Scheme guidelines including inpatient, diagnostic testing, chronic care management and outpatient services.

Although the beneficiaries will access benefits under the National Scheme, it's important to consider the unique health issues and challenges that the older persons' experience and develop benefit packages that address the needs of older persons.

### **4. Universal Health Coverage (UHC)**

Universal Health Coverage (UHC) is a policy priority at both the national and global level. The goal of UHC is to ensure that every citizen has access to quality healthcare services that they need without getting into financial difficulties or, worse, pushed into poverty. To progress towards UHC countries must advance along at least three lines of action. They must

- ❖ Expand priority services (Include other Services)
- ❖ Include more people (Extend to the non-Covered)
- ❖ Financial Protection (Reduce out-of-pocket payments)



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

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### Universal Health Coverage (UHC) Phase 1

To demonstrate Government's commitment in the implementation of one of the key big 4 agendas, H.E. The President launched Universal Health Coverage on 7th February 2022 in a key event held in Mombasa County. This came hot-in-the-heels after the identification and registration of close to one-million indigents, signing of memorandum of understanding between the Ministry of Health and NHIF on implementation of the UHC scheme and the disbursement of a premium of six billion shillings to the Fund to cover the identified indigents in phase I.

Subsequent to the main UHC launch in Mombasa, simultaneous launches were carried out in the Counties. These events created awareness across the Country on the Universal Health Coverage which is a great stride to the successful implementation of UHC. The activities undertaken included media coverage, testimonials and promotions, print and digital media and keynote addresses by County leadership.

### Registration of indigents

The total indigents households identified for the UHC cover were **5,110,390**. Phase I of the exercise covered **1,022,078**, out of which a total of **901,628** were registered as of 4<sup>th</sup> July 2022 to access benefits. This translated to **88%** registration coverage.

The indigents households so far biometrically registered are **382,294** which is **37%** of the projected biometric registration target.

During the identification of the indigent house holds for the Universal Health Coverage, the 47 Counties involved the Community Health Workers (CHWs) and Community Health Volunteers (CHVs) to identify and mobilize the indigent house holds.

The CHWs and CHVs play a crucial role in

- 1) Guiding the community on health improvement and disease prevention
- 2) Linking the vulnerable population and Healthcare Providers.
- 3) Dissemination of information
- 4) Identification of vulnerable households.

Below is the statistical summary of indigent households' registration per County: -

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| Name of the County | Estimated Indigent Households per county | Indigent Households covered in Phase One (2020/21FY) | Indigent Registration Data Submitted to NHIF | Indigent Households Registered by NHIF (IPRS validation) | % Indigent households registered | Balance of Indigent Households not yet submitted | All NHIF Member Biometric Registrations update as at from October 2020 to 04th July 2022 | Biometrically Enrolled Indigent Households @ 2nd July 2022 | % Indigent Households Biometrically Registered |
|--------------------|------------------------------------------|------------------------------------------------------|----------------------------------------------|----------------------------------------------------------|----------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------|
| Mombasa            | 135,645                                  | 27,129                                               | 42,484                                       | 21,987                                                   | 81%                              | 5,142                                            | 180,705                                                                                  | 7,716                                                      | 28%                                            |
| Kwale              | 122,568                                  | 24,514                                               | 29,668                                       | 21,890                                                   | 89%                              | 2,624                                            | 64,269                                                                                   | 13,807                                                     | 56%                                            |
| Kilifi             | 176,878                                  | 35,376                                               | 51,582                                       | 38,835                                                   | 110%                             | 3,460                                            | 68,291                                                                                   | 7,602                                                      | 21%                                            |
| Tana River         | 51,925                                   | 10,385                                               | 15,079                                       | 8,164                                                    | 79%                              | 2,221                                            | 12,776                                                                                   | 3,605                                                      | 35%                                            |
| Lamu               | 12,564                                   | 2,513                                                | 3,417                                        | 2,144                                                    | 85%                              | 369                                              | 11,325                                                                                   | 672                                                        | 27%                                            |
| Taita/Taveta       | 49,057                                   | 9,811                                                | 23,256                                       | 13,521                                                   | 138%                             | 3,710                                            | 29,520                                                                                   | 7,684                                                      | 78%                                            |
| Garissa            | 83,993                                   | 16,799                                               | 17,931                                       | 13,672                                                   | 81%                              | 3,127                                            | 29,546                                                                                   | 5,399                                                      | 32%                                            |
| Wajir              | 107,840                                  | 21,568                                               | 29,289                                       | 17,225                                                   | 80%                              | 4,343                                            | 26,735                                                                                   | 9,797                                                      | 45%                                            |
| Mandera            | 107,866                                  | 21,573                                               | 25,434                                       | 20,208                                                   | 94%                              | 1,365                                            | 47,424                                                                                   | 15,418                                                     | 71%                                            |
| Marsabit           | 60,089                                   | 12,018                                               | 12,508                                       | 11,249                                                   | 94%                              | 769                                              | 20,533                                                                                   | 2,607                                                      | 22%                                            |
| Isiolo             | 38,045                                   | 7,609                                                | 9,611                                        | 6,931                                                    | 91%                              | 678                                              | 29,347                                                                                   | 3,418                                                      | 45%                                            |
| Meru               | 133,103                                  | 26,621                                               | 42,042                                       | 25,573                                                   | 96%                              | 1,048                                            | 138,847                                                                                  | 6,974                                                      | 26%                                            |
| Tharaka-Nithi      | 44,779                                   | 8,956                                                | 10,754                                       | 7,260                                                    | 81%                              | 1,696                                            | 49,950                                                                                   | 4,033                                                      | 45%                                            |
| Embu               | 65,102                                   | 13,020                                               | 25,439                                       | 13,017                                                   | 100%                             | 3                                                | 101,928                                                                                  | 4,658                                                      | 36%                                            |
| Kitui              | 159,595                                  | 31,919                                               | 48,794                                       | 36,452                                                   | 114%                             | 4,533                                            | 32,705                                                                                   | 18,548                                                     | 58%                                            |
| Machakos           | 173,069                                  | 34,614                                               | 67,344                                       | 23,831                                                   | 69%                              | 10,783                                           | 69,193                                                                                   | 5,446                                                      | 16%                                            |
| Makueni            | 149,630                                  | 29,926                                               | 38,344                                       | 29,300                                                   | 98%                              | 626                                              | 61,924                                                                                   | 6,361                                                      | 21%                                            |
| Nyandarua          | 70,759                                   | 14,152                                               | 30,031                                       | 12,046                                                   | 85%                              | 2,106                                            | 15,924                                                                                   | 7,437                                                      | 53%                                            |
| Nyeri              | 69,843                                   | 13,969                                               | 18,959                                       | 16,127                                                   | 115%                             | 2,158                                            | 122,049                                                                                  | 9,409                                                      | 67%                                            |
| Kirinyaga          | 52,699                                   | 10,540                                               | 11,690                                       | 9,347                                                    | 89%                              | 1,193                                            | 69,247                                                                                   | 5,149                                                      | 49%                                            |
| Murang'a           | 106,304                                  | 21,261                                               | 29,801                                       | 17,288                                                   | 81%                              | 3,973                                            | 81,290                                                                                   | 5,742                                                      | 27%                                            |
| Kiambu             | 195,031                                  | 39,006                                               | 45,112                                       | 26,480                                                   | 68%                              | 12,526                                           | 274,076                                                                                  | 13,121                                                     | 34%                                            |
| Turkana            | 144,840                                  | 28,968                                               | 30,200                                       | 25,285                                                   | 87%                              | 3,683                                            | 11,850                                                                                   | 4,144                                                      | 14%                                            |
| West Pokot         | 77,714                                   | 15,543                                               | 23,526                                       | 8,503                                                    | 55%                              | 7,040                                            | 7,693                                                                                    | 2,288                                                      | 15%                                            |
| Samburu            | 47,143                                   | 9,429                                                | 9,993                                        | 9,280                                                    | 98%                              | 149                                              | 8,950                                                                                    | 2,950                                                      | 31%                                            |
| Trans Nzoia        | 92,732                                   | 18,546                                               | 30,376                                       | 12,162                                                   | 66%                              | 6,384                                            | 41,069                                                                                   | 3,879                                                      | 21%                                            |
| Uasin Gishu        | 103,462                                  | 20,692                                               | 30,102                                       | 12,464                                                   | 60%                              | 8,228                                            | 102,211                                                                                  | 3,155                                                      | 15%                                            |
| Elgeyo Marakwet    | 53,225                                   | 10,645                                               | 20,154                                       | 12,791                                                   | 120%                             | 2,146                                            | -                                                                                        | 4,709                                                      | 44%                                            |
| Nandi              | 80,519                                   | 16,104                                               | 35,635                                       | 18,190                                                   | 113%                             | 2,086                                            | 41,221                                                                                   | 3,445                                                      | 21%                                            |
| Baringo            | 74,053                                   | 14,811                                               | 14,398                                       | 11,265                                                   | 76%                              | 3,546                                            | 59,192                                                                                   | 6,905                                                      | 47%                                            |
| Laikipia           | 73,056                                   | 14,611                                               | 22,057                                       | 13,815                                                   | 95%                              | 796                                              | 91,246                                                                                   | 4,930                                                      | 34%                                            |
| Nakuru             | 206,954                                  | 41,391                                               | 43,132                                       | 37,217                                                   | 90%                              | 4,174                                            | 238,560                                                                                  | 17,259                                                     | 42%                                            |
| Narok              | 98,902                                   | 19,780                                               | 32,125                                       | 16,351                                                   | 83%                              | 3,429                                            | 28,897                                                                                   | 3,798                                                      | 19%                                            |
| Kajiado            | 121,365                                  | 24,273                                               | 30,948                                       | 18,628                                                   | 77%                              | 5,645                                            | 158,993                                                                                  | 4,861                                                      | 20%                                            |
| Kericho            | 80,545                                   | 16,109                                               | 21,449                                       | 14,616                                                   | 91%                              | 1,493                                            | 77,773                                                                                   | 4,143                                                      | 26%                                            |
| Bomet              | 95,580                                   | 19,116                                               | 26,937                                       | 15,495                                                   | 81%                              | 3,621                                            | 57,587                                                                                   | 10,564                                                     | 55%                                            |
| Kakamega           | 213,686                                  | 42,737                                               | 95,042                                       | 31,250                                                   | 73%                              | 11,487                                           | 91,166                                                                                   | 13,658                                                     | 32%                                            |
| Vihiga             | 55,979                                   | 11,196                                               | 12,425                                       | 11,072                                                   | 99%                              | 124                                              | 51,913                                                                                   | 4,282                                                      | 38%                                            |
| Bungoma            | 171,778                                  | 34,356                                               | 37,770                                       | 25,854                                                   | 75%                              | 8,502                                            | 144,064                                                                                  | 17,612                                                     | 51%                                            |
| Busia              | 119,952                                  | 23,990                                               | 34,868                                       | 20,695                                                   | 86%                              | 3,295                                            | 142,582                                                                                  | 12,959                                                     | 54%                                            |
| Siaya              | 97,281                                   | 19,456                                               | 31,187                                       | 19,735                                                   | 101%                             | 279                                              | 119,320                                                                                  | 11,309                                                     | 58%                                            |
| Kisumu             | 121,335                                  | 24,267                                               | 43,460                                       | 25,749                                                   | 106%                             | 1,482                                            | 141,133                                                                                  | 8,567                                                      | 35%                                            |
| Homa Bay           | 127,410                                  | 25,482                                               | 38,650                                       | 28,338                                                   | 111%                             | 2,856                                            | 98,203                                                                                   | 16,319                                                     | 64%                                            |
| Migori             | 120,381                                  | 24,076                                               | 50,401                                       | 23,640                                                   | 98%                              | 436                                              | 98,765                                                                                   | 11,193                                                     | 46%                                            |
| Kisii              | 158,821                                  | 31,764                                               | 85,992                                       | 31,077                                                   | 98%                              | 687                                              | 135,209                                                                                  | 20,176                                                     | 64%                                            |
| Nyamira            | 76,757                                   | 15,351                                               | 19,196                                       | 12,810                                                   | 83%                              | 2,541                                            | 62,229                                                                                   | 8,873                                                      | 58%                                            |
| Nairobi City       | 330,539                                  | 66,108                                               | 65,535                                       | 52,799                                                   | 80%                              | 13,309                                           | 632,735                                                                                  | 15,713                                                     | 24%                                            |
| <b>Total</b>       | <b>5,110,390</b>                         | <b>1,022,078</b>                                     | <b>1,514,127</b>                             | <b>901,628</b>                                           | <b>88%</b>                       | <b>120,450</b>                                   | <b>4,180,165</b>                                                                         | <b>382,294</b>                                             | <b>37%</b>                                     |

Sensitization of Community Health Workers (CHWs) and Community Health Volunteers (CHVs)



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

In the financial year 2021/22, UHC division planned and executed Rapid Results Initiatives (RRI) in two phases aimed at biometrically registering the identified UHC indigents households. These exercises were hindered by low turnout of the expected targets due to either lack of awareness or lack of information about the National government sponsored programs. To ensure that the CHWs/CHVs disseminate the correct information to the grass root, Universal Health Scheme organized a sensitization program in the 47 Counties from the 20<sup>th</sup> to 25<sup>th</sup> June 2022, to train the target group on the following:

- 1) UHC benefit package
- 2) Government Flagship sponsored programs i.e., HISP-OVC; HISP-OPSD and Linda Mama
- 3) NHIF processes

The sensitization exercise was successfully carried out. However, Lamu and Kwale Counties deferred the exercise to future date due to logistical challenges. The attendance in most Counties was over 95 percent of the expected target of 130 participants per County.

#### Budget

A total budget in KHS **15,980,000** was committed for the activity. The summary is as below:

| No | Item                                      | Quantity<br>estimated<br>price. | & unit<br>County | Amount<br>per  | Total Amount      |
|----|-------------------------------------------|---------------------------------|------------------|----------------|-------------------|
| 1  | Conference facilities                     | 130 pax @<br>2,000              | Kshs.            | 260,000        | 12,220,000        |
| 2  | Mobilization of<br>CHVs/CHWs              | 1 pax 30 wards @<br>Ksh. 500    |                  | 15,000         | 705,000           |
| 3  | Transport facilitation to<br>participants | 130 pax @ ksh.500               |                  | 65,000         | 3,055,000         |
|    | <b>Total</b>                              |                                 |                  | <b>340,000</b> | <b>15,980,000</b> |

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

### For the year ended June 30, 2022

#### UHC premiums and utilization

A sum of Kes 6 billion was received in January 2022 for the scheme as shown below:

#### UHC Premiums

| Date         | Amount               |
|--------------|----------------------|
| 07-01-2022   | 2,249,850,000        |
| 07-01-2022   | 1,500,000,000        |
| 07-01-2022   | 2,250,150,000        |
| <b>Total</b> | <b>6,000,000,000</b> |

#### Utilization as of 30<sup>th</sup> June 2022

Below is the utilization of the cover since commencement in January 2022.

| Particulars               | Number of Beneficiaries | No. of Claims | Amount             |
|---------------------------|-------------------------|---------------|--------------------|
| Premiums                  | 1,000,000               |               | 6,000,000,000      |
| Benefits                  |                         |               |                    |
| Inpatient                 | 33,798                  | 33,798        | 832,154,572        |
| Outpatient                | 44,496                  | 44,496        | 52,888,593         |
| Special benefits packages | 248                     | 248           | 89,839,414         |
| <b>Total Benefits</b>     | <b>78,542</b>           | <b>78,542</b> | <b>974,882,579</b> |

#### Capitation

NHIF through the Ministry of Health engaged the Council of Governors (COG) on out patient choice of facilities for the identified and registered indigent households, consequently it was directed that all the indigents under the National government sponsorship be capitated in their respective County facilities. The premiums having been paid to NHIF in January 2022, meant capitation was done in the 3<sup>rd</sup> and 4<sup>th</sup> Quarter FY2021/2022.



**NATIONAL HEALTH INSURANCE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022**

Below is the breakdown of the capitation payments done: -

| Quarter         | No. of Counties | Amount             |
|-----------------|-----------------|--------------------|
| 3 <sup>rd</sup> | 47              | 252,538,450        |
| 4 <sup>th</sup> | 47              | 251,006,400        |
| <b>Total</b>    |                 | <b>503,544,850</b> |

### Universal Health Coverage (UHC) Phase II

The Government of Kenya in phase II of the UHC scaleup prioritized sponsorship of the first 200,000 Boda Boda riders as part of reforming the Boda Boda transport Industry. The Boda Boda riders will be issued with Smart Cards bearing NHIF details. This will enable the riders to access medical cover whenever they are involved in accidents.

The UHC phase II Scale up is spear headed by the Ministry of Interior in collaboration with the National Transport Safety Authority (NTSA), National Registration Bureau (NRB), National Youth Service (NYS), Huduma Centers and National Health Insurance Fund (NHIF).

The soft launch of the exercise and training of staff commenced on 21<sup>st</sup> February 2022 while the National launch was held on 28<sup>th</sup> March 2022 in all the 47 Counties and the event was presided over by the officials from the National Government. NHIF has received data for a total of 311,863 Boda Boda riders who have been registered by the National Transport Safety Authority (NTSA). The analysis revealed that 207,103 Boda Boda riders are already registered in the NHIF Data base. Further a total of 103,657 were not NHIF members.

The data for the new members will be subjected to validation, and notification send to the Boda Boda riders informing them of the registration. It is expected that the National Government will pay annual premium for the beneficiary Boda Bodas members. Activation of the UHC scale up phase II is slated for July 2022 and will be presided by the Cabinet Secretary Ministry of Interior.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### KEY MILESTONES ACHIEVED

#### Electronic Claims Processing

To enhance the NHIF's capacity to deliver the promise of UHC to Kenyans, the Cabinet Secretary for Health, Mrs. Sicily Kariuki, established the Health Financing Reforms Expert Panel (HEFREP) for the Transformation and Repositioning of the National Health Insurance Fund as a Strategic Purchaser of Health services by 2022.

The report of the HEFREP recommended the implementation of an Electronic Claims Processing (E-claim) system to improve efficiency in claims processing as the manual system was taking over 24 hours to complete most of the NHIF transactions. The E-Claim development entails an Electronic Health Management Information system (EHMIS) which is a web-based health information Technology that allows health providers to submit claims electronically on behalf of the patients. An electronic health record (EHR) is a digital version of a patient's paper chart is generated. EHRs are real-time patient-centred records that make information available instantly and securely to authorized users.

The Fund (NHIF) launched nationally the electronic claims processing (E-claim) system in the Month of April 2021 in Kakamega County. The system will enhance the turnaround time for both out and in patient services. It will also reduce the cost of processing claims by eliminating the paperwork and help in curbing fraud. Currently, NHIF has connected all eligible private Healthcare providers and level 4,5,6 GOK facilities in the country. The remaining GOK facilities have infrastructural challenges including lack of connectivity to the KPLC national grid and lack of computers among others. The switch off from the manual claims to Electronic Claims took place on 11<sup>th</sup> July 2021.

#### *Summary of E-Claim Connectivity (All Regions)*

| CATEGORY    | CONNECTED |
|-------------|-----------|
| GOK         | 352       |
| FAITH BASED | 235       |
| PRIVATE     | 1,602     |
| TOTAL HCPs  | 2,189     |

#### Biometric Registration

His Excellency the President launched the UHC biometric registration exercise in Mombasa County on October 31<sup>st</sup>, 2020. The biometric registration of members is done at **NHIF Service Points** and **hospitals** at the point the member or dependent is seeking services. The exercise





which targets members of the National scheme (Supa Cover), Enhanced Schemes and Indigents aims at improving efficiency and reducing fraud. Details of members and their dependents including fingerprints are captured.

Total biometric registrations have hit 5,298,807 compared to 4,733,026 members registered biometrically as at 31st December 2021. Biometric registration of indigents and vulnerable population increased to 369,519 beneficiaries from 321,123 reported in December 2021. A Rapid response initiative to carry out biometric registration of vulnerable persons households registered by the County Governments is ongoing. Nine teams have been deployed across the County to hasten the process of registration to enable the identified beneficiaries to access benefits.

### **Key Reforms**

One of the key reforms to the transformation of NHIF is the review of the legal framework within which NHIF operates. The HEFREP recommended review of the policy, legal and institutional framework of NHIF as the vehicle to deliver UHC. This led to proposed amendments to the NHIF Act, a journey through the legislative process and the passing of the Bill. The NHIF (Amendment) Bill, 2021 was assented by the President on 10th January 2022 and the commencement date set at 28th January 2022. This culminates to one of the key achievements in the history of NHIF that in essence increases the mandate and scope of NHIF to achieve UHC. Following the enactment of the NHIF (Amendment) Act, 2022, there was need to develop regulations to guide the implementation of the Act. A technical team comprising of the MOH, NHIF, Kenya Law Reforms Commission and the Office of the Attorney General was appointed by the Principal Secretary for Health on 14th January 2022 to draft regulations. The team drafted five (5) regulations as follows: -

- o The NHIF (Member Registration) regulations 2022
- o The NHIF (Beneficiary Identification) regulations 2022
- o The NHIF (Contributions) regulations 2022
- o The NHIF (Empanelment & Contracting) regulations 2022
- o The NHIF (Claims & Benefits) regulations 2022

Close to the end of the quarter on 25th March 2022, the NHIF family welcomed the appointment of five members of the Board of Directors of the National Health Insurance Fund by the Cabinet Secretary, Health. These appointments are in line with the new NHIF Act, 2022 that include changes in the representation with two new representatives of the Council of Governors and a CS Health appointee being brought on board. The management

# **NATIONAL HEALTH INSURANCE FUND**

## ***Reports and Financial Statements***

***For the year ended June 30, 2022***

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is privileged to welcome Dr. Andrew Were Onyino, Mr. Albert Obed Njeru, Mr. Ben Wakhunghu, Dr. Silpah Owich and Mr. Dominic Ndegwa to the impressive team of NHIF Board of Directors.

### **Public Participation**

To enhance transparency and accountability and in compliance with the national values and principles of governance, NHIF commenced public participation on the draft regulations on 24th February 2022.

The Fund is committed to meaningful, effective, and informed stakeholder engagement to ensure greater clarity and to harness a shared vision with stakeholders. During the period under review, a flurry of engagements and public participation activities in support of NHIF transformation have been undertaken and are still on going. These include but not limited to the following: -

- Stakeholder engagement on the reviewed benefit package for 2022/2024 contracting cycle. This is to inform the design and implementation of the UHC benefit package while ensuring sustainability. The main stakeholders who have been involved are Government Level 6 and 5 hospitals, Kenya Medical Association (KMA), Kenya Medical Practitioners and Dentists Union (KMPDU), Christian Health Association of Kenya (CHAK), Rural Private Hospitals Association of Kenya (RUPHA), Kenya Faith Based Health Services Consortium (KFBHSC), Kenya Association of Private Hospitals (KAPH), Supreme Council of Kenya Muslims (SUPKEM), The Kenya Conference of Catholic Bishops (KCCB), Central Organization of Trade Unions, Kenya (COTU-K), Federation of Kenya Employers (FKE), Council of Governors, Parliamentary committee, High-cost Private hospitals, NHIF staff among others.
- NHIF opened up for public participation of the draft regulations on 24th February 2022. Since then, the Fund has conducted countrywide engagements and has received submissions from members of the public and stakeholders. Among the stakeholders who have participated include; Ministries and their State Agencies, Workers Unions, the Parliamentary Health Committees (both National Assembly and Senate), Development Partners, County Governments, Healthcare providers, Healthcare Professional Associations, Patient Support Groups, Health Care Provider Regulatory Bodies, Religious Groups, Civil Society Groups, Media, Employer Associations and Community Based Health Insurance Schemes (CBHIS), and NHIF staff.
- The TWG is currently collating submissions from the Public Participation forums to come up with an explanatory memorandum and a regulatory impact assessment report.



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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- Following the mid-term review of the 2018-2022 strategic plan, the department of Strategy and Planning carried out a successful sensitization of the Revised Strategic Plan in all the branches and the Head Office. This targeted to create awareness to all the staff members of the changing business environment that include a new Vision, Mission, Core Values, strategic objectives among other strategy initiatives.

### Digital Transformation

NHIF continues to showcase its digital transformation, business process and customer support improvements during the year as highlighted by the following achievements:

- A total of 46,351,078 SMS's has been sent since July 2021. This includes 45,381,132 bulk SMS's and 9,505,005 Short code messages.
- Increase in membership by 931,882 within the three months' period compared to 682,235 new registrations in the previous quarter.
- Enhancement of the self-care portal to measure the customer satisfaction levels, and net promoter value on a real time basis.
- The Fund revenue has improved by Kes 12.91 billion from Kes 44.67 billion reported in Q3 of 2020/2021 to Kes 57.58 billion in the current period according to the Q3 report and financial statements. This has been achieved through increased revenue streams and new businesses with a view to making NHIF more sustainable.
- The Fund has steered successful launches and commenced the implementation of UHC successfully. This has been accomplished through targeted communications to identified indigents, facilitating access to health care services immediately after the launch and biometric registration of more than 367,400 indigents. 30,351 indigents have accessed services three months since the commencement of the cover and only two months since the launch. 21,713 of the beneficiaries have accessed outpatient services while 8,638 have accessed inpatient services.
- Digital platforms have registered growth in traffic and reach with majority of the users being in the 23-34 age bracket. Facebook followers increased from 116,938 in July 2021 to 127,000 and a post reach of 101,878. Twitter followers increased from 71,900 in July to 81,900 in February 2022 with 93,200 tweet impressions. Instagram has grown to 7,090 followers from 5,190 in July while YouTube subscribers grew to 702 from 518 and more than 1,400 views. This performance has empowered the Fund stay connected and engaged with the young generations while receiving valuable feedback cost effectively.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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### ENVIRONMENTAL AND SUSTAINABILITY REPORTING

#### 1. Sustainability Strategy and Profile

As a key driver in the realization of Universal Health Coverage journey, NHIF revised its corporate mission in order to give emphasis on enhancing equitable and sustainable health and well being of the community that it serves with a key focus on cushioning this very community from financial hardship. This focus has brought about increased access of health insurance not only in terms of geographical coverage but also in terms of the breadth of health benefit packages.

Going forward, the Fund will continue to pursue a number of strategies in order to enhance gains in the economic, community and environmental fronts. These strategies will include:

- Increased innovations
- Strengthening the risk management framework
- Adherence to the national values and principles of governance as well as the corporate values
- Strengthening of the governance structures
- Operationalization of the Legal Framework (Revised NHIF Act, 2022 & the Regulations)
- Enhancing of the benefit package
- Mainstreaming climate change initiatives
- Pursuing environmentally friendly initiatives such as Planting and maintenance of trees, efficient use of power and water and recycling of waste papers

#### Customer Experience Week

The Financial year 2020/21 Customer Experience week was held between 4<sup>th</sup> and 8<sup>th</sup> October 2021. The international theme for the annual Customer Experience Week was the 'Power of Service' while the national theme is 'Driving Customer Inclusion'. A proposal was developed and approved where it projected that the organization would gain the following once implemented:

- Appealing to our internal and external customers
- Awareness of NHIF benefits portfolio and registration processes
- Appreciation of NHIF service provision towards its members
- Answering Customer's queries handled conclusively.
- Idea generation towards the improvement of NHIF services during Covid 19 period

Various activities were carried out by NHIF staff across all the branches including giving back to the society by visiting patients in different parts of the country.



# **NATIONAL HEALTH INSURANCE FUND**

## **Reports and Financial Statements**

**For the year ended June 30, 2022**

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### **Support innovation through Agricultural Society of Kenya (ASK)**

NHIF took part in the annual Agricultural Shows organized to showcase services and products by different organizations. The Fund participated in the Nakuru ASK Show in May 2022 where it reached over 10,000 people who attended the weeklong event.

## **2. Employee welfare**

### **a. Recruitment and Selection**

The Fund being an equal opportunity employer, shall seek to attract and retain an optimum number of qualified human resource based on their academic and professional qualifications coupled with the right mix of attitudes and competencies, for the attainment of the Fund's strategic objectives.

There shall therefore be no discrimination against any of its employees on the basis of gender, race, religion, ethnicity, political inclination or any other condition that may give rise to any form of alienation.

While making decisions on selection on first appointment, preference will be given to qualified and suitable Kenyan citizens for the positions. However, information concerning a candidate's general background and/or previous employment shall be verified.

NHIF recognizes the need for training and development of all its employees as in the end they become better equipped for meeting emerging challenges in their duties, thus achieving the organization's objectives.

It is therefore, the policy of the Fund to offer sound training opportunities to its entire staff in order to improve their work performance and enhance their personal development, as well as assist the Fund in meeting its overall development programmes.

More particularly, the training and development of employees will be directed towards achieving the following objectives: -

- (a) To improve the organizational performance of the Fund by helping all employees to improve on their effectiveness in their present jobs.
- (b) To assist each employee to gain competence and skills in preparation for more responsibility within the Fund and to help each employee to prepare for change, as the Fund develops to meet changing needs.
- (c) To ensure that sufficiently trained manpower is available to meet the Fund's strategic requirements, by identifying those requirements and providing appropriate training and development opportunities for all its employees.
- (d) The Fund shall consult/liase with organizations involved with training, in the facilitation of required training programmes.

## **NATIONAL HEALTH INSURANCE FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2022**

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#### **b. Occupational Health & Safety Policy**

It is the policy of NHIF not only to comply with the Health and Safety measures required by law, but also to act positively where it can prevent injury, ill health, damage and loss arising from its operations. It considers the promotion of Health and Safety of its employees to be an essential part of responsible management.

NHIF recognizes that the effective prevention of accidents and incidents depends as much on a committed attitude of mind to safety, as on design, operation and maintenance of plant and equipment and to this end, it will seek to encourage employee's participation in the contribution to the establishment and observance of safe working practices.

NHIF is conscious of Health, Safety responsibilities to stakeholders including customers, employees and society at large. Our key objectives are to:

1. Ensure the health & safety status of our employees, work operations and the work environment.
2. Comply with all applicable statutory and regulatory b. Occupational Health & Safety (OHS) requirements to which NHIF subscribes to.
3. Educate employees on their OHS responsibilities and equip them with adequate authority and resources to carry out their duties successfully.
4. Implement, sustain, expand upon and continuously improve our OHS Standard within our business and conform to appropriate benchmarking standards.
5. Involve all employees, customers and strategic partners in improving our OHS standard.
6. Recognize and reward good OHS performance.
7. Regularly review our effectiveness and audit our performance in achieving our OHS Objectives

#### **3. Market place practices-**

With respect to competition, NHIF is governed by an Act of Parliament No. 9 of 1998, that mandates the Organization to set up a Fund for purchase of healthcare services for its members who are both statutory i.e., employed, and voluntary contributors i.e., self-employed, or sponsored indigents. The premium rates are approved by the Board of Management and gazetted through the office of the Attorney General. The Act has enabled the fund to expand coverage to over 25 million Kenyans and it has made the Organization the biggest Purchaser of healthcare services in the Country. This has been achieved by recognizing the private sector involvement in purchasing of healthcare services and their regulators through constant engagement with the Insurance regulatory Authority (IRA) and the Association of Kenya Insurance (AKI).



NHIF also offers enhanced medical schemes to the government and its agencies through the Presidential directive of promoting government agencies with the sole purpose of cushioning against high spending in purchasing of health insurance for public servants. Notably, it is not mandatory for the government agencies to procure health insurance for its employees through NHIF though NHIF was given the green light to market its product to such interested agencies.

NHIF is a corruption free zone as it's expressly stated in the NHIF Act Sec. 25, contracts with service providers including healthcare providers and suppliers and other partners and its policies on Fraud Waste and Abuse of benefits.

Being a public organization, NHIF adheres to the Public Ethics Act that mandates the Fund to be impartial in politics and not take part in any such engagements. Nonetheless, engagements with the political class is part of the routine stakeholder engagements carried out by the Fund. At the National level, NHIF engages with the parliament mainly through the Ministry of Health and at the County level, NHIF engages the Counties through the regional and branch offices. Through such engagements, the fund has benefited from political support especially in the smooth implementation of UHC, provision of quality healthcare to members and other areas such as expansion of coverage by supporting indigents through County and NG-CDF Funds.

To ensure and continually improve on integrity, efficiency and reputation of the Fund, competitive practices have been factored in the strategic decision-making fabric of the Fund through development and implementation of various Policies, Manuals, and guidelines some of which are:

1. Anti-Corruption Policy
2. Conflict of interest Policy
3. Gifts Policy
4. Fraud and wastage Policy
5. Whistle Blowing Policy
6. The Code of Conduct and Ethics

Additionally, the Fund has undertaken the initiative to train and sensitize employees on matters of Article 10, 232 and Chapter 6 of the Constitution of Kenya (2010) and the integration of the same in the decision-making processes with the aim of containing politics among others that may emerge during execution of the day-to-day mandate of achieving the Fund's objective. Monitoring of practices is done through the oversight of Integrity Assurance Officers Committee and Corruption Prevention Committee which meet on quarterly basis to evaluate progress.

# **NATIONAL HEALTH INSURANCE FUND**

## ***Reports and Financial Statements***

***For the year ended June 30, 2022***

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### **a) *Responsible Supply chain and supplier relations***

While the Fund is committed to acquire Goods, works and Services from the market in accordance to the PPADA 2015 and its regulations, the Fund commits to;

1. Ensure that there is fairness transparency and objectively in its processes and prompt feed back to our supplies.
2. That good works, and services provided by our supplies will be received promptly as per the set specifications and payments to the supplies will be processed in a timely manner.
3. We will maintain a cordial business relationship with our suppliers while maintaining the highest ethical standards and integrity.

### **b) *Responsible marketing and advertisement***

The team is guided by the Customer Service charter which ensures that we maintain the highest standard in service delivery to all stakeholders. NHIF adheres to this by ensuring that whenever marketing and communication campaigns are done through an honest, accountable, transparent and competent manner.

NHIF is guided by the Government Adverting Agency in regard to placement of adverts in legacy media. The process ensures that we maintain a great value for money and level field for all suppliers in the media industry.

### **c) *Product stewardship***

The Fund holds all its customers in high regard and has continuously practice protection of their rights and interests. It has achieved this through;

- Sharing information on its' product mix and services to its members and to the public in a consistent manner. This has been achieved through continuously printing information packs that are shared with the public, sensitization of beneficiaries through the Public Education Division on various platforms, updating our website and social media pages. The information shared not only includes the product mix, but also the rights of all our customers with respect to access of the various products at our service points and at the contracted Healthcare Providers (HCPs).
- Signing of contracts with Healthcare providers that expressly state that in providing of services to NHIF beneficiaries, the health facility shall comply and procure health professionals and all other administrative officers engaged by them to be compliant with applicable laws and the relevant policies issued by Regulatory Authorities in



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

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relation to the Services provided including the Consumer Protection Act, Act No. 46 of 2012, Laws of Kenya.

- The Contract also expressly outlines the benefits that each NHIF beneficiary is entitled to and has clauses that outline patient rights to access accurate and adequate information on their cover, treatment plan and bills that arise thereof, rights to access to “mandatory services”, customer rights to non-discrimination and equitable treatment.
- Setting up an end-to-end customer service, support, and complaint and dispute resolution mechanism through making available channels to do so e.g., a State of the Art 24 hour call centre with a Toll free line, availing a complaints and enquiry email with the public and continuous engagement on our social media pages. These mechanisms have provided our customers with expeditious, fair, transparent, inexpensive, accessible, speedy, and effective enquiry/complaint/dispute resolution

**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
*For the year ended June 30, 2022*

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**REPORT OF THE BOARD OF MANAGEMENT**

The Board of Management submit their report together with the financial statements for the year ended June 30, 2022 which show the state of the Fund's affairs.

**Principal activities**

The principal activity of the Fund is to receive income for healthcare financing of all its members.

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on pages 76 - 140. Below (Page 76) is the summary of Income and Expenditure for the year.

**Board of Management**

The members of the Board of Management who served during the year are shown on page 6.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board,



.....

DATE: .....30<sup>th</sup> September 2022 ...

Ms. JANET BOIT

Ag. CORPORATION SECRETARY



#### STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Section 38 of the NHIF Act, require the board to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Board is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2022. These responsibilities include:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud
- (iv) Safeguarding the assets of the Fund
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Board accept responsibility for the Fund's financial statements, which have been prepared based on information provided by Management, appropriate accounting policies supported by reasonable and prudent judgements and estimates and in conformity with International Financial Reporting Standards (IFRS). The accounts are prepared in the format required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

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Nothing has come to the attention of the Board to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

#### Approval of the financial statements

The Fund's financial statements were approved by the Board on 30<sup>th</sup> September 2022 and signed on its behalf by:



CHIEF EXECUTIVE OFFICER

 27.04.2023

CHAIRPERSON



# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL HEALTH INSURANCE FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

I draw your attention to the contents of my report, which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of National Health Insurance Fund set out on pages 76 to 137, which comprise of the statement of financial position as at 30 June, 2022, and the statement of surplus or deficit and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial

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*Report of the Auditor-General on National Health Insurance Fund for the year ended 30 June, 2022*



position of the National Health Insurance Fund as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the National Health Insurance Fund Act No. 9 of 1998 (Revised Edition 2022) and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Property, Plant and Equipment**

#### **1.1 Disputed Ownership of Land**

The statement of financial position and as disclosed in Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.12,997,610,657 which includes land valued at Kshs.298,589,665. Included in this balance is an amount of Kshs.93,712,675 for land measuring 10 hectares situated in Karen. However, as previously reported, the ownership of this parcel of land is in dispute and the matter is in Court. Information available indicate that the Directorate of Criminal Investigations (DCI) has commenced investigation to establish whether there was fraud in the transfer of ownership of the land. Progress made on the investigation has not been disclosed in these financial statements.

In the circumstances, the ownership of land valued at Kshs.298,589,665 could not be confirmed.

#### **1.2 Doubtful Work-In-Progress at Karen Land**

The statement of financial position and as disclosed in Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.12,997,610,657 which includes capital work in progress balance of Kshs.1,444,687,484 relating to payments for drawings and designs for the proposed Resource Centre. However, as previously reported, the construction of the Resource Centre has not commenced, eighteen (18) years since the acquisition of the land. Management has explained that construction of the Resource Centre was yet to commence due to lack of approval from the parent Ministry and the land ownership dispute in court.

Although the issue had been discussed by the Public Investment Committee (PIC), no action appears to have been taken on the PIC recommendations that the Fund should expeditiously pursue the prosecution and conclusion of the case to its logical conclusion.

In the circumstances, the validity and existence of capital work in progress balance of Kshs.1,444,687,484 could not be confirmed.

### **2. Construction of Multi Storey Car Park**

As previously reported, the Fund entered into an agreement with a local construction firm for construction and completion of a multi storey car park at a contract sum of Kshs.909,709,305 which was revised to Kshs.1,179,611,756. Review of records provided for audit revealed that the project commenced in May, 2002 and completed at a cost of Kshs.3,342,120,239 in July, 2008, five (5) years after the scheduled completion date of August, 2003. Further, expenditure totalling to Kshs.626,635,998 and Kshs.4,706,521 was incurred in 2009/2010 and 2010/2011 respectively on the car park increasing its total cost to Kshs.3,973,462,758 resulting to a contract variation of Kshs.3,063,753,453 or 337% of the original contract. Management has not provided explanation for the unjustified increase of the total cost of the project.

Although the issue has been discussed by the Public Investment Committee, no action has been taken on the Committee recommendations that the Ethics and Anti-Corruption



Commission should institute and fast track investigation on the project. As at the time of this audit in March, 2023, no progress report had been received from the Commission.

In the circumstances, validity and accuracy of buildings balance of Kshs.7,570,290,280 could not be confirmed.

### **3. Short Term Deposits (Investments)**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects short term deposits (investments) balance of Kshs.13,388,971,803 which is net of provision for impaired investments. As previously reported, the provision includes an amount of Kshs.49,500,000 which had been deposited by the Fund on 26 June, 2001 with the Consolidated Bank Limited. The entire deposit of Kshs.49,500,000 was offset by the Bank against a guarantee executed by the former Fund Chief Executive Officer on behalf of Euro Bank Limited. It is not clear and the Management has not explained the circumstances under which the Fund's deposit was used as a guarantee by the then Chief Executive Officer.

The Public Investment Committee recommended in the 21<sup>st</sup> report that;

- (i) The then Chief Executive Officer (CEO) of NHIF be held accountable for any losses incurred in the irregular investment of the surplus funds in Consolidated Bank and therefore be surcharged for Kshs.40,065,205, being the value of the un-deposited cheque No.022477 of 23 September, 2002 from Euro Bank;
- (ii) The then Consolidated Bank's CEO and Finance Manager should be held accountable for colluding with NHIF to mismanage the invested funds;
- (iii) In view of the fact that the Fund had no capacity to provide guarantee for a loan to a private bank, Consolidated Bank should pay the amount of Kshs.49.5 million owed to the Fund;
- (iv) The then Senior Management of Consolidated Bank including the then Managing Director, and Finance Manager should also be held accountable for colluding with NHIF to mismanage the invested funds.
- (v) The former Managing Director of Consolidated Bank should be surcharged for the funds that were advanced to Euro Bank in overnight lending. He should further be held accountable for the Kshs.49.5 million which the Bank could not recover from the Fund and consequently offset the same against the fixed deposits of NHIF.
- (vi) NHIF should relentlessly pursue Consolidated Bank for recovery of Kshs.49,500,000.
- (vii) NHIF CEO must ensure that all financial investments by the Fund are done in accordance with Treasury Circular No.10 of 1992 and Section 28(1) of the Public Finance Management Act, 2012.

However, no action appears to have been taken by Management to recover the loss of Kshs.49,500,000.

In the circumstances, the value and existence of the short-term deposits (investments) balance of Kshs.13,388,971,803 could not be confirmed.

### **4. Unquoted Investments**

The statement of financial position reflects unquoted investment balance of Kshs.310,892,640 as disclosed in Note 29 to the financial statements. The amount includes a loan balance of Kshs.256,692,640 advanced to Moi Teaching and Referral Hospital



(MTRH) at an interest rate of 3% per annum. However, the signed financing agreement indicating the terms and conditions of the loan including the purpose and the repayment period was not provided for audit. In addition, the unquoted investment balance includes Consolidated Bank shares of Kshs.54,200,000 which are not traded and for which no dividends have been paid in the past and therefore this investment is impaired.

In the circumstances, the accuracy and completeness of un-quoted investments of Kshs.310,892,640 could not be confirmed.

## **5. Variances Between Financial Statements and System Generated Balances**

A comparison of the statement of surplus or deficit and other comprehensive income amounts with those generated from the system generated revealed the following variances;

- i. The statement of surplus or deficit and other comprehensive income reflects benefits expenses amount of Kshs.68,655,055,557 while the system extracts reflects Kshs.61,881,857,408 resulting to an unexplained and unreconciled variance of Kshs.6,773,198,149.
- ii. Note 20 to the financial statement reflects compensation of employees amount of Kshs.4,861,960,470 while the system extracts reflects Kshs.4,812,220,675 resulting to an unexplained and unreconciled variance of Kshs.49,739,793

In the circumstances, the accuracy and completeness of the benefits expenses and compensation of employees amounts could not be confirmed.

## **6. Unapproved Ex-Gratia Expenses**

The statement of surplus or deficit and other comprehensive income reflects National Police Service (NPS) and Kenya Prisons Service (KPS) Scheme expenses of Kshs.9,884,509,523 as disclosed in Note 9 of the financial statements which includes an amount of ex-gratia expenses of Kshs.286,797,493. However, the approved contract limit was Kshs.200,000,000 resulting to a variance of Kshs.86,797,493 whose approval from the Ministry of Interior and National Administration was not provided for audit.

In the circumstances, the propriety and validity of ex-gratia expenses of Kshs.86,797,493 could not be confirmed.

## **7. Unsupported Expenditure**

### **7.1 Surgical Packages under the National Health Scheme**

The statement of surplus or deficit and other comprehensive income reflects National Health Scheme expenses of Kshs.27,353,750,116 as disclosed in Note 6 of the financial statements. The amount includes payments for surgical packages and surgeries of Kshs.27,208,800 whose contracts were not provided for audit and Kshs.1,290,000 which were not recorded in the theatre registers both totalling to Kshs,28,488,800.

### **7.2 Board Expenses**

The statement of surplus or deficit and other comprehensive income reflects Board expenses of Kshs.32,166,770 as disclosed in Note 21 to the financial statements. The amount includes Kshs.5,830,000 incurred on Board meetings that were not supported by Board minutes and signed attendance registers.

### **7.3 Transport Operating Expenses**

The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements which



includes transport operating expenses amount of Kshs.204,744,920. The amount includes Kshs.106,570,126 which was not supported by procurement documents including call for bids, requisition from department, signed contracts, letters of award, letters of acceptance, professional opinion, opening minutes and evaluation minutes.

In the circumstances, the propriety, accuracy and completeness of Kshs.28,488,800; Kshs.5,830,000 and Kshs.106,570,126 on surgical packages, board and transport operating expenses respectively all totalling Kshs.140,888,926 could not be confirmed.

## **8. Payments to Hospitals for Linda Mama Services without Contract**

The statement of surplus or deficit and other comprehensive income reflects Linda Mama benefits expenses amount of Kshs.4,493,259,781 which includes a payment of Kshs.1,608,200. However, the contract between the Fund and supplier was not provided for audit.

In the circumstances, the accuracy and completeness of Kshs.1,608,200 on Linda Mama benefit expenses could not be confirmed.

## **9. Overpayment in Other Operating Expenses**

### **9.1 Hospitality/Entertainment**

The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements. The amount includes hospitality and entertainment expenses of a contract sum of Kshs.5,379,900 and actual payment of Kshs.6,388,019 resulting to an overpayment of Kshs.1,008,118. This was contrary to Paragraph 129 (2) on contract requirements which states that the contract, which shall be in writing, shall set out either (a) the maximum amount of money that can be paid under the contract or (b) the maximum amount of time that can be paid for under the contract.

### **9.2 Legal Expenses**

The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements. Included in the amount is legal expenses of Kshs.247,896,305 out of which Kshs.91,643,848 was paid for cases which had an estimate amount of Kshs.13,997,651. This resulted to unexplained nor reconciled overpayment of Kshs.77,646,197 which was also contrary to schedule 6(1)(b) of the advocates remuneration.

In the circumstances, the propriety, accuracy and completeness of Kshs.1,008,118 and Kshs.77,646,197 on hospitality/entertainment and legal expenses respectively both totalling Kshs.78,654,315 could not be confirmed.

## **10. Failure to Prepare Car Loan and Mortgage Fund Financial Statements**

The statement of financial position reflects long term deposits of Kshs.1,346,231,679 as disclosed in Note 28 to the financial statements. The amount includes car loan amount of Kshs.57,222,743 and mortgage balance of Kshs.1,289,008,936 which are utilized to advance staff loans at interest rate of 5%. However, the financial statements for car loan and mortgage were not provided for audit.

In the circumstances, the accuracy and completeness of car loan balance of Kshs.57,222,743 and mortgage balance of Kshs.1,289,008,936 could not be confirmed.

## **11. Erroneous Claims - NHS Outpatient Expenses**

The statement of surplus or deficit and other comprehensive income reflects National Health Scheme amount of Kshs.27,353,750,116 as disclosed in Note 6 to the financial statements.



The amount includes outpatient expenses of Kshs.4,965,797,649 being capitation payments to facilities out of which Kshs.4,154,448 were amounts under NHS expenses. These amounts were claims under case code 05 (the code for medical outpatient visits) that ranged between Kshs.100 to Kshs.118,720 for individual members. However, NHS outpatient care package is covered under capitation and no claims are expected under case code 05 for NHS.

In the circumstances, the propriety, accuracy and completeness of NHS Expenses of Kshs.4,154,448 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Health Insurance Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### Key Audit Matters

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risk of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my opinion on the accompanying financial statements.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How Audit Addressed the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Trade Payables</b></p> <p>The statement of financial position reflects trade (claims payable) payables amount of Kshs.3,804,837,246 as disclosed in Note 38 to the financial statements.</p> <p>Focus was given to the trade payable due to the materiality of the balance after the fund introduced Incurred but Not Reported (IBNR) reserves in Note 36 to the financial statement which serves as an estimate of the liability for claim-generating events that have took place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period.</p> <p>The Fund's IBNR estimates are computed on a quarterly basis. These estimates are then shared with management for inclusion in the financial statements and supported by a certification by a competent actuarial consultant.</p> <p>In addition, claims totalling to Kshs.7,661,706,361 paid in the financial year 2020/2021 but for prior years were reversed and posted to IBNR Reserves for the financial</p> | <p><b>We Performed the Following Procedures: -</b></p> <ol style="list-style-type: none"> <li>Obtained an understanding of the fund's trade payables.</li> <li>Tested the key controls over the administration of the claims in the claims system.</li> <li>Tested the accuracy and completeness of the fund's claims data with their supporting documents.</li> <li>Selected a sample of trade payable and carried out circularization to determine the accuracy and completeness of the claims reported during the year.</li> </ol> |



|                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| years 2020/2021 whereas claims totalling to Kshs.6,835,120,522 paid during the year but relating to prior periods were posted to the IBNR Reserves in the current year. | v. Assessed the disclosures included in the financial statements, including their compliance with the requirements of IFRS.<br><br>vi. Confirmed if the creation of the reserve was done as per requirements of IFRS.<br><br>vii. Confirmed if the opening balances were adjusted as the claims adjustment was pervasive. |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.87,408,632,049 and actual revenue on comparable basis of Kshs.78,158,543,610 resulting to revenue shortfall of Kshs.9,250,088,439 or 11% of the budget. Similarly, the Fund spent Kshs.68,655,055,557 on benefits expenses against approved budget of Kshs.75,126,426,869 resulting to under absorption of Kshs.6,471,371,312 or 9% of the budget.

There is need for the Fund to review its budget making process with a view to developing a vibrant budget implementation follow up mechanism and feedback process to ensure that all projects and activities are implemented as planned for the Fund to meet its mission and objectives for the benefits of the citizens.

### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229 (6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Irregular Contract Awards**

The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements. The amount includes hospitality/entertainment expenses of Kshs.40,603,881 out of which Kshs.11,362,992 was in respect to contracts that were awarded/executed several months after the supplies were made. This was contrary to Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the



parties and such contract shall be signed by the accounting officer or an officer authorized in writing by the accounting officer of the procuring entity and the successful tenderer.

In the circumstances, Management was in breach of the law.

## **2. Irregular Awards under AGPO**

The statement of surplus or deficit and other comprehensive income reflects other operating expenses of Kshs.2,850,096,833 as disclosed in Note 22 to the financial statements. The amount includes Kshs.22,751,390 for supplies awarded under the Access to Government Procurement Opportunities (AGPO) category but their respective AGPO certificates were not provided for audit. This was contrary Section 53(6) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement and asset disposal planning shall reserve a minimum of thirty per cent of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.

In the circumstances, Management was in breach of the law.

## **3. Unapproved Foreign Trips**

Note 21 to the financial statements reflects Board expenses of Kshs.32,166,770. The amount includes Kshs.5,924,604 incurred on foreign trips. However, an approved by Cabinet Secretary was not provided for audit. This was contrary to part D 9 of the Office of the President Circular No.SH/1/6/X1V dated 19 October, 2018 which states that all public officers will require to seek clearance to make foreign travel from their respective Cabinet Secretary. In addition, professional opinion on procurement of air tickets was approved on 16 May, 2022 after the participants had already departed on 07 May, 2022 and 08 May, 2022.

In the circumstances, Management was in breach of the law.

## **4. Failure to Segregate Critical Functions**

Review of user privileges revealed that some staff had excessive rights on the system which is critical functions to the Fund. This violates the principle of segregation of duties (shared responsibilities) and that of least privilege and increases risk of errors and fraud being undetected. This was contrary to Regulation 23 (1)(c) of the Public Finance Management (National Government) Regulations, 2015 that requires maintenance of effective systems of internal control and the measures taken to ensure that they are effective.

In the circumstances, Management was in breach of the law.

## **5. Claims Without Received Date**

Review of claims data extracted from the QVTerm system established that there were outpatient claims worth Kshs.39,376,886 that were paid. However, the claims did not have received date or the user ID of the person who received the claim. It was not possible to confirm whether a claim was submitted within the 90 days from the date of discharge. This was contrary to Paragraph 5.2 of Financial Management Policy, 2017 which states that claims should be submitted for payments within ninety (90) days from the date of discharge.

In the circumstances, Management was in breach of the law.

## **6. Clustered staff Debtors in the Payroll System**

Review of data from the payroll system revealed that salary advance, training levy and Imprest recovery were all clustered under one column (staff debtors). This was contrary to Regulation 23 (1)(c) of the Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 68(1) of the Act, be accountable to the National Assembly for



maintaining effective systems of internal control and the measures taken to ensure that they are effective.

In the circumstances, Management was in breach of the law.

## **7. Work Executed Before Signing Contracts**

Review of Information Communication Technology (ICT) related contracts revealed contracts valued at Kshs.306,303,703 were executed before the contracts were signed and cases of unsigned contracts were noted. This was contrary to Section 135 (3) and (4) of Public Procurement and Asset Disposal Act, 2015 which states (4) No contract is formed between the person submitting the successful tender and the accounting officer of a procuring entity until the written contract is signed by the parties.

In the circumstances, Management was in breach of the law.

## **8. Irregular Claims**

Review of list of claims submitted to the Fund for settlement revealed that one facility submitted one thousand two hundred and thirty (1230) claims with a value of Kshs.25,360,500. However, the facility was not on the list of declared/empaneled facilities. This was contrary to Section 5 (1) (b) and Section 22(1) of National Health Insurance Fund Act, No. 9 of 1998 which states the Board shall pay from the Fund, a benefit to an empaneled or contracted health care provider for an expense incurred by the provider, for the provision of health care services through the centralized healthcare provider management, to the number of beneficiaries determined by the Board.

In the circumstances, Management was in breach of the law.

## **9. Violation of One-Third Rule on Basic Pay**

Review of payroll data revealed four hundred and eighty-five (485) employees were receiving net salaries that were less than a third of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 that states that deduction against salary should not exceed two-thirds of basic salary.

In the circumstances, Management was in breach of the law.

## **10. Irregularities on Human Resources**

Review of payrolls and human resource records revealed the following unsatisfactory matters;

### **10.1. Irregular Promotions**

Review of staff movement in the last three (3) years revealed that nine (9) employees were promoted but they did not meet the minimum requirement as set out in the NHIF Career Guideline dated August, 2020. In addition, Management did not provide any proof that advertisement(s) were done for the positions. This was contrary to paragraph 2.34.3 of NHIF HR Policy and Procedures Manual dated August, 2020.

### **10.2. Failure to Deduct PAYE**

Ten (10) employees with disabilities with gross salary above Kshs.150,000 were not deducted pay as you earn (PAYE). This was contrary to Legal Notice No. 36, of The Persons with Disabilities Act (No. 14 of 2003). Further, eight (8) staff members not in the approved list of Persons with Disabilities (PWD) provided for audit were benefiting from tax exemption allowed for PWD. This was contrary to Paragraph 4 of Persons with Disabilities (Income Tax Deductions and Exemptions) Order, 2010.



### **10.3. Discrepancies in Payment of Salaries and Allowances**

Review of payrolls for the year under review revealed that one (1) staff member was over paid in basic pay, fifteen (15) staff members were overpaid in house allowances, two (2) staff members were overpaid in commuter allowances and seventeen (17) staff members overpaid in acting allowance. This was contrary to the letter Ref. No. SRC/TS/NHIF/3/39 (38) dated January 2019.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **1. Staff Establishment Grading Structure**

The approved staff establishment list grading structure indicates that HF 14 is for Office Assistant and HF 1 is for Chief Executive. However, this differs with the master roll/compliment list where HF 1 is for Office Assistant and HF 14 is for the Chief Executive.

In the circumstances, the effectiveness of the Fund's grading structure could not be confirmed.

##### **2. Irregularities on Claim Reimbursements**

An assessment of controls over claim process using sampled branches revealed the following irregularities:

- i. Claim number 16855376 had an invoice amount of Kshs.200,000 but the amount preauthorized, claimed and paid was Kshs.250,000. Similarly claim number 38100425 had an invoice amount of Kshs.4,000, but amount claimed and paid was Kshs.40,000. Also claim No.17305160 had invoice amount of Kshs.36,946 but the claim was preauthorized and paid at Kshs.40,350.
- ii. Claim number 40719590 was indicated in the discharge summary and invoice as dental, yet case code 05 was used instead of case code 09. Consequently, an invoice amount of Kshs.19,000 was raised for the beneficiary who was under the National Police and Prisons Service Scheme instead of contract amount of Kshs.2,500.
- iii. In claim number 17577593 fitting of a hearing aid was claimed, preauthorized and paid as a major surgery (case code 07), at Kshs.150,000.



- iv. Claim number 17196609 was paid at Kshs.570,350. However, the claim was preauthorized and raised for treatment of schizoaffective disorder/schizophrenia but the invoice included an operation theatre and a minor procedure, yet the discharge summary had no indication that the same were required

In the circumstances, the effectiveness of controls on claims could not be confirmed.

### **3. Weak Linda Mama Program Controls**

The statement of surplus or deficit and other comprehensive income reflects Linda Mama Program expenses of Kshs.4,164,582,667 as disclosed in Note 16 to the financial statements. However, users at branch level could not extract from the system supporting documents including encounter forms, discharge summaries/treatment notes and hospital invoices.

In the circumstances, the effectiveness of Linda Mama Program controls at branch levels could not be confirmed.

### **4. System Weakness in Generating Financial Statements**

Review of QVTerm System revealed that system was not fully configured to produce the financial statements but data was extracted through excel, analyzed and summarized to come up with amount reflected in the financial statement. Comparison of supporting schedules for NHS expenses with sampled member statements extracted from the ERP system indicated twenty-eight (28) claims of Kshs.266,000 were in member statements but were not included in the financial statements.

In the circumstances, the effectiveness of controls of QVTerm system to generate financial statements could not be confirmed.

### **5. Staff Establishment Not Mapped in The Payroll System**

Review of payroll data with staff establishment revealed inconsistencies in the designations and departments between the two documents.

In the circumstances, the effectiveness of controls of staffing and payroll management could not be confirmed.

### **6. Weak Controls over Imprest Issuance and Surrender**

Review of imprest general ledger revealed the following control deficiencies;

- i. A sample of imprest surrendered revealed six (6) instances where one imprest warrant was used to support surrender of more than one imprest and thirteen (13) instances where different imprests were erroneously captured as having been issued using one imprest warrant.
- ii. Analysis of imprest code register and imprest register extracted from QVTerm revealed five hundred and twenty-seven (527) imprest payments that were made to payees who were not in the imprest code register.

In the circumstances, the effectiveness of controls of imprest surrender and recording could not be confirmed.

### **7. Inadequate IT Contingency Planning**

The Management has not put in place approved business continuity, disaster recovery plans and comprehensive back up procedures. Further, backups were not tested for successful restoration. This was contrary to Regulation 110(1) of the Public Finance Management (National Government) Regulations, 2015 that requires the Accounting Officer of a national government entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.



In the circumstances, the effectiveness of controls of backups and data recovery could not be confirmed.

## **8. Inadequate IT Security and Governance**

The Fund did not have an approved Security Policy and Procedures and therefore the information systems may not be adequately safeguarded against emerging IT risks. In addition, Board and Senior Management intent as spelt out in the ICT Policy document may not be achieved. Further, the Information Technology (IT) controls at application, network and database level were inadequate, which may affect the confidentiality, integrity and availability (CIA) of data used in preparation of the financial statements.

In the circumstances, the effectiveness of controls to guard emerging IT risks and (IT) controls at application, network and database level could not be confirmed.

## **9. Non-Adherence to Contract Terms on Payment of Capitation**

Review of capitation summaries revealed that payments were not being made within the first thirty (30) days of the capitation period as stipulated on the Schedule of Payments and Payment Terms for the Outpatient Care Packages in hospital Contracts. Delay in payment of capitation is breach of contract that may negatively impact on services to members.

In the circumstances, the effectiveness of controls on capitation could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the Fund's activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.



## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am

required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
**CPA Nancy Gathungu, GBS**  
**AUDITOR-GENERAL**

**Nairobi**

**02 May, 2023**



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

|                                            | Note | JUNE<br>2022          | RESTATED<br>BALANCE<br>JUNE 2021 | CLOSING<br>BALANCE<br>JUNE 2021 |
|--------------------------------------------|------|-----------------------|----------------------------------|---------------------------------|
| <b>REVENUES</b>                            |      | <b>KES</b>            | <b>KES</b>                       | <b>KES</b>                      |
| National Health Scheme Contributions       | 6    | 34,071,068,025        | 31,621,331,719                   | 31,621,331,719                  |
| Indigents' Sponsorship (GoK) Prog Premium  | 7    | 3,042,000,000         | -                                | -                               |
| Civil Servant Scheme Contr & Premium       | 8    | 7,941,258,645         | 6,022,658,067                    | 6,022,658,067                   |
| NPS & KPS Scheme Contr & Premium           | 9    | 7,130,267,535         | 7,028,116,989                    | 7,028,116,989                   |
| Edu Afya Medical Scheme Premium            | 10   | 4,050,000,000         | 4,050,000,000                    | 4,050,000,000                   |
| HISP OVC Program Premium                   | 11   | 1,520,400,000         | 1,341,820,000                    | 1,341,820,000                   |
| HISP (OPPSD) Program Premium               | 12   | 352,800,000           | 276,000,000                      | 276,000,000                     |
| County Scheme Contr & Premium              | 13   | 4,426,061,322         | 2,739,988,156                    | 2,739,988,156                   |
| Parastatal Schemes Contr & Premium         | 14   | 1,201,445,249         | 1,047,798,983                    | 1,047,798,983                   |
| Retirees Schemes Premium                   | 15   | 508,194,530           | 551,782,076                      | 551,782,076                     |
| Linda Mama Program Premium                 | 16   | 4,164,582,667         | 4,881,426,228                    | 4,948,139,361                   |
| WIBA - NPS&KPS Premium                     | 17   | 2,877,255,761         | 1,147,797,220                    | 1,147,797,220                   |
| WIBA - Civil Servants Premium              | 18   | 6,873,209,875         | 1,450,606,302                    | -                               |
| <b>TOTAL REVENUES</b>                      |      | <b>78,158,543,610</b> | <b>62,159,325,738</b>            | <b>60,775,432,570</b>           |
| <b>BENEFITS EXPENSES</b>                   |      |                       |                                  |                                 |
| National Health Scheme Expenses            | 6    | 27,353,750,116        | 26,316,725,366                   | 28,236,045,834                  |
| Indigents' Sponsorship (GoK) Program Contr | 7    | 1,361,557,798         | -                                | -                               |
| Civil Servant Scheme Expenses              | 8    | 8,618,131,112         | 6,291,415,197                    | 6,734,203,627                   |
| NPS & KPS Scheme Expenses                  | 9    | 9,884,509,523         | 8,462,367,539                    | 8,255,928,224                   |
| Edu Afya Medical Scheme Expenses           | 10   | 3,248,095,999         | 1,516,438,158                    | 1,850,335,509                   |
| HISP OVC Program Expenses                  | 11   | 290,537,742           | 253,128,733                      | 250,641,181                     |
| HISP (OPPSD) Program Expenses              | 12   | 91,413,962            | 80,068,379                       | 81,847,746                      |
| County Scheme Expenses                     | 13   | 1,966,058,021         | 1,103,929,875                    | 1,234,656,419                   |
| Parastatal Schemes Expenses                | 14   | 1,317,076,537         | 823,061,017                      | 1,063,751,144                   |
| Retirees Schemes Expenses                  | 15   | 705,634,479           | 688,025,718                      | 762,420,144                     |
| Linda Mama Benefit Expenses                | 16   | 4,164,582,667         | 4,881,426,228                    | 4,948,139,361                   |
| WIBA - NPS&KPS Expenses                    | 17   | 2,862,753,432         | 834,672,639                      | 643,769,429                     |
| WIBA - Civil Servants Expenses             | 18   | 6,790,954,170         | 1,420,143,569                    | -                               |
| <b>TOTAL BENEFIT EXPENSES</b>              |      | <b>68,655,055,557</b> | <b>52,671,402,419</b>            | <b>54,061,738,618</b>           |
| <b>GROSS SURPLUS</b>                       |      | <b>9,503,488,052</b>  | <b>9,487,923,319</b>             | <b>6,713,693,952</b>            |
| Other Incomes                              | 19   | 1,567,597,066         | 1,373,686,725                    | 1,373,686,725                   |
| <b>TOTAL REVENUES</b>                      |      | <b>11,071,085,119</b> | <b>10,861,610,044</b>            | <b>8,087,380,677</b>            |
| <b>OPERATING EXPENSES</b>                  |      |                       |                                  |                                 |
| Staff Costs                                | 20   | 4,861,960,470         | 4,830,299,697                    | 5,210,851,097                   |
| Board Expenses                             | 21   | 32,166,770            | 25,734,108                       | 27,681,665                      |
| Other Operating Expenses                   | 22   | 2,850,096,833         | 2,015,042,152                    | 1,648,584,680                   |
| Depreciation of PPE                        | 23   | 253,784,560           | 282,817,144                      | 282,817,144                     |
| Amortization of Intangible Assets          | 24   | 292,182,233           | 246,064,689                      | 246,064,689                     |
| Finance Expenses                           |      | -                     | -                                | 37,412,914                      |
| <b>Total Operating Expenses</b>            |      | <b>8,290,190,866</b>  | <b>7,399,957,790</b>             | <b>7,453,412,190</b>            |
| <b>SURPLUS BEFORE TAXATION</b>             |      | <b>2,780,894,252</b>  | <b>3,461,652,254</b>             | <b>633,968,486</b>              |
| Tax Expense                                | 25   | (50,053,040)          | (184,063,384)                    | 184,063,384                     |
| <b>Surplus for the year</b>                |      | <b>2,730,841,212</b>  | <b>3,277,588,871</b>             | <b>449,905,103</b>              |



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

|                                                  | Note | JUNE 2022             | RESTATED<br>BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|--------------------------------------------------|------|-----------------------|----------------------------------|------------------------------|
|                                                  |      | KES                   | KES                              | KES                          |
| <b>ASSETS</b>                                    |      |                       |                                  |                              |
| <b>Non-Current Assets</b>                        |      |                       |                                  |                              |
| Property, Plant and Equipment                    | 23   | 12,997,610,657        | 13,044,666,461                   | 13,044,666,460               |
| Intangible Assets                                | 24   | 1,005,941,667         | 858,847,400                      | 858,847,400                  |
| Receivable - South B Estate Mortgage             | 26   | 32,618                | 3,053,097                        | 3,053,097                    |
| Long Term Deposits                               | 28   | 1,346,231,679         | 1,321,681,075                    | 1,321,681,075                |
| Unquoted Investments                             | 29   | 310,892,640           | 340,934,558                      | 340,934,558                  |
| <b>Total Non-Current Assets</b>                  |      | <b>15,660,709,261</b> | <b>15,569,182,591</b>            | <b>15,569,182,590</b>        |
| <b>Current Assets</b>                            |      |                       |                                  |                              |
| Trade Receivables                                | 30   | 10,284,635,769        | 12,390,144,404                   | 11,833,069,086               |
| Other Receivables                                | 31   | 297,958,572           | 908,985,865                      | -                            |
| Short Term Deposits                              | 32   | 13,388,971,803        | 15,078,178,771                   | 15,078,178,771               |
| Cash and Bank Balances                           | 33   | 1,198,215,732         | 944,608,695                      | 1,005,174,339                |
| <b>Total Current Assets</b>                      |      | <b>25,169,781,876</b> | <b>29,321,917,734</b>            | <b>27,916,422,197</b>        |
| <b>TOTAL ASSETS</b>                              |      | <b>40,830,491,137</b> | <b>44,891,100,325</b>            | <b>43,485,604,787</b>        |
| <b>EQUITY AND LIABILITIES</b>                    |      |                       |                                  |                              |
| <b>Capital and Reserves</b>                      |      |                       |                                  |                              |
| Accumulated Fund                                 | 34   | 12,209,923,340        | 12,209,923,340                   | 12,209,923,340               |
| Retained Earnings                                | 35   | 8,889,845,581         | 6,159,004,369                    | 18,697,004,746               |
| Incurred But Not Reported (IBNR) Claims Reserves | 36   | 6,612,378,551         | 12,310,791,402                   | -                            |
| <b>Total Capital and Reserves</b>                |      | <b>27,712,147,473</b> | <b>30,679,719,111</b>            | <b>30,906,928,086</b>        |
| <b>Current Liabilities</b>                       |      |                       |                                  |                              |
| Deferred Income                                  | 37   | 7,449,061,716         | 1,707,994,885                    | -                            |
| Trade Payables                                   | 38   | 3,804,837,246         | 10,043,063,832                   | 8,432,017,053                |
| Other Payables                                   | 39   | 1,238,724,036         | 1,281,685,712                    | 2,968,022,864                |
| Tax Payable                                      | 40   | 6,276,826             | 12,666,743                       | 12,666,743                   |
| Provision for Liabilities                        | 41   | 619,443,841           | 1,165,970,042                    | 1,165,970,042                |
| <b>Total Current Liabilities</b>                 |      | <b>13,118,343,665</b> | <b>14,211,381,214</b>            | <b>12,578,676,701</b>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>              |      | <b>40,830,491,137</b> | <b>44,891,100,325</b>            | <b>43,485,604,787</b>        |

The financial statements on pages 76 to 140 were approved by the Board of Management on ...30<sup>th</sup> September 2022 ... and signed on its behalf by:

Ag. Chief Executive Officer Ag. Director Financial Services

Chairperson

  
Dr. Samson K. Kuhora

  
Ms Francisca W. Mwanza  
ICPAK Membership No. 4834

 27.04.2022  
Eng. Michael Kamau



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

| NOTE                                             | Accumulated Fund | Retained Earnings | Total            |
|--------------------------------------------------|------------------|-------------------|------------------|
|                                                  | KES              | KES               | KES              |
| At July 1, 2020                                  | 34               | 35                |                  |
| Changes in the year / Total comprehensive income |                  |                   |                  |
| At June 30, 2021                                 | 12,209,923,340   | 18,247,099,643    | 30,457,022,983   |
|                                                  | -                | 449,905,103       | 449,905,103      |
|                                                  | 12,209,923,340   | 18,697,004,746    | 30,906,928,086   |
| Prior Period Adjustment                          |                  |                   |                  |
|                                                  | -                | (12,538,000,377)  | (12,538,000,377) |
| At July 1, 2021                                  | 12,209,923,340   | 6,159,004,369     | 18,368,927,709   |
| Changes in the year / Total comprehensive income |                  |                   |                  |
| At 30th June, 2022                               | 12,209,923,340   | 2,730,841,212     | 2,730,841,212    |
|                                                  |                  | 8,889,845,581     | 21,099,768,921   |

As per The National Treasury requirement, Retained Earnings as at 1st July 2020 has been restated from Kshs. 18,247,099,644 to Kshs. 2,881,415,498 as a result of:-

- Less: Kshs. 15,365,628,781 - Creation of IBNR Reserves as at 1st July 2020 of (Note 36, Appendix 2)
  - Less: Kshs. 55,365 - Prior period adjustments of Staff Receivables of (Note.31)
- Total: Kshs. 15,365,684,146**

Additionally, Surplus for the year ended 30th June 2021 was restated from Kshs. 449,905,103 to Kshs. 3,277,588,871 as a result of:-

- Less: Kshs. 4,606,868,982 - Introduction of IBNR Claims for the year of (Appendix 2)
  - Add: Kshs. 7,661,706,361 - Prior period claims postings to IBNR Reserves (Note 36)
  - Less: Kshs. 766,196,901 - Linda Mama re-adjustment of Premium for IBNR (Note 16)
  - Add: Kshs. 699,483,768 - Linda Mama re-adjustment of Premium for Prior period claims (Note 16)
  - Less: Kshs. 43,396,560 - Prior period adjustment WIBA NPS/KPS Group Life Expenses (See Note 17)
  - Less: Kshs. 73,850,189 - Prior period adjustment WIBA NPS/KPS Benefits Expenses (See Note 17)
  - Less: Kshs. 73,656,462 - Prior period adjustment WIBA NPS/KPS Last Expenses (See Note 17)
  - Add: Kshs. 1,450,606,302 - Prior period adjustment WIBA CS Premiums (See Note 18)
  - Less: Kshs. 1,420,143,569 - Prior period adjustment WIBA CS Expenses (See Note 18)
- Total: Kshs. 2,827,683,769**

**Grand Total: Kshs. 12,538,000,377**



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

|                                                         | Notes | 2022<br>KES     | 2021<br>KES    |
|---------------------------------------------------------|-------|-----------------|----------------|
| <b><u>CASHFLOWS FROM OPERATING ACTIVITIES</u></b>       |       |                 |                |
| Cash generated from/ (used) in operations               | 42(a) | (1,989,740,443) | 446,019,538    |
| Tax Paid                                                | 25    | (50,053,040)    | (184,063,384)  |
| Net cash generated/ (used) in from operations           |       | (2,039,793,483) | 261,956,154    |
| <b><u>CASHFLOWS FROM INVESTING ACTIVITIES</u></b>       |       |                 |                |
| Proceeds from disposal of property, plant and equipment | 19    | -               | 180,494        |
| Interest from investment                                | 19    | 1,241,687,016   | 1,055,547,873  |
| Purchase of Property, Plant and Equipment               | 23    | (206,728,756)   | (102,241,989)  |
| Purchase of Intangible Assets                           | 24    | (439,276,500)   | (652,201,696)  |
| Proceeds from sale of South B estate                    | 26    | 3,020,479       | 2,910,418      |
| (Purchase) Redemption of Fixed Interest Investment      | 27    | -               | 20,520,000     |
| Purchase of Long-term Deposit                           | 28    | (24,550,604)    | (301,929,584)  |
| (Purchase)/Redemption of unquoted investment            | 29    | 30,041,919      | 27,458,140     |
| Net cash generated from/ (used in) investing activities |       | 604,193,553     | 50,243,656     |
| INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS          |       | (1,435,599,930) | 312,199,810    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR          |       | 16,022,787,465  | 15,710,587,655 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR            | 42(b) | 14,587,187,535  | 16,022,787,465 |

The notes set out on pages 82 to 140 are an integral part of these financial statements.



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

|                                                    | Original budget       | Adjustments            | Final budget          | Actual on comparable basis | Performance difference | %           |
|----------------------------------------------------|-----------------------|------------------------|-----------------------|----------------------------|------------------------|-------------|
| <b>REVENUES</b>                                    |                       |                        |                       |                            |                        |             |
| National Health Scheme Contributions               | 47,921,427,000        | -                      | 47,921,427,000        | 34,071,068,025             | (13,850,358,975)       | -29%        |
| Indigents' Sponsorship (GoK) Program Contributions | 15,000,000,000        | (9,000,000,000)        | 6,000,000,000         | 3,042,000,000              | (2,958,000,000)        | -49%        |
| Civil Servant Scheme Contributions & Premium       | 4,385,352,226         | 1,494,823,011          | 5,880,175,237         | 7,941,258,645              | 2,061,083,408          | 35%         |
| NPS & KPS Scheme Contributions & Premium           | 5,134,196,883         | (348,391,323)          | 4,785,805,560         | 7,130,267,535              | 2,344,461,975          | 49%         |
| Edu Afiya Medical Scheme Premium                   | 4,050,000,000         | -                      | 4,050,000,000         | 4,050,000,000              | -                      | 0%          |
| HISP OVC Program Premium                           | 1,091,808,000         | 428,592,000            | 1,520,400,000         | 1,520,400,000              | -                      | 0%          |
| HISP (OPPSD) Program Premium                       | 252,000,000           | 100,800,000            | 352,800,000           | 352,800,000                | -                      | 0%          |
| County Scheme Contributions & Premium              | 2,216,119,576         | -                      | 2,216,119,576         | 4,426,061,322              | 2,209,941,746          | 100%        |
| Parastatal Schemes Contributions & Premium         | -                     | 1,254,745,585          | 1,254,745,585         | 1,201,445,249              | (53,300,336)           | -4%         |
| Retirees Schemes Premium                           | 157,314,000           | -                      | 157,314,000           | 508,194,530                | 350,880,530            | 223%        |
| Linda Mama Program Premium                         | 4,098,000,000         | -                      | 4,098,000,000         | 4,164,582,667              | 66,582,667             | 2%          |
| WIBA - NPS&KPS Premiums                            | 2,295,594,440         | -                      | 2,295,594,440         | 2,877,255,761              | 581,661,321            | 25%         |
| WIBA - Civil Servants Premiums                     | 6,331,036,782         | 545,213,869            | 6,876,250,651         | 6,873,209,875              | (3,040,776)            | 0%          |
| <b>TOTAL REVENUES</b>                              | <b>92,932,848,907</b> | <b>(5,524,216,858)</b> | <b>87,408,632,049</b> | <b>78,158,543,610</b>      | <b>(9,250,088,439)</b> | <b>-11%</b> |
| <b>BENEFITS EXPENSES</b>                           |                       |                        |                       |                            |                        |             |
| National Health Scheme Expenses                    | 40,253,998,888        | -                      | 40,253,998,888        | 27,353,750,116             | 12,900,248,772         | 32%         |
| Indigents' Sponsorship (GoK) Program Expenses      | 12,600,000,000        | (7,560,000,000)        | 5,040,000,000         | 1,361,557,798              | 3,678,442,202          | 73%         |
| Civil Servant Scheme Expenses                      | 3,431,695,870         | 1,255,651,329          | 4,687,347,199         | 8,618,131,112              | (3,930,783,913)        | -84%        |
| NPS & KPS Scheme Expenses                          | 4,144,725,382         | (292,648,711)          | 3,852,076,671         | 9,884,509,523              | (6,032,432,852)        | -157%       |
| Edu Afiya Medical Scheme Expenses                  | 3,402,000,000         | -                      | 3,402,000,000         | 3,248,095,999              | 153,904,001            | 5%          |
| HISP OVC Program Expenses                          | 917,118,721           | 360,017,280            | 1,277,136,001         | 290,537,742                | 986,598,259            | 77%         |
| HISP (OPPSD) Program Expenses                      | 211,680,000           | 84,672,000             | 296,352,000           | 91,413,962                 | 204,938,038            | 69%         |
| County Scheme Expenses                             | 1,861,540,444         | -                      | 1,861,540,444         | 1,966,058,021              | (104,517,577)          | -6%         |
| Parastatal Schemes Expenses                        | -                     | 1,053,986,291          | 1,053,986,291         | 1,317,076,537              | (263,090,246)          | -25%        |
| Retirees Schemes Expenses                          | 132,144,284           | -                      | 132,144,284           | 705,634,479                | (573,490,195)          | -434%       |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

|                                     |                       |                        |                       |                       |                        |             |
|-------------------------------------|-----------------------|------------------------|-----------------------|-----------------------|------------------------|-------------|
| Linda Mama Benefit Expenses         | 4,098,000,000         | -                      | 4,098,000,000         | 4,164,582,667         | (66,582,667)           | -2%         |
| WIBA - NPS&KPS Expenses             | 2,295,594,440         | -                      | 2,295,594,440         | 2,862,753,432         | (567,158,992)          | -25%        |
| WIBA - Civil Servants Expenses      | 6,331,036,782         | 545,213,869            | 6,876,250,651         | 6,790,954,170         | 85,296,481             | 1%          |
| <b>TOTAL BENEFIT EXPENSES</b>       | <b>79,679,534,811</b> | <b>(4,553,107,942)</b> | <b>75,126,426,869</b> | <b>68,655,055,557</b> | <b>6,471,371,312</b>   | <b>9%</b>   |
| <b>GROSS SURPLUS</b>                | <b>13,253,314,096</b> | <b>(971,108,916)</b>   | <b>12,282,205,180</b> | <b>9,503,488,052</b>  | <b>(2,778,717,128)</b> | <b>-23%</b> |
| Other Income                        | 1,656,818,549         | -                      | 1,656,818,549         | 1,567,597,066         | (89,221,483)           | -5%         |
| <b>TOTAL REVENUES</b>               | <b>14,910,132,645</b> | <b>(971,108,916)</b>   | <b>13,939,023,729</b> | <b>11,071,085,119</b> | <b>(2,867,938,610)</b> | <b>-21%</b> |
| <b>OPERATING EXPENSES</b>           |                       |                        |                       |                       |                        |             |
| Staff Costs                         | 5,105,319,796         | 23,015,802             | 5,128,335,598         | 4,861,960,470         | 266,375,128            | 5%          |
| Board Expenses                      | 30,000,000            | -                      | 30,000,000            | 32,166,770            | (2,166,770)            | -7%         |
| Other Operating Expenses            | 2,043,572,558         | 1,884,996,444          | 3,928,569,002         | 2,850,096,833         | 1,078,472,169          | 27%         |
| Depreciation & Amortization         | 644,750,000           | -                      | 644,750,000           | 545,966,794           | 98,783,206             | 15%         |
| <b>TOTAL OPERATING EXPENSES</b>     | <b>7,823,642,354</b>  | <b>1,908,012,246</b>   | <b>9,731,654,600</b>  | <b>8,290,190,866</b>  | <b>1,441,463,734</b>   | <b>15%</b>  |
| <b>SURPLUS BEFORE TAXATION</b>      | <b>7,086,490,291</b>  | <b>(2,879,121,162)</b> | <b>4,207,369,129</b>  | <b>2,780,894,252</b>  | <b>(1,426,474,877)</b> | <b>-34%</b> |
| Tax Expense                         | (112,148,177)         | -                      | (112,148,177)         | (50,053,040)          | 62,095,137             | -55%        |
| <b>TOTALS/ SURPLUS FOR THE YEAR</b> | <b>6,974,342,114</b>  | <b>(2,879,121,162)</b> | <b>4,095,220,952</b>  | <b>2,730,841,212</b>  | <b>(1,364,379,740)</b> | <b>-33%</b> |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

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### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

NHIF is established by and derives its authority and accountability from NHIF Act. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is receiving of contributions and paying of benefits to its members.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of surplus or deficit and other comprehensive income in these financial statements.

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *Fund's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements are presented in Kenya Shillings (Kes), which is also the functional and reporting currency of the Fund.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, IPSAS 24, NHIF Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

#### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

| Title                                                                                                        | Description                                                                                                                                                                                                                                                                                                                                                                                           | Effective Date                                                                                                         |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020) | The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss                               | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)           | The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted  |
| Amendment to IFRS 1 titled Subsidiary as a First-time Adopter                                                | The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.                                                                                                    | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| Amendment to IFRS 9 titled                                                                                   | The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9                                                                                                                                                                                                                                                                                                           | The amendments are effective for annual                                                                                |



## **NATIONAL HEALTH INSURANCE FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2022**

| <b>Title</b>                                                                                                                                       | <b>Description</b>                                                                                                                                                                                                                                                                 | <b>Effective Date</b>                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Fees in the '10 per cent' Test for De-recognition of Financial Liabilities                                                                         | clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.                                                                               | periods beginning on or after January 1, 2022. Early application is permitted                                          |
| Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020) | The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |

**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
For the year ended June 30, 2022

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- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

| Title                                                                                                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Effective Date                                                                                                           |
|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| IFRS 17 Insurance Contracts (issued in May 2017)                                                            | The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted  |
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020) | The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.                                                                                                                                                                                                                                                                                                                 | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
| Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)                      | The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies                                                                                                                                                                                                                                                                                                                   | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
|                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                          |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

| Title                                            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Effective Date                                                                                                                |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| IFRS 17 Insurance Contracts (issued in May 2017) | The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.                                                                             | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted       |
| IAS 12 – Income Taxes                            | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 8- Accounting Policies, Errors and Estimates | The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help                                                                                                                                                                                                                                                                                                                                                                                                                                          | The amendments are effective for annual reporting periods beginning on or after                                               |

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

| Title                                            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Effective Date                                                                                                          |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| IFRS 17 Insurance Contracts (issued in May 2017) | The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted |
|                                                  | entities distinguish changes in accounting policies from changes in accounting estimates.                                                                                                                                                                                                                                                                                                                                                                                                                                                        | January 1, 2023. Early adoption is permitted.                                                                           |

#### iii. Early adoption of standards

The entity did early - adopt IFRS 17 on Insurance Contracts (issued in May 2017) in year 2021/2022

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

##### a) Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund activities as described below.

- i) Revenue is generally recognized in the income statement on accrual basis. Best estimates of what is receivable are included in the accounts.



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

- ii) Finance income comprises interest receivable from bank deposits and investment in securities and is recognised in surplus or deficit on a time proportion basis using the effective interest rate method.
- iii) Rental income is recognised in the income statement as it accrues using the effective lease agreements.
- iv) Other income is recognised as it accrues.

#### b) Benefit Expenses (Claims)

These are payments on claims to health care providers and general claimants arising from hospitalization and any other goods or services incurred by the Fund for the direct benefit of the contributor in the approved and accredited health care providers. Health care providers report claims upon admission by way of notification and upon discharge, the health care provider presents to the Fund the claims for payment. Verified claims are recognized as liabilities in the financial statements whereas claims that have either not reached the Fund are undergoing verification are estimated and included in Incurred But Not Reported (IBNR) reserves. Claims not received within 90 days from date of visit/ discharge are contractually not admissible.

Any valid claims presented to the Fund after the close of business on 30 June of the financial year under review are accounted for in the subsequent financial year under the IBNR reserves.

#### c) Property, Plant and Equipment

All categories of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.

#### d) Depreciation and Impairment of Property, Plant And Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

| ASSET/ ASSET CLASS              | ASSET LIFE/ LEASE PERIOD | PERCENTAGE DEPRECIATION |
|---------------------------------|--------------------------|-------------------------|
| Land                            | 999 years                | 0%                      |
| Buildings and Civil Works       | 40 years                 | 2.5%                    |
| Plant and Machinery             | 8 years                  | 12.5%                   |
| Motor Vehicles & Motor Cycles   | 5 years                  | 20%                     |
| Computers and Related Equipment | 3 years                  | 33.3%                   |

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

|                        |         |       |
|------------------------|---------|-------|
| Office Equipment       | 8 years | 12.5% |
| Furniture and Fittings | 5 years | 20%   |

**e) Intangible Assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

**g) Finance and Operating Leases**

Leases which confer substantially all the risks and rewards of ownership to the Fund are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and payments made under operating leases are recognised in profit or loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

**h) Fixed Interest Investments (Bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at cost.

**i) Unquoted Investments**

Unquoted investments stated at cost under non-current assets and comprise equity shares held in other Government owned or controlled entities.

**j) Trade and Other Receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.



## **NATIONAL HEALTH INSURANCE FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2022**

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**k) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**l) Trade & Other Payables**

These payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

**m) Retirement Benefit Obligations**

The Fund operates a defined contribution scheme (NHIF Staff Retirement Benefit Scheme) for all full-time employees. The scheme started in July 2001 and the scheme structure was converted from defined benefits to defined contribution with effect from 1<sup>st</sup> January 2008. The scheme is administered by an in-house team and is funded by contributions from both the employer (Sponsor) and its employees. The employer therefore has no liability save for the monthly employer contributions which have been fully remitted to the scheme. The sponsor remits 12.5% of basic salary on a monthly basis while eligible employees contribute 7.5% of their basic salaries.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kes. 200 per employee per month.

**n) Budget information**

The original budget for FY 2021/2022 was approved by the Board of Directors on 5th February 2021 and forwarded through the GIMIS platform as per the National Treasury Circular No. 1/2021 to the Ministry of Health. The budget estimates were approved by the National Treasury and the Ministry of Health, and its approval was conveyed through the GIMIS platform on 5th August 2021. Subsequent revisions were made to the original budget and approvals obtained from both the Ministry of Health and the National Treasury as per the PFM Act, 2012. The additional budget estimates are added to the original budget upon receiving the respective approvals to arrive at the final budget for the year.

The Fund's approved income and expenditure estimates are compared to the actual income and expenditure disclosed in the financial statements. This is for all the voted budgetary items in line with NHIF classification of income and expenses. A comparison of budget and actual amounts, to evaluate performance, compliance and inform appropriate

**NATIONAL HEALTH INSURANCE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022**

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management decisions is prepared and presented in the statement of comparison of budget and actual amounts.

The statement of comparison of budget and actual amounts considers the actual performance in cash basis leading to a difference in the base of preparation between the financial statement which uses accrual and the management account report which uses cash basis. A reconciliation statement is then prepared to note and harmonize any differences arising thereof

**o) Comparative Figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**p) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**r) Taxation**

The Fund is an appointed agent for Withholding tax and Value Added Tax. Tax payable for the current period and prior periods are measured at the amounts expected to be paid to the tax authorities and in accordance with the VAT Act and the income Tax act.

Withholding tax expense relates to Interest on investment and is deducted from Surplus before taxation.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

***Useful lives and residual values***



## **NATIONAL HEALTH INSURANCE FUND**

### ***Reports and Financial Statements***

***For the year ended June 30, 2022***

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The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

#### ***Provisions***

Provisions for bad and doubtful debts when raised, management determines an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

|                                                     | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|-----------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>6. SURPLUS FROM NATIONAL HEALTH SCHEME (NHS)</b> |                              |                               |                              |
| Statutory Contribution                              | 27,765,347,528               | 25,668,048,676                | 25,668,048,676               |
| Self Employed Contributions                         | 5,985,005,603                | 5,582,048,145                 | 5,582,048,145                |
| Penalties                                           | 320,714,894                  | 371,234,898                   | 371,234,898                  |
| <b>Total Contributions</b>                          | <b>34,071,068,025</b>        | <b>31,621,331,719</b>         | <b>31,621,331,719</b>        |
| <b>Expenses:</b>                                    |                              |                               |                              |
| Outpatient Expenses                                 | 4,965,797,649                | 3,590,080,089                 | 3,869,336,396                |
| Inpatient Expenses                                  | 6,918,578,913                | 5,028,390,997                 | 8,458,778,587                |
| Specialized Benefits Package                        | 15,630,104,124               | 15,580,660,100                | 15,580,660,100               |
| Evacuation Services Expenses                        | 426,925,868                  | 327,270,751                   | 327,270,751                  |
| IBNR Claims                                         | (587,656,438)                | 1,790,323,429                 |                              |
| <b>Total Expenses</b>                               | <b>27,353,750,116</b>        | <b>26,316,725,366</b>         | <b>28,236,045,834</b>        |
| <b>Surplus for the Year</b>                         | <b>6,717,317,909</b>         | <b>5,304,606,353</b>          | <b>3,385,285,885</b>         |

Contributions are recognised in accordance with the NHIF Act, through employee contributions and voluntary contributions. This forms the primary health insurance cover for all members and declared dependants as provided in the NHIF Act. There was a total of 15,459,229 members as at 30th June 2022 which is comprised of 8,157,860 members in the informal sector (self-employed contributors), 2,478,946 Sponsored program members and 4,822,423 in the formal sector. Out of the total 15.4 million members, active members were 6,486,609 (3,939,054 in the formal sector representing 61%, 1,113,823 in the sponsored program representing 17%, as well as 1,433,732 in the informal sector representing 22%).

The medical benefits paid out to health care facilities for medical services rendered to members of the national scheme. The Fund has seen a significant growth trend in recent years due to high level of awareness of what NHIF's 'Supa Cover' pays for as benefits. Aggressive public education campaigns to increase knowledge and understanding of NHIF have also helped in the uptake.

*National Health Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 28,236,045,834 to Kshs. 26,316,725,366 as a result of reversal of Outpatient Expenses of Kshs. 279,256,307 and Inpatient Expenses of Kshs. 3,430,387,591 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 1,790,323,429 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).*

### 7. SURPLUS FROM INDIGENTS' SPONSORSHIP (GOK) PROGRAM

|              |                      |          |          |
|--------------|----------------------|----------|----------|
| Premiums     | 3,042,000,000        | -        | -        |
| <b>Total</b> | <b>3,042,000,000</b> | <b>-</b> | <b>-</b> |



**NATIONAL HEALTH INSURANCE FUND**  
*Reports and Financial Statements*  
*For the year ended June 30, 2022*

|                              | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>Expenses:</b>             |                              | -                             | -                            |
| Outpatient Expenses          | 453,808,320                  |                               |                              |
| Inpatient Expenses           | 340,445,405                  | -                             | -                            |
| Specialized Benefits Package | 567,304,073                  | -                             | -                            |
| IBNR Claims                  | -                            | -                             | -                            |
| <b>Total Expenses</b>        | <b>1,361,557,798</b>         | <b>-</b>                      | <b>-</b>                     |
| Surplus for the Year         | 1,680,442,202                | -                             | -                            |

The Fund entered into a Memorandum of Understanding with the government to provide medical insurance cover to indigents and the vulnerable in the country. H.E. The President launched the scheme on 7<sup>th</sup> February 2022 in a key event held in Mombasa County.

Under this medical insurance, principal members together with their dependents are entitled to outpatient & inpatient care and the specialized benefits package.

**8. SURPLUS (DEFICIT) FROM CIVIL SERVANTS (CS) SCHEME**

|                                     |                      |                      |                      |
|-------------------------------------|----------------------|----------------------|----------------------|
| Premiums                            | 5,500,241,737        | 3,800,054,000        | 3,800,054,000        |
| Statutory Contributions             | 2,149,924,450        | 2,044,261,800        | 2,044,261,800        |
| Ex-gratia fund                      | 291,092,458          | 178,342,267          | 178,342,267          |
| <b>Premiums &amp; Contributions</b> | <b>7,941,258,645</b> | <b>6,022,658,067</b> | <b>6,022,658,067</b> |
| <b>Expenses:</b>                    |                      |                      |                      |
| Group Life Expenses                 | 33,520,000           | 178,473,600          | 178,473,600          |
| Administrative Expenses             | 174,761,886          | 96,655,820           | 96,655,820           |
| Outpatient Expenses                 | 3,111,777,198        | 1,678,782,942        | 2,118,540,551        |
| Inpatient Expenses                  | 2,710,382,774        | 1,472,536,821        | 2,141,044,783        |
| Specialized Benefits Package        | 1,921,326,339        | 1,901,345,638        | 1,901,345,638        |
| Evacuation Services Expenses        | 25,376,790           | 119,800,967          | 119,800,967          |
| Ex-gratia Expenses                  | 291,092,458          | 178,342,267          | 178,342,267          |
| IBNR Claims                         | 349,893,668          | 665,477,141          | -                    |
| <b>Total Expenses</b>               | <b>8,618,131,112</b> | <b>6,291,415,197</b> | <b>6,734,203,627</b> |
| Surplus (Deficit) for the Year      | (676,872,467)        | (268,757,130)        | (711,545,560)        |

The Fund entered into a contract with the government to provide enhanced medical insurance cover to civil servants and their dependants. The civil Servants scheme is now in its 10<sup>th</sup> year since inception on 1<sup>st</sup> January 2012. As at 30<sup>th</sup> June 2022 the scheme had a membership of 135,981 and 353,397 dependants. Under this medical insurance, principal members together with their dependents(M+6) are entitled to outpatient & inpatient care, group life and last expense cover.

The Outpatient cover caters for all outpatient procedures including dental & optical services while inpatient cover is received in NHIF accredited facilities and includes all inpatient procedures. All scheme members have been assigned limits for both outpatient and inpatient benefits in the current 2021-2022 contract. This is a departure from previous year when civil servants in job categories A-K used the capitation model of healthcare financing to receive outpatient services.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

Civil Servants' Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 6,734,203,627 to Kshs. 6,291,415,197 as a result of reversal of Outpatient Expenses of Kshs. 439,757,609 and Inpatient Expenses of Kshs. 668,507,962 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 665,477,141 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).

|                                                               | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|---------------------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>9. SURPLUS (DEFICIT) FROM NPS &amp; KPS MEDICAL SCHEME</b> |                              |                               |                              |
| Premiums                                                      | 4,585,805,560                | 4,585,805,560                 | 4,585,805,560                |
| Statutory Contributions                                       | 2,257,664,483                | 2,222,977,246                 | 2,222,977,246                |
| Ex-gratia fund                                                | 286,797,493                  | 219,334,183                   | 219,334,183                  |
| <b>Premiums &amp; Contributions</b>                           | <b>7,130,267,535</b>         | <b>7,028,116,989</b>          | <b>7,028,116,989</b>         |
| <b>Expenses:</b>                                              |                              |                               |                              |
| Group Life Expenses                                           | 165,750,000                  | 159,690,000                   | 159,690,000                  |
| Administrative Expenses                                       | 155,196,967                  | 90,083,325                    | 90,083,325                   |
| Outpatient Expenses                                           | 2,349,733,178                | 2,145,715,762                 | 2,730,351,580                |
| Inpatient Expenses                                            | 4,352,203,863                | 2,142,805,536                 | 2,917,056,878                |
| Specialized Benefits Package                                  | 1,906,493,853                | 2,016,597,614                 | 2,008,756,651                |
| Evacuation Services Expenses                                  | 65,612,988                   | 130,655,608                   | 130,655,608                  |
| Ex-gratia Expenses                                            | 286,797,493                  | 219,334,183                   | 219,334,183                  |
| IBNR Claims                                                   | 602,721,182                  | 1,557,485,512                 | -                            |
| <b>Total Expenses</b>                                         | <b>9,884,509,523</b>         | <b>8,462,367,539</b>          | <b>8,255,928,224</b>         |
| <b>Surplus (Deficit) for the Year</b>                         | <b>(2,754,241,988)</b>       | <b>(1,434,250,550)</b>        | <b>(1,227,811,235)</b>       |

The National Police Service & The Kenya Prisons Service (NPS & KPS) contracted The Fund to provide comprehensive medical insurance cover to its employees. The scheme is in its Fourth year of implementation and current policy cover runs from 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022. As at 30<sup>th</sup> June 2022 the scheme membership stood at 134,678 and total lives [M+6] covered under the scheme is 490,304.

The scheme les inpatient and outpatient coverage, as well as dental and optical benefits and last expense. Officers in job groups A - L are entitled to unlimited inpatient coverage in institutions that are specifically designated for them while outpatient benefits are available under the Fixed Fee for Service model. Job groups M-T have access to outpatient and inpatient benefits within the allocated limits.

NPS & KPS Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 8,255,928,224 to Kshs. 8,462,367,539 as a result of reversal of Outpatient Expenses of Kshs. 584,635,818 and Inpatient Expenses of Kshs. 766,410,378 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 1,557,485,512 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

|                                                | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>10. SURPLUS FROM EDUAFYA MEDICAL SCHEME</b> |                              |                               |                              |
| Premiums                                       | 4,050,000,000                | 4,050,000,000                 | 4,050,000,000                |
| <b>Expenses:</b>                               |                              |                               |                              |
| Group Life Expenses                            | 279,000,000                  | 129,850,000                   | 129,850,000                  |
| Administrative Expenses                        | 66,162,838                   | -                             | -                            |
| Outpatient Expenses                            | 1,354,911,343                | 842,012,774                   | 842,182,253                  |
| Inpatient Expenses                             | 782,108,105                  | 295,757,108                   | 374,506,095                  |
| Specialized Benefit Packages                   | 395,793,578                  | 247,826,261                   | 247,826,261                  |
| Evacuation Services Expenses                   | 242,073,633                  | 255,970,899                   | 255,970,899                  |
| IBNR Claims                                    | 128,046,502                  | (254,978,884)                 | -                            |
| <b>Total Expenses</b>                          | <b>3,248,095,999</b>         | <b>1,516,438,158</b>          | <b>1,850,335,509</b>         |
| <b>Surplus for the Year</b>                    | <b>801,904,001</b>           | <b>2,533,561,842</b>          | <b>2,199,664,491</b>         |

The Ministry of Education contracted NHIF to provide medical insurance to all public secondary school students for the duration of their study. This is in line with the Government Agenda of achieving Universal healthcare coverage. The Fund is expected to cover at least 3 million students enrolled in public secondary schools. Students are the primary participants of this cover, and they receive inpatient, outpatient, dental, optical, last-expense, and group life benefits. They access outpatient services under the Fixed Fee For Service (FFFS) model in contracted health care facilities.

*EDUAFYA Medical Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 1,850,335,509 to Kshs. 1,516,438,158 as a result of reversal of Outpatient Expenses of Kshs. 169,479 and Inpatient Expenses of Kshs. 78,748,987 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. -254,978,884 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).*

#### 11. SURPLUS FROM HISP - OVC PROGRAM

|                              |                      |                      |                      |
|------------------------------|----------------------|----------------------|----------------------|
| Premiums                     | 1,520,400,000        | 1,341,820,000        | 1,341,820,000        |
| <b>Expenses:</b>             |                      |                      |                      |
| Outpatient Expenses          | 5,071,571            | 1,669,168            | 1,942,561            |
| Inpatient Expenses           | 143,218,980          | 129,930,761          | 133,548,574          |
| Specialized Benefit Packages | 139,022,206          | 115,150,046          | 115,150,046          |
| IBNR Claims                  | 3,224,985            | 6,378,758            | -                    |
| <b>Total Expenses</b>        | <b>290,537,742</b>   | <b>253,128,733</b>   | <b>250,641,181</b>   |
| <b>Surplus for the Year</b>  | <b>1,229,862,258</b> | <b>1,088,691,268</b> | <b>1,091,178,819</b> |

The Health Insurance Subsidy programme for orphaned and vulnerable children (HISP-OVC) scheme is administered by the Fund in partnership with the Ministry of Health. The program is aimed at providing comprehensive medical cover to a selected households with orphaned and most vulnerable children in Kenya. There was increase in membership in December 2020 from 181,968 to 253,400.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

HISP - OVC Program Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 250,641,181 to Kshs. 253,128,733 as a result of reversal of Outpatient Expenses of Kshs. 273,393 and Inpatient Expenses of Kshs. 3,617,814 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 6,378,758 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).

|                                              | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|----------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>12. SURPLUS FROM HISP - OPPSD PROGRAM</b> |                              |                               |                              |
| Premiums                                     | 352,800,000                  | 276,000,000                   | 276,000,000                  |
| <b>Expenses:</b>                             |                              |                               |                              |
| Outpatient Expenses                          | 807,150                      | 112,494                       | 112,494                      |
| Inpatient Expenses                           | 41,891,736                   | 40,545,500                    | 41,298,300                   |
| Specialized Benefit Packages                 | 47,978,395                   | 40,436,952                    | 40,436,952                   |
| IBNR Claims                                  | 736,681                      | (1,026,567)                   | -                            |
| <b>Total Expenses</b>                        | <b>91,413,962</b>            | <b>80,068,379</b>             | <b>81,847,746</b>            |
| <b>Surplus for the Year</b>                  | <b>261,386,038</b>           | <b>195,931,621</b>            | <b>194,152,254</b>           |

The Government through the Ministry of Health entered into an MOU to administer a Health Insurance Subsidy programme for Older Persons and Person's with severe disabilities (HISP-OPPSD). This is in line with the Constitutional requirement for the State to ensure widest possible enjoyment of the right to health while protecting the right to the highest attainable standard of health for all Kenyans. The Older Persons and Persons with Severe Disability program commenced in 2015 with a population of 42,000 and thereafter increased membership to 58,800 in April 2021.

HISP - OPPSD Program Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 78,631,534 to Kshs. 80,068,379 as a result of reversal of Inpatient Expenses of Kshs. 752,800 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. -1,026,567 for the same year.

The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).

|                                               |                      |                      |                      |
|-----------------------------------------------|----------------------|----------------------|----------------------|
| <b>13. SURPLUS FROM COUNTY MEDICAL SCHEME</b> |                      |                      |                      |
| Premiums                                      | 2,736,876,022        | 1,630,319,206        | 1,630,319,206        |
| Statutory Contributions                       | 1,689,185,300        | 1,109,668,950        | 1,109,668,950        |
| <b>Premiums &amp; Contributions</b>           | <b>4,426,061,322</b> | <b>2,739,988,156</b> | <b>2,739,988,156</b> |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

|                              | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>Expenses:</b>             |                              |                               |                              |
| Group Life Expenses          | 76,690,000                   | 49,750,000                    | 49,750,000                   |
| Outpatient Expenses          | 533,302,529                  | 305,779,348                   | 361,111,593                  |
| Inpatient Expenses           | 695,039,929                  | 318,189,504                   | 416,721,625                  |
| Specialized Benefit Packages | 544,740,409                  | 374,457,969                   | 374,457,969                  |
| Evacuation Services          | 9,781,783                    | 32,615,232                    | 32,615,232                   |
| IBNR Claims                  | 106,503,370                  | 23,137,823                    | -                            |
| <b>Total Expenses</b>        | <b>1,966,058,021</b>         | <b>1,103,929,875</b>          | <b>1,234,656,419</b>         |
| <b>Surplus for the Year</b>  | <b>2,460,003,302</b>         | <b>1,636,058,280</b>          | <b>1,505,331,737</b>         |

The Fund entered into a contract with County Governments to provide private medical insurance cover to their staff. The county government scheme started in 2014 and currently, 23 counties, 2 county executives as well as 3 county assemblies have signed up.

The benefits vary from one to the next entity as each county, county assemblies and executives negotiate for their own scheme benefits package. The benefits under county schemes include inpatient and outpatient benefits, dental and optical, and last expense and group life covers. The medical benefits are accessed through either capitation or Fixed Fee For Service (FFFS) depending on the benefits package negotiated with each county Government.

*County Medical Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 1,234,656,419 to Kshs. 1,103,929,875 as a result of reversal of Outpatient Expenses of Kshs. 55,332,245 and Inpatient Expenses of Kshs. 98,532,122 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 23,137,823 for the same year.*

*The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).*

#### 14. SURPLUS (DEFICIT) FROM PARASTATALS MEDICAL SCHEMES

|                                       |                      |                      |                      |
|---------------------------------------|----------------------|----------------------|----------------------|
| Premiums                              | 739,725,479          | 650,035,633          | 650,035,633          |
| Statutory Contributions               | 461,719,770          | 397,763,350          | 397,763,350          |
| <b>Premiums &amp; Contributions</b>   | <b>1,201,445,249</b> | <b>1,047,798,983</b> | <b>1,047,798,983</b> |
| <b>Expenses:</b>                      |                      |                      |                      |
| Group Life Expenses                   | 16,590,000           | 12,370,000           | 12,370,000           |
| Outpatient Expenses                   | 455,872,126          | 337,156,811          | 503,773,373          |
| Inpatient Expenses                    | 437,653,900          | 149,706,920          | 299,234,997          |
| Specialized Benefit Packages          | 280,302,632          | 242,432,295          | 242,432,295          |
| Evacuation Services                   | 1,781,668            | 5,940,480            | 5,940,480            |
| IBNR Claims                           | 124,876,210          | 75,454,512           | -                    |
| <b>Total Expenses</b>                 | <b>1,317,076,537</b> | <b>823,061,017</b>   | <b>1,063,751,144</b> |
| <b>Surplus (Deficit) for the Year</b> | <b>(115,631,287)</b> | <b>224,737,965</b>   | <b>(15,952,162)</b>  |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

The Fund entered into contracts with Parastatals to offer enhanced medical insurance cover to their employees at premiums negotiated separately with each corporation in line with the desired benefits. The benefits vary from one organization to another and includes Inpatient, outpatient, dental, optical, last expense as well as group life. The mode of accessing medical benefits is largely capitation and Fixed Fee For Service in line with the negotiated benefits for each state corporation.

*Parastatals Medical Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 1,063,751,144 to Kshs. 823,061,017 as a result of reversal of Outpatient Expenses of Kshs. 166,616,562 and Inpatient Expenses of Kshs. 149,528,076 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 75,454,512 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).*

|                                                     | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|-----------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>15. SURPLUS (DEFICIT) FROM RETIREES' SCHEMES</b> |                              |                               |                              |
| Premiums                                            | 485,316,530                  | 528,071,276                   | 528,071,276                  |
| Statutory Contributions                             | 22,878,000                   | 23,710,800                    | 23,710,800                   |
| <b>Premiums &amp; Contributions</b>                 | <b>508,194,530</b>           | <b>551,782,076</b>            | <b>551,782,076</b>           |
| <b>Expenses:</b>                                    |                              |                               |                              |
| Group Life Expenses                                 | 7,100,000                    | 8,900,000                     | 8,900,000                    |
| Outpatient Expenses                                 | 147,888,616                  | 154,096,748                   | 176,073,176                  |
| Inpatient Expenses                                  | 339,307,802                  | 248,071,906                   | 345,623,394                  |
| Specialized Benefit Packages                        | 174,343,805                  | 230,892,565                   | 230,892,565                  |
| Evacuation Services                                 | 279,228                      | 931,008                       | 931,008                      |
| IBNR Claims                                         | 36,715,028                   | 45,133,491                    | -                            |
| <b>Total Expenses</b>                               | <b>705,634,479</b>           | <b>688,025,718</b>            | <b>762,420,144</b>           |
| <b>Surplus (Deficit) for the Year</b>               | <b>(197,439,949)</b>         | <b>(136,243,643)</b>          | <b>(210,638,068)</b>         |

The Fund entered into contracts with organizations for retired officers to offer enhanced medical insurance cover for their members at a premium. Included in the scheme is the Kenya Association of Retired Officers (KARO), CBK Pension Scheme, KENGEN Pension Scheme and Former Parliamentarians Association (FOPA). The scheme started in 2020/21 financial year and a high utilization was noted which led the Fund to negotiate for enhanced premiums. This has subsequently led to decrease in premiums received from 528 million to 485 million in the year under review. Moreover, utilization compared to scheme income increased from 121% to 141% in the current year.

*Retirees' Medical Scheme Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 762,420,144 to Kshs. 688,025,718 as a result of reversal of Outpatient Expenses of Kshs. 21,976,428 and Inpatient Expenses of Kshs. 97,551,488 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 45,133,491 for the same year.*

*The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).*



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

|                               | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|-------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>16. LINDA MAMA PROGRAM</b> |                              |                               |                              |
| Premiums                      | 4,164,582,667                | 4,881,426,228                 | 4,948,139,361                |
| <b>Expenses:</b>              |                              |                               |                              |
| Inpatient expenses            | 747,279,078                  | 655,102,136                   | 1,064,054,980                |
| Caesarean Delivery Expenses   | 598,954,101                  | 711,534,353                   | 956,606,353                  |
| Normal Delivery Expenses      | 1,978,327,987                | 2,220,488,488                 | 2,332,660,545                |
| Antenatal Expenses            | 426,515,462                  | 531,834,881                   | 531,834,881                  |
| Postnatal Expenses            | 41,859,556                   | 62,982,602                    | 62,982,602                   |
| IBNR Claims                   | 371,646,482                  | 699,483,768                   | -                            |
| <b>Total Expenses</b>         | <b>4,164,582,667</b>         | <b>4,881,426,228</b>          | <b>4,948,139,361</b>         |

This is a sponsored program by the government of Kenya through the Ministry of Health (MOH) targeting pregnant mothers from all backgrounds launched on 1<sup>st</sup> June 2013. The program was initially run by the Ministry of Health but later transferred to NHIF. A memorandum of understanding was signed between the Government and NHIF to actualize the implementation of the programme on 27<sup>th</sup> February 2017. The program targets all expectant mothers without insurance where mothers are entitled to access antenatal care, maternity services, postnatal care and care for new-born from NHIF contracted public as well as private health facilities. The MOU between NHIF and MOH provides that the Fund should reimburse Healthcare facilities for services rendered to the mothers.

*Linda Mama Program Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 5,613,836,134 to Kshs. 4,881,426,228 as a result of reversal of Normal Delivery Expenses of Kshs. 112,172,057 and Inpatient Expenses of Kshs. 654,024,844 relating to prior periods paid in the financial year 2020/2021 and provision for IBNR Claims of Kshs. 699,483,768 for the same year. The IBNR claims provisions are shown on the IBNR claims reserves balances as at 30<sup>th</sup> June 2022 schedule (Appendix 2).*

#### 17. SURPLUS WORK INJURY BENEFIT ACT (WIBA) NPS&KPS

|                             |                      |                    |                    |
|-----------------------------|----------------------|--------------------|--------------------|
| Premiums                    | 2,877,255,761        | 1,147,797,220      | 1,147,797,220      |
| <b>Expenses:</b>            |                      |                    |                    |
| WIBA Group life Expenses    | 658,381,312          | 205,857,992        | 162,461,432        |
| WIBA Admin costs Expenses   | 121,172,825          | 1,015,700          | 1,015,700          |
| WIBA Benefits Expenses      | 1,907,797,522        | 513,992,486        | 440,142,298        |
| WIBA Last Expense           | 175,401,774          | 113,806,462        | 40,150,000         |
| <b>Total Expenses</b>       | <b>2,862,753,432</b> | <b>834,672,639</b> | <b>643,769,429</b> |
| <b>Surplus for the Year</b> | <b>14,502,329</b>    | <b>313,124,581</b> | <b>504,027,791</b> |

Work Injury Benefit Act (WIBA) NPS&KPS scheme commenced on 1<sup>st</sup> January 2021 and was initially to run until 31<sup>st</sup> December 2021. The contract was further extended for six months up to 30<sup>th</sup> June 2022.

## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

From 1<sup>st</sup> January 2021 to 14<sup>th</sup> April 2021, the benefits and associated risks were borne by the Fund, whereas from 15<sup>th</sup> April 2021, WIBA, Last Expense and Group Life benefits were outsourced to private Co-insurers and Facultative Insurers.

*WIBA - NPS&KPS Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 643,769,429 to Kshs. 834,672,639 as a result of postings of Group life Expenses of Kshs. 43,396,560, Benefits Expenses of Kshs. 73,850,189 and Last Expense of Kshs. 73,656,462 relating to financial year 2020/2021 paid in the current financial year 2021/2022. These adjustments are also reflected on the Retained Earnings balances as of 30<sup>th</sup> June 2021 (Note 33).*

|                                                                  | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>18. SURPLUS WORK INJURY BENEFIT ACT (WIBA) CIVIL SERVANTS</b> |                              |                               |                              |
| Premiums                                                         | 6,873,209,875                | 1,450,606,302                 | -                            |
| <b>Expenses:</b>                                                 |                              |                               | -                            |
| WIBA Group life Expenses                                         | 2,012,694,524                | 666,919,101                   | -                            |
| WIBA Admin costs Expenses                                        | 59,145,783                   | -                             | -                            |
| WIBA Benefits Expenses                                           | 3,161,369,765                | 424,604,480                   | -                            |
| WIBA Last Expense                                                | 1,557,744,098                | 328,619,988                   | -                            |
| <b>Total Expenses</b>                                            | <b>6,790,954,170</b>         | <b>1,420,143,569</b>          | -                            |
| <b>Surplus for the Year</b>                                      | <b>82,255,705</b>            | <b>30,462,732</b>             | -                            |

Work Injury Benefit Act (WIBA) Civil Servants scheme commenced on 15<sup>th</sup> April 2021 till 14<sup>th</sup> April 2022. The scheme is currently on its second year for a period of 12 months starting from 15<sup>th</sup> April 2022 till 14<sup>th</sup> April 2023. WIBA, Group Life, Last Expense and Group Personal Accident expenses under the scheme have been outsourced to private Co-insurers and Facultative Insurers.

*WIBA - CS Premiums for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. Nil to Kshs. 1,450,606,302 as a result of apportionment of contract amount relating to the period 15<sup>th</sup> April to 30<sup>th</sup> June 2021. (See Note 30).*

*Additionally, WIBA - CS Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. Nil to Kshs. 1,420,143,569 as a result of postings of Group life Expenses of Kshs. 666,919,101, Benefits Expenses of Kshs. 424,604,480 and Last Expense of Kshs. 328,619,988 to apportion expenditure amounts relating to the period 15<sup>th</sup> April to 30<sup>th</sup> June 2021 as per contracts.*

*These adjustments are also reflected on the Retained Earnings balances as of 30<sup>th</sup> June 2021 (Note 33).*



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

|                                       | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|---------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>19. OTHER INCOMES</b>              |                              |                               |                              |
| Interest on Investments               | 1,241,617,176                | 1,055,263,764                 | 1,055,263,764                |
| Interest from Disposal South B Estate | 69,840                       | 284,109                       | 284,109                      |
| Rent from Properties                  | 321,359,139                  | 307,607,074                   | 307,607,074                  |
| Agency Commissions                    | 2,498,656                    | 2,484,388                     | 2,484,388                    |
| Recoveries out of Provisions          | 615,775                      | 4,548,505                     | 4,548,505                    |
| Miscellaneous Receipts                | 1,436,481                    | 3,318,392                     | 3,318,392                    |
| Gain on Disposal                      | -                            | 180,494                       | 180,494                      |
| <b>Total</b>                          | <b>1,567,597,066</b>         | <b>1,373,686,725</b>          | <b>1,373,686,725</b>         |

Other incomes are those that accrue to the Fund from Short-term and Long-term Investments as well as services rendered to third parties. This consists of proceeds from sundry receipts (tender fees & card replacement charges), agency commissions as well as disposal of obsolete assets. The growth in income is due to increase in rental income from properties and exemption from tax on investment interests.

|                                  |                      |                      |                      |
|----------------------------------|----------------------|----------------------|----------------------|
| <b>20. STAFF COSTS</b>           |                      |                      |                      |
| Basic Salary                     | 3,399,346,432        | 3,367,082,286        | 3,367,082,286        |
| Gratuity / Pension Contributions | 430,420,943          | 421,525,590          | 421,525,590          |
| House Allowance                  | 664,642,448          | 675,775,203          | 675,775,203          |
| Staff Overtime Allowance         | 1,406,795            | 425,705              | 425,705              |
| Commuter Allowance               | 257,052,468          | 260,380,591          | 260,380,591          |
| Responsibility Allowance         | 25,909,167           | 24,909,438           | 24,909,438           |
| N.S.S.F - Employer Contributions | 4,414,000            | 4,488,000            | 4,488,000            |
| Transfer Allowance               | 14,375,311           | 12,028,769           | 12,028,769           |
| Acting Allowance                 | 14,541,569           | 12,479,934           | 12,479,934           |
| Hardship Allowance               | 15,912,181           | 17,937,381           | 17,937,381           |
| Utilities                        | 7,445,300            | 7,344,114            | 7,344,114            |
| Leave Allowance                  | 26,493,854           | 25,922,688           | 25,922,688           |
| Staff Medical Expenses           | -                    | -                    | 327,412,350          |
| Group Life Cover                 | -                    | -                    | 26,708,748           |
| Uniforms & Clothing              | -                    | -                    | 2,395,235            |
| Staff Welfare                    | -                    | -                    | 24,035,068           |
| <b>Total</b>                     | <b>4,861,960,470</b> | <b>4,830,299,697</b> | <b>5,210,851,097</b> |

These are sum of all wages paid to employees as compensation, cost of employee benefits and payroll taxes paid by the fund. The Management is committed towards Human resource strategic planning and the provision of equitable compensation as well as benefits to staff. It focuses on strategically aligning the Fund's human capital to the corporate strategic objectives.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

|                                     | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|-------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>NO OF STAFF</b>                  |                              |                               |                              |
|                                     | <b>2022</b>                  | <b>2021</b>                   | <b>2021</b>                  |
| Permanent - Management cadre        | 613                          | 629                           | 629                          |
| Permanent - Unionisable             | 1,196                        | 1,232                         | 1,232                        |
| On Contract                         | 1                            | 2                             | 2                            |
| On Secondment                       | 3                            | 5                             | 5                            |
| <b>TOTAL</b>                        | <b>1,813</b>                 | <b>1,868</b>                  | <b>1,868</b>                 |
| <b>21. BOARD EXPENSES</b>           |                              |                               |                              |
| Honoraria                           | 960,000                      | 960,000                       | 960,000                      |
| Sitting Allowance                   | 9,240,000                    | 11,440,000                    | 11,440,000                   |
| Accommodation and Subsistence       | 11,554,848                   | 6,642,800                     | 6,606,388                    |
| Board Training Expenses             | 3,986,600                    | 4,219,790                     | 4,219,790                    |
| Traveling Expenses                  | 5,723,143                    | 1,220,315                     | 3,167,872                    |
| Mileage                             | 127,405                      | 44,588                        | 81,000                       |
| Lunch Allowance                     | 365,804                      | 933,154                       | 933,154                      |
| Board Medical Insurance             | 54,000                       | 205,561                       | 205,561                      |
| Telephone and Postage               | 154,970                      | 67,900                        | 67,900                       |
| <b>Total</b>                        | <b>32,166,770</b>            | <b>25,734,108</b>             | <b>27,681,665</b>            |
| <b>22. OTHER OPERATING EXPENSES</b> |                              |                               |                              |
| Group Life Cover                    | 35,205,570                   | 26,708,748                    | -                            |
| Subscriptions                       | 31,141,475                   | 37,145,051                    | 37,145,051                   |
| Legal Expenses                      | 247,896,305                  | 40,609,210                    | 40,609,210                   |
| Security Expenses                   | 60,974,128                   | 63,041,856                    | 63,041,856                   |
| Provision for External Audit Fee    | 4,500,000                    | 4,500,000                     | 4,500,000                    |
| Provision for Doubtful Receivables  | 30,009,025                   | 7,253,563                     | 7,253,563                    |
| Transport Operating Exp.            | 204,744,920                  | 106,046,087                   | 104,098,530                  |
| Travel & Accommodation              | 204,132,395                  | 93,829,849                    | 93,829,849                   |
| Postage                             | 12,288,142                   | 13,955,391                    | 13,955,391                   |
| Telephone Expenses                  | 113,758,472                  | 88,233,020                    | 88,233,020                   |
| Hospitality/ Entertainment          | 40,603,881                   | 36,110,675                    | 36,110,675                   |
| Electricity, Water & Conservancy    | 14,671,255                   | 12,818,639                    | 12,818,639                   |
| Uniforms & Clothing                 | -                            | 2,395,235                     | -                            |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements For the year ended June 30, 2022

|                                    | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------------|------------------------------|-------------------------------|------------------------------|
| Newspapers/ Periodicals/ Books     | 415,245                      | 457,778                       | 457,778                      |
| Printing & Stationery-General      | 37,136,364                   | 28,000,110                    | 28,000,110                   |
| Advertising & Publicity            | 301,407,573                  | 85,914,164                    | 85,914,164                   |
| Security Printing                  | 1,178,000                    | 44,893,000                    | 44,893,000                   |
| Cleaning Materials & Services      | 37,080,654                   | 34,513,746                    | 34,513,746                   |
| Computer Stationary & Material     | 14,139,176                   | 15,097,634                    | 15,097,634                   |
| Monitoring & Evaluation            | 6,573,000                    | -                             | -                            |
| Rent & Rates                       | 256,536,703                  | 239,478,876                   | 239,478,876                  |
| Member Registration Campaign       | 81,523,522                   | -                             | -                            |
| Insurance Premiums                 | 26,696,327                   | 21,407,878                    | 21,407,878                   |
| Communication & Public Participatn | 358,420                      | -                             | -                            |
| UHC National Scale-up              | -                            | 286,102,200                   | 286,102,200                  |
| Staff Welfare                      | 42,698,982                   | 24,035,068                    | -                            |
| Training Expenses                  | 97,814,645                   | 51,879,397                    | 51,879,397                   |
| Staff Medical Expenses             | 317,861,007                  | 273,957,950                   | -                            |
| Maintenance of Office Equipment    | 26,524,867                   | 23,537,238                    | 23,537,238                   |
| Maintenance of Computers           | 538,545,987                  | 301,486,375                   | 301,486,375                  |
| Management Consultancy Fees        | 19,992,164                   | 14,220,500                    | 14,220,500                   |
| Bank Charges & Commissions         | 43,688,631                   | 37,412,914                    | -                            |
| <b>Total</b>                       | <b>2,850,096,833</b>         | <b>2,015,042,152</b>          | <b>1,648,584,680</b>         |

These are recurrent operating expenses that ensure the Fund operates and carries out its activities smoothly. They include expenses associated with the general administration of the organization. The current year saw an increase in operating expenditure equivalent to 40% compared to the previous year.

*Other Operating Expenses for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 2,068,496,552 to Kshs. 2,015,042,152 as a result of reversal of Staff Medical Expenses of Kshs. 53,454,400 relating to prior periods paid in the financial year 2020/2021.*

*Finance Expenses were reclassified under Other Operating Expenses as Bank Charges and Commissions during the year.*

# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## 23. a) PROPERTY, PLANT AND EQUIPMENT

| 2021/2022                       |  | Land        | Buildings     | Motor vehicles,<br>including,<br>motorcycles | Computers &<br>related equipment | Office equipment,<br>furniture & fittings | Capital work in<br>progress | Total          |
|---------------------------------|--|-------------|---------------|----------------------------------------------|----------------------------------|-------------------------------------------|-----------------------------|----------------|
| COST                            |  | KES         | KES           | KES                                          | KES                              | KES                                       | KES                         | KES            |
| At July 1, 2021                 |  | 298,589,665 | 9,762,005,668 | 387,697,500                                  | 3,165,148,009                    | 2,616,925,279                             | 1,444,687,484               | 17,675,053,605 |
| Additions                       |  | -           | 9,260,896     | -                                            | 159,607,610                      | 37,860,250                                | -                           | 206,728,756    |
| Transfers                       |  | -           | -             | -                                            | -                                | -                                         | -                           | -              |
| Disposals                       |  | -           | -             | -                                            | -                                | -                                         | -                           | -              |
| At 30 June 2022                 |  | 298,589,665 | 9,771,266,564 | 387,697,500                                  | 3,324,755,619                    | 2,654,785,529                             | 1,444,687,484               | 17,881,782,361 |
| DEPRECIATION                    |  |             |               |                                              |                                  |                                           |                             |                |
| At July 1, 2021                 |  | -           | 2,064,844,467 | 348,917,480                                  | 1,152,762,478                    | 1,063,862,720                             | -                           | 4,630,387,144  |
| Charge for the year             |  | -           | 136,131,817   | 14,510,640                                   | 47,399,337                       | 55,742,767                                | -                           | 253,784,560    |
| Eliminated on disposal/transfer |  | -           | -             | -                                            | -                                | -                                         | -                           | -              |
| Impairment loss                 |  | -           | -             | -                                            | -                                | -                                         | -                           | -              |
| At 30 June 2022                 |  | -           | 2,200,976,284 | 363,428,119                                  | 1,200,161,815                    | 1,119,605,486                             | -                           | 4,884,171,704  |
| NBV At 30 June 2022             |  | 298,589,665 | 7,570,290,280 | 24,269,381                                   | 2,124,593,804                    | 1,535,180,043                             | 1,444,687,484               | 12,997,610,657 |

IAS 16 establishes principles for recognizing property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses to be recognized in relation to them. The Fund's assets include, land, buildings, motor vehicles & motorcycles, office equipment furniture & fittings and computer equipment. Depreciation is on a straight-line Basis as per Note 4d, page 66.



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## 23 b) PROPERTY, PLANT AND EQUIPMENT (Cont'd) (Kes)

| 2020/2021                       | Land               | Buildings            | Motor vehicles,<br>including, motor<br>cycles | Computers &<br>related equipment | Office equipment,<br>furniture & fittings | Capital work in<br>progress | Total                 |
|---------------------------------|--------------------|----------------------|-----------------------------------------------|----------------------------------|-------------------------------------------|-----------------------------|-----------------------|
| <b>COST</b>                     | KES                | KES                  | KES                                           | KES                              | KES                                       | KES                         | KES                   |
| At July 1, 2020                 | 298,589,665        | 9,762,005,668        | 376,977,384                                   | 3,078,186,924                    | 2,612,364,492                             | 1,444,687,484               | 17,572,811,616        |
| Additions                       | -                  | -                    | 10,720,116                                    | 86,961,085                       | 4,560,788                                 | -                           | 102,241,989           |
| Transfers                       | -                  | -                    | -                                             | -                                | -                                         | -                           | -                     |
| Disposals                       | -                  | -                    | -                                             | -                                | -                                         | -                           | -                     |
| <b>At 30 June 2021</b>          | <b>298,589,665</b> | <b>9,762,005,668</b> | <b>387,697,500</b>                            | <b>3,165,148,009</b>             | <b>2,616,925,279</b>                      | <b>1,444,687,484</b>        | <b>17,675,053,605</b> |
| <b>DEPRECIATION</b>             |                    |                      |                                               |                                  |                                           |                             |                       |
| At July 1, 2020                 | -                  | 1,928,712,649        | 327,227,378                                   | 1,084,144,484                    | 1,007,485,488                             | -                           | 4,347,570,000         |
| Charge for the year             | -                  | 136,131,817          | 21,690,101                                    | 68,617,994                       | 56,377,232                                | -                           | 282,817,145           |
| Eliminated on disposal/transfer | -                  | -                    | -                                             | -                                | -                                         | -                           | -                     |
| Impairment loss                 | -                  | -                    | -                                             | -                                | -                                         | -                           | -                     |
| <b>At 30 June 2021</b>          | <b>-</b>           | <b>2,064,844,467</b> | <b>348,917,480</b>                            | <b>1,152,762,478</b>             | <b>1,063,862,720</b>                      | <b>-</b>                    | <b>4,630,387,144</b>  |
| <b>NBV At 30 June 2021</b>      | <b>298,589,665</b> | <b>7,697,161,201</b> | <b>38,780,020</b>                             | <b>2,012,385,531</b>             | <b>1,553,062,560</b>                      | <b>1,444,687,484</b>        | <b>13,044,666,461</b> |

IAS 16 establishes principles for recognizing property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses to be recognized in relation to them. The Fund's assets include, land, buildings, motor vehicles & motorcycles, office equipment furniture & fittings and computer equipment. Depreciation is on a straight-line Basis as per Note 4d, page 66.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

|                              | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>24. INTANGIBLE ASSETS</b> |                              |                               |                              |
| <b>COST</b>                  | <b>2022</b>                  | <b>2021</b>                   | <b>2021</b>                  |
| As at 1st July               | 2,589,991,712                | 1,937,790,016                 | 1,937,790,016                |
| Additions                    | 439,276,500                  | 652,201,696                   | 652,201,696                  |
| Transfer/ Adjustment         | -                            | -                             | -                            |
| <b>As at June 30</b>         | <b>3,029,268,212</b>         | <b>2,589,991,712</b>          | <b>2,589,991,712</b>         |
| <b>AMORTIZATION</b>          |                              |                               |                              |
| As at 1st July               | 1,731,144,312                | 1,485,079,623                 | 1,485,079,623                |
| Charge for the year          | 292,182,233                  | 246,064,689                   | 246,064,689                  |
| Transfer/ Adjustment         | -                            | -                             | -                            |
| <b>As at June 30</b>         | <b>2,023,326,545</b>         | <b>1,731,144,312</b>          | <b>1,731,144,312</b>         |
| <b>NBV as at June 30</b>     | <b>1,005,941,667</b>         | <b>858,847,400</b>            | <b>858,847,400</b>           |

This comprises software and licenses purchased by the Fund and are amortized over a three-year period. The Fund made a payment of Kshs. 439 million in the year under review being final settlement of the Electronic Health Information Management System (EHIMS).

### N/A FINANCE EXPENSES

|              |          |          |                   |
|--------------|----------|----------|-------------------|
| Bank Charges | -        | -        | 6,285,085         |
| Commissions  | -        | -        | 31,127,829        |
| <b>Total</b> | <b>-</b> | <b>-</b> | <b>37,412,914</b> |

Finance Expenses were reclassified under Other Operating Expenses (Note 22) as bank Charges and Commissions during the year.

### 25. TAX EXPENSES

|                            |                   |                    |                    |
|----------------------------|-------------------|--------------------|--------------------|
| With Holding Tax Expense   | 89,276            | 139,689,612        | 139,689,612        |
| VAT Expense - Property A/C | 49,963,764        | 44,373,772         | 44,373,772         |
| <b>Total</b>               | <b>50,053,040</b> | <b>184,063,384</b> | <b>184,063,384</b> |

Withholding tax expense is paid in respect to interest earned from investments while VAT on property is corporate tax on rental income. The decrease in withholding tax expense is attributed to KRA tax exemption received in the current financial year.

### 26. RECEIVABLE - SOUTH B ESTATE MORTGAGE

|                           |               |                  |                  |
|---------------------------|---------------|------------------|------------------|
| Balance at the beginning  | 3,053,097     | 5,963,515        | 5,963,515        |
| Less Payments Received    | (3,020,479)   | (2,910,418)      | (2,910,418)      |
| <b>Balance at the end</b> | <b>32,618</b> | <b>3,053,097</b> | <b>3,053,097</b> |

The Fund sold houses in South B estate to staff members through mortgage at a rate of 6%. Balances at the beginning of the year, recoveries and balance as at 30 June 2022 is as shown above.



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

|                                       | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|---------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>27. FIXED INTEREST INVESTMENTS</b> |                              |                               |                              |
| Balance at the beginning              | -                            | 20,520,000                    | 20,520,000                   |
| Investments/ (Redemptions)            | -                            | (20,520,000)                  | (20,520,000)                 |
| Balance at the end                    | -                            | -                             | -                            |

The Treasury Bond held with the CBK was redeemed upon maturity on 8<sup>th</sup> February 2021.

### 28. LONG TERM DEPOSITS

|                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|
| NBK (Car Loan)       | 57,222,743           | 57,092,390           | 57,092,390           |
| KCB S & L (Mortgage) | 1,289,008,936        | 1,264,588,685        | 1,264,588,685        |
| <b>Total</b>         | <b>1,346,231,679</b> | <b>1,321,681,075</b> | <b>1,321,681,075</b> |

The Fund has held deposits in NBK and KCB as guarantee for staff Car Loan and Mortgages respectively issued at negotiated interest rate to the Fund's employees. The schemes are negotiated at 5% per annum between the fund and the appointed banks who are the scheme managers. The interest earned is shared between the fund and the administrators at 2% and 3% respectively as approved by the board.

### 29. UNQUOTED INVESTMENTS

|                          |                    |                    |                    |
|--------------------------|--------------------|--------------------|--------------------|
| Consolidated Bank Shares | 54,200,000         | 54,200,000         | 54,200,000         |
| MTRH Loan                | 256,692,640        | 286,734,558        | 286,734,558        |
| <b>Total</b>             | <b>310,892,640</b> | <b>340,934,558</b> | <b>340,934,558</b> |

Shares held at Consolidated Bank Ltd comprised 590,000 ordinary shares valued at KES. 11,800,000 and 2,120,000 preference shares valued at KES. 42,400,000 totalling to KES. 54,200,000.

MTRH Loan refers to a loan advanced by the Fund to the Moi Teaching and Referral Hospital (MTRH) earning an interest of three percent (3%) per annum. The interest is recognised among interest on investments under other incomes. Interest and Recoveries movement are shown on **Note 42(c)**.

### 30. TRADE RECEIVABLES

|                                 |               |               |               |
|---------------------------------|---------------|---------------|---------------|
| Civil Servants Scheme           | 2,396,321,415 | 596,146,178   | 574,488,444   |
| NPS&KPS Scheme                  | 184,086,972   | 1,369,920,032 | 1,389,254,215 |
| Linda Mama Program              | -             | 2,169,778,124 | 2,236,491,257 |
| Electricity Deposit             | -             | -             | 1,335,385     |
| Fuel Deposit                    | -             | -             | 150,000       |
| HISP - OVC Receivable           | 253,617,833   | 253,617,833   | 253,617,833   |
| Hospital & Creditors Surcharges | -             | -             | 26,757,033    |
| Interest Receivable             | -             | -             | 57,946,994    |
| Outstanding Contributions       | 5,800,292,655 | 6,641,983,685 | 6,581,418,039 |
| Return to Drawer Cheques        | -             | -             | 14,790,981    |
| Rent Deposit                    | -             | -             | 46,613,426    |
| Rent Receivable                 | -             | -             | 180,567,130   |

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

|                              | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------|------------------------------|-------------------------------|------------------------------|
| Staff Medical Scheme Deposit | -                            | -                             | 3,900,000                    |
| Staff Receivables            | -                            | -                             | 8,026,605                    |
| Sundry Prepayments           | -                            | -                             | 602,640,269                  |
| Sundry Debtors               | -                            | -                             | 7,246,750                    |
| Telephone Deposits           | -                            | -                             | 263,804                      |
| Temporary Imprest            | -                            | -                             | 7,156,061                    |
| NPS&KPS Exgratia Receivable  | 306,131,676                  | 19,334,183                    | -                            |
| WIBA NPS&KPS Receivable      | 7,861,625                    | -                             | -                            |
| WIBA CS Receivable           | 1,447,565,526                | 1,450,606,302                 | -                            |
| <b>Total Receivables</b>     | <b>10,395,877,702</b>        | <b>12,501,386,336</b>         | <b>11,992,664,225</b>        |
| Less: Provision (Note 31b)   | (111,241,933)                | (111,241,933)                 | (159,595,139)                |
| <b>Total</b>                 | <b>10,284,635,769</b>        | <b>12,390,144,404</b>         | <b>11,833,069,086</b>        |

The fund recognises revenue on accrual basis, therefore, amounts relating to the period under review are recognized as receivables. These are amounts owed to the Fund as at the end of the period by entities and individuals. They include Staff, institutions, employers, healthcare facilities and government ministries.

*Trade Receivables for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 11,056,927,522 to Kshs. 12,507,533,824 as a result of apportionment of WIBA - CS Premiums contract amount of Kshs. 1,450,606,302 relating to the period 15<sup>th</sup> April to 30<sup>th</sup> June 2021. (See Note 18).*

### 31. a) OTHER RECEIVABLES

|                                 |                    |                    |          |
|---------------------------------|--------------------|--------------------|----------|
| Electricity Deposit             | 1,353,885          | 1,335,385          | -        |
| Fuel Deposit                    | 150,000            | 150,000            | -        |
| Hospital & Creditors Surcharges | 25,638,078         | 26,757,033         | -        |
| Interest Receivable             | 31,183,384         | 57,946,994         | -        |
| Return to Drawer Cheques        | 14,790,981         | 14,790,981         | -        |
| Rent Deposit                    | 47,574,331         | 46,613,426         | -        |
| Rent Receivable                 | 212,498,536        | 180,567,130        | -        |
| Staff Medical Scheme Deposit    | 3,900,000          | 3,900,000          | -        |
| Staff Receivables               | 9,128,509          | 7,971,240          | -        |
| Sundry Prepayments              | -                  | 602,640,269        | -        |
| Sundry Debtors                  | 17,121,235         | 7,246,750          | -        |
| Telephone Deposits              | 263,804            | 263,804            | -        |
| Temporary Imprest               | 12,102,288         | 7,156,061          | -        |
| <b>Total Receivables</b>        | <b>375,705,029</b> | <b>957,339,071</b> | <b>-</b> |
| Less: Provision (Note 31b)      | (77,746,457)       | (48,353,206)       | -        |
| <b>Total</b>                    | <b>297,958,572</b> | <b>908,985,865</b> | <b>-</b> |

The fund recognises revenue on accrual basis therefore, amounts relating to the period under review are recognized as receivables. These are amounts owed to the Fund as at the end of the period by entities and individuals. They include Staff, institutions, employers, healthcare facilities and government ministries.



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

Other Receivables for the year ended 30<sup>th</sup> June 2021 has been restated from Kshs. 909,041,230 to Kshs. 908,985,865 owing to prior period adjustments to Staff receivables of Kshs. 55,365 (See Note 35).

|                                                 | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|-------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>31 b) PROVISION FOR DOUBTFUL DEBTS</b>       |                              |                               |                              |
| <b>Provision for Doubtful Trade Receivables</b> |                              |                               |                              |
| Outstanding Contributions                       | 111,241,933                  | 111,241,933                   | 111,241,933                  |
| <b>Sub-total</b>                                | <b>111,241,933</b>           | <b>111,241,933</b>            | <b>111,241,933</b>           |
| <b>Provision for Doubtful Other Receivables</b> |                              |                               |                              |
| Staff Receivables                               | 678,199                      | 778,074                       | 778,074                      |
| Temporary Imprest                               | 109,200                      | 625,100                       | 625,100                      |
| Return to Drawer Cheques                        | 14,790,981                   | 14,790,981                    | 14,790,981                   |
| Rent Receivable                                 | 29,327,052                   | 29,327,052                    | 29,327,052                   |
| Sundry Debtors                                  | 7,246,750                    | 2,832,000                     | 2,832,000                    |
| Hospital & Creditors Surcharges                 | 25,594,275                   | -                             | -                            |
| <b>Sub-total</b>                                | <b>77,746,457</b>            | <b>48,353,206</b>             | <b>48,353,206</b>            |
| <b>TOTAL</b>                                    | <b>188,988,389</b>           | <b>159,595,139</b>            | <b>159,595,139</b>           |

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis as per IAS 36. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. As per the Fund's policy on provision for doubtful debt clause 4.3.4.2, for debts aged over 24 months 100% of amount overdue shall be included in the provision, unless payment plans are in place and are being adhered to.

### 32. SHORT TERM INVESTMENTS

|                          |                       |                       |                       |
|--------------------------|-----------------------|-----------------------|-----------------------|
| NBK Call Deposit         | 1,647,771,803         | 1,000,000,000         | 1,000,000,000         |
| KCB Call Deposit         | 100,000,000           | 1,035,561,855         | 1,035,561,855         |
| CBK Treasury Bills       | 9,592,200,000         | 11,832,200,000        | 11,832,200,000        |
| Equity Bank Call Deposit | 1,112,400,000         | 1,210,416,916         | 1,210,416,916         |
| NCBA Call Deposits       | 936,600,000           | -                     | -                     |
| <b>Total</b>             | <b>13,388,971,803</b> | <b>15,078,178,771</b> | <b>15,078,178,771</b> |

These are short-term investments in call deposits and Treasury Bills held for periods less than one year.

### 33. CASH AND BANK BALANCES

|                 |                      |                    |                      |
|-----------------|----------------------|--------------------|----------------------|
| Cash in Hand    | 330,925              | 124,135            | 124,135              |
| Cash at Bank    | 1,197,884,807        | 944,484,560        | 944,484,560          |
| Cash in Transit | -                    | -                  | 60,565,645           |
| <b>Total</b>    | <b>1,198,215,732</b> | <b>944,608,695</b> | <b>1,005,174,339</b> |

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

Cash at bank balances are funds held at Cooperative Bank of Kenya, Equity Bank, National Bank of Kenya, NCBA, Safaricom and Kenya Commercial Bank. The KES 1.197 billion is cash held in collection accounts and cash mopped up to pay claims processed at the end of the year as shown in **Appendix I**.

|  | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|--|------------------------------|-------------------------------|------------------------------|
|--|------------------------------|-------------------------------|------------------------------|

### 34. ACCUMULATED FUND

These are capital funds held by the Fund and represented by the Fund's various accumulated fixed assets. There were no changes to the accumulated fund during the year.

|                          |                |                |                |
|--------------------------|----------------|----------------|----------------|
| Balance at the beginning | 12,209,923,340 | 12,209,923,340 | 12,209,923,340 |
| Changes in the year      | -              | -              | -              |
| Balance at the end       | 12,209,923,340 | 12,209,923,340 | 12,209,923,340 |

### 35. RETAINED EARNINGS

The Fund made a Surplus after tax of **KES. 2,730,841,212** in the financial year 2021/2022 compared to a Surplus of **KES. 3,277,588,871** in the previous financial year.

|                                |               |               |                |
|--------------------------------|---------------|---------------|----------------|
| Balance at the beginning       | 6,159,004,369 | 2,881,415,498 | 18,247,099,644 |
| Surplus (Deficit) for the year | 2,730,841,212 | 3,277,588,871 | 449,905,103    |
| Balance at the end             | 8,889,845,581 | 6,159,004,369 | 18,697,004,746 |

As per The National Treasury requirement, Retained Earnings as at 1st July 2020 has been restated from Kshs. 18,247,099,644 to Kshs. 2,881,415,498 as a result of:-

- Less: Kshs. 15,365,628,781 - Creation of IBNR Reserves as at 1st July 2020 of (Note 36, Appendix 2)
  - Less: Kshs. 55,365 - Prior period adjustments of Staff Receivables of (Note.31)
- Total: Kshs. 15,365,684,146**

Additionally, Surplus for the year ended 30th June 2021 was restated from Kshs. 449,905,103 to Kshs. 3,277,588,871 as a result of:-

- Less: Kshs. 4,606,868,982 - Introduction of IBNR Claims for the year of (Appendix 2)
  - Add: Kshs. 7,661,706,361 - Prior period claims postings to IBNR Reserves (Note 36)
  - Less: Kshs. 766,196,901 - Linda Mama re-adjustment of Premium for IBNR (Note 16)
  - Add: Kshs. 699,483,768 - Linda Mama re-adjustment of Premium for Prior period claims (Note 16)
  - Less: Kshs. 43,396,560 - Prior period adjustment WIBA NPS/KPS Group Life Expenses (See Note 17)
  - Less: Kshs. 73,850,189 - Prior period adjustment WIBA NPS/KPS Benefits Expenses (See Note 17)
  - Less: Kshs. 73,656,462 - Prior period adjustment WIBA NPS/KPS Last Expenses (See Note 17)
  - Add: Kshs. 1,450,606,302 - Prior period adjustment WIBA CS Premiums (See Note 18)
  - Less: Kshs. 1,420,143,569 - Prior period adjustment WIBA CS Expenses (See Note 18)
- Total: Kshs. 2,827,683,769**

**Grand Total: Kshs. 12,538,000,377**



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

|                                                             | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|-------------------------------------------------------------|------------------------------|-------------------------------|------------------------------|
| <b>36. INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES</b> |                              |                               |                              |
| IBNR at the beginning                                       | 19,972,497,763               | 15,365,628,781                | -                            |
| Add: IBNR for the year                                      | 1,136,707,671                | 4,606,868,982                 | -                            |
| <b>IBNR Reserves at the end</b>                             | <b>21,109,205,434</b>        | <b>19,972,497,763</b>         | <b>-</b>                     |
| <b>Less:</b>                                                |                              |                               |                              |
| Prior years claims FY2020/21                                | (7,661,706,361)              | -                             | -                            |
| Prior years claims FY2021/22                                | (6,835,120,522)              | (7,661,706,361)               | -                            |
| <b>Prior years claims at the end</b>                        | <b>(14,496,826,882)</b>      | <b>(7,661,706,361)</b>        | <b>-</b>                     |
| <b>Net IBNR Reserves at the end</b>                         | <b>6,612,378,551</b>         | <b>12,310,791,402</b>         | <b>-</b>                     |

Incurred but Not Reported (IBNR) – an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR, therefore, form part of an entity's reserves in the Statement of financial Position.

The Fund's IBNR estimates are computed by Kenbright Actuarial & Financial Services on a quarterly basis. These estimates are then shared with management for inclusion in the Financial Statements and supported by a certification by a competent actuarial consultant. *(Please see Appendix 2).*

*Claims totalling to Kshs. 7,661,706,361 paid in the financial year 2020/2021 but for prior years were reversed and posted to IBNR Reserves for the financial years 2020/2021 whereas claims totalling to Kshs. 6,835,120,522 paid during the year but relating to prior periods were posted to the IBNR Reserves in the current year.*

|                                  |                      |                      |          |
|----------------------------------|----------------------|----------------------|----------|
| <b>37. DEFERRED INCOME</b>       |                      |                      |          |
| Indigents Sponsorship program    | 3,000,000,000        | -                    | -        |
| EDUAFYA Scheme                   | 423,427,528          | 64,142,260           | -        |
| HISP (OPPSD) Scheme              | 3,300,442            | 3,300,442            | -        |
| County Schemes                   | 269,549,505          | 128,798,890          | -        |
| Parastatal schemes               | 1,847,930,508        | 869,613,584          | -        |
| Retirees' Scheme                 | 12,649,248           | 46,682,280           | -        |
| Linda Mama Program               | 1,861,639,209        | -                    | -        |
| WIBA NPS&KPS Deferred Income     | -                    | 573,799,696          | -        |
| Civil Servants' Exgratia Payable | 30,565,276           | 21,657,733           | -        |
| <b>Total</b>                     | <b>7,449,061,716</b> | <b>1,707,994,885</b> | <b>-</b> |

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

Deferred income are funds remitted by entities for contractual engagements for periods subsequent to the period under review. These funds are held in the books as current liabilities due within 12 months and are to be recognized as revenues in the reporting period they relate to.

|                           | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|---------------------------|------------------------------|-------------------------------|------------------------------|
| <b>38. TRADE PAYABLES</b> |                              |                               |                              |
| Claims Payable            | 3,804,837,246                | 10,043,063,832                | 8,432,017,053                |
| <b>Total</b>              | <b>3,804,837,246</b>         | <b>10,043,063,832</b>         | <b>8,432,017,053</b>         |

These are claims owed to healthcare providers who offer services to the funds registered members arising from hospitalization. The amounts were outstanding as at close of business on 30<sup>th</sup> June 2022.

*Trade Payable balance for the year ended 30<sup>th</sup> June 2021 was restated from Kshs. 8,432,017,053 to Kshs. 10,043,063,832 as a result of postings of WIBA - NPS&KPS Group life Expenses of Kshs. 43,396,560, Benefits Expenses of Kshs. 73,850,189 and Last Expense of Kshs. 73,656,462 relating to the financial year 2020/2021 (See Note 17) and WIBA - CS Expenses for the year ended 30<sup>th</sup> June 2021 of Kshs. 1,420,143,569 relating to the period 15th April to 30th June 2021 as per WIBA CS contracts. (See Note 18)*

|                                 |             |             |             |
|---------------------------------|-------------|-------------|-------------|
| <b>39. OTHER PAYABLES</b>       |             |             |             |
| Accruals                        | 135,154     | 21,088      | 21,088      |
| Agency General (Staff Payables) | 150,342     | 99,949      | 99,949      |
| Agency: Group Personal Life/ Ac | 2,158,811   | 4,350,567   | 4,350,567   |
| Legal Fees NHIF Tenants         | 157,000     | 157,000     | 157,000     |
| Pension Payable                 | 1,729,248   | 518,534     | 518,534     |
| Rent Deposits                   | 23,895,074  | 25,361,175  | 25,361,175  |
| Retention Money                 | 7,682,556   | 8,767,765   | 8,767,765   |
| Rockefeller Foundation Grant    | 12,415      | 12,415      | 12,415      |
| Salary Clearance Accounts       | 88,062,611  | 6,116,700   | 6,116,700   |
| Tender Refundable Deposits      | 1,906,000   | 1,906,000   | 1,906,000   |
| Trade Creditors                 | 728,844,449 | 856,219,511 | 856,219,511 |
| Unapplied Funds Control Account | 262,426,327 | 262,207,977 | 262,207,977 |
| Korea Foundation                | 662,262     | 662,262     | 662,262     |
| Value Added Tax (Agency A/C)    | 81,149,279  | 69,680,100  | 69,680,100  |
| Value Added Tax on Property     | 559,942     | 559,942     | 559,942     |
| W.H.T Payable - Creditors       | 39,192,566  | 45,044,728  | 45,044,728  |
| EDUAFYA Scheme                  | -           | -           | 64,142,260  |
| HISP (OPPSD) Scheme             | -           | -           | 3,300,442   |
| County Schemes                  | -           | -           | 128,798,890 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

|                              | CLOSING BALANCE<br>JUNE 2022 | RESTATED BALANCE<br>JUNE 2021 | CLOSING BALANCE<br>JUNE 2021 |
|------------------------------|------------------------------|-------------------------------|------------------------------|
| Parastatal schemes           | -                            | -                             | 869,613,584                  |
| Retirees' Scheme             | -                            | -                             | 46,682,280                   |
| WIBA NPS&KPS Deferred Income | -                            | -                             | 573,799,696                  |
| <b>Total</b>                 | <b>1,238,724,036</b>         | <b>1,281,685,712</b>          | <b>2,968,022,864</b>         |

These are a mix of Fund's short-term commitments and liabilities owed to other entities as at the end of the period. Commitments and Liabilities arise when economic value has accrued to the Fund and payment, or services have not been rendered by the Fund. They include trade creditors and others.

### 40. TAX PAYABLE

|                                |                  |                   |                   |
|--------------------------------|------------------|-------------------|-------------------|
| W. H. Tax Payable - Investment | 2,007,945        | 8,692,049         | 8,692,049         |
| W. H. Tax Payable - Rental     | 4,268,880        | 3,974,694         | 3,974,694         |
| <b>Total</b>                   | <b>6,276,826</b> | <b>12,666,743</b> | <b>12,666,743</b> |

These are amounts withheld at source based on the nature of the tax item. 15% is imposed on interests earned from all Fund's investments and 10% on rent payable to Funds landlords. These amounts are payable to KRA.

### 41. PROVISION FOR LIABILITIES

|                                     |                    |                      |                      |
|-------------------------------------|--------------------|----------------------|----------------------|
| Provision for Civil Servants Scheme | 150,056,674        | 280,643,692          | 280,643,692          |
| Provision for External Audit Fees   | 9,500,000          | 10,000,000           | 10,000,000           |
| Provision for Board of Survey       | 3,378,400          | 1,918,000            | 1,918,000            |
| Provision for Open Heart Surgery    | 296,078            | 296,078              | 296,078              |
| Provision for IRM System            | 297,123,353        | 297,123,353          | 297,123,353          |
| Provision for EHIM System           | -                  | 181,276,500          | 181,276,500          |
| Provision for Salary Arrears        | 158,906,295        | 169,794,013          | 169,794,013          |
| Provision for UHC Scale Up          | 183,041            | 224,918,405          | 224,918,405          |
| <b>Total</b>                        | <b>619,443,841</b> | <b>1,165,970,042</b> | <b>1,165,970,042</b> |

- Provision of KES. 150,056,674 for Civil Servants Scheme is the balance of provision created as per IAS 37 to cater for pending fee for service claims, capitation payments relating to the scheme for various hospitals including Clinix and Meridian hospitals.
- Provision of KES. 296,078 is the provision balance from sponsorship for Open heart surgery program. The Fund still has a few invoices pending as unpaid. However, due diligence is being undertaken before payments are made as the matter has been picked up for investigation.
- Management resolved to pay Unionisable staff, CBA arrears in two tranches as approved by the Board. The first tranche was paid in June 2020 amounting to KES. 401 million and balance of KES. 370 million to be paid in July 2020. As at close of the year 2019/2020, additional provision of KES. 370 million was made to cater for Unionisable staff CBA arrears second tranche of KES. 413 million, bringing the balance to KES. 158 million.



**NATIONAL HEALTH INSURANCE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022**

- The Fund also made Provisions of KES. 297 million to provide for Integrated Revenue Management System (IRMS) pending adjudication of the case lodged.
- The Fund made a provision during the year of Kshs. 225 million to cater for UHC National Scale-up exercise. Balance as at 30<sup>th</sup> June 2022 was KES. 183,041.

**42. NOTES TO THE STATEMENT OF CASH FLOWS**

**a) Reconciliation of Operating Surplus to Cash Generated from Operations**

|                                                         | <b>2022</b>            | <b>2021</b>            |
|---------------------------------------------------------|------------------------|------------------------|
|                                                         | <b>KES</b>             | <b>KES</b>             |
| <b>Operating Surplus</b>                                | 2,780,894,252          | 3,461,652,254          |
| Depreciation                                            | 253,784,560            | 282,817,144            |
| Amortization                                            | 292,182,233            | 246,064,689            |
| Gain on Disposal of PPE                                 | -                      | (180,494)              |
| Interest From Investments                               | (1,241,687,016)        | (1,055,547,873)        |
| <b>Operating Surplus before Working Capital Changes</b> | <b>2,085,174,030</b>   | <b>2,934,805,720</b>   |
| <b>Working Capital Changes</b>                          |                        |                        |
| (Increase)/decrease in Trade Receivables                | 2,105,508,635          | (12,390,144,404)       |
| (Increase)/decrease in Other Receivables                | 611,027,293            | 6,862,442,472          |
| Increase / (Decrease) in Claims Payables                | (6,238,226,586)        | 7,455,126,739          |
| Increase / (Decrease) in Deferred Income                | 5,741,066,831          | 1,707,994,885          |
| Increase / (Decrease) in IBNR Reserves                  | (5,698,412,851)        | (3,054,837,378)        |
| Increase/(Decrease) in Other Payables                   | (42,961,676)           | (2,882,106,536)        |
| Increase/(Decrease) in Tax Payable                      | (6,389,917)            | (808,589)              |
| Increase/(Decrease) in Provisions                       | (546,526,200)          | (186,453,373)          |
| <b>Net Working Capital Changes</b>                      | <b>(4,074,914,473)</b> | <b>(2,488,786,183)</b> |
| <b>Cash Generated from Operations</b>                   | <b>(1,989,740,443)</b> | <b>446,019,538</b>     |

**b) Analysis of cash and cash equivalents**

|                                   |                       |                       |
|-----------------------------------|-----------------------|-----------------------|
| Short term deposits               | 13,388,971,803        | 15,078,178,771        |
| Cash at bank                      | 1,197,884,807         | 944,484,560           |
| Cash in hand                      | 330,925               | 124,135               |
| <b>Balance at end of the Year</b> | <b>14,587,187,535</b> | <b>16,022,787,466</b> |

**c) Analysis of changes in loans (MTRH Loan)**

|                                                |                    |                    |
|------------------------------------------------|--------------------|--------------------|
| <b>Balance at beginning of the year</b>        | <b>286,734,558</b> | <b>314,192,699</b> |
| Loan addition during the year                  | -                  | -                  |
| Receipts (Interest) during the year            | 7,774,044          | 10,492,141         |
| Repayments during the year                     | (37,815,963)       | (37,950,281)       |
| Repayments of previous year's accrued interest | -                  | -                  |
| Foreign exchange (gains)/losses                | -                  | -                  |
| Accrued interest                               | -                  | -                  |
| <b>Balance at end of the Year</b>              | <b>256,692,640</b> | <b>286,734,558</b> |



## NATIONAL HEALTH INSURANCE FUND

### Reports and Financial Statements

For the year ended June 30, 2022

#### 43. CAPITAL COMMITMENTS

There were no capital commitments in the year under review.

#### 44. CONTINGENT ASSETS & LIABILITIES

| Contingent Liabilities                                     | 2022                  | 2021                  |
|------------------------------------------------------------|-----------------------|-----------------------|
| Total claims on all court cases filed against the Fund     | 17,136,524,084        | 17,126,317,203        |
| Total legal fees on all court cases filed against the Fund | 765,098,502           | 754,992,502           |
| <b>TOTAL</b>                                               | <b>17,901,622,586</b> | <b>17,881,309,705</b> |

#### 45. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks, and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to clients with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

##### a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Fund's exposure and the credit rating of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by setting counterparty limits that are reviewed and approved by management at regular interval.

Trade receivables consist of a large number of clients, spread across diverse geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of the clients.

The credit risk on bank balances and short-term deposits is limited because the counterparties are banks with high credit ratings assigned by the banking regulatory authority.

As at the end of the reporting period, no collateral was being held as a means of mitigating the risk of financial loss from default.

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

The clients under the fully performing category are paying their debts as they continue benefiting. The default rate is low. Part of the debt that is past due is not impaired and continues to be paid. The finance department is actively following up this debt. The debt that is impaired has been fully provided for. However, the finance department is pursuing various measures to recover the impaired debt.

### b) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board of Management, which has developed and put in place an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

| At End of Year  | Unaudited      | Audited        |
|-----------------|----------------|----------------|
|                 | 2022           | 2021           |
|                 | KES            | KES            |
| Trade Payables  | 3,804,837,246  | 10,043,063,832 |
| Tax Payable     | 6,276,826      | 12,666,743     |
| Other Payables  | 1,238,724,036  | 1,281,685,712  |
| Provisions      | 619,443,841    | 1,165,970,042  |
| Deferred Income | 7,449,061,716  | 1,707,994,885  |
| Total           | 13,118,343,665 | 14,211,381,214 |

### c) Market Risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the organisation on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the organisation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Finance and Investment Directorate is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### i) **Interest rate risk**

Interest rate risk is the risk that the organisation's financial condition may be adversely affected as a result of changes in interest rate levels. The organisation's interest rate risk arises from bank deposits. This exposes the organization to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the organization's deposits.

### **Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

### **Sensitivity analysis**

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

### ii) **Foreign exchange risk**

The Board does not undertake transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise.

### iii) **Price risk**

The company does not hold investments that would be subject to price risk hence the risk is not relevant

## 46. CAPITAL RISK MANAGEMENT

The Fund manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balances.

The capital structure of the Fund comprises the following funds:

| CAPITAL RISK MANAGEMENT                            |                        |                       |
|----------------------------------------------------|------------------------|-----------------------|
|                                                    | 2022                   | 2021                  |
|                                                    | KES                    | KES                   |
| Capital reserve                                    | 12,209,923,340         | 12,209,923,340        |
| Retained earnings                                  | 8,889,845,581          | 6,159,004,369         |
| IBNR Claims Reserves                               | 6,612,378,551          | 12,310,791,402        |
| Revaluation reserve                                | -                      | -                     |
| <b>Total Funds</b>                                 | <b>27,712,147,473</b>  | <b>30,679,719,111</b> |
| <b>Total borrowings</b>                            | <b>-</b>               | <b>-</b>              |
| <b>Less: cash and bank balances</b>                | <b>(1,198,215,732)</b> | <b>(944,608,695)</b>  |
| <b>Net debt/(excess cash and cash equivalents)</b> | <b>26,513,931,741</b>  | <b>29,735,110,417</b> |



#### 47. RELATED PARTY DISCLOSURES

##### a) Nature of related party relationships

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The Fund is related to:

- i) Government of Kenya
- ii) Board of Management
- iii) Key management

##### b) Related party transactions

The GoK has provided full guarantees to all long-term lenders of the Fund, both domestic and external.

GoK finances the Civil Servants Medical Scheme, National Police & Kenya Prisons Service Medical Scheme, Secondary School Students Medical Scheme, HISP OVC & OPPSD Schemes and Free Maternity (Linda Mama). The transactions have been shown under notes 6, 7, 8, 9, 10, 11 & 15 respectively and Appendix III on page 99.

##### c) Key management compensation

|                         | 2022              | 2021               |
|-------------------------|-------------------|--------------------|
| Board of Management     | 31,487,870        | 25,528,547         |
| Compensation to the CEO | 11,406,788        | 11,371,688         |
| Key Management          | 53,642,084        | 64,702,616         |
| <b>TOTAL</b>            | <b>85,129,954</b> | <b>101,602,851</b> |

#### 48. INCORPORATION

The Fund was established by an Act of Parliament No. 9 of 1998.

#### 49. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

#### 50. CURRENCY

The financial statements are presented in Kenya Shillings (KES)



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## APPENDIX 1: DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

|                               | Balance as at<br>June 30, 2022 | Balance as at<br>June 30, 2021 | Account Number |
|-------------------------------|--------------------------------|--------------------------------|----------------|
| Financial institution         | Kes                            | Kes                            |                |
| a) Current account            |                                |                                |                |
| Kenya Commercial Bank         | 405,075,062                    | 119,467                        | 1107111226     |
| Kenya Commercial Bank         | 500                            | 33,750                         | 1167080416     |
| Equity Bank                   | 388,717,380                    | 63,913,835                     | 0170263180280  |
| Equity Bank                   | 57,859                         | 685,640                        | 0170273733939  |
| Equity Bank                   | -9,900                         | 1,040,950                      | 0170263318584  |
| National Bank of Kenya        | 115,058,448                    | -905,700                       | 01023033223900 |
| National Bank of Kenya        | 17,933,347                     | 113,821,955                    | 01003000904002 |
| National Bank of Kenya        | 724,533                        | 446,724,533                    | 01023000904000 |
| National Bank of Kenya        | 351,650                        | 55,777,638                     | 01003000904001 |
| Cooperative Bank of Kenya     | 167,628,365                    | 221,326,020                    | 01141162180500 |
| Cooperative Bank of Kenya     | 76,861,905                     | 20,749,307                     | 01136011317300 |
| Cooperative Bank of Kenya     | -                              | -                              | 01141011317300 |
| NCBA APL Collection account   | 6,939,947                      | 2,597,375                      | 4783380012     |
| Safaricom                     | 18,545,711                     | 18,599,790                     | M-pesa         |
| Sub-Total                     | 1,197,884,807                  | 944,484,560                    |                |
| b) On - call deposits         |                                |                                |                |
| National Bank of Kenya        | 1,647,771,803                  | 1,000,000,000                  |                |
| Kenya Commercial Bank         | 100,000,000                    | 1,035,561,855                  |                |
| Central Bank of Kenya         | 9,592,200,000                  | 11,832,200,000                 |                |
| Equity Bank                   | 1,112,400,000                  | 1,210,416,916                  |                |
| NCBA                          | 936,600,000                    | -                              |                |
| Sub- total                    | 13,388,971,803                 | 15,078,178,771                 |                |
| c) Staff Car loan/ Mortgage   |                                |                                |                |
| Savings & Loan - Mortgage     | 1,289,008,936                  | 1,264,588,685                  | 1100162666     |
| NBK - Car Loan - Deposit a/c  | 37,859,489                     | 53,022,129                     | 01288032515200 |
| NBK - Car Loan - Interest a/c | 19,363,253                     | 4,070,260                      | 01021032515200 |
| Sub- total                    | 1,346,231,678                  | 1,321,681,075                  |                |
| Grand Total                   | 15,933,088,288                 | 17,344,344,406                 |                |



## NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

### APPENDIX 2: INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVES SCHEDULE

| IBNR CLAIMS RESERVES                 |                                                        |                          |                                                        |                          |                                                        |  |
|--------------------------------------|--------------------------------------------------------|--------------------------|--------------------------------------------------------|--------------------------|--------------------------------------------------------|--|
| SCHEME                               | Cumulative IBNR<br>as at<br>30 <sup>th</sup> June 2020 | IBNR for FY<br>2020/2021 | Cumulative IBNR<br>as at<br>30 <sup>th</sup> June 2021 | IBNR for FY<br>2021/2022 | Cumulative IBNR<br>as at<br>30 <sup>th</sup> June 2022 |  |
| National Health Scheme               | 8,451,393,592                                          | 1,790,323,429            | 10,241,717,022                                         | (587,656,438)            | 9,654,060,584                                          |  |
| Indigent's Sponsorship Program (Gok) | -                                                      | -                        | -                                                      | -                        | -                                                      |  |
| Civil Servants Scheme                | 1,908,981,619                                          | 665,477,141              | 2,574,458,760                                          | 349,893,668              | 2,924,352,428                                          |  |
| NPS&KPS Scheme                       | 1,853,131,630                                          | 1,557,485,512            | 3,410,617,142                                          | 602,721,182              | 4,013,338,324                                          |  |
| Eduafya Scheme                       | 810,847,390                                            | (254,978,884)            | 555,868,506                                            | 128,046,502              | 683,915,008                                            |  |
| HISP OVC Scheme                      | 21,683,051                                             | 6,378,758                | 28,061,809                                             | 3,224,985                | 31,286,794                                             |  |
| HISP OPPSD Scheme                    | 6,740,631                                              | (1,026,567)              | 5,714,064                                              | 736,681                  | 6,450,745                                              |  |
| County Schemes                       | 395,661,570                                            | 23,137,823               | 418,799,393                                            | 106,503,370              | 525,302,763                                            |  |
| Parastatals Schemes                  | 580,380,902                                            | 75,454,512               | 655,835,414                                            | 124,876,210              | 780,711,624                                            |  |
| Retirees Schemes                     | 108,333,026                                            | 45,133,491               | 153,466,517                                            | 36,715,028               | 190,181,545                                            |  |
| Linda Mama Program                   | 1,228,475,368                                          | 699,483,768              | 1,927,959,136                                          | 371,646,482              | 2,299,605,618                                          |  |
| GRAND TOTAL                          | 15,365,628,781                                         | 4,606,868,982            | 19,972,497,763                                         | 1,136,707,671            | 21,109,205,434                                         |  |

Incurred but Not Reported (IBNR) – an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period. The IBNR, therefore, form part of an entity's reserves in the Statement of financial Position.

The Fund's IBNR claims estimates are computed by Kenbright Actuarial & Financial Services on a quarterly basis. These estimates are then shared with management for inclusion in the Financial Statements and supported by a certification by a competent actuarial consultant.



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

### APPENDIX 3: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in the draft report on the financial report for the year ended 30th June 2021, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| No       | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Focal Point person (Name and Designation)                                  | Status:      | Time Frame   |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------|--------------|
| 1<br>1.1 | <b>Property Plant &amp; Equipment Disputed ownership of Land.</b><br>As previously reported, included in the property, plant and equipment balance of Kshs. 13,044,666,460 in the statement of financial position as at 30 June, 2021 is land valued at Kshs. 298,589,665 which includes an amount of Kshs.93,712,675 for land measuring 10 hectares situated in Karen. However, the ownership of this particular parcel of land is in dispute and the matter is in court. Further, information available indicate that the Directorate of Criminal Investigations (DCI) has commenced investigation to establish whether there was fraud in the transfer of ownership of the land and prosecute any person who may have been identified as having breached the law as per the Public Investment Committee (PIC) recommendations in its 21st and 22nd report. Progress made on the investigation has not been disclosed in these financial statements. | In the 21st Public Investment Committee Report on the Audited Financial statements of State Corporations the above issue was discussed, and as per recommendations given by Public Investment Committee, the Directorate of Criminal Investigations commenced the inquiry/ investigations on the land and its acquisition in the year 2018. The DCI convened a meeting between the Chief Land Registrar from Ministry of Lands, the Land Surveyor from Survey of Kenya, Chief Valuer from Nairobi City County Government and all parties who hold titles to the land. Upon deliberations parties were informed that the DCI would be calling for the surrender of all original titles for purposes of investigation. This was done.<br><br>The Fund wrote a reminder to DCI on 20th May 2022 requesting an update on the same. Further Follow up has revealed that the investigations have now been completed and the file has been forwarded to ODPP for comment. | Directorate of Criminal Investigation<br><br>Attorney General for guidance | Not Resolved | FY 2022/2023 |
| 1.2      | <b>Doubtful Work-In-Progress at Karen Land</b><br>As previously reported, included in the property, plant and equipment balance of Kshs. 13,044,660,460 as at 30 June, 2021 is capital work in progress balance of Kshs. 1,444,687,484 being payments for drawings and designs for the proposed Resource Centre and whose construction has not yet commenced since the land was acquired seventeen years (17) ago. As noted in the previous year, the management has however explained that construction of the Resource Centre                                                                                                                                                                                                                                                                                                                                                                                                                        | Although the case has not come to its logical conclusion, the Fund has pursued the case regarding ownership of the land in Karen through the DCI.<br><br>Reference is made to the pending matters in court and communications showing the status of the cases. The dispute of ownership and the dispute with the quantity surveyors is still unresolved, except for the matter of Baseline Architects, the Court of Appeal upheld the decision of the High Court and ruled in favour of the Fund, attached is a copy of the Judgment. (APPENDIX-B).                                                                                                                                                                                                                                                                                                                                                                                                                | Directorate of Criminal Investigation<br><br>Attorney General for guidance | Not Resolved | FY 2022/2023 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

| No | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Focal Point person (Name and Designation) | Status:      | Time Frame   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|--------------|
|    | <p>has not yet commenced because of lack of approval from parent Ministry and the land ownership dispute in court.</p> <p>Page 3 of 35</p> <p>Although the issue had been discussed by the Public Investment Committee (PIC), no action appears to have been taken on the PIC recommendations in its 22nd report that the Fund should expeditiously pursue the prosecution and conclusion of the case to its logical conclusion. Consequently, the land ownership could not be confirmed as at 30 June, 2021.</p> | <p>a. NHIF Vs Crowline Freighters and others Nairobi ELC No. 691 of 2011 (as Consolidated with ELC 152 of 2018) was mentioned before the court on 9th May 2022 and the court gave the parties more time to file relevant documents. The Fund filed its defense on 25th October 2022 and is currently awaiting directions from the courts. The Court case has not progressed since the DCI is still carrying out forensic investigations so as to determine the true proprietor of the suit property.</p> <p>b. In the Matter of Arbitration between Manga &amp; Associates vs NHIF. The matter came up before the Arbitrator however a query was raised on instructions noting the Attorney General's Office in regard to engagement of external counsel. Fund has already sought guidance from the Attorney General noting that this was an existing matter. Attorney general responded and approved use of Ogetto Otachi Advocates to represent the Fund on the Karen land matters and the cases related to the same.</p> <p>c. HCCC No. 25 of 2016 Rebman Ambalo t/a Ujenzi Consultant vs NHIF (Consolidated with HCCC No. 176 of 297 Professional Consultant Limited vs NHIF). The Fund introduced the then Chief Executive Officer as a witness and an expert witness, in procurement matters to support the Fund's defense. The matter came up for mention on 6th February 2023, however, the matter did not proceed to hearing by reason that the learned judge was away on his annual leave. Consequently, the matter was rescheduled for mention on 24th March 2023. However, the matters were reallocated to be placed and seized by the Learned Justice Sifuna. In this regard, the presiding judge scheduled mention of this matter, before the judge seize of it, for the 28th of April, 2023, to obtain directions on hearing.</p> |                                           |              |              |
| 2  | <p><b>Construction of Multi Storey Car Park</b></p> <p>As previously reported, National Hospital Insurance Fund entered into an agreement with local construction firm for construction and completion of a multi storey car park at a contract sum of Kshs.909,709,305. According to information available, the project commenced in May 2002 and was scheduled for completion in August 2003.</p>                                                                                                               | <p>The Fund is in receipt of the 21st PIC committee report, where it recommended that Ethics &amp; Anti-Corruption Commission should fast track investigations into the procurement process of the Multi-Storey Car Park, with a view of preferring charges against all those found culpable of defrauding the Fund. The matter was therefore referred to EACC as directed by Public Investment Committee and EACC commenced investigations by requesting for original documentation. In September 2022 the Fund's CEO was invited to record a statement on status of the documents. EACC guided that they would give way forward. No report, however, has been received from the commission to date.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Ethics & Anti-Corruption Commission       | Not Resolved | FY 2022/2023 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

### For the year ended June 30, 2022

| No  | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Management Comments                                                                                                                                                                                                              | Focal Point person (Name and Designation) | Status:      | Time Frame   |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|--------------|
|     | Records available, however, indicate that the contract sum was later revised upwards to Kshs.1,179,611,756 representing approximately 30% above the original contract sum of Kshs.909,709,305. Although records available indicate that the car park was completed in July 2008 at a total cost of Kshs.3,342,120,239, a further amount of Kshs.626,635,998 and Kshs.4,706,521 was incurred in 2009/2010 and 2010/2011 respectively on the car park increasing its total expenditure to Kshs.3,973,462,758 as at 30 June, 2011 or resulting to an increase of approximately 337% over and above the original contract sum of Kshs.909,709,305. Further and as similarly observed in prior years' reports, the escalation of costs of the car park by 337% over and above the original cost has not been justified. Although the issue has been discussed by the Public Investment Committee, no action has been taken on the Committee recommendations as per the 19th and 21st reports which recommended that the Director of Ethics and Anti-Corruption Commission should institute and fast track investigation on the project with a view to preferring charges against all those who would be found culpable. As at the time of this audit no progress report has been received from the Commission. In the circumstances, it has not been possible to ascertain whether the property, plant and equipment balance of Kshs.13,044,666,460 as at 30 June, 2021 is fairly stated | Management has, nonetheless, written to the Ethics and Anti-Corruption commission with a view to obtain progress report/ status on the same. Please see the extract of the 21st PIC report and the letter to EACC. (Appendix 2). |                                           |              |              |
| 3.0 | Unquoted Investments<br><br>As previously reported and as disclosed at Note 29 to the financial statements, unquoted investment balance of Kshs.340,934,558 as at 30 June, 2021 includes a balance of Kshs.286,734,558 in respect of                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | MTRH Loan<br><br>On the issue of execution of loan agreement and the disputed legal costs, NHIF and MTRH are presently in advanced discussions to iron out outstanding issues and have largely agreed on terms of the contract.  | NHIF & MTRH Management                    | Not Resolved | FY 2022/2023 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

| No | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Focal Point person (Name and Designation) | Status:      | Time Frame   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|--------------|
|    | <p>a loan advanced by the Fund to Moi Teaching and Referral Hospital (MTRH) at an interest rate of 3% per annum. However, though the loan was not supported with a signed loan agreement between the Fund and MTRH, MTRH has already disputed the advocates/legal costs amounting to Kshs. 40,883,040 charged to its loan account. As at the time of the audit, there was no signed Memorandum of understanding (MoU) between NHIF, MTRH and International Atomic Energy Agency (IAEA) Further, to date there is no signed financing agreement between NHIF and MTRH which defines the terms of the Loan, purpose and the repayment methods.</p> <p>Although the Management has acknowledged the omission, it was not explained how the anomaly will be resolved and the fallback plan in case of default by the Hospital.</p> <p>The unquoted investment balance of Kshs.340,934,558 also includes consolidated bank shares of Kshs.54,200,000 which are not traded and for which no dividend has been paid in the past. Under the circumstances, the investment in consolidated bank shares is impaired.</p> <p>Consequently, the validity of unquoted investment balance of Kshs.340,934,558 as at 30 June, 2021 could not be confirmed.</p> | <p>The Board approved the execution of the contract upon review of loan amortization form to include the correct legal fees. This communication has since been shared with MTRH for their comments and response received. Loan amortization form is being prepared and contract amended for execution. The loan agreement is now ready for execution by both parties.</p> <p>At the moment the Fund continues to recover the loan from MTRH's claim payment at the rate of Kshs. 3,178,918 per month towards the repayment of the loan and MTRH have acknowledged this recovery as the two entities finalize the execution of the contract. The balance currently stands at Kshs. 237,601,306 (as at 24th April 2023)</p> <p><b>Shares in Consolidated Bank - KES 54,200,000</b></p> <p>On the Ordinary shares held at Consolidated Bank Ltd, it is true that the Fund included the total value at cost of Kshs. 54,200,000 in its financial statements. The Fund had no reason, as at the close of the financial year, to believe that the investment in Consolidated Bank Ltd was impaired considering that the Bank remained a going concern and the Fund could claim full ownership of the investment.</p> <p>However, management intends to assess the recoverability of the investment in consolidated Bank Ltd in the current period to determine an appropriate treatment in the financial statements in light of the audit recommendations.</p> | NHIF & MTRH Management                    | Not Resolved | FY 2022/2023 |
| 4  | <p><b>Short-term Deposits (Investments)</b><br/>As previously reported, included in the statement of financial position as at 30 June, 2021 is short term deposits balance of Kshs. 15,078,178,771 which is net of provision for impaired investments of Kshs. 1,304,410,609. The provision includes an amount of Kshs. 49,500,000 which had been</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | On 20th February 2003, the Central Bank of Kenya appointed the Deposit Protection Fund Board to liquidate and wind up the operations of Euro bank Limited. Therefore, in its capacity as the Statutory Liquidator the Deposit Protection Fund Board had taken over all the affairs of Euro bank Limited including all records.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Consolidated Bank                         | Not Resolved | FY 2022/2023 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Focal Point person (Name and Designation) | Status: | Time Frame |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------|------------|
|    | <p>deposited by the Fund on 26 June, 2001 at the consolidated Bank Ltd in Nairobi. The entire deposit of Kshs. 49,500,000 was offset by the Bank against a guarantee executed by the former Fund Chief Executive Officer on behalf of Euro Bank Ltd. It is not clear and the management has not explained the circumstances under which the Fund's deposit was used as a guarantee by the then Chief Executive Officer.</p> <p>Although the Public Investment Committee recommended in the 21st report that;</p> <p>(i) The then CEO of NHIF be held accountable for any losses incurred in the irregular investment of the surplus funds in Consolidated Bank and therefore be surcharged for Kshs.40,065,205, being the value of the un-deposited cheque No.022477 of 23 September 2002 from Euro Bank;</p> <p>(ii) The then Consolidated Bank's CEO and Finance Manager should be held accountable for colluding with NHIF to mismanage the invested funds;</p> <p>(iii) In view of the fact that the Fund had no capacity to provide guarantee for a loan to a private bank, Consolidated Bank should pay the amount of Kshs.49.5 million owed to the Fund;</p> <p>(iv) The then Senior Management of Consolidated Bank including the then Managing Director, and Finance Manager should also be held accountable for colluding with NHIF to mismanage the invested funds.</p> <p>(v) The former Managing Director of Consolidated Bank should be surcharged for the funds that were advanced to Euro Bank in overnight lending. He should further be held accountable for the Kshs. 49.5 million which the Bank could not</p> | <p>The Fund had deposited funds with Euro bank Ltd and at the time of the liquidation, therefore a lawyer Ahmednasir Abdikadir and Co Advocates was appointed to pursue the matter of Euro bank with a view to pursuing the Directors of the Bank on 16th June 2003.</p> <p>Following the advice of the Advocate a suit was filed against the following:-</p> <ol style="list-style-type: none"> <li>1. The deposit Protection Fund Board</li> <li>2. Euro bank Limited</li> <li>3. Solomon Bundi Mathamia</li> <li>4. John Paul Wachira Munge</li> <li>5. Firdosh Ebrahijamal</li> <li>6. Harry Mutuma Kathurima</li> </ol> <p>The 6th Defendant filed a Chamber Summons seeking orders that the Plaintiff's suit be struck out against him. Justice L. Njagi delivered the ruling on 29th October 2003 where he directed that since the Suit against the 6th Defendant had been withdrawn, the plaintiff should pay the 6th Defendant costs of the Suit, which was to be taxed.</p> <p>The 6th Defendant filed a Bill of Cost on 4th November 2003 where he claimed Kshs 11,072,767. The billed was taxed and a ruling delivered on 31st March 2004 taxed at Kshs 8,282,772. The fund filed an objection to the Registrar's Ruling on 8th august 2004 and further filed a chamber summons seeking to set aside the taxing master's ruling in its entirety. Justice Kamau, who dismissed our application with costs to the 6th Defendant, delivered a ruling on this application on 28th July 2014. Vide a letter dated 18th December 2014, the advocates of the 6th Defendant requested for the payment of their taxed costs and accrued interest, as well as the costs of the dismissed application, making a total of Kshs 19,231,031. The advocates of the Fund engaged the 6th Defendant to have them reduce the amount they were demanding. The 6th Defendant accepted a sum of Kshs 10,000,000 as the final settlement.</p> <p>The first and second defendant also filed an application to strike out the suit against them. The parties made their submissions about the suit and on 28th June 2013, the Judge allowed the application seeking to have the matter struck out. The court allowed the application with costs to the 1st and 2nd Defendant.</p> |                                           |         |            |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

| No | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
|    | <p>recover from the Fund and consequently offset the same against the fixed deposits of NHIF.</p> <p>(vi) NHIF should relentlessly pursue Consolidated Bank for recovery of Kshs.49.5 million;</p> <p>(vii) NHIF CEO must ensure that all financial investments by the Fund are done in accordance with Treasury Circular No. 10 of 1992 and section 28(1) of the Public Finance Management Act, 2012. No action appears to have been taken to recover the Kshs.49,500,000 the Fund lost. In the circumstance, it has not been possible to confirm whether the short-term deposits balance of Kshs.15,078,178,771 is fairly stated as at 30 June, 2021.</p> | <p>On 14th May 2014, the 1st and 2nd Defendant filed their Bill of Cost at Kshs 23,480,914. The Fund's advocates objected to the same through written submissions. The ruling was delivered on 16th November 2017; the bill was taxed at Kshs 10,000,000.</p> <p>Because the advocates had filed to set down the matter for hearing, the Fund withdrew the instructions on 20th April 2018 from the firm of Ahmed Nasir, Abdikadir and Co Advocates and on 6th September 2018, the firm of Migos Ogama and Co was instructed to take up the matter.</p> <p>As per the recommendation of the Inspector General of state corporations, NHIF has written to consolidated Bank ltd seeking refund of the Kshs. 49.5M.</p> <p>The Fund acknowledges the 21st PIC committee report observation that action be taken by relevant government agencies as recommended in its 19th report.</p> <p>Management, nonetheless, makes full disclosure of the matter as recommended in the 21st PIC committee report.</p>                                                                                                                                                                                                                                                                                                                                            |                                           |          |              |
| 5  | <p><b>Trade &amp; Other Receivables</b></p> <p><b>Long outstanding Return to Drawer (R/D) Cheques</b></p> <p>The amount includes R/D Cheques of Kshs.14,790,981 from various institutions which have been long outstanding some dating back to year 2013 and which had not been replaced as at 30 June, 2021.</p> <p>Consequently, the accuracy, completeness and recoverability of R/D cheques balance of Kshs.14,790,981 as at 30 June, 2021 could not be confirmed.</p>                                                                                                                                                                                  | <p>Regarding the RD cheques totalling Kshs 18,061,170, these are associated with companies that have closed, and the debts exceed six years, rendering them outside the scope of the Action Act on debt collection. Consequently, a provision for doubtful debt has been established in the financial statements. As per debt management clause 4.3.4.1, 50% of outstanding contributions aged between 12 and 24 months shall be included in the provision, except in cases where adhered-to payment plans are in place.</p> <p>Clause 4.3.4.2 specifies that debts older than 24 months require 100% of the overdue amount to be included in the provision, unless adhered-to payment plans are in place. Furthermore, clause 4.3.5 on bad debts states that debts exceeding five years shall be classified as bad debts, subject to potential write-off by the board of management. The Fund intends to pursue board approval for the write-off, as the debt is deemed uncollectable.</p> <p>In addition, management has implemented a system module that automatically reverses payments from employers when their cheques bounce, prompting immediate pursuit of the unpaid amount for that specific month. Consequently, the issue of "Refer to Drawer" cheques has been eliminated. NHIF collection banks, KCB and Co-operative banks, now</p> | NHIF Management                           | Resolved | FY 2021/2022 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No  | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>only accept their own drawn cheques, which are verified for account status before acceptance, further reducing instances of "Refer to Drawer" cheques.</p> <p>Moreover, the CEO established a task force on June 22, 2022, tasked with reviewing debt and providing management with recommendations for appropriate actions concerning each debt category within the organization. The task force anticipates completing its work in May 2023, at which point it will present a report to management for review, discussion, and subsequent approval. Please refer to the attached letter (Appendix - F) on appointment of the committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                           |          |              |
| 5.2 | <p><b>Long Outstanding Insurance Claim</b></p> <p>As previously reported, included in the balance of sundry debtors of Kshs.7,246,750 is an insurance claim for a motor vehicle amounting to Kshs. 4,414,750 which was involved in an accident on 27 April 2018. However, the claim has not been paid to-date and management has not provided explanation for failure to recover the long outstanding insurance claim.</p> <p>In the circumstances, the recoverability of sundry debtors' balances of Kshs. 4,414,750 as at 30 June, 2021 could not be confirmed.</p> | <p>Motor Vehicle KCK 509U was involved in an accident on 27th April 2018 which was reported to our then Insurer AMACO. The accident was assessed, and the vehicle was declared a write-off. Evaluation was done and a discharge voucher of Kshs. 4,414,750 was issued by AMACO. The discharge was signed and returned on 12th June 2019.</p> <p>This claim has however not been settled by the insurer, despite numerous engagements via emails and letters. The most recent communication to the client was done on 10th December 2021.</p> <p>Channel Insurance brokers who were providing Insurance brokerage services at the time of the accident tried to engage the Insurer on various occasions including engaging the regulator as indicated to us via an email dated 10th March 2021.</p> <p>The Fund, having received a discharge voucher from AMACO insurance company signalling amount to be received from the insurer in regard to compensation of motor vehicle KCK 509U, signed, stamped and returned the discharge voucher on 12th June 2019 for the payment to be processed and wired. The insurance company has since not made payment despite numerous follow-ups. Due to this, The Fund has made further engagements with the regulator (IRA) in pursuit of the debt to ensure that it is fully recovered. Fund has shared policy details with IRA and waits for further action.</p> <p>Meanwhile, to avoid recurrence of the above scenario, management has caused for all policy documents to include timelines to guide claims and compensation processes in case of incidences of motor accidents.</p> | NHIF Management                           | Resolved | FY 2021/2022 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No           | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
| 6<br>6.1     | <p><b>Benefits Expenses</b></p> <p><b>Double Payment of Specialised Benefits Packages</b></p> <p>The statement of financial performance reflects national health scheme expenses of Kshs.28,236,045,834 which includes specialized benefit packages totalling Kshs. 15,580,660,100 as disclosed in note 18 to the financial statements. However, the expenditure included double payments of Kshs.2,370,000 for C-section deliveries and which management has not provided any explanation for the Double payment.</p> <p>In the circumstances the validity of specialized benefits packages totalling Kshs. 15,580,660,100 for the year ended 30<sup>th</sup> June 2021 could not be confirmed.</p> | <p>From the appendix provided, it has been established that some inpatient rebate claims were miscoded as caesarean section claims. Incidents of double entries are also evident. However, the management had already picked this issue and the recovery (surcharge) process initiated (APPENDIX-HI).</p> <p>Management in the year 2020 set up a system for recoveries of all payments made out of the contractual terms entered into by the parties. These payments are ordinarily detected through routine claims review and analysis. Therefore, although double payments are exhibited from time to time, management identifies such claims and initiates a hospital surcharge process to recover the overpayments.</p> <p>Additionally, management has continually strengthened the systems by putting in place controls to ensure that services are not only segregated but also capped within specified limits. This ensures that various services are billed separately for all visits and admissions.</p> | NHIF Management                           | Resolved | FY 2021/2022 |
| 6.2<br>6.2.1 | <p><b>Linda Mama Benefit Expenses</b></p> <p><b>Overpayment Above Specified Limits</b></p> <p>The statement of financial performance reflects Linda Mama Benefit expenses of Kshs.4,948,139,361 (2020 - Kshs.4,041,850,985) as disclosed in note 15 to the financial statements. The amount includes Kshs.3,639,012,381 on Caesarian deliveries, normal deliveries, antenatal care and postnatal care whose sampled transactions revealed cumulative overpayments of Kshs.210,355,297 as summarized below: -</p> <p>This is contrary to the limits specified by the board for Caesarian Deliveries, Normal Deliveries, Antenatal Care and Postnatal Care Services.</p>                               | <p>Benefits under the program are guided by Linda Mama access and benefits guidelines and hospital contracts rates. Management of complications related to pregnancy is guided by Linda Mama guidelines and is paid under individual health facility's respective rebate. Since newborns delivered under this scheme cannot be declared under NHIF, those born with complications access both medical and surgical benefits through rebate using the mother's details.</p> <p>There are also instances where some hospitals, especially Level 2 and 3 Government facilities, launch a lumpsum claim for all ANC visits done by the client which may be construed as overpayment when this may not be the case. (APPENDIX-JK).</p>                                                                                                                                                                                                                                                                                   | NHIF Management                           | Resolved | FY 2021/2022 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

### For the year ended June 30, 2022

| No     | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
|        | Consequently, the accuracy, propriety and validity of Linda Mama Benefit expenses of Kshs.210,355,297 for the year ended 30June,2021 could not be confirmed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                           |          |              |
| 6.2.2. | <p><b>Double Payments</b></p> <p>The statement of financial performance reflects Linda Mama Benefit expenses of Kshs.4,948,139,361 (2020 - Kshs.4,041,850,985) as disclosed in note 15 to the financial statements. The amount includes Caesarian delivery and normal delivery expenses of Kshs.3,044,194,898 out of which sampled transactions revealed double payments of Kshs. 24,773,550 for normal and caesarean deliveries.</p> <p>Consequently, the accuracy and validity of Linda Mama Benefit expenses of Kshs.24,773,550 for the year ended 30June,2021 could not be confirmed.</p>                                                                                                                                                     | <p>As noted above, some cases categorized as double claims were for delivery and inpatient rebates. Please see remarks attached (APPENDIX-L).</p> <p>Management in the year 2020 set up a system for recoveries of all payments made out of the contractual terms entered into by the parties. These payments are ordinarily detected through routine claims review and analysis. Therefore, although double payments are exhibited from time to time, management identifies such claims and initiates a hospital surcharge process to recover the overpayments.</p> <p>Additionally, management has continually strengthened the systems by putting in place controls to ensure that services are not only segregated but also capped within specified limits. This ensures that various services are billed separately for all visits and admissions.</p>                                                                                                                                                                                                                                                                                        | NHIF Management                           | Resolved | FY 2021/2022 |
| 1      | <p><b>Budgetary Control and Performance</b></p> <p>During the year under review, the Fund's actual receipts amounted to Kshs. 57,918,358,000 against budgeted receipts of Kshs. 80,708,438,000 resulting in a revenue shortfall of Kshs. 22,790,080,000. Further, actual expenditure for the year amounted to Kshs. 75,198,084,000 resulting in an overall under absorption of Kshs. 13,448,651,000 (or 17%). There is need for the Fund to review its budget making process with a view to develop a vibrant budget implementation follow up mechanism and feedback process to ensure that all projects and activities are implemented as planned for the Fund to meet its mission and objectives for the benefits of the citizens of Kenya.</p> | <p>REVENUE SHORTFALL</p> <p>NHIF experienced a shortfall of more than 22 billion in the financial year 2020/2021 when comparing actual receipts of Kes 57.92 billion and the target of Kes 80.81 billion. The Fund revenue comprises of four main sources namely; Statutory/ voluntary contributions from National scheme members, Premiums from enhanced schemes &amp; sponsored programs, Linda mama funds from MOH and returns from investments. 98% of the Fund revenue comes from member contributions and premiums which is dependent on the number of actively paying members. To ensure accurate and reliable revenue projections, the Fund uses two approaches in formulating the targets. The first criteria involve projecting the number of new members targeted to be enrolled from both the informal and formal sector. The population is then subjected to the applicable contributions rate i.e. Kes 6,000 p.a. for informal sector and an average rate of Kes 9,600 p.a. for formal sector. The second criteria used is to estimate the population expected to be up to date with their contribution i.e. the retention rate.</p> | NHIF Management                           | Resolved | FY 2021/2022 |



# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

| No         | Issue / Observations from Auditor | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Focal Point person (Name and Designation) | Status:            | Time Frame |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
|------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------|------------|-----|----|-----|----|-----|----|-----|------------|-----|----|-----|----|-----|----|-----|------------|-----|----|-----|----|-----|----|-----|--|--|--|
|            |                                   | <p>In budgeting and forecasting for the financial year 2020/2021 National Scheme revenues, NHIF used the projected active membership for FY2019/20 of 4,601,763 plus estimated new registrations for 2020/21 of 313,676 new members (275,000 from the formal sector and 38,676 informal). The use of this method was a departure from the previous approach of using the historical member data and applying a desired compliance/retention rate. This method was used to ensure a reliable and a fair degree of accuracy. However, even with this method where active members were used to project revenues, there was a revenue shortfall of Kes 6 billion.</p> <p>Reasons for revenue shortfall from the National Scheme contributions</p> <p>Although the Fund surpassed the target for new registration by enrolling 821,548 members, the retention rate achieved was only 41%. The targets, which, the management believe were realistic and achievable by the time of their formulation were however not achieved because the actual performance was affected by several factors that were beyond the control of NHIF. These factors that affected revenue collection are: -</p> |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
|            |                                   | <div><div><div>FORMAL SECTOR RETENTION RATE</div><table><thead><tr><th>Quarter</th><th>Retention Rate (%)</th></tr></thead><tbody><tr><td>Q1 2019/20</td><td>73%</td></tr><tr><td>Q2</td><td>78%</td></tr><tr><td>Q3</td><td>78%</td></tr><tr><td>Q4</td><td>57%</td></tr><tr><td>Q1 2020/21</td><td>60%</td></tr><tr><td>Q2</td><td>67%</td></tr><tr><td>Q3</td><td>72%</td></tr><tr><td>Q4</td><td>77%</td></tr><tr><td>Q1 2021/22</td><td>80%</td></tr><tr><td>Q2</td><td>82%</td></tr><tr><td>Q3</td><td>82%</td></tr><tr><td>Q4</td><td>82%</td></tr></tbody></table><p>Impact of Covid-19</p><p>Legend: Formal</p></div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Quarter                                   | Retention Rate (%) | Q1 2019/20 | 73% | Q2 | 78% | Q3 | 78% | Q4 | 57% | Q1 2020/21 | 60% | Q2 | 67% | Q3 | 72% | Q4 | 77% | Q1 2021/22 | 80% | Q2 | 82% | Q3 | 82% | Q4 | 82% |  |  |  |
| Quarter    | Retention Rate (%)                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q1 2019/20 | 73%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q2         | 78%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q3         | 78%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q4         | 57%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q1 2020/21 | 60%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q2         | 67%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q3         | 72%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q4         | 77%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q1 2021/22 | 80%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q2         | 82%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q3         | 82%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |
| Q4         | 82%                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                           |                    |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |            |     |    |     |    |     |    |     |  |  |  |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No         | Issue / Observations from Auditor | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Focal Point person (Name and Designation) | Status:       | Time Frame |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
|------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|--|--|--|
|            |                                   | <p>a. A depressed economy in the period under review leading to reduced purchasing power for households who then prioritized on basic needs. This affected mostly the informal sector although the formal sector was also adversely impacted. This reduced the number of members willing and capable of paying contributions (retention) new members joining. The graph above portrays effects of Covid on the retention rate for the formal sector.</p> <p>b. The adverse effects of Covid-19 which led to employers downsizing and reduced income to employees affected both the formal and informal sector. Loss of income opportunities made households prioritize on basic needs such as food and rent compared to purchase of medical cover. This affected both sectors. This is illustrated by revenue trend witnessed during the period as per the table below where revenue growth seemed to slow from Q3 of FY 2019/21.</p> <div><p><b>TOTAL REVENUE TREND</b></p><table><caption>Estimated Total Revenue Data (KES)</caption><thead><tr><th>Quarter</th><th>Revenue (KES)</th></tr></thead><tbody><tr><td>Q1 2019/20</td><td>12,000,000,000</td></tr><tr><td>Q2 2019/20</td><td>13,000,000,000</td></tr><tr><td>Q3 2019/20</td><td>14,000,000,000</td></tr><tr><td>Q4 2019/20</td><td>15,000,000,000</td></tr><tr><td>Q1 2020/21</td><td>16,000,000,000</td></tr><tr><td>Q2 2020/21</td><td>17,000,000,000</td></tr><tr><td>Q3 2020/21</td><td>14,000,000,000</td></tr><tr><td>Q4 2020/21</td><td>15,000,000,000</td></tr><tr><td>Q1 2021/22</td><td>16,000,000,000</td></tr><tr><td>Q2 2021/22</td><td>17,000,000,000</td></tr><tr><td>Q3 2021/22</td><td>18,000,000,000</td></tr><tr><td>Q4 2021/22</td><td>19,000,000,000</td></tr></tbody></table></div> <p>Reasons for revenue shortfall from the Enhanced Schemes &amp; sponsored programs<br/>The actual receipts for FY2020/21 were less than targeted due to the following receipts:</p> <p>a. Delay in remittance of Linda Mama funds by the Ministry of Health. The funds for the FY2020/21 amounting to Kes 4,098,000,000 were received in July 2021 (after the year-end) despite concerted efforts by NHIF requesting for the remittances.</p> | Quarter                                   | Revenue (KES) | Q1 2019/20 | 12,000,000,000 | Q2 2019/20 | 13,000,000,000 | Q3 2019/20 | 14,000,000,000 | Q4 2019/20 | 15,000,000,000 | Q1 2020/21 | 16,000,000,000 | Q2 2020/21 | 17,000,000,000 | Q3 2020/21 | 14,000,000,000 | Q4 2020/21 | 15,000,000,000 | Q1 2021/22 | 16,000,000,000 | Q2 2021/22 | 17,000,000,000 | Q3 2021/22 | 18,000,000,000 | Q4 2021/22 | 19,000,000,000 |  |  |  |
| Quarter    | Revenue (KES)                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q1 2019/20 | 12,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q2 2019/20 | 13,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q3 2019/20 | 14,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q4 2019/20 | 15,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q1 2020/21 | 16,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q2 2020/21 | 17,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q3 2020/21 | 14,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q4 2020/21 | 15,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q1 2021/22 | 16,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q2 2021/22 | 17,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q3 2021/22 | 18,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |
| Q4 2021/22 | 19,000,000,000                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                           |               |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |            |                |  |  |  |

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

| No | Issue / Observations from Auditor | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Focal Point person (Name and Designation) | Status: | Time Frame |
|----|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------|------------|
|    |                                   | <p>b. Delay in roll-out of Universal Health Coverage scale-up leading to delay in remittance of premiums. NHIF had budgeted for Kes 6 billion within the financial year 2020/21 being premiums for UHC Government sponsored indigents. However, the Government sponsored scheme did not kick-off as expected leading to unmet revenue target.</p> <p>Measures/ strategies NHIF is employing to ensure enrollment of more members and increase in revenues</p> <p>Formal Sector</p> <p>NHIF is engaging with employer's umbrella bodies and other stakeholders to sensitize their members and also enroll the members with NHIF. The Federation of Kenya Employer association was engaged and they are willing to share all information received from NHIF with their members.</p> <p>Informal sector</p> <p>NHIF is implementing the following strategies in the Informal Sector.</p> <ol style="list-style-type: none"> <li>Targeted member education of NHIF benefits</li> <li>Engagement with University and College Management to consider making NHIF membership mandatory before enrolment of all University &amp; College Students</li> <li>Registration of UHC members as per MoH action plan for UHC roll out.</li> <li>Engagement of informal sector umbrella bodies to develop effective strategies to increase membership.</li> <li>Engagement of the Commissioner of Co-operatives on a partnership for registration of cooperatives with NHF.</li> <li>Short. Messaging (SMS) and/or WhatsApp Messages to all Kenyans tailored to prompt them to register with NHIF.</li> <li>Partnership with GOG, NG-CDF Board, and other institutions on coverage Sponsored Programs</li> <li>Development of a Sponsored Programs Strategy on enrolment and retention.</li> <li>Lobby COG to support provision of a budget for sponsorship of vulnerable persons.</li> <li>Lobby NG-CDF Board to support provision of a budget for sponsorship of vulnerable persons.</li> </ol> |                                           |         |            |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No | Issue / Observations from Auditor | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Focal Point person (Name and Designation) | Status: | Time Frame |
|----|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------|------------|
|    |                                   | <div><div><div><div><div>iv.</div><div>Lobby other institutions to sponsor vulnerable persons.</div></div><div><div>v.</div><div>Develop innovative and cost-effective access point.</div></div><div><div>vi.</div><div>Lobby National Treasury for timely release of funds</div></div></div><div><div>EXPENDITURE (UNDER-ABSORPTION)</div><div>Out of the budgeted recurrent expenditure of Kes 75.19 billion, Kes 67.92 billion (i.e. 90%) was for claims &amp; benefits. With an actual expenditure of Kes 54.66 billion, there was an under-utilization of more than 13.26 billion in benefits. The under-utilization is as a result of the following: -</div><div><div>a.</div><div>There was no absorption under the UHC indigents due to the delay in roll-out of the scheme by the National Government. A total of 5 billion budgeted for this scheme was therefore not utilized.</div></div><div><div>b.</div><div>The benefits had been budgeted based on a percentage of premiums/ contributions that are further dependent on number of active membership/ populations covered. With less active membership achieved as explained above, this would also affect the morbidity rate because of a smaller population covered.</div></div><div><div>c.</div><div>Slowed down utilization of benefits during the Covid period had an impact on the overall benefits expenditure in the financial year under review. The table below shows reversed growth in the benefits expenditure especially in the 1<sup>st</sup> quarter of FY 2020/21</div></div></div><div><div>TOTAL BENEFITS EXPENSES</div><div><div><div>20,000,000,000</div><div>15,000,000,000</div><div>10,000,000,000</div><div>5,000,000,000</div></div><div><div><div><div>Q1 2019/20</div><div>Q2</div><div>Q3</div><div>Q4</div><div>Q1 2020/21</div><div>Q2</div><div>Q3</div><div>Q4</div><div>Q1 2021/22</div><div>Q2</div><div>Q3</div><div>Q4</div></div><div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div></div></div></div><div>Impact of Covid-19</div></div></div></div></div></div></div> |                                           |         |            |

# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

| No  | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Focal Point person (Name and Designation) | Status:      | Time Frame  |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|-------------|
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>The other operating/ administrative expenses which was budgeted at Kes 7.27 billion reported a slight under-absorption of Kes 187 million (3%). This under-absorption on recurrent administrative expenses was due to the impact of Covid-19 Pandemic on operating activities involving transport and other expenditures. NHIF however leveraged on its diverse ICT infrastructure to achieve some the planned services/ activities.</p> <p>The unmet targets and under-absorption as explained above was not caused by lack of funding or poor budgeting and planning processes. The was caused by the unpredictable environment in the covid-19 era and the fact that a big chunk of NHIF budget is reliant on Government projects whose roll-out is not within the control of NHIF. Nevertheless, NHIF is constantly reviewing its budgeting processes to continuously improve and ensure its objectives is met within available resources.</p> |                                           |              |             |
| 1.0 | <p><b>Basis for conclusion</b></p> <p><b>Long Outstanding Staff Receivables</b></p> <p>The trade and other receivables include staff receivables at Note 30 to Financial Statements of Kshs. 8,026,605 which were not recovered from staff within twelve (12) months. This is contrary to Human Resource Policies and Procedure Manual, 2016 for the Public Service section C.6(5) which states that the recovery period from salary advance will be limited to a period of not more than twelve (12) months. In respect of an officer who is due to leave the service before twelve (12) months, the advance must be fully recovered in equal instalments within the remaining period of the officer's service in the Government.</p> <p>Consequently, the Fund Management is in breach of the Human Resource Policies and the recoverability of staff salary advances of Kshs. 8,026,605 as at 30 June, 2021 could not be confirmed.</p> | <p>As correctly pointed out by the auditor, an amount of Kshs. 8,026,605 included in the account receivable figure of Kshs. 11,833,069,086 as at 30th June 2021 had not been recovered. However, an amount of Kshs. 4,004,720.41 has since been recovered through the payroll as at 24th June 2022 leaving a balance of Kshs. 4,021,884.15. The recovery of this amount is ongoing except for the cases of 18 staff amounting to Kshs. 883,544 who have either been interdicted, dismissed, resigned, terminated, or are deceased.</p> <p>Further, in order to fully address the staff debtors' issue, management has appointed a team to evaluate the overall organizational debt and advice the Board of management on the appropriate action.</p>                                                                                                                                                                                                  | NHIF Management                           | Not Resolved | FY2022/2023 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No  | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
| 2.0 | <p><b>Delayed Surrender of Temporary Imprest</b></p> <p>The trade and other receivables balance of Kshs. 11,833,069,086 as at 30 June 2021 include temporary imprest of Kshs. 7,156,061. Included in the temporary imprest is Kshs. 359,400 which has been outstanding for over four (4) months. This is contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. Section 93(6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.</p> <p>This is a breach of the law on public funds management and may imply that full recoverability of Kshs. 359,400 is doubtful.</p> | <p>We acknowledge the audit findings regarding the outstanding imprest amount of Kshs. 7,156,061 as of June 30, 2021. The outstanding balance was due to imprest issued to officers for various activities, which had not been surrendered by June 30, 2021, as a result of the government-imposed cessation of movement to contain the spread of Covid-19. Subsequently, after the lifting of restrictions, the activities were carried out, and imprest totalling Kshs. 6,817,494 was surrendered. Currently, an outstanding balance of Kshs. 338,567 remains from the initial Kshs. 7,156,061 reported.</p> <p>Out of the balance, the following officer is currently being deducted through payroll as detailed below.</p> <ul style="list-style-type: none"> <li>Ruth S. Makallah (Warrant No. 207706, Code E5911) has an ongoing court case, with an outstanding balance of Kshs. 229,367. Recovery of the balance is in going as shown in the attached payroll system screenshot (APPENDIX-N).</li> </ul> <p>The recovery of Kshs. 109,200 from three staff members has proven challenging due to the following reasons:</p> <ul style="list-style-type: none"> <li>Peter Bigoro (Warrant No. 155230, Code E10005) passed away, leaving an outstanding balance of Kshs. 25,200.</li> <li>Wilfred Amasakha (Warrant No. 92353, Code E00492) exited, with an outstanding balance of Kshs. 84,000.</li> </ul> <p>To address these issues, the CEO appointed a task force on June 22, 2022, to review debt and advise management on appropriate actions for each debt class within the organization. The task force is expected to complete its work by end of May 2023 and submit a report to management for review, discussion, and subsequent approval (APPENDIX-M).</p> <p>The task force's recommendations will encompass improved debt coordination and measures to ensure timely debt recovery, ultimately strengthening our organization's financial management practices.</p> | NHIF Management                           | Resolved | FY 2021/2022 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements For the year ended June 30, 2022

| No  | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
| 3.0 | <p><b>Irregular Payments of Acting Allowance</b></p> <p>The statement of financial performance reflects staff costs of Kshs. 5,210,851,097 as disclosed in note 19 to the financial statements. Included in staff costs is acting allowance of Kshs. 12,479,934 out of which Kshs. 5,506,395 was paid to employees who have been acting for more than six months. This is contrary to NHIF Human Resource Policies and procedure manual 2020 section C. 14(1) which states that acting allowance will not be payable to an officer more than six (6) months.</p> <p>To this extent, the Fund management is in breach of the human resource policies and procedures</p> | <p>The Health Financing Reforms Expert Panel for the Transformation and Repositioning of NHIF in their submission of the final report recommended that the functional structure of NHIF be re-organized to meet its expanded role as a strategic purchaser for UHC, reflecting the core functions the NHIF should undertake.</p> <p>This to a large extent affected the overall structure of the Fund, which has a direct bearing in the Human Resource Management Instruments.</p> <p>In August 2020, the State Corporations Advisory Committee (SCAC) approved the Human Resource Management Instruments for implementation. (APPENDIX-O)</p> <p>The Human Resource Policy and Procedures Manual (August 2020) Section 4 Sub Section 4.5, part 4.5.5 states "Appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment of resumption of duty by the substantive holder of the post. The appointment shall normally be limited to a continuous period of 6 months or until the vacant post is filled whichever is the earlier but may be extended by the Board or Chief Executive Officer if the post remains vacant."</p> <p>To correct the situation, Management has proposed to constitute an Ad Hoc Heads of Directorates/Departments to undertake a review of all acting positions and recommend suitability for confirmations, this will be in line with the current approved Human Resource Management Instruments.</p> <p>Thereafter the committee report be submitted to the Board of Management for consideration.</p> | NHIF Management                           | Resolved | FY 2021/2022 |
| 4.0 | <p><b>Failure to Settle Legal Expenses</b></p> <p>The statement of financial performance reflects other operating expenses of Kshs. 1,648,584,680 as disclosed in note 21 to the financial statements. Include in other operating expenses is legal expenses of Kshs. 40,609,210 out of which Kshs. 19,709,232.15 was paid to a firm representing the Fund in High</p>                                                                                                                                                                                                                                                                                                 | <p>The Board during the special Executive meeting held on 6th June 2012 resolved to adopt the legal opinion from Amollo &amp; Gachoka Advocates who guided the Board to adopt Clause 17.1.3 which allowed the Fund to cancel the contract where the healthcare provider made a misrepresentation and clause 18.1 limited the liability of any claim by a health care provider arising on termination. The Advocates recommended that the contracts be terminated forthwith, and this was effected as guided and no notice was</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | NHIF Management                           | Resolved | FY 2021/2022 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

For the year ended June 30, 2022

| No  | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Management Comments                                                                                                                                         | Focal Point person (Name and Designation) | Status:  | Time Frame   |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------|--------------|
|     | <p>Court Civil Suit No. 345 of 2013. The Fund had been sued for terminating two (2) contracts of Kshs. 77,678,000 without issuing three (3) months' notice as required. The Fund lost the case and ordered to pay Kshs. 130,587,018 plus interest at court rates and costs of the suit issued. The total calculated costs excluding legal costs are in excess of Kshs. 280 million.</p> <p>In view of the breach of contractual agreement, the Fund was exposed to unnecessary costs.</p> | issued considering public interest and the services to be offered to the members of the scheme                                                              |                                           |          |              |
| 5.0 | <p><b>Unsupported expenditure</b><br/>The statement of financial performance reflects Linda Mama Benefits expenses of Kshs. 4,948,139,361 as disclosed in note 15 to the financial statements. However, the signed Memorandum of Understanding between the Ministry of Health and National Hospital Insurance Fund was not provided for audit verification. In the circumstances the terms and conditions of engagement could not be confirmed.</p>                                       | <p>Herein attached is the signed Memorandum of Understanding between the Ministry of Health and National Hospital Insurance Fund for audit verification</p> | NHIF Management                           | Resolved | FY 2021/2022 |

  
 CHIEF EXECUTIVE OFFICER  
 Date 27<sup>th</sup> April 2023

  
 CHAIRPERSON  
 Date 27<sup>th</sup> April 2023

# NATIONAL HEALTH INSURANCE FUND

Reports and Financial Statements  
For the year ended June 30, 2022

## APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor                                  | Transferring the funds | Where Recorded/recognized           |                                          |               |                                    |              |                              |               |                 |               |                                 |
|--------------------------------------------------------|------------------------|-------------------------------------|------------------------------------------|---------------|------------------------------------|--------------|------------------------------|---------------|-----------------|---------------|---------------------------------|
|                                                        |                        | Date received as per bank statement | Nature: Recurrent / Development / Others | Total Amount  | Statement of Financial Performance | Capital Fund | Balance B/F from previous FY | Receivables   | Deferred Income | 2021/2022 FY  | Total Transfers during the Year |
| State Department for Public Services, Youth and Gender |                        | 01/10/2021                          | Direct Payment                           | 1,700,000,000 | 8,000,838,073                      | -            | -                            | 574,488,444   | -               | 2,396,321,415 | 4,000,000,000                   |
| "                                                      |                        | 01/10/2021                          | "                                        | 300,000,000   |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 18/11/2021                          | "                                        | 2,000,000,000 |                                    |              |                              |               |                 |               |                                 |
| Ministry of Health - OPPSD                             |                        | 21/06/2022                          | Direct Payment                           | 176,400,000   | 348,000,000                        | -            | 3,300,442                    | -             | 8,100,442       | -             | 352,800,000                     |
| "                                                      |                        | 23/06/2022                          | "                                        | 176,400,000   |                                    |              |                              |               |                 |               |                                 |
| Ministry of Health - HISP OVC                          |                        | 21/06/2022                          | Direct Payment                           | 760,200,000   | 1,520,400,000                      | -            | -                            | 253,617,833   | -               | 253,617,833   | 1,520,400,000                   |
| "                                                      |                        | 23/06/2022                          | "                                        | 760,200,000   |                                    |              |                              |               |                 |               |                                 |
| Ministry of Education-SSWS                             |                        | 08/07/2021                          | Direct Payment                           | 334,087,822   | 4,050,000,000                      | -            | 64,142,260                   | -             | 423,427,528     | -             | 4,409,285,268                   |
| "                                                      |                        | 04/08/2021                          | "                                        | 520,554,400   |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 12/10/2021                          | "                                        | 581,847,120   |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 11/01/2022                          | "                                        | 353,677,559   |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 11/01/2022                          | "                                        | 20,391,466    |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 11/01/2022                          | "                                        | 167,403,400   |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 22/04/2022                          | "                                        | 2,431,323,502 |                                    |              |                              |               |                 |               |                                 |
| Ministry of Interior office of the president - NPS&KPS |                        | 05/07/2021                          | Direct Payment                           | 1,185,805,560 | 7,098,493,971                      | -            | -                            | 1,389,254,215 | -               | 184,086,972   | 5,771,611,120                   |
| "                                                      |                        | 17/11/2021                          | "                                        | 1,542,902,780 |                                    |              |                              |               |                 |               |                                 |
| "                                                      |                        | 15/12/2021                          | "                                        | 750,000,000   |                                    |              |                              |               |                 |               |                                 |
| Name of the MDA/Donor Transferring the funds           |                        | Where Recorded/recognized           |                                          |               |                                    |              |                              |               |                 |               |                                 |



# NATIONAL HEALTH INSURANCE FUND

## Reports and Financial Statements

### For the year ended June 30, 2022

|                                                           | Date received<br>as per bank<br>statement | Nature:<br>Recurrent<br>/ Developme<br>nt / Others | Total Amount   | Statement of<br>Financial<br>Performance |     | Capital<br>Fund | Balance B/F from<br>previous FY |               | 2021/2022 FY    |               | Total Transfers<br>during the Year |
|-----------------------------------------------------------|-------------------------------------------|----------------------------------------------------|----------------|------------------------------------------|-----|-----------------|---------------------------------|---------------|-----------------|---------------|------------------------------------|
|                                                           |                                           |                                                    |                | Kes                                      | Kes |                 | Deferred Income                 | Receivables   | Deferred Income | Receivables   |                                    |
| Ministry of Interior office of<br>the president - NPS&KPS | 29/12/2021                                | Direct<br>Payment                                  | 1,542,902,780  |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 10/05/2022                                | "                                                  | 750,000,000    |                                          |     |                 |                                 |               |                 |               |                                    |
| Ministry of Health - Linda<br>Mama                        | 06/07/2021                                | Direct<br>Payment                                  | 2,049,000,000  | 4,397,342,603                            | -   | -               | -                               | 2,236,491,257 | 1,562,166,139   | -             | 8,196,000,000                      |
| "                                                         | 06/07/2021                                | "                                                  | 2,049,000,000  |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 21/12/2021                                | "                                                  | 2,049,000,000  |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 16/03/2022                                | "                                                  | 936,600,000    |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 23/03/2022                                | "                                                  | 1,112,400,000  |                                          |     |                 |                                 |               |                 |               |                                    |
| Counties (List provided)                                  | Various                                   | Direct<br>Payment                                  | 2,877,626,638  | 4,426,061,322                            | -   | -               | 128,798,890                     | -             | 269,549,505     | -             | 2,877,626,638                      |
| Parastatals (List provided)                               | Various                                   | Direct<br>Payment                                  | 1,455,107,302  | 1,201,445,249                            | -   | -               | 869,613,584                     | -             | 1,584,995,407   | -             | 1,455,107,302                      |
| WIBA - NPS&KPS                                            | 14/10/2021                                | Direct<br>Payment                                  | 573,997,524    | 2,877,255,761                            | -   | -               | 573,799,696                     | -             | -               | 7,861,625     | 2,295,594,440                      |
| "                                                         | 09/02/2022                                | "                                                  | 566,036,985    |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 20/04/2022                                | "                                                  | 577,779,966    |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 20/04/2022                                | "                                                  | 577,779,966    |                                          |     |                 |                                 |               |                 |               |                                    |
| WIBA - CIVIL SERVANTS                                     | 07/07/2021                                | Direct<br>Payment                                  | 3,000,000,000  | 6,873,209,875                            | -   | -               | -                               | 1,450,606,302 | -               | 1,447,565,526 | 6,876,250,651                      |
| "                                                         | 18/11/2021                                | "                                                  | 3,876,250,651  |                                          |     |                 |                                 |               |                 |               |                                    |
| YPP Ministry of Health - UHC                              | 07/01/2022                                | Direct<br>Payment                                  | 2,249,850,000  | 3,042,000,000                            | -   | -               | -                               | -             | 3,000,000,000   | -             | 6,042,000,000                      |
| "                                                         | 07/01/2022                                | "                                                  | 1,500,000,000  |                                          |     |                 |                                 |               |                 |               |                                    |
| "                                                         | 07/01/2022                                | "                                                  | 2,250,150,000  |                                          |     |                 |                                 |               |                 |               |                                    |
| Kitui County Government                                   | 09/03/2022                                | "                                                  | 42,000,000     |                                          |     |                 |                                 |               |                 |               |                                    |
| Total                                                     |                                           |                                                    | 43,796,675,419 | 43,835,046,854                           | -   | -               | 1,639,654,872                   | 5,904,458,051 | 6,848,239,021   | 4,289,453,371 | 43,796,675,419                     |