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THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT – THIRD SESSION – 2024

DEPARTMENTAL COMMITTEE ON HEALTH

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REPORT ON:

THE INQUIRY INTO THE ALLEGED FRAUDULENT PAYMENTS OF MEDICAL CLAIMS AND CAPITATION TO HEALTH FACILITIES BY THE NATIONAL HEALTH INSURANCE FUND

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 12 JUN 2024
DAY: Wednesday
TABLED BY: Chair - DC - Health Hon. (Dr.) Robert Pukose, MP
CLERK AT THE TABLE: Miriam Mocho

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CLERKS CHAMBERS
DIRECTORATE OF DEPARTMENTAL COMMITTEES
PARLIAMENT BUILDINGS
NAIROBI
JUNE 2024

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LIST OF ABBREVIATIONS AND ACRONYMS

BETA	Bottom-Up Economic Transformation Agenda
CEO	Chief Executive Officer
FY	Financial Year
HCPs	Healthcare providers
KEMSA	Kenya Medical Supplies Agency
KEPH	Kenya Essential Package for Health
MP	Member of Parliament
KMPDC	Kenya Medical Practitioners and Dentist Council
NHIF	National Health Insurance Fund
NTV	Nation Television
QA	Quality Assurance
UHC	Universal Health Coverage
PPM	Provider Payment Mechanism
FFFS	Fixed Fee for Service

CHAIRPERSON'S FOREWORD

This Report contains proceedings of the Departmental Committee on Health on its consideration of the inquiry into the alleged fraudulent payments of medical claims and capitation to health facilities by the National Health Insurance Fund (NHIF).

On 19th June 2023, Nation Television (NTV) ran an investigative expose titled "NHIF Heist: Rogue Hospitals Exposed, We Steal God Heals" which highlighted that NHIF had paid large sums of money to eight (8) health facilities that had deceived some patients and utilised their NHIF cover to lodge fictitious claims. The elderly patients were convinced, using various deceitful tactics, to travel to these health facilities on the pretence that they would receive free medical services, however when the patients were discharged, NHIF later paid inflated costs for the treatment received at these health facilities. NTV revealed that these health facilities were paid approximately Ksh1.54 billion by the NHIF for a total of 30,111 claims made between 1st July 2022 and 9th June 2023.

This media expose happened a few weeks after another outcry by Kenyans that NHIF beneficiaries were being turned away by healthcare providers due to unpaid capitations and claims. Having noted the concerns raised by the public, the Committee invited the Principal Secretary, State Department for Medical Services, the Chairperson of the NHIF Board and the Acting CEO of the NHIF to provide answers on the issues on Tuesday, 27th June 2023. At the meeting, the Committee observed that the issues were grave and required extensive interrogation. The Committee, therefore, resolved to conduct a public inquiry into these concerns and make recommendations to the House.

The Committee developed terms of reference which enabled it to obtain evidence from the Ministry of Health, the NHIF Board and management, selected health facilities, and other key witnesses. The Committee also sampled several facilities (facilities that had been paid the highest amount of money for claims in FY 2022/2023 and FY 2023/2024) and conducted physical inspection visits to ascertain that the claims made matched the workload in the respective health facilities. This Report is therefore a culmination of the Committee inquiry and the Committee recommends that the House adopts the Report.

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for logistical and technical support accorded to it during its sittings. I wish to express my appreciation to the Honourable Members of the Committee for their hard work and commitment to this Inquiry although it was conducted during a season when the Committee was preoccupied with several Bills and legislative proposals among other oversight duties. I also commend the Committee Secretariat for the technical support and assistance accorded to the Committee during the conduct of this Inquiry.

On behalf of the Departmental Committee on Health and pursuant to provisions of Standing Order 199(6), it is my pleasant privilege and honour to submit this Report to the House for its consideration and adoption.

Hon. (Dr) Robert Pukose, CBS, M.P.
Chairperson, Departmental Committee on Health

EXECUTIVE SUMMARY

The Departmental Committee on Health resolved to conduct a public inquiry into the operations of the National Health Insurance Fund (NHIF) after a media expose revealed that some health facilities had been paid approximately Ksh1.54 billion for a total of 30,111 claims made fraudulently between 1st July 2022 and 9th June 2023.

The Committee adopted five Terms of References (TORs) that included the establishment of whether there was corruption, fraud and other malpractices in the payment of claims to health facilities by NHIF; establishing the financial status of NHIF; assessing the efficiency and effectiveness of NHIF's Quality Assurance mechanisms; determining the efficiency and effectiveness of NHIF's Human Resource Management and evaluating the efficiency and effectiveness in empanelment of service providers by NHIF.

During the Inquiry, the Committee undertook several activities to address its TORs, including making a call for submission of written memoranda and oral submissions; conducting desktop research; reviewing and analysing submissions made on the Inquiry; inviting witnesses and key stakeholders to make oral submissions under oath; holding meetings with the relevant national government agencies and institutions and undertaking physical inspection visits to implicated facilities. Pursuant to Article 125 of the Constitution, the Committee received evidence and information from 32 witnesses on diverse dates between 25th July 2023 to 15th February 2024.

Acting NHIF CEO Dr Samson Kuhora submitted a list of sixty-seven (67) facilities with identified fraudulent claims and payments. Some of the fraudulent claims were identified before payment and hence were rejected. Some were discovered after the payments were already made and NHIF had initiated recovery of the monies. Dr Kuhora submitted that fraud and corruption had regrettably infiltrated the healthcare sector, posing significant challenges to the achievement of NHIF's mission of providing equitable healthcare access. An impact assessment study presented to the NHIF Board in 2020 estimated NHIF medical fraud risk to be 29.3 per cent.

The risk of fraud was higher in the enhanced schemes, such as *Edu Afya*, as proven by the high number of reported fraud cases by service providers under investigation. Services in this scheme were mostly offered by Level 2 facilities, most of them lacking the infrastructure for biometrics.

For the contract year 2021 to 2024, NHIF had contracted and enrolled 8,886 Healthcare Providers (HCPs). The government HCPs formed a majority at 6,006 while private were 2, 579 and faith-based ones were 301.

During the period under review, NHIF had approximately 15.7 million cumulative members of which 7.2 million were the principal contributors. The total enrolment membership as of 30th June 2023 was 16,210,351 out of which 7,106,911 were active members which constituted 44 per cent. As of 8th August 2023, 5.9 million members had been biometrically enrolled.

From the financial statements for the years 2019-2020, 2020-2021, and 2021-2022, the Committee noted that while premium contributions have increased three-fold, benefit pay-outs have increased five-fold over the same period, meaning that growth in benefit pay-outs had outpaced growth in premium contributions for NHIF. It was also observed that the Fund had liquidated some of its short-term investments without reinvestment. Short-term investments had also reduced from Ksh13, 388,971,803 as of 30th June 2022 to Ksh8, 232,200,000 as of 30th June 2023 implying NHIF's financial sustainability would have been compromised.

The Quality Assurance officers had identified fraud in 42 HCPs who had been suspended in the period 2021-2024. Twelve (12) of the suspended HCPs had *Edu Afya* Scheme services suspended, 30 HCPs had all services suspended and Ksh208, 536,471 was recommended for recovery.

The Committee observed the possibility of fraud and corruption occasioned by the collusion of NHIF staff, HCPs and in some instances, beneficiaries. For example, in Beirut and Amal, beneficiaries were paid between Ksh7000 and Ksh10, 000 for biometric registration at the hospitals. Another instance of fraud was by HCPs claiming from NHIF the cost of original molecules yet in most cases they dispensed generic molecules.

The Committee visited the implicated facilities and ascertained that while some were genuinely operating and met all the requirements for the levels granted, others like Joy Nursing and Maternity Eastleigh, Beirut Pharmacy and Medical Centre and Amal Hospital Limited, all in Eastleigh, did not meet the requirements for the levels granted.

The Committee observed that NHIF did not have sufficient competent Quality Assurance Officers, yet the division was key in the surveillance, monitoring and evaluation of facilities and payment of claims. The Claims Managers, the Branch Managers and the Quality Assurance Officers at NHIF branch offices were the first-line abettors of crime including colluding with health facilities to defraud the Fund through fictitious, exaggerated and fraudulent claims.

The Committee recommends that the Auditor-General do undertake a special audit of NHIF on their utilisation of funds disbursed towards payment of claims for the contracted health facilities in the financial years 2019/2020 to 2022/23; that the DCI and the EACC conducts investigations on NHIF staff, HCPs and Edu Afya auditors mentioned in the Report.

The National Health Insurer, in the conduct of its suitability assessment of the staff of the NHIF, should consider the observations and recommendations of this Report on internal audit, preauthorisation and claims management division as well as the report of the EACC and DCI on the involvement of the staff of the NHIF in fraudulent activities.

Within six months, the Auditor-General do undertake a special audit of the NHIF on the utilisation of funds disbursed towards payment of claims for the contracted health facilities in the financial year 2019/2020 to 2022/23.

The National Health Insurer should at all times ensure that all payments made are duly supported by requisite documents and adhere to the Public Procurement and Asset Disposal Act, Cap. 412 C and the attendant regulations.

PREFACE

1.1 ESTABLISHMENT OF THE COMMITTEE

1. Article 124 of the Constitution of Kenya provides for the establishment of Committees by Parliament. The Departmental Committee on Health is established pursuant to the provisions of Standing Order 216 of the National Assembly Standing Orders and in line with Article 124 of the Constitution.

1.2 FUNCTIONS OF THE COMMITTEE

2. Standing Order 216 (5) of the National Assembly Standing Orders provides that the functions of a Departmental Committee include:

a) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;

b) To study the programme and policy objectives of ministries and departments and the effectiveness of the implementation;

ba) on a quarterly basis, tO monitor and report on the implementation of the national budget in respect of its mandate.

c) To study and review all legislation referred to it;

d) To study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;

e) To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;

f) Vet and report on all appointments where the Constitution or any other law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments).

g) To examine treaties, agreements and conventions;

h) To make reports and recommendations to the House as often as possible, including recommendations of proposed legislation;

i) To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and

j) To examine any questions raised by Members on a matter within its mandate.

1.2.1 Committee Mandate and Oversight Institutions

3. In accordance with the Second Schedule of the National Assembly Standing Orders, the Committee is mandated to consider matters related to health, medical care and health insurance including Universal Health Coverage (UHC).
4. In executing its mandate, the Departmental Committee on Health oversights the State Departments in the Ministry of Health as delineated in Executive Order No. 1 of 2023 namely:

a) The State Department for Medical Services; and
b) The State Department for Public Health and Professional Standards.

5. Accordingly, in terms of oversight, the Committee focuses on the Ministry of Health, its two State Departments and the Semi-Autonomous Government Agencies (SAGAs) falling under the purview of the two State Departments.

The State Department for Medical Services		The State Department for Public Health and Professional Standards	
i.	National Health Insurance Fund (NHIF)	i.	Kenya Medical Training College (KMTC)
ii.	Kenya Medical Research Institute (KEMRI)	ii.	Kenya Nuclear Regulatory Authority (KENRA)
iii.	Kenya Medical Supplies Authority (KEMSA)	iii.	Kenya Medical Practitioners and Dentist Council (KMPDC)
iv.	Kenya Biovax Institute Limited	iv.	The Nursing Council of Kenya (NCK)
v.	Kenyatta National Hospital	v.	Kenya National Public Health Institute (NPHI)
vi.	Moi Teaching and Referral Hospital	vi.	Kenya Health Professionals Oversight Authority (KHPOA)
vii.	Kenyatta University Teaching, Referral and Research Hospital	vii.	Kenya Health Human Resource Advisory Council (KHHRAC)
viii.	Mathari National Teaching and Referral Mental Hospital	viii.	Tobacco Control Board (TCB)
ix.	Spinal Injury Hospital	ix.	National Quality Control Laboratories (NQCL)
x.	The National Cancer Institute of Kenya	x.	Institute of Primate Research (IPR)
xi.	Kenya Tissue and Transplant Authority		
xii.	National Syndemic Diseases Control Council		

1.3 COMMITTEE MEMBERSHIP

6. The Departmental Committee on Health was constituted by the House on 27th October 2022 and comprises of the following Members:

Chairperson
Hon. (Dr) Robert Pukose, CBS, MP
Endebess Constituency
UDA Party

Vice-Chairperson
Hon. Ntwiga, Patrick Munene, MP
Chuka/Igambang'ombe Constituency
UDA Party

Members

Hon. Owino Martin Peters, MP
Ndhiwa Constituency
ODM Party

Hon. Muge Cynthia Jepkosgei, MP
Nandi (CWR)
UDA Party

Hon. Wanyonyi Martin Pepela, MP
Webuye East Constituency
FORD Kenya Party

Hon. Kipng'ok Reuben Kiborek, MP
Mogotio Constituency
UDA Party

Hon. (Dr) Nyikal James Wambura, MP
Seme Constituency
ODM Party

Hon. Kibagendi Antoney, MP
Kitutu Chache South Constituency
ODM Party

Hon. (Amb.) Julius Ole Sunkuli Lekakeny, EGH, EBS, MP
Kilgoris Constituency,
KANU Party

Hon. Maingi Mary, MP
Mwea Constituency
UDA Party

Hon. Mathenge Duncan Maina, MP
Nyeri Town Constituency
UDA Party

Hon. Lenguris Pauline, MP
Samburu (CWR)
UDA Party

Hon. Oron Joshua Odongo, MP
Kisumu Central Constituency
ODM Party

Hon. (Prof.) Jaldesa Guyo Waqo, MP
Moyale Constituency
UPIA Party

Hon. Mukhwana Titus Khamala, MP
Lurambi Constituency
ODM Party

1.4 COMMITTEE SECRETARIAT

7. The Committee is supported by the following secretariat:

Mr Hassan Abdullahi Arale
Clerk Assistant I/Head of Secretariat

Ms Gladys Jepkoech Kiprotich
Clerk Assistant III

Ms Abigael Muinde
Research Officer III

Ms Faith Chepkemoi
Legal Counsel II

Mr Hiram Kimuhu
Fiscal Analyst III

Mr Hillary Mageka
Media Relations Officer

Mr Sheila Chebotibin
Senior Serjeant-at-Arms

Ms Rahab Chepkilim
Audio Recording Officer II

Mr Eric Lungai
Hansard Reporter III

Ms Angela Jepkemboi Cheror
Public Communications Officer

CHAPTER ONE

1.1 INTRODUCTION AND BACKGROUND

8. The Constitution of Kenya, in Chapter Four on the Bill of Rights, and in particular, in Article 43 provides for socio-economic rights which gives citizens the right to the highest attainable standards of healthcare (Article 43(1) (a)).

9. The Departmental Committee on Health is under Standing Order 216(5) of the National Assembly Standing Orders mandated to among other things "investigate, inquire into and report all matters relating to the mandate, management, activities, administration, operation and estimates of the assigned ministries and departments".

10. The National Health Insurance Fund (NHIF) was established with the noble aim of providing affordable healthcare for all Kenyans. It was a key driver and enabler for the realisation of Universal Health Coverage in the country.

11. Currently, limited progress has been made in attaining this goal. According to the Tracking Universal Health Coverage Report 2023, Global Monitoring Report in 2015, Kenya's UHC Service Coverage Index (SCI) was 53 as compared to the global average index of 65 (the 2030 target is 100). In the same year, 5.2% of the Kenyan population incurred catastrophic health expenditure (at 10% of household total consumption or income) leading to 1.3% of the population being pushed into poverty by out-of-pocket health spending (in 2017 Proportion of the Population Pushed below US$2.15 a day poverty line) and 14.7% further pushed into poverty.

12. In recent months however, several issues arose about the integrity, accountability and transparency of the National Health Insurance Fund owing to the alleged collusion with health facilities for the payment of fraudulent and fictitious claims, delayed payment of capitations to health facilities, refusal of health facilities to offer services to NHIF cardholders and the cancellation of the recruitment of the Chief Executive Officer (CEO) and the senior management staff.

13. In light of the foregoing and the Committee's mandate, during its sitting held on Tuesday, 27th June 2023 resolved to hold an Inquiry into the matter.

1.2 BACKGROUND

14. On 19th June 2023, NTV ran an investigative expose titled "NHIF Heist: Rogue Hospitals Exposed, We Steal God Heals, which highlighted that NHIF had paid large sums of money to eight (8) health facilities that had deceived some patients and utilised their NHIF cover to lodge claims. The elderly patients were convinced, using various deceitful tactics, to travel to these health facilities on the pretence that they would receive free medical services. However, when the patients were discharged, NHIF later paid inflated costs for the treatment received at these health facilities. NTV revealed that these health facilities were paid approximately Ksh1.54 billion by NHIF for a total of 30,111 claims made between 1st July 2022 and 9th June 2023.

15. Having noted the concerns raised by the public, the Committee invited the Principal Secretary, the State Department for Medical Services, the Chairperson of the NHIF Board and the Acting CEO of the NHIF to address the aforementioned issues on Tuesday, 27th June 2023. At the meeting, the Committee observed that these issues were grave and required extensive interrogation. The Committee therefore resolved to conduct a public inquiry into these issues and make appropriate recommendations to the House.

1.3 OVERSIGHT ROLE OF THE DEPARTMENTAL COMMITTEE ON HEALTH

16. Article 95 of the Constitution mandates the National Assembly to represent the people, deliberate on issues of concern to the people and exercise oversight over state organs.

17. The Departmental Committee on Health is established pursuant to the provisions of Standing Order 216 of the National Assembly Standing Orders. Under this Standing Order, the Committee is among others mandated to:

"(a)To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments.

(e)To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;".

CHAPTER TWO

2.1 Terms of Reference

18. In developing the road map for the Inquiry, the Committee identified its main objectives which guided the development of the Terms of Reference. The Inquiry was intended to:

a) establish whether there was corruption, fraud and other malpractices in the payment of claims to health facilities by NHIF as alleged in the investigative media reports;
b) establish the financial status of the NHIF;
c) assess the efficiency and effectiveness of the NHIF Quality Assurance mechanisms;
d) determine the efficiency and effectiveness of NHIF's Human Resource Management; and
e) evaluate the efficiency and effectiveness in the empanelment of service providers by NHIF.

19. The Terms of Reference above formed the premise upon which the Committee used to address pertinent questions as listed below:

(a) To establish whether there was fraud and such other malpractices in the payment of claims by NHIF.

(i) Were the claims made by the eight health facilities fraudulent?
(ii) How did the claims for the eight health facilities from 1st July 2022 to 9th June 2023 compare to the claims paid to these facilities in the previous financial years? Were the claims fictitious and exaggerated in the period in question?
(iii) How did the alleged fraud happen?
(iv) How were the alleged fraudulent claims paid?
(v) Which persons or entities were involved in the making and payment of the fraudulent claims and what was the extent of their involvement?
(vi) Did any of the NHIF staff collude with the eight health facilities which led to the payment of fraudulent claims?
(vii) Have other incidences of fraud been reported in claims made by other health facilities?
(viii) How much had the NHIF paid to private hospitals and public hospitals in the last three financial years?
(ix) What criteria did the NHIF use to determine the order of payment of claims received and the amount to be paid to each service provider especially where the payment had been delayed?
(x) Were the existing structures and systems of NHIF able to determine the authenticity and veracity of claims made by the empanelled service providers?
(xi) What measures had the Ministry of Health and NHIF taken to curb fraud and such other malpractices?
(xii) Was there a need for legislative and policy interventions including review of penalties on medical insurance related malpractices to enhance deterrence?

b) To establish the financial status of NHIF.
(i) What is the status of the funds received from?
a. the National Treasury for the various government programmes such as *Linda Mama, Edu Afya* etc.;
b. contributions from salaried employees;
c. county governments; and
d. Voluntary contributors?

(ii) How did NHIF utilise its funds for the financial years 2021/2022 to 2022/2023 in relation to the payment of claims, rebates, capitations, procurements, personnel emoluments, operation and maintenance costs?

(iii) What was the feasibility of the various NHIF packages?

(iv) How much did NHIF owe health facilities in terms of rebates and capitations?

(v) What was the NHIF Reserve Policy, if any, and how much did NHIF have in its financial reserves?

(vi) How would NHIF and the Ministry of Health ensure that capitations and claims are paid on time so that NHIF cardholders were not denied services by the empanelled service providers?

(vii) Which investments had been made by NHIF and how were these investments performing?

c) To assess the efficiency and effectiveness of the NHIF Quality Assurance mechanisms.

(i) What Quality Assurance mechanisms had NHIF adopted?

(ii) What was the role of NHIF Branch Managers in ensuring the quality of services in NHIF-accredited facilities and establishing the veracity of claims made by health facilities?

(iii) Were NHIF Branch Offices adequately equipped for effective review of claims, supervision, monitoring and evaluation of health facilities within their purview? How did the Head Office relate with the Branch Offices in such review and evaluation?

(iv) How effective were NHIF guidelines and policies in curbing medical insurance-related malpractices?

(d) To evaluate the Human Resource Management in NHIF.

(i) What had informed the cancellation of the previous recruitment of the CEO and senior management of NHIF?

(ii) How would the NHIF Board ensure that the new recruitment exercise was competitive and transparent?

(iii) What had informed the appointment of the former Head of Claims as acting CEO?

(iv) Were there any reported cases of payment of fraudulent claims when the acting CEO was the Head of Claims?

(v) What were the staff disciplinary measures under the NHIF Human resource policy and guidelines? Did they provide for demotion and suspension of staff?

(e) To evaluate the efficiency and effectiveness in the empanelment of service providers by NHIF.

(i) Were all the NHIF-accredited hospitals adequately equipped to offer the contracted services?

(ii) What criteria did NHIF use to accredit facilities, especially private facilities?

(iii) Did NHIF check that the empanelled health facilities had capacity to offer the contracted services?

(iv) Did NHIF cardholders prefer private hospitals to public hospitals and why?

(v) Did NHIF consult the relevant regulatory bodies and professional associations during the accreditation of facilities to confirm whether the service providers are in good standing?

2.2. METHODOLOGY

20. Article 118(1)(b) of the Constitution requires Parliament to facilitate public participation and involvement in legislative and other business of the National Assembly and its Committees.
21. In undertaking the Inquiry, the Committee undertook several activities to address its TORs. The Committee:

(i) Made a call for submission of written memoranda and oral submissions on the Inquiry through the local dailies on 8th July 2023;
(ii) Conducted desktop research;
(iii) Reviewed and analysed submissions made on the Inquiry;
(iv) Invited witnesses and key stakeholders to make oral submissions under oath to the Committee;
(v) Held meetings with the relevant national government agencies and institutions; and
(vi) Undertook physical inspection visits.

CHAPTER THREE

3.1 POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK

3.1 THE CONSTITUTION

3.1.1 Right to Health

22. The Constitution provides the overarching legal framework that ensures a comprehensive rights-based approach to health services delivery. It sets out the general rights and duties that a public body is expected to adhere to and the values of equity, social justice, equality, inclusiveness and public participation.

23. More specific rights and duties are enshrined in the Bill of Rights under Chapter Four of the Constitution. Article 43(1) in particular provides that every person has a right to the highest attainable standard of health which includes reproductive health rights. The Article further states that a person shall not be denied emergency medical treatment and that the State shall provide appropriate social security to persons who are unable to support themselves and their dependents.

24. The Constitution requires the State and every State organ to observe, respect, protect, promote, and fulfil the rights in the Constitution and to take "legislative, policy and other measures, including setting of standards to achieve progressive realisation of the rights guaranteed in Article 43. These measures include addressing the needs of vulnerable groups within society and the international obligations regarding those rights. Article 20 (5) (b) requires that in allocating resources, the State will give priority to ensuring the widest possible enjoyment of the right or fundamental freedom having regard to prevailing circumstances, including the vulnerability of groups or individuals amongst other rights.

25. These vulnerabilities are addressed in the Constitution which pays special attention to the health of children, minorities, marginalised groups and older persons. As such, barriers to healthcare services of whatever kind should not hinder access and the government is duty-bound to remove such barriers so that health rights are genuinely met. It is to fulfil these constitutional obligations that the government enacted the Health Act, Cap. 241, the repealed National Health Insurance Fund Act, 1998 and more recently the Social Health Insurance Act, No. 16 of 2023.

3.1.2 Public Finance

26. The Constitution in Chapter Twelve deals with matters of public finance. Article 201 sets out the principles of public finance which include:

(i) openness and accountability, including public participation in financial matters (Article 201(a)); and
(ii) use of public money in a prudent and responsible way (Article 201(d)).

27. Article 226 deals with the accounts and audit of public entities and provides that:

(i) the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article 226(2)); and

(ii) the holder of a public office, including a political office, who directs or approves the use of public funds contrary to law or instructions, is personally liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not (Article 226(5)); and

28. Article 227 deals with the procurement of public goods and services. Article 227 (1) in particular, provides that "when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective".

3.2 THE HEALTH ACT, CAP. 241

29. The NHIF operates within the health sector as a state corporation under the Ministry of Health. The Health Act is therefore relevant to this regulatory environment with respect to national health insurance.

30. The Health Act provides in section 7 that every person has a right to emergency medical care which includes pre-hospital care, stabilisation and arranging for referral of the patient. This impacts the benefits that were paid by the National Health Insurance Fund and the benefits to be paid by the Social Health Authority under the Emergency, Chronic and Critical Illness Fund.

31. With respect to health insurance, section 86 of the Health Act requires the government to:

(i) develop mechanisms for an integrated national health insurance system including making provisions for social health protection and health technology assessment;
(ii) develop policies and strategies that ensure the realisation of universal health coverage; and
(iii) Define in collaboration with the department responsible for finance, public financing of a healthcare framework including annual allocations towards reimbursing all healthcare providers responding to disasters and emergencies as contemplated under the Health Act.

32. The Ministry of Health is also required under section 86 to provide for vulnerable groups and indigents as well as provide a framework for examining means of optimising the usage of private health services. The Ministry has done this through various instruments including the Universal Health Coverage Policy, 2020-2030 which provides, amongst other matters, coverage for indigent Kenyans. This obligation requires contributions from the National and County governments for vulnerable and indigent persons as was provided in the repealed NHIF Act. Provision for the same has been made in the Social Health Insurance Act which states that the government will pay contributions for indigent and vulnerable persons.

33. Section 86 of the Health Act also affects the empanelment, contracting and payment of benefits to private healthcare providers. This is the reason why the NHIF Act (now

repealed) provided for, and the Social Health Insurance Act provides for the manner in which healthcare providers and health facilities will be empanelled and contracted.

34. Public healthcare providers are also critical in the provision of healthcare and the Health Act sets out the division of duties between national and county governments with respect to public health facilities. This impacts not only NHIF but also the Social Health Authority which must empanel and contract such public health facilities in line with the regulatory requirements under national and county laws.

3.3 THE NATIONAL HEALTH INSURANCE FUND ACT, 1998

35. The NHIF as a State Corporation was established in 1966 with a core mandate of providing medical insurance coverage to its members and their dependents. Over the years, the original Act of Parliament that set up the Fund has been reviewed severally to accommodate the changing healthcare needs of the Kenyan population and the restructuring in the health sector. The last review happened in 2021 when the NHIF (Amendment) Act was passed in Parliament on 21st December and subsequently assented into law on 10th January 2022. The principal statute that governed the NHIF was therefore National Health Insurance Act (as amended in 2022). The 2022 amendments to the Act:

(i) gave the Board the mandate, amongst other matters, to facilitate the attainment of UHC with respect to health insurance;
(ii) provided for mandatory registration of members;
(iii) mandated the NHIF to pay for benefits provided by healthcare to its members and their dependents; and
(iv) implemented several reforms including making provision for:
    a) emergency treatment;
    b) Risk spreading and protection of the interests of contributors.
    c) empanelment in consultation with Health Regulatory bodies listed under Section 60 of the Health Act;
    d) a centralised healthcare provider management system; and
    e) Non-withdrawal of benefits for persons with chronic illness.

36. The Act further provided for contributions to the Fund by the national government as well as voluntary contributions by the unemployed. The Act also set out how the revocation of empanelment would occur and the consequences of such revocation, for instance, through publication of revocation in at least 2 newspapers of nationwide circulation.

37. Other areas of the Fund's operations that were covered by the Act included:
(i) the employees and officers of the Fund;
(ii) the sources of revenue for the Fund;
(iii) penalties for breaches of the Act;
(iv) the administration of the Fund including payment of the Fund's expenses; and
(v) Reporting and auditing of the Fund's operations.

3.6 THE PUBLIC FINANCE MANAGEMENT ACT, CAP. 412A

38. Section 68 of the Public Finance Management Act sets out the responsibilities of accounting officers for national government entities, Parliament and the Judiciary. This includes accountability to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a lawful, authorised, effective, efficient, economical and transparent manner (section 68(1)).

39. Section 72 of the ACT focuses on the accounting officers' responsibility to manage the assets and liabilities of national government entities. Several other statutes as listed below affect the operating context of the NHIF and now the Social Health Authority although they have an indirect legislative impact on their functions and role, these are:

(i) The State Corporations Act, Cap. 446;
(ii) The Public Audit Act, Cap. 412B;
(iii) The Data Protection Act, Cap. 411C;
(iv) The Criminal Procedure Code, Cap. 75;
(v) The Public Procurement and Asset Disposal Act, Cap. 412C;
(vi) The Parliamentary Powers and Privileges Act, Cap. 6; and
(vii) The National Assembly Standing Orders.

3.5 POLICY FRAMEWORK

40. The following key policies had a direct impact on the work of NHIF:
(i) The Kenya Vision 2030;
(ii) The Kenya Health Policy, 2014 – 2030;
(iii) The Universal Health Policy, 2020-2030; and
(iv) The Bottom-Up Economic Transformation Agenda (BeTA), 2022-2027.

3.5.1 The Kenya Vision, 2030

41. The Kenya Vision 2030 is an overarching national development policy that was unveiled in 2007 and has been implemented in rolling out 5-year plans. It is anchored on three pillars namely economic, social and political. It is under the social pillar that health-related goals are found. The aim of the Kenya Vision 2030 is therefore to improve the overall livelihood of Kenyans. Concerning health, the country aims at an equitable and affordable healthcare system of the highest possible quality.

42. The strategies advanced by the Kenya Vision 2030 include:
(i) enhancing the regulatory regime;
(ii) increasing finances available to the health sector and ensuring that they are utilised more efficiently; and
(iii) Developing a social health insurance scheme.

43. The SHI Act advances these strategies by providing increased financing for the health sector through national government contributions for indigent and vulnerable persons. The NHIF Act (now repealed) also made provision for the same.

3.5.2 The Kenya Health Policy, 2014-2030

44. The Kenya Health Policy, 2014-2030 provides direction on the relevant implementation stakeholders to ensure significant improvement in the overall status of health in Kenya in line with the Constitution, the country's long-term development agenda, the Kenya Vision 2030 and Kenya's global commitments.

45. The goal of the Policy is the attainment of the highest possible standard of health in a responsive manner. This goal will be achieved by supporting equitable, affordable and high-quality health and related services at the highest attainable standards for all Kenyans. Achievement of this goal involved the NHIF and now significantly involves the Social Health Authority because the policy orientation, among other things, targets investment targeted towards health financing to improve access to, quality of and demand for healthcare services. The Policy commitment anchoring is that financial barriers hindering access to services will be minimised or removed for all persons requiring health and related services guided by the concepts of Universal Health Coverage and Social Health Protection.

46. In particular, the Policy's commitment is to progressively facilitate access to services by all by ensuring social and financial risk protection through adequate mobilisation, allocation, and efficient utilisation of financial resources for health service delivery. The primary responsibility under this Policy of providing the financing required to meet the right to health lies with the national and county governments.

47. The Social Health Insurance (SHI Act.) will therefore help ensure that indigent and vulnerable persons have adequate financial risk protection and lower their financial barriers to accessing healthcare by implementing national government contributions for these persons.

3.5.3 The Kenya Universal Health Coverage Policy, 2020-2030

48. The Kenya Universal Health Coverage Policy, 2020-2030 provides a framework to ensure that all Kenyans have access to essential quality health services without suffering financial hardship. The Policy's objectives are to:

(i) strengthen coverage and access to health services;
(ii) ensure the quality of health services;
(iii) protect Kenyans from the financial risks of ill-health, and
(iv) Strengthen the responsiveness of the health system in Kenya.

49. The Policy embraces the principles of equity, people-centredness, efficiency, social solidarity and a multi-sectoral approach. It focuses on four objectives and their related strategies to support the attainment of the government's goal in health. It is cognisant of the functional responsibilities between the national and county levels of government with their respective accountability mechanisms and frameworks.

50. The Policy aims to ensure adequacy, efficiency and fairness in financing health services in a manner that guarantees all Kenyans access to the essential health services that they need, an all-inclusive well-designed financing model through the health financing strategy. Primary healthcare shall be the vehicle for the delivery of Universal Health Care in Kenya and shall be repositioned as the foundational service delivery platform for the Kenyan health system. Primary healthcare seeks to improve access, availability, safety, efficiency, and equitable health service delivery. Primary Healthcare (PHC) will lead to the refinement of existing service delivery arrangements through the establishment of Primary Healthcare Networks that will result in a network of public and private facilities offering responsive, accessible, coordinated, comprehensive and continuous health services while addressing the determinants of health to individuals, families and communities.

51. The goal of adopting a PCN service delivery model is to ensure efficiency and continuity of care for clients. Good linkages and referrals within and outside the PCN will therefore be required.

3.5.4 The Bottom-Up Economic Transformation Agenda (BETA), 2022-2027

52. The Government of Kenya identified healthcare delivery as one of the core pillars of its Bottom-Up Economic Transformation Agenda (BETA). In the Plan, a number of commitments were identified towards the delivery of Universal Health Coverage (UHC). These interventions include:

(i) a fully publicly financed primary healthcare comprising preventive, promotive, curative, palliative and rehabilitative services;
(ii) integrating Information Communication and Technology systems to enhance telemedicine and health management information systems to improve efficiency, address fraud and enable patient data portability;
(iii) ring-fencing funds for healthcare at the facility level to enable the availability of funds at the public facility for improvement of health services in collaboration with county governments;
(iv) setting up an emergency medical treatment fund to cater for emergencies, cancer treatment and referrals; and
(v) Providing National Health Insurance Fund coverage for all Kenyans without exclusion in the policy of "Leaving No One Behind".

53. These commitments are in line with the Kenya Vision 2030, which under the social pillar, envisions a nation that is healthy and prosperous. The commitments further, align with the Sustainable Development Goal (SDG) 3 on "Good Health and Well-Being" which seeks to ensure healthy lives and promote well-being for all at all ages. To achieve this, a number of success indicators are to be realised including the reengineering of healthcare services, health financing architecture and the provision of functional, efficient and sustainable health infrastructure network across the country. This is what informed the paradigm shift in the provision of Social Health Insurance through the Social Health Insurance Act, 2023 that repealed the National Health Insurance Fund Act, No. 9 of 1998.

CHAPTER FOUR

4.1 SUBMISSIONS BY WITNESSES

54. The Committee, pursuant to Article 125 of the Constitution received evidence and information from witnesses on diverse dates from 25th July 2023 to 15th February 2024. This involved the invitation of various witnesses to appear before the Committee to adduce evidence on itemised issues following a call for submissions from members of the public in the local dailies on 8th July 2023. The Committee received written memoranda and oral submissions from, the NHIF Board of Management, the invited staff of NHIF, the invited management of the health facilities, the KMPDC, the management of the eight(8) hospitals and members of the public among others.

55. This Chapter of the Report elaborates on both oral and written submissions by witnesses. Oral submissions were made on oath by the witnesses. The written memoranda submitted to the Committee are also annexed. Table 1 lists the witnesses engaged and the dates of attendance before the Committee.

Table 1: List of Witnesses that appeared before the Committee

DATE	NO.	NAME	DESIGNATION
9th October 2023	1.	Ms Wendy Marete	Administrator, Jekim Medical Centre
	2.	Ms Edith Gatwiri	Administrator, Jekim Hospital Nkubu Ltd
	3.	Dr Wachira Waigoko	Director, Afya Bora Hospital
	4.	Ms Bernice Wairimu	Administrator, Afya Bora Hospital Annex
	5.	Dr Gerald Wasena	Director, St. Peters Orthopaedic and Surgical Speciality Centre
	6.	Mr Kennedy Otieno,	Director, Joy Nursing and Maternity Eastleigh Limited
	7.	Mr Hussein Kuso	Legal Counsel, Amal Hospital Limited and Beirut Pharmacy and Medical Centre
13th October 2023	8.	Mr Wambugu Kariuki	The then Head of Health and Beneficiaries' Management (Currently the Regional Manager of The South Rift Region).
	9.	Mr Rodgers Miranyi	Head of Internal Audit
	10.	Ms Francisca Mwanza	Ag. Director Financial Services
24th October 2023	11.	Mr James Kapkiwok	Chairperson Board Sub-Committee on Operations and Strategy and ICT.
	12.	Mr Andrew Mugambi	Audit Board Sub-Committee Chairman
	13.	Ms Rachael Mwonyoncho	Chairperson, Board Sub-committee Human Resource
	14.	Dr David G. Kariuki	Chief Executive Officer, Kenya Medical Practitioners and Dentists

			Council
25th July 2023	15.	Dr Kamamia Wa Murichu	The Chairman Kenya Pharmaceutical Distributors Associations
	16.	Mr Issac Ali	Head of Provider Management
	17.	Ms Otele Judith Karimi	Case Manager
8th August 2023	18.	Dr Samson Kuhora	Ag. CEO NHIF
	19.	Mr Gilbert Mugambi Osoro,	UHC Manager
	20.	Eng. Michael Kamau	Chairperson, NHIF Board
19th October 2023	21.	Ms Francisca Mwanza	Ag. Director of Financial Services
	22.	Mr Douglas Owino	Manager of Quality Assurance and Contracting of NHIF
	23.	Ms Rose Mugambi	Former Supply Chain Management Manager
26th October 2023	24.	Mr Peter Kinoti Mugambi	NHIF Card Fraud Victim.
13th October 2023	25.	Mr Wesley Bii	Acting Quality Assurance Manager Since April 2023
	26.	Mr Joseph Tanui	Head of Administration and Human Resource.
17th August 2023	27.	Mr Raymond Morley	Service provider Fourtell-E-Africa Limited
	28.	Mr Stephen K. Simba	Service Provider Munshiram International
15th February 2024	29.	Ms Nakhumicha Wafula, EGH	Cabinet Secretary, Ministry of Health
	30.	Mr Harry Kimtai	Principal Secretary-Medical Services
	31.	Ms Hazel Koitaba	Director Beneficiary and Provider Management.
	32.	Dr David Kariuki	KMPDC-CEO

SUBMISSIONS BY MS WENDY MARETE

56. Ms Wendy Marete, Administrator, Jekim Medical Centre appeared before the Committee on Monday, 9th October 2023 and responded to questions relating to:

    (i) Allegations of organising the medical camps (Induced demand) identifying patients in need of specialised treatment and referring them to Jekim Hospital Nkubu Ltd for tests and X-rays and induced demand of *Edu Afya* schemes by offering transport and snacks to students;
    (ii) Missing patient records and presence of Jekim Medical Centre pre-printed leave-out sheets in 13 schools;
    (iii) Lodging claims using the wrong Internal Classification of Diseases Code (ICDs); and
    (iv) Non-adherence to referral protocol.

57. Ms Marete submitted on oath that, the facility was a Level 2 hospital and acknowledged the use of wrong ICDs claiming it was a clerical error and that some patient files could have been missing during the NHIF Audit as the facility was in the process of digitalising its records management processes. She declined having offered transport or any form of enticement for students to seek medical care from the facility. She emphasised that the choice of hospital for patients was out of the control of the facility and the only reason for increased demand for *Edu Afya* patients was due to the quality of service. She however acknowledged that during referral, the facility usually gives priority to their sister facility, Jekim Hospital Nkubu Ltd.

58. Ms Marete stressed that NHIF had never complained to the facility and that the facility had a good working relationship with the NHIF.

SUBMISSIONS BY MS EDITH GATWIRI

59. Ms Edith Gatwiri, Administrator, Jekim Hospital Nkubu Ltd appeared before the Committee on Monday, 9th October 2023 and responded to questions relating to:
    (i) The level of facility, bed capacity, staff establishment and infrastructure of the facility;
    (ii) Allegations that the hospital offered radiological services, X-ray, to induce demand from patients from medical camps and transportation of patients to Afya Bora Hospital and RUAI Family Hospital for specialized surgeries;
    (iii) The facility lacking the capacity to offer arthroscopic, meniscectomy and chondroplasty yet they offered arthroscopic procedures under the NHIF cover; and
    (iv) Excess bed capacity against the approved capacity of 80 beds and unwarranted admission and long stays.

60. Ms Gatwiri submitted on oath that the facility was a Level 4 hospital, and that Jekim Medical Centre was the branch of the hospital although the two work independently. She stated that she was not aware of the documentation submitted to KMPDC for a Level 4 classification. Although the facility lacked arthroscopic machines and no resident surgeon, the hospital had an agreement with visiting surgeons and Harleys and Smith Company for the provision of the arthroscopic machines when necessary and acknowledged that the facility had excess bed capacity above the recommended number.

61. Ms Gatwiri explained that preauthorisation is usually requested and received online through the NHIF system. However, in the event of delays and emergencies, the facility contacts the Branch Manager or the Quality Assurance Officer.

SUBMISSIONS BY DR WACHIRA WAIGOKO

62. Dr Wachira Waigoko, Administrator, Afya Bora Hospital appeared before the Committee on Monday, 9th October 2023, to respond to questions regarding:
    (i) use of doctors not recognised by KMPDC, falsifying of medical records, clinical fraud and abuse of the managed schemes to induce beneficiary demand for services;
    (ii) whether the facility offered medical services other than specialised surgical procedures in about four (4) months owing to the allegation that from January to 7th May 2023, the facility conducted 286 major surgeries worth Ksh26,090,000 and 18 minor cases worth Ksh410,000;
    (iii) the licensure of orthopaedic surgeon Dr Allen Sunny Deol of registration No. C0001438 to perform 76 surgeries amounting to Ksh6,460,000 between January and March 2023;
    (iv) number of major surgeries that could be carried out in a single day at the facility. On 7th February 2023 alone, Dr Allen Sunny Deol conducted 21 surgical cases categorised as 'major'; and
    (v) staff making contributions on behalf of the hospitalised beneficiaries.

63. Dr Wachira submitted on oath that the hospital does not undertake medical camps, but it has a marketing department that engages the public (patients) through bulk SMSs to inform them of the available services. He submitted that they also educate the public on the services they offer through radio station talk shows and wellness check-ups in collaboration with churches. He specified that on 2nd February 2023, the management had got concerned over the mention of the facility's name in blogs that indicated they were conducting medical camps in Meru County and reported the matter to NHIF and the police.

64. He further submitted that the facility could conduct many surgeries using its two theatres and that Dr Allen Sunny Deol was licensed by KMPDC as an orthopaedic surgeon. He emphasised that the hospital did not induce any patient to seek services from them and they have not had any cases of impersonation or medical fraud reported in the hospital.

65. He finally submitted that NHIF had never recovered any money paid to them in the claim settlement. He affirmed that they had a case of an elderly patient requesting staff to make NHIF contributions on their behalf which the hospital management discouraged and advised that the relatives of the patients make the contributions.

SUBMISSIONS BY MS BERNICE WAIRIMU

66. Ms Bernice Wairimu, a Clinical Officer and Administrator, Afya Bora Hospital Annex appeared before the Committee on Monday, 9th October 2023, to respond to questions regarding:
    (i) The level of facility, bed capacity, staff establishment and infrastructure of the facility;
    (ii) Whether the hospital had imaging radiology and physiotherapy units,

(iii) Allegations of organising medical camps (induced demand), identifying patients in need of specialised treatment, and referring them to the hospital for tests and surgeries in some cases.
(iv) Late notifications and conducting procedures before pre-authorisation approval.

(v) The licensing status of Dr Kevin Ongeti of reg. No. A6753.

67. Ms Bernice Wairimu submitted on oath that the hospital had a bed capacity of 41 although, on the KMPDC website, it was indicated that the hospital had a bed capacity of 60. She stated that the hospital had never conducted any medical camps.

68. She further acknowledged that in the event of emergencies, they may have late notification to NHIF and in some incidences; they conduct the procedures before the pre-authorisation approvals are given by NHIF.

SUBMISSIONS BY DR. GERALD WASENA

69. Dr Gerald Wasena, Administrator, St. Peters Orthopaedic and Surgical Speciality Centre and an orthopaedic surgeon appeared before the Committee on Monday, 9th October 2023, to respond to questions regarding:

(i) hospital staff pursuing old people for treatment in Meru County, Mount Kenya Region, and Machakos County among other places to seek specialised treatment from the hospital during medical camps;
(ii) the change of hospital contract from non-comprehensive type C to comprehensive type B;
(iii) selective implementation of its contract by performing surgical procedures with no outpatient services offered to capitated members;
(iv) discrepancies between the NHIF records and hospital files; and
(v) Transportation of patients by the hospital.

70. Dr Gerald Wasena while on oath acknowledged that the hospital has held medical camps in various parts of the country as part of its corporate social responsibility. He reiterated his commitment as the hospital administrator to assist the community in resolving some of the orthopaedic issues that affect the quality of life as some people are living with disabilities that can be medically resolved.

71. He acknowledged that there are incidences where he has offered to transport patients stating that this was not enticement to seek services but rather aiding the very needy members of the society who could otherwise not afford to transport their sick relatives to the hospital.

72. He also stated that in the course of his work especially in the provision of emergency surgical interventions there are times when the facility has conducted procedures before notification and approvals by the NHIF hence the discrepancy in dates in the NHIF System and the hospital records. This usually arises as his hospital is near the highway where accidents frequently happen.

73. When questioned on the fate of patients in the event NHIF declined to approve the procedures, he submitted that the hospital has a policy of waiving the costs for the patients.

SUBMISSIONS BY MR KENNEDY OTIENO

74. Mr Kennedy Otieno, Director, Joy Nursing and Maternity Eastleigh Limited, a registered nurse who holds a diploma, appeared before the Committee on Monday, 9th October 2023, to respond to questions regarding:

(i) The level of facility, bed capacity, staff establishment and infrastructure of the facility.
(ii) The cause of discrepancies between dates of admission and discharge in the hospital and patient files and how procedures were conducted at Mother and Child Hospital and billed at Joy Nursing and Maternity Eastleigh Limited.
(iii) Allegations on manipulation of radiology films and reports for preauthorisation as support documents to justify surgical procedures in 54 claims worth Ksh7,010,000 and billing for surgical services worth Ksh5,385,00 that were not rendered.
(iv) Allegation that the hospital received patients ferried from medical camps for treatment.

75. Mr Otieno submitted while on oath that the hospital was registered by KMPDC as a Level 4 although he affirmed that his hospital did not meet the minimum set requirements for Level 4 as per the KMPDC guidelines from the start. The facility started as a chemist in 2006.

76. He further submitted that his facility did not have a qualified practitioner to translate the X-ray reports captured at his facility.

77. On the issue of referrals from Jekim Hospital Nkubu Ltd, he submitted that doctors at his facility could bring patients but he would not know where these patients came from. The facility did not have a referral policy and also did not have any contractual agreement with the seven surgeons that he had given admitting rights at the facility. The facility had however given contracts to nurses and radiographers. Mr Otieno submitted a list of the seventeen doctors who use the facility and their designation and registration numbers in Table 36.

Table 2: List of doctors with admitting rights at Joy Nursing and Maternity Eastleigh Limited

NO.	NAME	DESIGNATION	LICENCE NO.
1.	Michael Wachira	Orthopaedic Surgeon	A9415
2.	David Nyawade	General Surgeon	A7431
3.	Cosmas Mutisya	General Surgeon	A7818
4.	Emily Bosibori	Gynaecologist	A9827
5.	Duncan Ndeda	Orthopaedic Surgeon	A8773
6.	Patrick Gicheru	Orthopaedic Surgeon	A10175

7.	Juma Olunga	Orthopaedic Surgeon	A8302
8.	Martin Ajujo	Orthopaedic Surgeon	A7673
9.	John Mandela	Orthopaedic Surgeon	A9185
10.	Ephantus Munyuko	Orthopaedic Surgeon	A5774
11.	Commulita Agunda	Gynaecologist	A7206
12.	Kenneth Aluora	Plastic Surgeon	A9268
13.	Paul Mbalu	Gynaecologist	A2921
14.	Stephen Waruru	ENT	A6188
15.	Joseph Mutio	Maxilio	B1008
16.	George Ndung'u	Maxilio	B837
17.	Juliet Thitai	Orthopaedic Surgeon	A9344

78. On the mismatch between the number of surgical cases for which claims were lodged and the number of theatres at the facility, he submitted that the surgeons were working in shifts and that he had not obtained a change of user for the premises where his facility was located.

79. He acknowledged that the hospital has an MOU with Mother and Child Hospital that allowed them to utilise the hospital's facilities, theatres and other equipment. He however denied manipulating or falsifying medical documents to defraud the NHIF. Finally, he said his facility was not functioning at the time as KMPDC had suspended its licence since it did not meet all qualifications in terms of care. KMPDC had informed the facility to improve its theatre and request for re-inspection.

SUBMISSION BY AMAL HOSPITAL LIMITED AND BEIRUT PHARMACY AND MEDICAL CENTRE

80. Mr. Hussen Yarrow the Legal Counsel representing Beirut Pharmacy and Medical Centre appeared before the Committee that, after several invitations citing that the NHIF matter was subject to a court case. He submitted this while on oath.

81. A Director of Amal Hospital Limited accompanied by Mr. Hussen Yarrow the Legal Counsel the legal counsel representing the facility appeared before the Committee on Monday, 9th October 2023. However, she was unable to proceed as she informed the Committee that she had been bereaved just before her appearance.

SUBMISSION BY DR SAMSON KUHORA, ACTING CEO NHIF

82. Dr Kuhora submitted on oath that fraud and corruption had regrettably infiltrated the healthcare sector, posing significant challenges to the achievement of NHIF's mission in providing equitable healthcare access. An impact assessment study presented to the Board in 2020 and a copy submitted before the Committee estimated the NHIF medical fraud risk to be 29.3%. This was within the health insurance sector risk of 25-40%.

83. The NHIF was committed to Anti-Fraud and Anti-Corruption Efforts. The Fund maintained a resolute zero-tolerance policy towards fraud and corruption, guided by their commitment to upholding the highest ethical standards and integrity in undertaking

their paramount responsibility to ensure that resources were utilised solely for the provision of quality healthcare services. Dr Kuhora submitted that the Fund had implemented several strategies to minimise fraud. Some of the strategies were:

(a) Introduction of Biometrics and Enhanced Data Analytics

84. The incorporation of biometric verification has bolstered NHIF authentication processes, ensuring accurate identification of beneficiaries and minimising identity-related fraud. The NHIF system's enhanced data analytics capabilities empowered the Fund to proactively detect and respond to suspicious claims patterns, leading to early identification of potentially fraudulent activities.

(b) Strengthening Internal Audit and Oversight

85. The NHIF's internal audit function played a pivotal role in identifying potential fraud risks and implementing measures to address vulnerabilities. Through oversight mechanisms, the NHIF ensured strict adherence to established policies and procedures, holding all stakeholders accountable for their actions.

(c) Collaboration with Law Enforcement Agencies

86. Collaboration with law enforcement agencies has enabled NHIF to conduct thorough investigations and take appropriate legal actions against those involved in fraudulent activities. Working together with law enforcement agencies reinforced NHIF's commitment to eradicating fraud and corruption and serves as a strong deterrent to potential wrongdoers.

(d) Whistle-blower Protection and Reporting Mechanisms

87. The whistle-blower protection policy ensured that individuals could report fraudulent activities without fear of reprisals, fostering a culture of accountability and transparency. A confidential reporting channel had been established to facilitate the reporting of potential fraud and corruption cases, providing a safe platform for whistle-blowers to share crucial information through the email fraud@nhif.or.ke.

(e) Closure of Health Facilities involved in Fraud and Corruption

88. Dr Kuhora submitted a list of sixty-seven (67) facilities with identified fraudulent claims and payments. Some of the fraudulent claims by these facilities were identified before payment of claims hence the claims were rejected. Some were discovered after the payments were already made and NHIF had initiated recovery of the monies.

89. An example given was a facility named Oljabet Medical Centre, which in 2023 was found to have abused the *Edu Afya* scheme through demand-induced treatment through unaccredited sanitoriums and some of its records were missing. Consequently, NHIF rejected 11,359 claims worth Ksh17, 023,450 and suspended the facility for 90 days. NHIF was awaiting the Board of the hospital to respond to the Audit report. Among the rejected claims Ksh916, 300 had been paid and thus NHIF initiated recovery mechanisms and recovered the said amount.

90. Another facility of concern as submitted was St. Peters Orthopaedic and Surgical Speciality Centre which had been paid Ksh379 million, yet it was a Level IV facility and was not supposed to offer specialised orthopaedic services as per its contract with NHIF.

The Committee sought to understand how preauthorisation to perform the surgeries was authorised if the facility was not accredited for such services.

SUBMISSIONS BY DR DAVID G. KARIUKI

91. Dr David G. Kariuki, the Chief Executive Officer of the Kenya Medical Practitioners and Dentists Council (KMPDC) appeared before the Committee on 24th October 2022 and 15th February 2024.

92. Dr Kariuki submitted on oath that the Kenya Medical Practitioners and Dentists Council (KMPDC) was the regulatory body responsible for overseeing and regulating the practice of medical and dental professionals in Kenya. Its primary role was to ensure that medical practitioners and dentists meet and maintain high standards of professional competence and ethical conduct.

93. In response to an expose by NTV aired on Sunday, 18th June 2023 dubbed "We Steal God Heals", the Health Cabinet Secretary Nakhumicha S. Wafula directed that KMPDC conducts a joint investigation with NHIF on a number of health facilities in parts of Nairobi, Kiambu, Meru and Kirinyaga. The Council commenced investigations into the allegations to determine the culpability of medical practitioners or health facilities in the matter.

94. Dr Kariuki submitted a summary report on the inspection findings and recommendations following a joint inspection exercise of the 8 facilities that was undertaken on 21st June 2023. He acknowledged that Afya Bora Hospital, Afya Bora Hospital Annex, Joy Nursing and Maternity Eastleigh Limited, Amal Hospital Limited and Beirut Pharmacy and Medical Centre did not meet the minimum set standards to qualify as level four (4) Hospitals.

95. On further interrogation on how such facilities were accredited as Level 4 facilities in the initial registration, he submitted that the Council conducts a joint inspection with county governments for accreditation of facilities and that in some cases they rely on the documentation received from counties rather than physical inspection of the facilities.

96. He submitted that the NHIF should continue working jointly with KMPDC and county governments in the inspection of facilities and in determining what services can be offered in each hospital.

97. The CEO informed the Committee that the Council keeps on changing their requirements as the population keeps on increasing and therefore other facilities request for upgrading. He further informed the Committee that in the next four to six months KMPDC will be doing the re-categorisation of all the hospitals.

98. On the Joy Nursing and Maternity Eastleigh Limited, he informed the Committee that the facility was categorised as Level 2 by KMPDC not as a Level 4 as it was reported.

SUBMISSIONS BY DR KAMAMIA MURICHO

99. Dr Kamamia Muricho appeared before the Committee on 25th July 2023 through an invitation letter Ref.NA/DDC/DC-H/2023/ (043) dated 20th July, 2023 to provide technical background on the source of medical fraud in hospitals in collusion with NHIF.

100. Dr Muricho submitted that hospitals were claiming or charging NHIF the cost of original molecules yet in most cases they dispensed generic molecules. He gave an example of patients undergoing cancer treatment whose molecules were valued at Ksh200 but were being claimed at Ksh16,000 to Ksh20,000 by facilities. He noted that this happens because NHIF cannot verify the prices of drugs.

101. He recommended the establishment of a digital system that can control the pricing of drugs by showing the specific drug dispensed in the invoice for claims. The system also needs to set the maximum price for the item. The government also needs to control the prices of medicines as is the case in South Africa, India and Pakistan.

102. Following the call for submissions, a whistle-blower submitted an email on the Inquiry.

SUBMISSIONS BY A WHISTLE-BLOWER

103. The Whistle-blower noted patients walk into some private hospitals in Kirinyaga County and are paid after filling out NHIF request forms and having their biometrics taken. These forms are used to make claims to NHIF.

104. The whistle-blower alleged that Over 60% of overseas pre-authorisations are approved by one staff in the NHIF case management office. The person further alleged that the same staff had been sponsored by some hospitals to travel to India on several occasions.

SUBMISSION BY MR PETER KINOTI MUGAMBI, A WITNESS

105. Mr Peter Kinoti Mugambi, a 49-year-old man from Kirwa in Meru County and a resident of Timau appeared before the Committee on 26th October 2023 on invitation by the Committee.

106. Mr Mugambi submitted on oath that he is currently not employed because of a motorbike accident that occurred in 2012 and which incapacitated his leg around the knee area. He submitted that he had sought treatment from different hospitals in Meru County with little help until a colleague referred him to St. Peters Orthopaedic and Surgical Speciality Centre in Kangemi, Kiambu County.

107. He visited and was admitted to St. Peters Orthopaedic and Surgical Speciality Centre on Friday 20th August 2021 and re-admitted on Tuesday 2nd November 2021, where he was admitted for total knee replacement after undergoing an MRI. He was taken to the theatre with an agreement to undergo a total knee replacement after he received a preauthorisation from NHIF at a cost of Ksh300,000. However, the procedure conducted was a quadriceps release.

108. He expressed that he strongly felt that this was fraud by St. Peters Orthopaedic and Surgical Speciality Centre as the facility failed to perform the pre-approved procedure and instead conducted an alternative which has incapacitated him to the extent that he

cannot provide for his family. He requested the Committee to assist him get justice by making the hospital compensate him for the damage incurred as he is the breadwinner.

SUBMISSIONS BY MS HAZEL KOITABA, DIRECTOR BENEFICIARY AND PROVIDER MANAGEMENT

109. Ms Hazel Koitaba, the Director, Beneficiary and Provider Management, NHIF appeared before the Committee on 15th February 2024 in relation to the suspended healthcare providers.

110. Ms Koitaba while on oath explained the categorisation of health facilities which had informed the accreditation, empanelment and contracting of healthcare providers by NHIF. She submitted that Level 1 was a community healthcare facility, Level 2 was a dispensary, Level 3 was a health centre, Level 4 a sub-county hospital, Level 5 a county referral hospital and Level 6 was a national referral hospital.

SUBMISSIONS BY MR ELIJAH WACHIRA, NHIF CEO

111. Mr Elijah Wachira, the Chief Executive Officer NHIF, appeared before the Committee on 15th February 2024 in relation to the suspended healthcare providers.

112. Mr Wachira submitted on oath that, the NHIF Internal Audit Report on investigations conducted between July 2022 and December 2023 on thirty-one (31) healthcare providers. He highlighted the audit findings on a few health facilities including:

(i) Beirut Pharmacy and Medical Centre and Amal Hospital Limited, which had contravened Clause 16.1 of the NHIF contract which provides that a healthcare provider should not engage in any corrupt practice or fraudulent practice and that a healthcare provider should not intentionally use a higher-paying code on a claim to fraudulently reflect the use of a more expensive procedure, device or medicine than was used or was necessary. The two facilities had been accused of colluding with some NHIF beneficiaries to defraud the Fund by making claims on medical procedures that were not undertaken as these beneficiaries were never admitted. The audit had that some of these beneficiaries were at work (supported by employer records) at the time the hospital claimed for admissions. He further submitted that Beirut Pharmacy and Medical Centre should therefore pay back Ksh15,490,000 being payments on fraudulent claims and that 114 claims totalling Ksh13,198,580 be rejected. Further, Amal Hospital Limited should pay back Ksh7, 653,000 and 237 claims totalling Ksh32,248,500 be rejected.

(ii) Jekim Hospital Nkubu Ltd Contravened Clauses 16.6, 4.1 and 2.21 of the NHIF contract and was to pay back Ksh1, 004,220.

SUBMISSIONS BY THE PRINCIPAL SECRETARY, STATE DEPARTMENT FOR MEDICAL SERVICES

113. The Principal Secretary of the State Department for Medical Services, Mr Harry Kimutai appeared before the Committee on 15th February 2024 in relation to the suspended healthcare providers.

114. The Principal Secretary emphasised that the KMPDC would be the lead agency in the empanelment of health facilities by the Social Health Authority. The Council would also undertake re-categorisation to give the correct levels of care for accountability in case of fraud unlike before when no entity was held accountable as this was a shared function.

115. The Principal Secretary further informed the Committee that doctors would be registered electronically pursuant to the Digital Health Act, No. 15 of 2023 which would ensure that no doctor was engaged in several health facilities at the same time.

SUBMISSIONS BY THE CABINET SECRETARY, MINISTRY OF HEALTH

116. The Cabinet Secretary, Ministry of Health, Ms Nakhumicha S. Wafula, EGH, appeared before the Committee on 15th February 2024 in relation to the suspended healthcare providers.

117. The Cabinet Secretary submitted that the Directorate of Internal Audit of the NHIF undertook investigations on thirty-one (31) Healthcare Providers between July 2022 and December 2023 and found that they were breaches of contractual obligation.

118. Upon completion of the investigations, the reports were prepared and submitted to the Audit Committee of the Board. The Committee adopted the Internal Audit recommendations for subsequent approval by the Full Board of NHIF. Some of the recommendations included a refund of the fraudulent claims paid and a stoppage of the payment for claims being processed. The Board was also to decide on the fate of the affected Health Care Providers in line with Clause 16.6 of the NHIFs contracts on whether to suspend the HCP or terminate their contracts.

119. However, due to the transition of the National Health Insurance Fund to the Social Health Authority, the NHIF Board had not met to deliberate on the reports. Further, the Attorney-General had issued an advisory to the effect that during the transition, the NHIF Board could only deal with matters in relation to the winding up of the Fund. The audit reports have therefore been left to be deliberated upon by the Board of the Social Health Authority which will give direction and a way forward to the affected Health Care Providers.

120. She further informed the Committee that the Kenya Medical Practitioners and Dentist Council (KMPDC) would be the only body to inspect, categorise and license all levels of hospitals before they are contracted by the Social Health Authority.

121. On the status of *Edu Afya*, the Cabinet Secretary submitted that the contract had come to an end and that she was in discussions with the Cabinet Secretary, Ministry of Education. However, she had not received any communication on the extension of the contract.

4.1.2 TO ESTABLISH THE FINANCIAL STATUS OF THE FUND

122. The financial status of NHIF was a critical aspect in the provision of accessible and affordable healthcare services to Kenyans. Through prudent financial management and strategic resource allocation, NHIF could achieve financial sustainability while ensuring the highest standards of healthcare coverage for its members and their dependents.

123. In establishing the financial status of NHIF at the time of the Inquiry, the Committee invited the then Acting Chief Executive Officer of NHIF Dr Samson Kuhora and the Ag. Director of Finance, Ms Francisca Mwanza who were accompanied by the Board of Management of NHIF.

SUBMISSION BY AG. CEO DR SAMSON KUHORA

124. Dr Samson Kuhora appeared before the Committee on 27th July 2023 as the first witness accompanied by the Chairman of the NHIF Board Eng. Michael Kamau and the Principal Secretary, State Department of Medical Services, Mr Harry Kimutai. Dr Kuhora submitted while under oath as follows:

125. The Fund had maintained a steady rise in revenues generated, with a 35.4% (Ksh19.6 billion) rise in the last 5 years. The National Scheme contributors accounted for 56.6% of the total revenues in the 2018/2019 to 2022/2023 financial years. In the last five years, the expenditure on medical claims increased by 35.5% (Ksh17.7 billion) to Ksh72.9 billion in the 2022/2023 financial year. During this time, the Fund retained its operating expenses at11.5%

a) **Income Summary**

Table 3: NHIF Income Summary FY 2018/2019 to FY 2022/23

INCOME COLLECTION						
	2018/19	2019/220	2020/21	2021/22	2022/23	TOTAL
STATUTORY CONTRIBUTIONS	36,481,747,786	37,783,404,543	37,440,339,763	40,632,446,572	42,491,345,282	194,829,283,945
SPONSORED SCHEMES	4,537,700,212	12,044,205,007	6,399,714,725	20,478,485,268	15,015,026,999	58,475,132,210
ENHANCED SCHEMES	12,660,597,086	10,771,594,720	12,731,166,467	24,100,826,764	16,371,228,646	76,635,413,682
OTHER INCOME	1,772,353,630	1,292,839,225	1,353,000,409	1,532,125,795	1,211,279,394	7,161,598,453
TOTAL COLLECTIONS	**55,452,398,714**	**61,892,043,494**	**57,924,221,364**	**86,743,884,399**	**75,088,880,320**	**337,101,428,291**

b) **Benefits Summary**

Table 4: NHIF Benefits Summary FY 2018/2019 to FY 2022/23

SUMMARY OF BENEFITS PAID FY2018/19 TO FY2022/23				
	CLAIMS	**CAPITATION**	**WIBA/ PREMIUMS**	**TOTAL**
National Scheme	140,050,162,620	27,304,316,859	-	167,354,479,478
Govt Sponsored Indigents - UHC Scheme	1,491,932,566	587,240,350	-	2,079,172,916
Civil Servant Medical Scheme	33,116,765,363	806,724,951	10,204,933,693	44,128,424,007
National Police Service & Kenya Prison Service Medical Scheme	33,572,268,580	-	6,091,499,491	39,663,768,070
Edu Afya Medical Scheme	7,988,634,366	-	-	7,988,634,366
HISP - OVC Programme	570,093,531	179,512,819	-	749,606,350
HISP - OPPSD Programme	154,377,863	27,384,380	-	181,762,243
Counties Medical Schemes	6,198,405,005	630,611,996	-	6,829,017,002
Parastatal Medical Schemes Expenses	6,948,609,557	99,107,361	-	7,047,716,919
Retirees Medical Scheme	3,190,044,822	-	-	3,190,044,822
Linda Mama & related expenses	18,367,877,757	-	-	18,367,877,757
Sub-total Claims	**251,649,172,030**	**29,634,898,715**	**16,296,433,184**	**297,580,503,929**
OTHER BENEFITS				
Group Life & Last Expense				3,822,204,332
Evacuation				3,907,164,928
Foreign Claims				826,031,734
Enhanced Schemes administrative expenses				1,226,977,644
TOTAL	**251,649,172,030**	**29,634,898,715**	**16,296,433,184**	**307,362,882,567**

c) Policy on Investments

126. The investment of the funds of the NHIF was guided by its Investment Policy and the provisions of the NHIF Act, 1998 (repealed on 19th October 2023). As a key player in healthcare financing, it was imperative for the Fund to always maintain liquid assets that could easily be made available at the time of need. All monies that were not immediately required for the Fund's execution of its mandate as stipulated by the NHIF Act, 1998 and to enable the due process of claims verification to take place were invested in government securities, reputable financial institutions and strategic advancements to hospitals as were approved by the NHIF Board from time to time.

127. As per its approved Investment Policy, the Fund endeavoured to maintain an amount equivalent to not less than six months' worth of claims payment, as provided in the annual estimates, in investments and short-term securities.

128. The status of the Fund's Investments, Capital Investments and investments in non-current assets were mostly historical in nature having been acquired more than twenty (20) years ago. They included properties, long-term investments and investments in shares totalling Ksh13.1 billion. The table below gives a five-year summary of all non-current assets held by the Fund.

Table 5: Summary of Non-Current Assets Long-term/ Historical Year of Acquisition/ Investment

Long-term/ Historical	Year of Acquisition/ Investment	Cost 2018/19 (Kshs)	Cost 2019/20 (Kshs)	Cost 2020/21 (Kshs)	Cost 2021/22 (Kshs)	Cost 2022/23 (Kshs)
NHIF Building	2002	5,498,989,710	5,498,989,710	5,498,989,710	5,498,989,710	5,498,989,710
NHIF Land (Upper hill)		298,589,665	298,589,665	298,589,665	298,589,665	298,589,665
Carpark	2009	3,966,053,564	3,966,053,564	3,966,053,564	3,966,053,564	3,966,053,564
Karen Land & Resource centre	2001	1,444,687,484	1,444,687,484	1,444,687,484	1,444,687,484	1,444,687,484
Shares at Consolidated bank	2000	54,200,000	54,200,000	54,200,000	54,200,000	54,200,000
Contrust House	2005	165,182,686	165,182,686	165,182,686	165,182,686	165,182,686
Meru Building	1999	32,675,890	32,675,890	32,675,890	32,675,890	32,675,890
MTRH Loan	2017	340,654,576	314,192,699	286,734,558	256,692,640	226,762,637
Staff Mortgage Scheme	2001	943,423,336	962,662,665	1,264,588,685	1,289,008,936	1,311,630,100
Staff Car loan Scheme	2008	57,057,353	57,088,825	57,092,390	57,222,743	57,600,536
Total		12,801,514,264	12,794,323,188	13,068,794,632	13,063,303,318	13,056,372,272

d) Investment in Short-term Securities

129. The Fund invested in short-term securities to enable it to meet its short-term liquidity needs. Based on cash need projection, funds were first considered for investment in Central Bank Treasury Bills for 90, 181 or 364 days. Where cash need was projected for a shorter period, funds were placed in call deposits. The table below shows balances at the close of the financial years in the last five years (2019-2023).

Table 6:Investment in Short-term Securities

Short-term investments	Balance 30th June 2019	Balance 30th June 2020	Balance 30th June 2021	Balance 30th June 2022	Balance 30th June 2023
CBK Treasury Bills	11,110,000,000	9,132,650,000	11,832,200,000	9,592,200,000	6,932,200,000
KCB Call Deposit	1,015,153,816	100,000,000	1,035,561,855	100,000,000	100,000,000
NBK Call Deposit	-	-	1,000,000,000	1,647,771,803	-
Coop Bank Call Deposit	-	1,400,000,000	-	-	-
Equity Bank Call Deposit	1,500,000,000	1,749,000,000	1,210,416,916	1,112,400,000	-
NCBA Call Deposit	-	-	-	936,600,000	1,200,000,000
Total	13,625,153,816	12,381,650,000	15,178,178,771	13,388,971,803	8,232,200,000

e) Claim Reserves

130. The Fund complied with International Financial Reporting Standards (IFRS 17) on Insurance Contracts. Claims reserves were being created in the books for claims that had been incurred but had not been reported (IBNR) to the Fund by the various health facilities. This amount was updated in the books quarterly through an actuarial process to determine how much of claims relating to prior periods were still not reported to the Fund for processing.

131. The Board was mandated by the NHIF Act, 1998 (as amended in 2022) to collect contributions from members. Funds revenue was generated from four key sources namely:

1. Contributions
    a. Statutory Contributions
    b. Voluntary Contributions
    c. Other Contributions (Penalties)
2. Enhanced Scheme Premiums
3. Sponsored Schemes Contributions
4. Other Income

132. The table below shows the Fund's performance in the above four categories for FY 2018/2019 to FY 2022/2023.

Table 7: NHIF Income Collection segregated per contributor categories.

INCOME COLLECTION						
	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
STATUTORY CONTRIBUTIONS	36,481,747,786	37,783,404,543	37,440,339,763	40,632,446,572	42,491,345,282	194,829,283,945
SPONSORED SCHEMES	4,537,700,212	12,044,205,007	6,399,714,725	20,478,485,268	15,015,026,999	58,475,132,210
ENHANCED SCHEMES	12,660,597,086	10,771,594,720	12,731,166,467	24,100,826,764	16,371,228,646	76,635,413,682
OTHER INCOME	1,772,353,630	1,292,839,225	1,353,000,409	1,532,125,795	1,211,279,394	7,161,598,453
TOTAL COLLECTIONS	55,452,398,714	61,892,043,494	57,924,221,364	86,743,884,399	75,088,880,320	337,101,428,291

Note: The revenues represent the actual cash collected within the financial year. The 2022/23 FY closed with premiums owed by government totaling KES 11,249,375,049.

MOH PROGRAMS/SCHEMES	Amount Outstanding (Kshs)	2022/23	2021/22	2020/21	2019/20
HISP - OVC	1,091,808,000	-			1,091,808,000
HISP - OPPSD	262,499,558	-	262,499,558	-	-
Linda Mama	-	-	-	-	-
UHC Indigents	-	-	-	-	-
Subtotal - MOH	1,354,307,558	-	262,499,558	-	1,091,808,000
OTHER ENHANCED SCHEMES FROM VARIOUS MINISTRIES					
Civil Servant Medical scheme	2,480,175,237	2,480,175,237	-	-	-
Civil Servant - WIBA/GPA & LE/GL	4,860,169,577	4,860,169,577			
Edu-Afya	2,376,570,918	2,376,570,918			
NPS/KPS Medical Scheme	2,013,092,813	1,532,459,317	200,000,000	200,000,000	80,633,496
Subtotal - Other Ministries	11,730,008,545	11,249,375,049	200,000,000	200,000,000	80,633,496
Grand Total	13,084,316,103	11,249,375,049	462,499,558	200,000,000	1,172,441,496

Table 8: Pending Premiums as at 30th June 2023

PREMIUMS PENDING AS AT 30TH JUNE 2023

SCHEME	ARREARS FROM PREVIOUS CONTRACTS	CURRENT CONTRACT COVER PERIOD	CONTRACT AMOUNT	TOTAL AMOUNT RECEIVABLE	PREMIUMS RECEIVED	TOTAL AMOUNT OUTSTANDING
MOH						
HISP - OVC	1,091,808,000	Dec 01, 2022 -to- Nov 30, 2023	1,520,400,000	2,612,208,000	1,520,400,000	1,091,808,000
HISP-OPPSD	262,499,558	April 01, 2023 -to- Mar 31, 2024	352,800,000	615,299,558	352,800,000	262,499,558
Linda Mama	-	July 01, 2023 -to- June 30, 2024	4,098,000,000	4,098,000,000	-	4,098,000,000
Government Sponsored Indigents Scheme (UHC)	-	Jan 01, 2023 -to- Dec 31, 2024	6,000,000,000	6,000,000,000	6,000,000,000	-
Subtotal	**1,354,307,558**		**11,971,200,000**	**13,325,507,558**	**7,873,200,000**	**5,452,307,558**
OTHER MINISTRIES						
Civil Servant Medical scheme	-	July 01, 2022 -to- June 30, 2023	6,000,000,000	6,000,000,000	3,519,824,763	2,480,175,237
Civil Servant Medical scheme	-	July 01, 2023 -to- June 30, 2024	5,400,000,000	5,400,000,000	-	5,400,000,000
Civil Servant - Group Life, WIBA & LE	-	April 15, 2022 -to- April 14, 2023	6,861,836,585	6,861,836,585	2,001,667,008	4,860,169,577
Civil Servant - Group Life, WIBA & LE	-	April 15, 2023 -to- July 14, 2024	1,580,225,529	1,580,225,529	-	1,580,225,529
Edu-Afya	-	Jan 01, 2023 -to- Dec 31, 2024	4,862,460,709	4,862,460,709	2,485,889,791	2,376,570,918
NPS/KPS Medical Scheme	2,388,092,813	July 01, 2022 -to- Dec 30, 2022	-	2,388,092,813	375,000,000	2,013,092,813
Subtotal	**2,388,092,813**		**24,704,522,823**	**27,092,615,636**	**8,382,381,562**	**18,710,234,074**
Grand Total	**3,742,400,371**		**36,675,722,823**	**40,418,123,194**	**16,255,581,562**	**24,162,541,632**

f) Statement on NHIF Benefits Payments

133. The Fund's mandate to pay claims was drawn from section 23 of the NHIF Act, 1998 (as amended in 2022). The Fund's benefits were mainly paid through:

(i) Claims/ Rebates;
(ii) Capitation payments; and
(iii) WIBA Expenses and Premiums.

134. Other benefits expenses included:

(i) Group Life Last Expense;
(ii) Evacuation;
(iii) Foreign Claims; and
(iv) Enhanced Schemes administrative expenses.

135. A summary on all payments made in the last five years is shown below.

Table 9: Summary of Benefits paid FY 2018/19 to FY 2022/23

SUMMARY OF BENEFITS PAID FY2018/19 TO FY2022/23				
	CLAIMS	**CAPITATION**	**WIBA/ PREMIUMS**	**TOTAL**
National Scheme	140,050,162,620	27,304,316,859	-	167,354,479,478
Govt Sponsored Indigents - UHC Scheme	1,491,932,566	587,240,350	-	2,079,172,916
Civil Servant Medical Scheme	33,116,765,363	806,724,951	10,204,933,693	44,128,424,007
National Police Service & Kenya Prison Service Medical Scheme	33,572,268,580	-	6,091,499,491	39,663,768,070
Edu Afya Medical Scheme	7,988,634,366	-	-	7,988,634,366
HISP - OVC Program	570,093,531	179,512,819	-	749,606,350
HISP - OPPSD Program	154,377,863	27,384,380	-	181,762,243
Counties Medical Schemes	6,198,405,005	630,611,996	-	6,829,017,002
Parastatal Medical Schemes Expenses	6,948,609,557	99,107,361	-	7,047,716,919
Retirees Medical Scheme	3,190,044,822	-	-	3,190,044,822
Linda Mama & related expenses	18,367,877,757	-	-	18,367,877,757
Sub-total Claims	251,649,172,030	29,634,898,715	16,296,433,184	297,580,503,929
OTHER BENEFITS				
Group Life & Last Expense				3,822,204,332
Evacuation				

SUMMARY OF BENEFITS PAID FY2018/19 TO FY2022/23				
	CLAIMS	**CAPITATION**	**WIBA/ PREMIUMS**	**TOTAL**
				3,907,164,928
Foreign Claims				826,031,734
Enhanced Schemes administrative expenses				1,226,977,644
TOTAL	**251,649,172,030**	**29,634,898,715**	**16,296,443,184**	**307,362,882,567**

g) Statement on NHIF Operating Expenditure

136. The Fund's operating expenditure was classified into three main classes namely:
   (i) Personnel Emoluments
   (ii) Board Expenses
   (iii) Other Operating Expenses.

h) Statement on Capital expenditure

137. The Fund's investment in capital expenditure was majorly on ICT infrastructure projects including the Electronic Health Information Management System (EHIMS) also known as the Biometric e-claim System. Other expenditures under this category were on non-current assets which include Computers, Motor Vehicle purchase, Furniture and fittings and Office Equipment.

i) Statement on Scheme Balances (Pending Premiums)

138. The Fund entered into contracts and MOUs with Ministries on behalf of the Kenyan Government for the administration of various schemes supported by the Government. Pending premiums as at close of business of the FY2022/23 stood at Ksh24.2 billion.

Table 10: Statement on Payments to Facilities (Breakdown on payments made to all facilities in the five-year period)

NATIONAL HEALTH INSURANCE FUND

ANNEX 5

STATEMENT OF INCOME & EXPENDITURE

DATED: 18-JULY-2023

INCOME COLLECTION						
STATUTORY CONTRIBUTIONS	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
Penalty	273,113,357	287,376,814	371,449,367	321,165,045	367,049,640	1,620,154,223
County Statutory	2,227,115,818	2,364,723,635	2,522,248,770	2,886,718,845	2,859,754,227	12,860,561,294
Self- Employed (Informal)	5,067,233,371	5,165,066,215	5,582,980,927	5,973,221,199	6,224,233,815	28,012,735,527
Formal Sector	28,914,285,241	29,966,237,879	28,963,660,700	31,451,341,482	33,040,307,600	152,335,832,902
STATUTORY CONTRIBUTIONS	36,481,747,786	37,783,404,543	37,440,339,763	40,632,446,572	42,491,345,282	194,829,283,945
SPONSORED SCHEMES						
HISP - OVC	300,000,000	2,012,894,000	1,520,400,000	1,520,400,000	-	5,353,694,000
HISP - OPPSD	-	315,000,000	342,300,442	352,800,000	-	1,010,100,442
INDIGENTS SPONSORSHIP	-	-	-	6,000,000,000	6,000,000,000	12,000,000,000
EDU-AFYA	2,237,700,212	3,636,741,007	4,537,014,283	4,409,285,268	4,917,026,999	19,737,767,768
LINDA MAMA	2,000,000,000	6,079,570,000	-	8,196,000,000	4,098,000,000	20,373,570,000
SPONSORED SCHEMES	4,537,700,212	12,044,205,007	6,399,714,725	20,478,485,268	15,015,026,999	58,475,132,210
ENHANCED SCHEMES						
COUNTY SCHEMES	1,267,022,137	1,669,974,321	1,898,758,077	2,941,981,704	2,457,552,950	10,235,289,188
PARASTATAL SCHEMS	1,562,295,054	1,449,474,967	827,826,802	1,764,011,352	2,019,829,971	7,623,438,145
RETIREMENT SCHEMES - RETS	295,397,182	421,893,734	152,905,343	81,820,890	88,589,738	1,040,606,888
KARO	65,153	-	335,447,839	350,327,317	116,643,692	802,484,001
NPS/KPS SCHEME	5,535,805,560	3,230,233,698	3,775,006,000	5,771,638,620	1,967,971,280	20,280,655,158
WIBA - NPS/KPS	-	-	1,721,596,916	2,295,594,440	2,295,594,440	6,312,785,796
WIBA - CIVIL SERVANTS	-	-	-	6,876,250,651	2,001,667,008	8,877,917,659
FOPA	-	-	19,571,490	19,135,290	23,286,567	61,993,347
CIVIL SERVANTS SCHEME	4,000,012,000	4,000,018,000	4,000,054,000	3,700,066,500	5,100,087,000	20,800,237,500
CIVIL SERVANTS EX-GR	-	-	-	300,000,000	300,006,000	600,006,000
ENHANCED SCHEMES	12,660,597,086	10,771,594,720	12,731,166,467	24,100,826,764	16,371,228,646	76,635,413,682
TOTAL SCHEMES INCOME	17,198,297,298	22,815,799,726	19,130,881,192	44,579,312,032	31,386,255,645	135,110,545,893
OTHER INCOME						
INTEREST ON INVESTMENT	1,485,862,869	990,386,074	1,055,263,764	1,241,617,176	903,315,692	5,676,445,575
RENTAL INCOME	282,279,014	280,369,454	285,262,654	286,526,074	288,205,134	1,422,642,330
MISCELLANEOUS INCOME	4,211,747	22,083,698	12,473,991	3,982,545	19,758,568	62,510,548
OTHER INCOME	1,772,353,630	1,292,839,225	1,353,000,409	1,532,125,795	1,211,279,394	7,161,598,453
TOTAL COLLECTIONS	55,452,398,714	61,892,043,494	57,924,221,364	86,743,884,399	75,088,880,320	337,101,428,291

EXPENDITURE	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	TOTAL
CLAIMS						
National Scheme	30,076,784,234	25,983,850,555	24,944,832,718	27,962,303,534	31,082,391,579	140,050,162,620
Govt Sponsored Indigents - UHC Scheme	-	-	-	474,721,953	1,017,210,613	1,491,932,566
Civil Servant Medical Scheme	4,229,340,035	5,759,133,331	5,553,217,756	8,626,766,045	8,948,308,196	33,116,765,363
National Police Service & Kenya Prison Service Medical Scheme	4,174,663,465	6,724,558,376	7,188,502,483	9,847,885,457	5,636,658,798	33,572,268,580
EduAfya Medical Scheme	513,910,258	847,221,027	611,454,617	2,515,485,820	3,500,562,643	7,988,634,366
HISP-OVC Program	318,563,204	55,375,587	6,759,897	172,577,856	16,816,988	570,093,531
HISP - OPPSD Program	83,920,751	19,961,971	1,768,631	45,651,460	3,075,050	154,377,863
Counties Medical Schemes	663,295,750	1,371,825,621	985,759,867	1,679,436,862	1,498,086,905	6,198,405,005
Parastatal Medical Schemes Expenses	1,572,053,609	1,755,518,083	900,538,910	1,237,138,812	1,483,360,143	6,948,609,557
Retirees Medical Scheme	371,524,583	682,614,074	631,986,278	708,255,799	795,664,088	3,190,044,822
Sub-total Claims	42,004,055,889	43,200,058,624	40,824,821,157	53,270,223,598	53,982,135,004	233,281,294,273
CAPITATION						
National Scheme	6,079,040,437	5,612,187,976	3,624,220,510	5,410,819,233	6,578,048,704	27,304,316,859
Govt Sponsored Indigents - UHC Scheme	-	-	-	-	587,240,350	587,240,350
Civil Servant Medical Scheme	293,465,830	291,940,289	216,973,857	3,264,825	1,080,150	806,724,951
HISP-OVC Program	159,718,469	57,000	9,537,450	1,809,750	8,390,150	179,512,819
HISP - OPPSD Program	23,975,821	754,360	-	364,300	2,289,899	27,384,380
Counties Medical Schemes	85,144,170	129,990,312	84,934,939	144,969,525	185,573,050	630,611,996
Parastatal Medical Schemes Expenses	20,090,761	33,131,385	15,058,490	21,109,676	9,717,050	99,107,361
Sub-total Capitation	6,661,435,487	6,068,061,322	3,950,725,246	5,582,337,309	7,372,339,353	29,634,898,715
LINDA MAMA						
Free Maternity claims & related expenses	536,810,769	3,626,795,670	2,100,412,697	7,086,967,628	5,016,890,993	18,367,877,757
Sub-total Linda Mama	536,810,769	3,626,795,670	2,100,412,697	7,086,967,628	5,016,890,993	18,367,877,757
OTHER BENEFITS						
Group Life & Last Expense	1,169,005,649	667,647,220	863,956,463	578,650,000	542,945,000	3,822,204,332
Evacuation	582,935,608	934,656,352	873,184,945	771,831,958	744,556,066	3,907,164,928
WIBA, Group Life & Last Expense - NPS & KPS	-	-	834,672,639	2,862,753,432	2,394,073,420	6,091,499,491
WIBA, Group Life & Last Expense - Civil Servants	-	-	1,420,143,569	6,790,954,170	1,993,835,954	10,204,933,693
Foreign Treatment Payments	-	4,827,364	57,959,213	395,278,564	367,966,593	826,031,734
Enhanced Schemes administrative expenses	135,429,188	26,563,390	186,739,145	396,121,691	482,124,230	1,226,977,644
Sub-total Other Benefits	1,887,370,445	1,633,694,326	4,236,655,974	11,795,589,815	6,525,501,262	26,078,811,821
TOTAL BENEFIT EXPENSES	51,089,672,590	54,528,609,942	51,112,615,074	77,735,118,349	72,896,866,611	307,362,882,567
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	TOTAL
OPERATING EXPENSES						
Personnel Emoluments	4,261,571,629	5,001,301,138	4,830,299,697	4,861,960,470	5,289,022,900	24,244,155,834
Board Expenses	32,081,129	22,734,267	25,734,108	32,166,770	34,386,023	147,102,297
Other Operating Expenses	4,034,868,975	2,589,146,395	2,727,987,370	3,446,116,666	2,897,604,378	15,695,723,784

SUBMISSIONS BY MS FRANCISCA MWANZA, AG. FINANCE DIRECTOR

139. Ms Mwanza appeared before the Committee on 13th and 19th October 2023 and made submissions on oath as follows:

a) The Fund's financial statements for the last three (3) years

Ms Mwanza provided the Fund's Annual Reports and Financial Statements for the financial years 2019/20, 2020/21 and 2021/22 in hard copy.

b) The Fund's Investment Policy

Ms Mwanza provided the Fund's investment policy in hard copy.

c) Statement on monies invested by the Fund in treasury bonds.

Ms Mwanza submitted that 'currently, NHIF does not invest in treasury bonds. However, the last time it did was in the year 2009, when it invested in a 12-year bond at an interest rate of 12.5%. This investment matured in the year 2021 and funds were put into much more liquid and shorter-term investments in Central Bank of Kenya treasury bills. Ms Mwanza provided a statement from the Central Bank of Kenya at the maturity of the investment.

d) The Auditor-General's management letters and the Fund's response for the last three (3) years

Ms Mwanza provided the Auditor-General's management letters and the Fund's response for the three years.

e) The financial pay-out ratio for all schemes administered by the Fund.

Ms Mwanza submitted that the benefits pay-out ratio for all schemes administered by the Fund is provided based on the results in the Financial Statements presented on an actuarial basis. She then provided a summary tabulation of total income, expenditure, and pay-out ratios for each scheme for the years 2019/20, 2020/21 and 2021/22.

f) Statement of loans extended to hospitals for the last three (3) years.

Ms Mwanza submitted that the Fund had not extended a loan facility to any of its accredited hospitals for the last three financial years. However, the Fund was in the process of recovering a loan facility extended to Moi Teaching and Referral Hospital (MTRH) that was approved by the Board in the year 2018. She then submitted the loan's recovery statement as of 31st August 2023.

When Ms Mwanza appeared before the Committee, it requested additional information on the background and chronology of events which she submitted as below:

Loan to Moi Teaching and Referral Hospital (MTRH) for Purchase of Radiotherapy Equipment

140. The Ministry of Health wrote a letter, Ref No MOH/MED/11/2/2 VOL. II dated 1st December 2016 requesting NHIF to consider supporting the establishment of radiotherapy treatment centres at Moi Teaching and Referral Hospital and Kenyatta National Hospital due to the rising cancer cases in the country. The Ministry attached to the said letter the specifications required for the machinery.

141. Subsequently, MTRH wrote a letter Ref No. ELD/MTRH/BCM/5/28/VOL II/2007 dated 2nd February 2017 requesting funding from NHIF and specifying the details of the two proposed loans and proposed repayment periods and interest rates.

142. MTRH forwarded another letter Ref No. ELD/MTRH/ADMIN/1/9VOL.1V/2015 dated 4th April 2017 informing NHIF of the collaborative project between the International Atomic Energy Agency (IAEA) and GOK, the KEN/6/020. The letter informed NHIF that MTRH was a beneficiary of the project. The letter included another letter from the Ministry of Health- to MTRH, Ref No. MOH/ADM/1/1/1 dated 16th March 2017.

143. MRTH wrote to NHIF vide letter Ref NO. ELD/MTRH/ADMIN/1/VOL.IV/2015 dated 12th July 2017 forwarding a new proposal on procurement of the radiotherapy equipment with the new purchase price together with the interest due. The amount requested was Ksh1, 762,000,000 at 3% interest per annum on reducing balance and payable over 10 years.

144. This letter was followed by another letter Ref No. MOH/ADM/1/1/VOL.1 dated 27th July 2017 from the Ministry of Health which indicated their support of the request for a loan from NHIF to MTRH.

145. The Ministry of Health wrote another letter, Ref. MOH/MED/11/2/2 VOL II dated 15th August 2017 to NHIF regarding the Country Programme Framework (a reference document for near-and-medium-term planning on Technical Corporation between the International Atomic Energy Agency (IAEA) and the Republic of Kenya. The letter requested NHIF to remit 75% of the funds to the Kenya Nuclear Electricity Board required to purchase the radiotherapy equipment for MTRH on cost cost-sharing basis between (IAEA) and the Kenyan Government.

146. A Board Paper was prepared and presented to the Benefits Committee of the Board in August 2017.

147. On 8th September 2017, Ksh312, 669,869.00 was disbursed to the Kenya Nuclear Electricity Board. A Board Paper was prepared and presented to the full Board on 25th January 2018 on the proposal to offer a loan facility to MTRH. Ms Mwanza provided the Board minutes in respect to the consideration of this Board Paper.

148. The Fund issued instructions in May 2018 to MMA Advocates for a legal opinion on the procurement and acquisition of medical equipment as mandated by the Act. This was provided and payment towards this was made to MMA Advocates on 22nd June 2018 totalling Ksh27, 917,200.00 inclusive of tax.

149. The Fund issued further instructions on 11th June 2018 to MMA Advocates vide letter Ref NO. HF/HOSP/3/1/VOL.1/ (3) requesting for a draft contract to be prepared noting that the NHIF's Act allowed the Fund under Section 34 to procure and purchase essential medical equipment for hospitals as per the Board terms and conditions and to ensure the Fund's interests are safeguarded.

150. Another letter dated 12th July 2018, Ref No. HF/HOSP/3/1 VOL.1/8 was written to MMA Advocates requesting them to prepare a finance contract between NHIF and MTRH as NHIF had already remitted the sum of Ksh312, 669,869.00 being the Government of Kenya's contribution to Kenya Nuclear Electricity Board for the purchase of the equipment. The instructions included that the total amount advanced would be recovered from claims payable over a period of 10 years at an interest rate of 3% per annum. The recoveries were to be affected at a monthly rate of Ksh3, 019,163.55 from February 2018 to January 2028.

151. MMA Advocates responded vide letter Ref NO. MMA/DBM/NHIF/336/2018 dated 13th July 2018 indicating the instructions were received and shall be actioned. The Advocates forwarded the following documents: -

1. Draft Head of Terms between NHIF and MTRH;
2. Draft Memorandum of Understanding between NHIF, IAEA and MTRH; and
3. Draft Financing Agreement between NHIF and MTRH.

152. On 14th August 2018, the NHIF sent the draft Head of Terms to MRTH for review and comments. There was no response from MTRH on the draft until NHIF sent subsequent reminders dated 10th September 2019, 23rd September 2019 and 7th October 2019. MTRH responded on 11th October 2019 and requested for an amendment to be made to the contract.

153. MMA advocates invoiced for the above instructions and deliverables, Ksh40, 883,040.00 including tax for preparing the above documents and payment was made on 3rd October 2018.

1. Contract Signing Status

154. The NHIF legal department had been engaging with MTRH, in a bid to have the contract signed between 2018 and 2022. The main issue of contention was the loading of the full legal fees onto the loan.

155. The matter was also brought to the attention of the NHIF Board, as it has been highlighted as a matter in the OAG report for the institution. The Board during its sitting on 29th September 2023 guided that NHIF should proceed and sign the contract with the undisputed amounts of Principal and legal fees. Further, the NHIF is to pursue MMA Advocates on the variances therein. With the guidance of the Board, the NHIF has been able to secure an agreement with MTRH and a Final contract has been reviewed by both NHIF and MTRH teams and is currently being executed. Ms Mwanza indicated that the minutes of the contract signing would be provided by the Legal Department once duly signed.

2. Repayment of Loan

156. MTRH has been making monthly loan repayments since January 2018 at a monthly repayment of Ksh3, 019,163.55 and as of 30th August 2023 loan repayment was Ksh205, 107,583. This recovery is reflected in the NHIF Financial statements.

SUBMISSIONS BY MR WAMBUGU KARIUKI, HEAD OF BENEFICIARY MANAGEMENT

157. Mr Wambugu Kariuki, who was the Head of Beneficiary Management at the period under inquiry and at the time of appearing before the Committee on 13th October 2023 had been horizontally deployed to head the Rift Valley Region. He submitted as follows:

158. Mr Wambugu Kariuki submitted on oath the following reports:

(i) Membership report for the last three (3) years

(ii) Biometrics Registration report for all Kenyans

(iii) Utilisation reports for Universal Health Coverage (UHC) and Health Insurance Subsidy Programmes (HISPs) on Orphans, Vulnerable Children, Older Persons and Persons with Disability

(iv) Report for all Enhanced Schemes that the NHIF administered (Civil Servants, *Edu Afya, Linda Mama,* County Governments Enhanced Medical Schemes) including the pay-out ratio.

(v) Sponsored Programmes report.

(vi) Capitation Payment Report for the last four (4) years.

(a) Membership Report for the last three (3) years

159. The NHIF membership was in three (3) main categories: Formal Sector, Informal Sector and Sponsored Programs. The formal sector is comprised of salaried employees both in the public and private sectors. Members in the formal sector made NHIF contributions through monthly deductions effected by the employers and remitted to NHIF on behalf of the employees as stipulated in section 16 of the NHIF Act.

160. The informal sector members were those in self-employment who made special contributions through individual contributions to NHIF as per Section 19 of the NHIF Act. However, self-employed members in organised legal entities such as Cooperatives, Savings and Credit Cooperative Organisations (SACCO) could enrol with NHIF through the cooperatives where the officials of the cooperatives collected and remitted the contributions on behalf of the members.

161. Sponsored programmes referred to members who ordinarily may not have afforded to make NHIF contributions and were therefore enrolled through sponsorship by the Government (both National and County), Non-Governmental Organisations and philanthropic individuals. The table below shows the composition of NHIF members in the last three (3) years.

Table 11: NHIF Membership per Sector; 2020/2021 to 2022/2023

Sector	Membership 2020/2021			Membership 2021/2022.			Membership 2022/2023		
	Total	Active	%	Total	Active	%	Total	Active	%
Formal Sector	4,691,277	3,388,127	**72%**	4,822,423	3,405,308	**71%**	4,962,191	3,880,842	**78%**
Informal Sector	6,553,648	1,713,649	**26%**	8,157,860	1,710,154	**21%**	8,674,681	1,877,417	**22%**
Sponsored Programs	1,676,439	326,833	**19%**	2,478,946	1,379,460	**56%**	2,573,479	1,348,652	**52%**
Total	**12,921,364**	**5,428,609**	**42%**	**15,459,229**	**6,494,922**	**42%**	**16,210,351**	**7,106,911**	**44%**

162. With the commencement of the scale-up of UHC in December 2020 which culminated in the UHC launch in February 2022, there was a tremendous growth in membership of 20% between FY 2020/2021 and FY 2021/2022.

163. While member retention was quite stable and relatively high in the formal sector, the retention rate for the informal sector was quite low due to the voluntary nature of enrolment. More often than not members in the informal sector enrolled when they were in need e.g. maternity, elective surgical procedures, chronic illnesses and often opted out once the need was met. The low retention rate was being addressed through interventions such as:

(i) Enrolment through Cooperatives
(ii) Partnership with financial institutions for Insurance Premium Financing (IPF)
(iii) Agency Model.

(b) Biometrics Registration Report for all Kenyans

164. Since its inception in 1966 NHIF members were identified with membership cards issued to the principal members upon registration. The first-generation cards were manila cards which contained the member and the spouse details and monthly contribution stamps affixed on the backside of the card. In 2003 upon full computerisation of NHIF processes, manila cards were replaced with the second-generation cards; the magnetic striped photo cards issued to principal members.

165. To further enhance convenience to NHIF beneficiaries and augment beneficiary involvement in benefits access, in 2016 NHIF began biometric enrolment of beneficiaries starting with Enhanced Schemes beneficiaries. However, the process was impeded as the government rolled out Huduma Namba registration since biometrics registration was suspended for all other institutions as the Government carried out countrywide Huduma Namba biometrics registration.

166. In 2020 upon pronouncement of UHC scale up by the Government, biometric enrolment of all NHIF beneficiaries was kick-started and NHIF immediately embarked on a nationwide biometrics' registration. The table below shows the status of biometrics registration per year as of 31st August 2023:

Table 12: BIOMETRICS REGISTRATION TRENDS

PERIOD	BIOMETRIC REGISTRATION PER YEAR	CUMULATIVE BIOMETRIC REGISTRATION
2016	275,802	275,802
2017	237,033	512,835
2018	675,975	1,188,810
2019	167,807	1,356,617
2020	25,023	1,381,640
2021	3,337,190	4,718,830
2022	1,962,035	6,680,865
Up To 31st August 2023	1,200,167	7,881,032

167. Biometrics registration was done at the NHIF service points namely Branch Offices, Satellite Offices, Huduma Centres and NHIF contracted Healthcare Providers.

168. To hasten the process of biometric registration of all NHIF beneficiaries, in 2021 NHIF carried out three (3) extensive countrywide field biometrics registrations which resulted in 3.3 million new registrations for that year. However, mostly, only the active NHIF principal members turned up for registration and this explains why the total figure of biometrically registered beneficiaries of 7,881,032 related closely with the total active membership of 7,106,911.

169. Biometric identification enhanced NHIF beneficiaries' involvement in access to benefits and reduced instances of fraudulent claims for ghost patients by healthcare providers.

(c) Utilisation Reports for Universal Health Coverage (UHC) and Health Insurance Subsidy Programmes (HISPs) on Orphans, Vulnerable Children, Older Persons and Persons with Disability

170. The NHIF was in the process of implementing three (3) main health insurance subsidy programmes which targeted various segments of the population. These were Health Insurance Subsidy Programme for Orphaned and Vulnerable Children (HISP-OVC), Health Insurance Subsidy Programme for Older Persons and Persons with Severe Disabilities (HISP-OPSD) and the UHC Indigents Cover which was rolled out effective January 2022 on scale-up of the UHC.

171. NHIF rolled out the Health Insurance Subsidy Programmes in 2014 with financial and technical support from the Rockefeller Foundation and the World Bank. The targeted households received a fully subsidised NHIF cover and were identified by the State Department for Social Protection and were beneficiaries of the cash transfer programmes.

172. The subsidy programmes were a value-addition benefit to the poor and vulnerable households who were receiving cash transfers through the State Department for Social

Protection. The subsidy programme started with a pilot of 21,500 households under the Orphans and Vulnerable Children Cash Transfer Programme (OVC-CTP).

173. The programme has gradually increased coverage to the current 253,400 OVC households and 58,800 households in the Older Persons and Severe Disabled (OPSD). The annual premiums for the subsidy programmes for OVCs and OPSDs were Ksh1, 520,400,000 and Ksh252, 000,000 respectively, computed at a rate of Ksh6,000 per household per year.

174. On scale-up of UHC nationwide, the Government of Kenya had set aside Ksh6 billion to cover 1 million poor and vulnerable (indigent) households in all the 47 Counties under the UHC programme. The County Governments in liaison with the State Department for Social Protection identified a cumulative 882,729 indigent households who were enrolled to the UHC, and the cover commenced in January 2022.

175. During the nationwide crackdown on Bodaboda Riders in 2022, the Government set aside the remaining 117,271 slots for Bodaboda Health Insurance Cover. The Bodaboda Health Insurance Cover was a government incentive to the Bodaboda Riders who complied with all Government guidelines on their trade. There was a delay in the rollout of the Bodaboda cover but it was eventually launched by the President and kicked off effective July 2023.

(d) Benefits Utilisation for Government Health Insurance Subsidy Programmes

176. Utilisation of the Government health insurance subsidy programmes including the UHC Indigents Cover up to 30th June 2023 was as follows:

Table 13: Health Insurance Subsidy Programme for Older Persons and Severely Disabled (HISP-OPSD)

Period	Membership	Premium	Capitation	Inpatient	Total Pay-Out	Pay-Out Ratio
Jan 2021 to Dec 2021	58,800	352,800,000	23,284,800	86,027,482	**109,312,282**	**31%**
Jan 2022 to Dec 2022	58,800	352,800,000	21,540,550	131,548,029	**153,088,579**	**43%**
Jan 2023 to Jun 2023	58,800	176,400,000	6,237,849	50,921,164	**57,159,013**	**32%**

Table 14: Health Insurance Subsidy Programme for Orphaned and Vulnerable Children (HISP-OVC)

Period	Membership	Premium	Capitation	Inpatient	Total Pay-Out	Pay-Out Ratio
Jan 2021 to Dec 2021	253,400	**1,520,400,000**	51,205,950	262,418,186	**313,624,136**	**21%**

Jan 2022 to Dec 2022	253,400	**1,520,400,000**	58,794,500	411,672,029	**470,466,529**	**31%**
Jan 2023 to Jun 2023	253,400	**760,200,000**	38,833,205	270,741,767	**309,574,972**	**41%**

Table 15: UHC Indigents Cover

Period	Membership	Premium	Capitation	Inpatient	Total	Pay-Out Ratio
Jan 2022 to Dec 2022	882,729	**5,296,374,000**	1,276,440,503	1,538,879,053	**2,815,319,556**	**53%**
Jan 2023 to Jun 2023	882,729	**2,648,187,000**	712,168,338	838,966,984	**1,551,135,322**	**59%**

177. Benefits utilisation for the health insurance subsidy programmes had remained relatively low although there was significant improvement. Challenges and/or factors leading to low utilisation included:
   (i) Inadequate awareness since most beneficiaries were unaware of their enrolment in the programmes since they were not involved during identification.
   (ii) Low enrolment of dependents since only principal member's details were submitted during registration.
   (iii) Restriction of beneficiaries to Government healthcare providers as directed by the Council of Governors (CoG) and Ministry of Health (MoH) led to low utilisation due to inadequate healthcare services in public facilities especially those in Levels 2 and 3.
   (iv) Delay in disbursement of premiums from the Government through MoH which inhibited beneficiaries' outreach activities such as member sensitisation.
178. The existing Memorandum of Understanding between NHIF and the Ministry of Health required that sensitisation and beneficiaries' education be carried out jointly by both parties, but this had been hampered by perennial delays in disbursement of the premiums from the MoH.

(e) Report for All Enhanced Schemes that NHIF Administers (Civil Servants, *Edu Afya, Linda Mama*, County Governments Enhanced Medical Schemes) including the Pay-Out Ratio

179. In January 2012, NHIF entered into an agreement with the State Department of Public Service to offer enhanced medical cover to Civil Servants and Disciplined Services on a government-to-government arrangement. Enhanced Medical Schemes coverage was later expanded to other organisations in the public sector namely Public Secondary Schools Students, County Governments, County Assemblies, Parastatals, Government Departments, Constitutional Commissions and Retired Public Servants. By the 4th Quarter of the 2022/2023 financial year, there were 73 active enhanced medical schemes in various categories as tabulated below.

Table 16: Enhanced Medical Schemes Categories

Enhanced Medical Schemes	Number of Schemes	Total Members	Total Premium (Ksh)
Civil Servants	1	131,750	6,000,000,000
National Police Service & Kenya Prisons Service	1	130,399	2,058,951,608
Edu Afya	1	3,500,000	4,862,460,709
County Governments & County Assemblies/Executives	25	58,427	2,695,022,237
Parastatals and Other Public Entities	40	22,332	2,229,901,081
Retired Public Officers	5	1,814	408,027,160
TOTAL	**73**	**3,844,722**	**18,254,362,795**

Table 17: Civil Servants Comprehensive Medical Scheme

FINANCIAL YEAR	FY2019/2020	FY2020/2021	FY2021/2022	TOTAL
Premiums & Contributions	6,138,826,763	6,022,658,067	7,941,258,645	20,102,743,475
Benefits Paid	6,650,824,817	6,291,415,197	8,618,131,112	21,560,371,126
Benefits Pay-out Ratio	108%	104%	109%	107%

Table 18: National Police Service & Kenya Prisons Service Comprehensive Medical Scheme

FINACIAL YEAR	FY2019/2020	FY2020/2021	FY2021/2022	TOTAL
Premiums & Contributions	6,983,517,537	7,028,116,989	7,130,267,535	21,141,902,061
Benefits Paid	7,141,726,047	8,462,367,539	9,884,509,523	25,488,603,109
Benefits Pay-out Ratio	102%	120%	139%	121%

Table 19: Edu Afya Medical Scheme

FINANCIAL YEAR	FY2019/2020	FY2020/2021	FY2021/2022	TOTAL
Premiums & Contributions	4,050,000,000	4,050,000,000	4,050,000,000	12,150,000,000
Benefits Paid	2,334,613,644	1,516,438,158	3,248,095,999	7,099,147,801
Benefits Pay-out Ratio	58%	37%	80%	58%

Table 20: County Governments and County Assemblies Comprehensive Medical Schemes

FINANCIAL YEAR	FY2019/20	FY2020/21	FY2021/22	TOTAL
Premiums & Contributions	3,263,039,986	2,739,988,156	4,426,061,322	10,429,089,464
Benefits Paid	1,554,539,849	1,103,929,875	1,966,058,021	4,624,527,745
Benefits Pay-out Ratio	48%	40%	44%	44%

Table 21: Parastatals Comprehensive Medical Schemes

FINANCIAL YEAR	FY2019/20	FY2020/21	FY2021/22	TOTAL
Premiums & Contributions	2,094,180,160	1,047,798,983	1,201,445,249	4,343,424,392
Benefits Paid	1,743,714,242	823,061,017	1,317,076,537	3,883,851,796
Benefits Pay-out Ratio	83%	79%	110%	89%

Table 22: Retirees Comprehensive Medical Scheme

FINANCIAL YEAR	FY2019/20	FY2020/21	FY2021/22	TOTAL
Premiums & Contributions	330,108,999	551,782,076	508,194,530	1,390,085,605
Benefits Paid	851,377,813	688,025,718	705,634,479	2,245,038,010
Benefits Pay-out Ratio	258%	125%	139%	162%

(f) *Linda Mama* Programme

180. The Government introduced the Free Maternity Services in 2013 to address the high maternal and infant mortality rates. In 2017, the programme was transitioned to NHIF to leverage the robust systems and rebranded to *Linda Mama* Programme. Under the *Linda Mama* Programme, approximately 1.1 million pregnant women enrolled for the programme annually which was the estimated number of births as per the Kenya

National Bureau of Statistics (KNBS) Census 2019 Report. Notably, over 900,000 deliveries were recorded in the financial year 2022/2023. The *Linda Mama* Programme annual budget was Ksh4, 098,000,000. The table below shows the funds disbursements and benefits utilisation for the *Linda Mama* Programme in the last three (3) financial years:

Table 23: Programme Funds Disbursement and Benefits Utilisation

	2020/2021	2021/2022	2022/2023
Balance Brought Forward from Previous FY	2,564,562,271	(2,383,577,090)	2,019,486,726
Funds transferred to NHIF	-	8,196,000,000	4,098,000,000
Total Funds available	2,564,562,271	5,812,422,910	6,117,486,726
Benefits			
Inpatient	1,312,328,570	747,279,078	1,417,035,192
Caesarean Section	711,534,353	598,954,101	763,288,833
Normal Delivery	2,332,660,545	1,978,327,987	2,538,580,959
Ante-Natal	528,633,291	426,515,462	571,707,974
Post-Natal	62,982,602	41,859,556	84,363,929
Sub-Total Benefits	4,948,139,361	3,792,936,184	5,374,976,887
Balance Carried Forward to Next FY	(2,383,577,090)	2,019,486,726	742,509,839

(g) Sponsored Programmes Report

181. The objective of the Kenya UHC Policy 2020 – 2030 was geared towards expanding access to comprehensive health services, especially for underserved, marginalised, and vulnerable populations, while protecting them against financial catastrophe. Sponsorship of indigents was vital in the journey towards the achievement of Universal Health Coverage for all Kenyans by ensuring that while those who could pay made contributions for their NHIF monthly premiums, the poor and vulnerable in the society were paid for.

182. The Government of Kenya was the biggest sponsor with 1.3 million indigents in three (3) Government health insurance subsidy programmes: HISP-OVC, HISP-OPSD and UHC Indigents Cover. In the Financial Year 2022/2023, there were seventy (73) sponsorships covering 1,435,330 indigent households broken down as follows:

Table 24: Sponsored Programmes for the Year 2022/2023

Sponsor	Number of Sponsors	Households Covered
Government of Kenya	1	1,312,200
County Governments	11	72,213
National Government Constituency Development Fund (NG-CDF)	51	26,270
Other Sponsors	5	24,140

Wards	6	507
Total	**73**	**1,435,330**

Table 25: Government of Kenya Indigents Sponsorships

NO.	Program Code	Name of Programme	No of Households Sponsored
1	500500	UHC Indigents Cover	1,000,000
2	99999	HISP-OVC	253,400
3	101673	HISP-OPSD	58,800
	Total		**1,312,200**

Table 26: County Governments Indigents Sponsorships

NO.	Sponsor Code	County	No of Households Sponsored
1	501921	Kisumu (MARWA Cover)	21,000
2	458747	Lamu	20,000
3	603198	Murang'a (Kangata Care)	20,000
4	583627	Kitui	7,000
5	592702	Samburu	1,500
6	593906	Tharaka Nithi	1,083
7	101404	Elgeyo Marakwet	860
8	582294	Meru County (Mwangaza Care)	299
9	122033	Baringo	250
10	451094	Makueni	210
11	604431	Bungoma County Woman Rep Group	11
		Total	**72,213**

Table 27: National Government Constituency Development Fund (NG-CDF) Indigents Sponsorships

Sponsor Code	Sponsor Name	No of Households Covered
1 98369	UNHCR-Vulnerable Persons	8,032
2 98369	UNHCR-Dafi Students	518
3 487878	UNHCR-Kakuma Refugees & Host Community	13,731
4 556848	AmpathPlus Bunyala Sub County	1,072
5 604324	Mombasa Cement Sahajanand Sponsored Programme-Primary	787
Total		**24,140**

Table 28: Wards Indigents Sponsorships

	Sponsor Code	Ward	No of Households Covered
1	597514	Likuyani	100
2	597891	Kongoni	100
3	597891	Sango	100
4	597898	Nzoia	100
5	597902	Sinoko	100
6	495799	Mayeye	7
	Total		**507**

183. County Governments, NG-CDF, Wards and Other Sponsors complimented the Government of Kenya in sponsorship of the indigent population. The target was for sponsorship of 5.1 indigent households based on the 2019 National Population Census.

(h) Capitation Payment Report for the Last Four (4) Years

184. Capitation was a payment model in which all contracted providers were paid in advance at a predetermined fixed rate to provide a defined set of services for everyone enrolled with the provider for a fixed period. It was an output-based model, where the unit of output was the coverage of all predefined services for an individual for a period of one quarter. NHIF used this payment mechanism to purchase outpatient services.

185. Only healthcare providers under the NHIF Comprehensive contract offered outpatient services through a capitation provider payment model. The table below shows the trend in outpatient capitation payments to NHIF empanelled and contracted healthcare providers in the last four (4) years:

Table 29: Outpatient Capitation Payments Per Healthcare Provider (HCP) Category

Period	Public HCPs (Ksh)	Faith-Based HCPs	Private HCPs	Total Capitation (Ksh)
2019/2020	1,176,743,363	1,404,721,153	3,606,250,847	**6,187,715,365**
2020/2021	574,613,277	964,636,616	2,287,167,781	**3,826,417,673**
2021/2022	1,393,242,697	1,263,153,210	2,985,773,581	**5,642,169,488**
2022/2023	2,586,830,840	1,426,870,334	3,290,336,494	**7,304,037,668**

186. At the rollout of the outpatient cover following enhancement of NHIF contributions and benefits in 2015 NHIF members were required to visit NHIF Branch Offices and contracted healthcare providers to select their preferred outpatient healthcare providers aided by NHIF Officers and healthcare providers' staff. Although that arrangement was meant to provide convenience to NHIF members, it faced several challenges with several complaints from members that they were allocated healthcare providers they had not selected.

187. Several attempts were made to address the complaints and correct the errors but when complaints persisted, in 2020 a decision was made to clean up the system by releasing all NHIF beneficiaries from the allocated outpatient healthcare provider and allowing them to personally select their preferred outpatient healthcare provider using their mobile phones. Following that outpatient data clean up there was a significant reduction in capitation payment for the financial year 2020/2021.

SUBMISSIONS BY MR GILBERT MUGAMBI OSORO, UHC MANAGER

188. Mr Gilbert Mugambi Osoro, the UHC Manager appeared before the Committee on 8th August 2023 while on oath submitted as follows:

189. NHIF had approximately 15.7 million cumulative members of which approximately 7.2 million were the principal contributors. The total enrolment membership as at 30th June 2023 was 16,210,351 out of which 7,106,911 were active members which constituted 44%. As of 8th August 2023, 5.9 million members had been biometrically enrolled. There were NHIF contributors who had not yet presented themselves for biometric registration.

190. In 2020, upon the pronouncement of UHC scale-up by the Government, biometric enrolment of all NHIF beneficiaries was kickstarted and NHIF immediately embarked on a nationwide biometrics registration.

191. In 2021, NHIF carried out three (3) extensive countrywide field biometrics registrations which resulted in 3.3 million new registrations that year. However, mostly, only the active NHIF principal members turned up for registration and this explained why the total figure of biometrically registered beneficiaries of 7,881,032 related closely with the total active membership of 7,106,911.

192. When beneficiaries presented themselves to facilities seeking services, their biometrics registration was taken. If members' biometrics could not be used, a one-time SMS Password (One Time Pin) was initiated by the facility and provided through the beneficiary's phone.

SUBMISSIONS BY DR SAMSON KUHORA AG. CEO NHIF

193. The role of the Department was to provide organisational policy and strategic direction in the demand market analytics, value-based financing models, design, and scope of benefits, costing and sustainability strategies, strategic procurement, payment models and reimbursement, health technology assessment and utilisation analysis.
194. Dr Samson Kuhora on oath submitted the following documents:

(i) Structure and operations of the Benefit Design and Actuarial Services Department;
(ii) Utilisation reports for *Edu Afya,* Kenya Association of Retired Officers (KARO) Former Parliamentarians Association (FOPA), National Police Services, and Kenya Prisons Services;
(iii) Utilisation Report for National Schemes; and
(iv) Claims payment ratio for the NHIF for the last two years.

195. The utilisation per year was on an upward trend, with the 2022/23 FY surpassing the 100% utilisation. This was attributable to the fraud risk, especially with the outpatient cover (Provider Payment Mechanism (PPM) was a Fixed Fee for Service (FFFS) which overproduced the hospital visit rate), increased awareness through sensitisation platforms, and uncontrolled pricing for the benefit. He stated that surveillance had been increased to reduce the risk of fraud and suspension of contracts for providers engaged in fraud, and mitigation of the risks related to staff and process-induced fraud.

196. The retirees' scheme was a high utilisation account due to the age and disease-related risk factors. The average utilisation per member was high, and the loss ratio was also high, despite the risk-adjusted premiums adopted in 2020/21. The mitigation measure was to have a post-retirement medical scheme for former government workers, where contributions started in the pre-retirement ages. The other mitigation measure was the roll-out of the essential benefits package that has chronic/critical illness financing from the Exchequer. The dip in 2021/22 was attributed to an increase in cost for the premiums which reduced the numbers willing to enrol in the scheme.

197. The cover for the Police and Prisons Services had a utilisation of more than the 85% threshold. This was attributed to variations in the pricing related to schemes where the cover was based on limits. To address this, the gap was presented to the Board in October 2021 and the resolution was to cost services through the Ministry of Health. This was partially achieved in 2022/24 contracts and was being done for the Essential Benefits Package (EBP) in the planned UHC roll-out. Additionally, the scheme's PPM for outpatient services exposed the Fund to overproduction risk. The utilisation data was used to estimate the risk and calculate premiums in 2022/23 and on presentation of the data, the scheme opted to exit the cover by the Fund.

198. The loss ratio for the National Scheme had been on a downward trend in the last three (3) years. This was largely due to controls in the informal sector of the national scheme, including price, scope and access controls in the benefits. The formal sector retention also increased from 72% to 78% in the post-COVID period, and the utilisation was retained below 60%.

Table 30: Utilisation for *Edu Afya*, KARO and FOPA in the last 2 years

***EDU AFYA* MEDICAL SCHEME**				
	2019/20	**2020/21**	**2021/22**	**3Y data**
Premiums & Contributions	4,050,000,000	4,050,000,000	4,050,000,000	**12,150,000,000**
Benefits Paid	2,334,613,644	1,516,438,158	3,248,095,999	**7,099,147,801**
Benefits Pay-out Ratio	**58%**	**37%**	**80%**	**58%**

Table 31: Retirees Medical Scheme Utilisation for 2020 and 2021

RETIREES MEDICAL SCHEME				
	2019/20	**2020/21**	**2021/22**	**3Y data**
Premiums & Contributions	330,108,999	551,782,076	508,194,530	**1,390,085,605**

Benefits Paid	851,377,813	688,025,718	705,634,479	**2,245,038,010**
Benefits Pay-out Ratio	**28%**	**125%**	**139%**	**162%**

Table 32: NPS/KPS Utilisation reports for 2020 and 2021.

NPS & KPS MEDICAL SCHEME				
	2019/20	**2020/21**	**2021/22**	**3Y data**
Premiums & Contributions	6,983,517,537	7,028,116,989	7,130,267,535	**21,141,902,061**
Benefits Paid	7,141,726,047	8,462,367,539	9,884,509,523	**25,488,603,109**
Benefits Pay-out Ratio	**102%**	**120%**	**139%**	**121%**

Table 33: Utilisation for National Scheme.

NATIONAL HEALTH SCHEME				
	2019/20	**2020/21**	**2021/22**	**3Y data**
Premiums & Contributions	31,254,581,423	31,621,331,719	34,071,068,025	**96,946,981,167**
Benefits Paid	29,971,058,098	26,316,725,366	27,353,750,116	**83,641,533,580**
Benefits Pay-out Ratio	**96%**	**83%**	**80%**	**86%**

1. **Claims Pay-out for NHIF.**

Table 34: Aggregated income and expenditure data for all the schemes in the last 3 years

	Fy2019/20	**Fy2020/21**	**Fy2021/22**	**Total**
Premiums & Contributions WIBA NPS/KPS	-	1,147,797,220	2,877,255,761	4,025,052,981
Premiums & Contributions WIBA CS	-	1,450,606,302	6,873,209,875	8,323,816,177
Premiums & Contributions Retiree Schemes	330,108,999	551,782,076	508,194,530	1,390,085,605
Premiums & Contributions Parastatals	2,094,180,160	1,047,798,983	1,201,445,249	4,343,424,392
Premiums & Contributions OPPSD	252,000,000	276,000,000	352,800,000	880,800,000
Premiums & Contributions_ NPS/KPS	6,983,517,537	7,028,116,989	7,130,267,535	21,141,902,061

	Fy2019/20	Fy2020/21	Fy2021/22	Total
Premiums & Contributions NHS	31,254,581,423	31,621,331,719	34,071,068,025	96,946,981,167
Premiums & Contributions Indigent Sponsorship	-	-	3,042,000,000	3,042,000,000
Premiums & Contributions Hispovc	1,091,808,000	1,341,820,000	1,520,400,000	3,954,028,000
Premiums & Contributions_Fmp	4,041,850,985	4,881,426,228	4,164,582,667	13,087,859,880
Premiums & Contributions_Edu Afya	4,050,000,000	4,050,000,000	4,050,000,000	12,150,000,000
Premiums & Contributions_Cs	6,138,826,763	6,022,658,067	7,941,258,645	20,102,743,475
Premiums & Contributions_County Schemes	3,263,039,986	2,739,988,156	4,426,061,322	10,429,089,464
Total Income	**59,499,913,853**	**62,159,325,740**	**78,158,543,609**	**199,817,783,202**
Benefits Paid_Wiba NPS/KPS	-	834,672,639	2,862,753,432	3,697,426,071
Benefits Paid_Wiba Cs	-	1,420,143,569	6,790,954,170	8,211,097,739
Benefits Paid Retiree Schemes	851,377,813	688,025,718	705,634,479	2,245,038,010
Benefits Paid_Parastals	1,743,714,242	823,061,017	1,317,076,537	3,883,851,796
Benefits Paid_Oppsd	18,788,821	80,068,379	91,413,962	190,271,162
Benefits Paid_NPS/KPS	7,141,726,047	8,462,367,539	9,884,509,523	25,488,603,109
Benefits Paid_NHS	29,971,058,098	26,316,725,366	27,353,750,116	83,641,533,580
Benefits Paid_Indigent Sponsorship	-	-	1,361,557,798	1,361,557,798
Benefits Paid_Hispovc	53,804,656	253,128,733	290,537,742	597,471,131
Benefits Paid_Fmp	4,041,850,985	4,881,426,228	4,164,582,667	13,087,859,880
Benefits Paid_*Edu Afya*	2,334,613,644	1,516,438,158	3,248,095,999	7,099,147,801
Benefits Paid_CS	6,650,824,817	6,291,415,197	8,618,131,112	21,560,371,126
Benefits Paid County Schemes	1,554,539,849	1,103,929,875	1,966,058,021	4,624,527,745
Total Benefits Paid	**54,362,298,972**	**52,671,402,418**	**68,655,055,558**	**175,688,756,948**
Benefit Pay-out Ratio	**91%**	**85%**	**88%**	**88%**

199. Overall, when computed against accrued premiums, the utilisation ratio reduced to 88% in 2021/22.

200. As part of its healthcare financing mandate, the Fund procured additional medical services for negotiated/managed schemes at an additional premium. The schemes had

additional benefits like optical and dental services, over and above the National Scheme, and had the beneficiaries tiered into lower job-groups (L-JGs), higher-JGs or their equivalents.

201. In the 2019 benefits review exercise, the 5-year utilisation data suggested that all factors kept constant, managed schemes would become unsustainable if the utilisation was not checked. Additionally, about 43% of the 69 schemes sampled had a significant risk of the Medical Loss Ratio (MLR) exceeding 85%.

202. The root-cause analysis suggested the design of the contracts with no specified limits per service offered, the risk posed by the Provider Payment Mechanism (PPM) on OP services and low threshold for checks in the claims processing could be significant drivers to the utilisation. The short-term interventions were related to claims processing and sustainable benefits, with the medium- and long-term interventions focusing on provider and scheme contracts, rational costing of benefits, adjustment of premiums payable and standardisation.

203. The short-term intervention on benefits and claims targeting upscaling and over-costing of benefits was implemented in August 2019 by separation of the IP services case-codes from the auto-generated rebates. The throughput was monitored monthly, and system checks were enhanced. As at the end of the 12-month utilisation period, the crude analysis of 42,800 requests suggested the Fund could have lost up to Ksh1.70 billion in exaggerated claims and ineligible claims, out of Ksh5.73 billion worth of requisitions, had the checks not been implemented; a 29.3% medical fraud risk.

204. A 10% sample was used to make an adjusted analysis of the actual losses averted and simulate the efficiency of the interventions. From the sample, fraud risk was 36.1%, with the cost of exaggerated bills presenting a 44.7% risk of medical fraud, worth Ksh124.1 million; and ineligible requisitions, worth Ksh153.5 million.

205. From the intervention analysis, full implementation of the automated backend system checks, as a prerequisite to transition from the manual checks to auto adjudicated checks, and the rational costing of benefits were likely to have a significant impact on reducing risk of medical fraud and losses for managed schemes. This was likely to extend to the national scheme especially for the non-packaged benefits; and for non-packaged benefits, the exposure of members to exorbitant Out-of-Pocket (OOP) payments in financing treatment plans. This would complement the impersonation risk that was being addressed by biometric identification.

206. At the end of June 2020, the Civil Servants Scheme was in its eighth year since inception on 1st January 2012. Under the medical insurance, principal members together with six dependents were entitled to outpatient and inpatient care, group life and last expense cover. The outpatient cover catered for all outpatient procedures including dental and optical services while inpatient cover included all inpatient procedures.

207. The county government's scheme started in 2014 and twenty-three counties and five county assemblies had signed up where 30 schemes were active, and parastatals had signed covers worth Ksh1.3 billion. The Fund also offered medical cover to private

companies and associations. The total registration under the Private Schemes and Associations was 4,076 principal members, with premiums of Ksh410 million. The National Police Service and the Kenya Prisons Service, with 21,566 principal members, accessed comprehensive medical insurance cover for its employees. The scheme was in its third year of implementation. The external actuary report identified varied risk and suggested mitigation measures.

No	Risk Identified	Risk Assessment	Risk Mitigation
1	Risk Management	•The benefit structure of a Managed Medical Scheme requires a unique risk management framework.	Risk Management framework should be designed and implemented to take care of all risks identified in in particular operational risk.
2	Investment Return	Premium is received annually and in advance and investment income can improve profitability.	Design and implement a investment policy statement for Managed Medical Schemes.
3	Premium Collection	The market is experiencing late payment of premium.	Premium should be collected in a timely manner, preferably in advance as per the agreed frequency (annually, quarterly or monthly).
4	Natural Claim Volatility	The projected claims in a managed scheme is affected by frequency (how many lives get sick) and severity (cost per hospital visit)	Cost controls should be introduced to reduce volatility of claims. These include copay/deductibles, review of hospital panel, wellness programs and sub limits on certain benefits.
5	Impaired Lives	The sick members in any scheme incur over 30% of the total benefit pay-out.	Special programs for example, chronic drug programs should be introduced to manage the sick members of the schemes.. These programs should consider pre-existing, chronic and HIV conditions.
6	Drug Costs	Drug compose 40% of outpatient benefits and 20% of inpatient benefits.	Review of drug costs within the scheme for both inpatient and outpatient benefits.
7	Fraud	Fraud has been observed in the market for all insurers – both private and public.	Development of a fraud control program to cater for overbilling and unnecessary procedures.

Source: Kenbright Actuarial and Financial services (Sept 2019)

208. The Quality Assurance and Contracting Division managed empanelment and accreditation requirements and processes for healthcare providers (HCPs) seeking enrolment into NHIF. They carried out preliminary investigations when a complaint was launched against a contracted HCP and pending hospital benefits access permissions. It was also supposed to obtain accurate hospital biodata, and geo-coordinates, and authenticate the provision of service by assessing available services and capturing verified services using available online platforms.

209. The QA team was further tasked with ensuring facilities correctly fill in the offer letters for the provision of service. For purposes of re-contracting and quality assurance, the team verified Kenya Essential Package for Health (KEPH) levels, capacity of HCPs and actual number of in-patient beds which informed the amount of capitation, rebates and to some extent choice of hospital category. The reassessment exercise helped deter cases of HCPs launching fictitious claims, inappropriate higher levels of care allocated to some HCPs, false and unnecessary admissions and more than actual bed capacity, and

unlicensed medical facilities and staff. The Manager, Quality Assurance and Contracting had the overall responsibility to ensure that empanelled HCPs were contracted.

210. The NHIF had contracted and enrolled 8,886 healthcare providers (HCPs) for 2021-2024 with government service providers being a majority at 6, 006, private service providers at 2, 579 and missions service providers were 301. The QA administrators identified fraud in 42 healthcare providers who had been suspended in the period 2021-2024. Twelve (12) of the suspended HCPs had *Edu Afya* Scheme services suspended, 30 HCPs had all services suspended and Ksh208,536,471 was recommended for recovery.

211. The NHIF was asked to submit a list of the Quality Assurance and their qualifications as indicated in Table 34.

Table 34: **Number of Quality Assurance Officers and their qualifications**

NO	QUALITY ASSURANCE OFFICER I	NO.
1.	DIPLOMA IN CLINICAL MED.& SURGERY	25
2.	DIPLOMA IN COMMUNITY HEALTH NURSING	21
3.	DIPLOMA IN MEDICAL LABORATORY SCIENCES	4
4.	DIPLOMA IN HUMAN RESOURCE MANAGEMENT	1
5.	DIPLOMA IN PHARMACY	2
6.	HIGHER DIPLOMA IN EPIDEMIOLOGY	1
7.	DIPLOMA IN DENTAL TECHNOLOGY	1
8.	BACHELOR OF SCIENCE (MICROBIOLOGY)	2
9.	BACHELOR OF ARTS (PSYCHOLOGY)	1
10.	SAFE CARE - BASIC HEALTHCARE STANDARDS	1
11.	BACHELOR OF SCIENCE IN ENVIROMENTAL HEALTH	1
12.	HIGHER NATIONAL DIPLOMA IN PAEDIATRIC NURSE	1

SUBMISSIONS BY MS JUDITH KARIMI OTELE, CLAIMS MANAGEMENT DIVISION MANAGER NHIF

212. Ms Judith Karimi Otele, the Manager, Claims Management Division appeared before the Committee on 25th July 2023.

213. Ms Otele was responsible for the pre-authorisation of services and was called upon to clarify on:

(i) The role of the Claim Management Division in preauthorisation;
(ii) Staff establishment and qualifications in the Claim Management Division; and

(iii) Allegations that she had travelled on several occasions to India on sponsorship by service providers.

214. Ms Otele submitted on oath that, she heads a team of fifteen (15) staff comprising of eight clinical officers, four nurses, one pharmaceutical technologist, one biochemist and one biomedical laboratory technologist. The Division's role was to review and approve preauthorisation requests. She emphasised that a preauthorisation service was not a claim as other verification procedures determine a claim.

215. She submitted that she had never travelled to India upon which the Chairperson of the Committee directed that she submits her passport for confirmation of the same. Further, she was asked to submit a list of the case management officers and their respective academic qualifications as indicated in Table 34.

Table 35: List of Staff in Case Management

NO	NAME	DESIGNATION
1	Judith Otele	Manager Case Management
2	Edith Njau	Snr Case Management Officer
3	Daisy Chepkoech	Case Management Officer
4	Issac Mutai	Case Management Officer
5	Hassan Bagaja	Case Management Officer
6	Rebecca Anyumba	Case Management Officer
7	Doreen Kaburu	Case Management Officer
8	Gloria Mutave	Case Management Officer
9	Janet Rotich	Case Management Officer
10	Marian Kochalle	Case Management Officer
11	Iryne Silantoi	Case Management Officer
12	Mary Kasila	Case Management Officer
13	Sarah Kamau	Admin Case Management

SUBMISSIONS BY MR ISSAC ALI, HEAD OF PROVIDER MANAGEMENT NHIF

216. Mr Issac Ali, the Head of Provider Management and a geologist by training appeared before the Committee on 25th July 2023.

217. Mr Issac Ali submitted that he heads a team of Quality Assurance Officers who are based at the NHIF branch offices. The role of the QA officers is to confirm claims from facilities under their jurisdiction for payment. He submitted that there are seventy-five

(75) Quality Assurance officers. Some branches, however, did not have quality assurance officers for example Kisii, Nyamira, Garissa and Lodwar. Mr Ali was to submit a list of the quality assurance officers and their respective academic qualifications which is annexed to this report.

SUBMISSIONS BY MR DOUGLAS OWINO, HEAD OF THE QUALITY ASSURANCE AND CONTRACTING DIVISION NHIF

218. Mr Douglas Owino, the Head of Quality Assurance and Contracting Division appeared before the Committee on 19th October 2023.

219. Mr. Douglas Owino on oath explained the process of claims was initiated at the hospitals based on amounts which were predetermined in the contracts signed by facilities and NHIF Branch Managers. The preauthorisation approvals were made through the Case Management team. The Case Management team was made up of fifteen (15) staff who had a health-related academic background.

220. NHIF embarked on healthcare providers' reassessment and re-contracting exercise from 23rd August to 10th September 2021. This involved the evaluation and verification of services of all empanelled healthcare providers for purposes of re-contracting. The HCPs that had expanded and added more services were reassessed to ascertain their capacity and readiness to provide quality services to NHIF beneficiaries. All HCPs were informed to provide certified copies of mandatory documents to the NHIF team before the end of the exercise.

221. Mr Douglas Owino explained that the reassessment was done differently compared to the previous contract cycles as all key regulatory bodies in the health sector were engaged to ensure all empanelled HCPs were complying with the applicable laws and to ensure adherence to the set standards in the provision of healthcare services. Some of the regulatory bodies engaged include:
(i) Kenya Medical Practitioners and Dentists Council;
(ii) Kenya Health Professional Oversight Authority;
(iii) Clinical Officers Council;
(iv) Pharmacy and Poisons Board;
(v) National Cancer Institute; and
(vi) Kenya Medical Laboratory Technicians and Technologists Board.

222. The county governments were also engaged through the Council of Governors on the need to ensure all public health facilities are contracted in line with the UHC implementation agenda.

223. The reassessment found that a total of 1,400 HCPs had been assigned incorrect KEPH levels and these HCPs were referred to KMPDC for re-inspection and re-categorisation and assigning of appropriate levels of care.

224. The primary responsibility of ensuring quality and expected standards lies with the healthcare provider and not NHIF. NHIF can only ascertain quality based on the scores and parameters using the quality assessment checklist however it is not able to check

assure quality in empanelled HCPs as the Fund does not have full control of the internal processes of the facilities.

225. Mr Owino informed the Committee that the Division conducted quality assurance activities and submitted reports on Quality Improvement Plans.

226. He also briefed the Committee on the procedure of suspension of HCPs as provided in section 30 of the NHIF Act which provides that the Board may, at any time, revoke any empanelment. Where the Board intends to revoke the empanelment of a healthcare provider, it shall notify the healthcare provider of the intended revocation, in writing, setting out the reasons for revocation of empanelment. A healthcare provider may, upon receiving the notification submit a written response to the notification within seven days. A healthcare provider whose empanelment has been revoked under this section may apply to the Board for review of the revocation in the first instance and, if dissatisfied with the decision of the Board upon review, appeal to the High Court against such revocation. The Board was also required to cause the name of every healthcare provider whose empanelment is revoked to be published in the *Gazette* and at least three newspapers with nationwide circulation.

227. However, before the 2022 amendments to the NHIF Act, NHIF used to apply section 25 (4)(ii) which provides that upon determination of cases of fraud, a facility could be suspended for not more than five years where it knowingly or fraudulently altered or falsified any information with intent to defraud the Board or to obtain any benefit that it was not entitled to under the Act. Further, the NHIF Act provided that the Board may review such suspension any time after the twenty-fourth month from the date of the suspension.

228. He submitted that most suspended HCPs were flagged by Quality Assurance Officers, especially during surveillance activities.

229. On the issue of collusion on false admissions and false surgeries, he explained that NHIF beneficiaries receive SMS notifications on requests and should be able to report if the request was fraudulent. He further indicated that the existence of false admissions and false surgeries could be a pointer to collusion between an HCP and the NHIF cardholder. Where NHIF staffs was involved then a disciplinary procedure was initiated.

230. Mr Owino provided the status of the healthcare providers that had been suspended in the last five years as follows:

(i) Makindu Nursing Home-of registration number 6662306 suspended on 30th June 2018 - October 2021 for fraudulent billing practices, and misrepresentation of services provided. The facility was reinstated after an appeal for reinstatement. The appeal was presented to the 107th Full Board meeting held on the 3rd August 2021. The facility changed its name to Mulatya Memorial Hospital vide Gazette Notice No. 7592 dated 18th July 2018.
(ii) Patanisho Maternity was suspended on 30th July 2018 for fraudulent billing practices, misrepresentation of services provided and improper Documentation of

medical records. The facility was reinstated after an appeal for reinstatement and reimbursed claims worth Ksh411,000.

(iii) Samaritan Medical Services of registration number 8000901 was suspended from August 2018 to 8th January 2021 for fraudulent billing practices, misrepresentation of services provided and improper documentation of medical records. The facility was reinstated after an appeal following a Board meeting held on 7th July 2022. The facility was also reimbursed claims worth Ksh208,500.

(iv) Tionybei Medical Clinic of registration number 0006358 was suspended from August 2017 until the time of this Inquiry for fraudulent billing, forgery of medical personnel on the clinical notes and prescriptions, claims lacking vital supporting documents such as IDs and copies of NHIF cards. The facility had not yet been reinstated and would only be reinstated after it reimburses NHIF for claims worth Ksh2,387,050 as directed by the Board.

(v) Al Amin Nursing Home of registration number 80001553 was suspended from 30th June 2018 to October 2021 for fraudulent billing practices, misrepresentation of services provided and improper documentation of medical records. The facility was reinstated after an appeal for reinstatement. The decision to reinstate the facility was made at the 107th Full Board meeting held on 3rd August 2021.

SUBMISSIONS BY MR JAMES KAPKIWOK, NHIF BOARD DIRECTOR

231. Mr James Kapkiwok on oath submitted in the presence of the NHIF Board Director and the Chairperson of the Board Sub-Committee on Operations, Strategic and ICT appeared before the Committee on 24th October 2023.

232. The NHIF operations were supported by two systems, the Great Lake System procured in 1998 and the Electronic Health Information Claim System procured in the 2018/2019 financial year. At the time of the Inquiry, NHIF was in the process of procuring an overhaul system upgrade at a total cost of Ksh4.2 billion. The plan was to upgrade the system in phases.

233. The ICT Director submitted that the biometric system was adopted in the 2018/2019 financial year. The total number of members enrolled biometrically as of the date of his submission was 7,805,978.

234. NHIF had facilitated hospitals to register members biometrically and members' unique fingerprint details would be captured whenever they sought services. Members without fingerprints or with poor fingerprints, for example, those working in quarries or those with diseases that affect the quality of fingerprints could use a One-Time Password (OTP) mode of verification.

235. NHIF had taken note of the emerging technologies and would enhance the new contracts to provide for improvements. NHIF had a running contract on the management of the biometric identification process which did provide for the introduction of other aspects of the system from another vendor. He further emphasised being cognisant of other forms of identification such as facial recognition and iris identification.

236. He submitted that the current system had gaps and required an upgrade. The back-office ERP system was to be upgraded at the cost of Ksh750 million which shall take care of the gaps in the current system including hospital assessment, contracting surveillance, actuarial valuation, business enterprise reporting and risk management. The upgrade would therefore ensure:
(i) Automated financial reporting that was exported outside the system;
(ii) Security including against cyber security threats; and
(iii) Optimisation of the current system in terms of documentation and audit trails.

237. Preauthorisation requests which were being processed in the system and being reviewed by Quality Assurance Officers were also in the process of automation to have the details verified electronically to around 80% and only a few will need human intervention. This would ensure fraud reduction.

238. The contracting process was not well managed and therefore there was a need to have an E-contracting process. Issues of analytics were also limited and most of the data was not machine-readable.

SUBMISSIONS BY MS ROSE MUGAMBI, HEAD OF SUPPLY CHAIN (JUNE 2020 TO NOVEMBER 2023) NHIF

239. Ms Rose Mugambi, seconded to the NHIF as Head of Supply Chain from June 2020 to November 2023 appeared before the Committee on 26th October 2023.

240. Ms Rose Mugambi while on oath submitted evidence on the role of procurement in contracting service providers, contracting of legal services and how MMA advocates were contracted during the processing of the MTRH loan and procurement of WIBA cover for government employees. She submitted that as at the time that she was seconded to NHIF, the procurement division was not involved in any aspect of contracting of providers (Hospitals) as this was a role of Beneficiary Management and Contracting and Quality Assurance Division.

241. She explained that as per the Public Procurement and Asset Disposal Act, Cap. 412C contracting of advocates was conducted through prequalification of bidders through open tender. She was however not at the NHIF in 2018 during the contracting of MMA advocates and the MTRH Loan processing.

SUBMISSIONS BY MR JOSEPH TANUI, FORMER AG. HEAD FOR ADMINISTRATION HUMAN RESOURCE, NHIF

242. Mr Joseph Tanui, former Ag. Head of Administration Human Resource appeared before the Committee on 13th October 2023 while under oath submitted the following documents:
(i) The Human Resource Policy and Procedures Manual;
(ii) The Career progression guidelines; and
(iii) The SCAC-approved organisational structure.

(a) Report on promotions for the last five (5) years indicating the staff name, designation, advertisement and interviews undertaken for managerial positions and above.

243. During the last five (5) years, a total of thirty-five (35) staff were promoted. Ten (10) of them were in the management category falling under the purview of board appointment while the remaining twenty-five (25) were under the CEO's delegated authority.

(b) Policy Provision

244. The NHIF policy provided for automatic promotion for non-management staff within the common cadre subject to service and performance. For management positions, the provision was to identify vacant positions and advertise them for competitive filling. However, for the year 2020 management confirmations were put into effect even though there were no advertisements or interviews done. However, a Board paper on the same had been done and was to form part of the agenda for the Governance and Human Resource Committee of the Board in its meeting on 12th October 2023. The resolution of this Committee would be progressed to the full Board for concurrence and further guidance. Thereafter, management would proceed to implement the Board resolution.

(c) World Bank Report on Human Resource Audit and contacts of the consultant

245. The Office of the Chief Executive Officer received a non-commissioned report from the consultant on 18th October 2023. However, it was clarified that this was not a World Bank report but an NHIF-initiated report with the assistance of the Ministry of Health. The Fund had requested assistance from the Ministry at the time it was undertaking restructuring. A consultant was identified by the Ministry and attached to the Fund. The World Bank only paid for services rendered by the consultant. The consultant's contact was as follows:

Name: CHRP Dorcas Kemunto- Wainaina, OGW
Tel Contact : 07584xxx37

(d) Report on disciplinary cases undertaken in the last three (3) years including the Human Resource Advisory Committee Reports

246. A summary of disciplinary cases undertaken in the last three (3) years involving twenty-seven (27) staff was submitted together with copies of the Committee minutes. The above cases were handled in line with the provisions of the Human Resource and Procedures Manual. Following the reporting of cases to the affected officers, they were informed in writing and accorded an opportunity to respond to allegations raised against them. Those whose explanation was found wanting were given the right to appear before the then Staff Advisory Committee (now the Human Resource Advisory Committee) to clarify some areas. Thereafter, the committee resolutions were endorsed and forwarded to the Chief Executive Officer for approval before implementation.

(e) Report on training undertaken both locally and internationally including the staff who benefitted and the departments they represented

247. Out of one thousand seven hundred and seventy-eight (1,778) employees, the Fund trained one thousand four hundred and one (1,401) employees both externally and locally in the Financial Year 2022/2023.

(f) The report on the recruitment and selection and minutes of the NHIF Board meeting approved the appointment of some staff to permanent and pensionable terms of service while the positions were contractual positions for five years

248. The management was in the process of negotiating terms of service for staff in job group HF 3 and above before implementation. A Board Paper to the Board on this issue has been done. The concerned staff are listed in the table below:

Table 35: Staff approved for appointment on permanent and pensionable terms

S. No	Name	Department	Terms of Service
1	Washington Okoth	ICT	Permanent & Pensionable
2	Phyllis Nyakiba	Corporate Communication & Marketing	Permanent & Pensionable
3	Joseph Tonui	Administration Services	Permanent & Pensionable
4	Fransisca Mwanza	Budget Planning & Financial Reporting	Permanent & Pensionable
5	Dr Samson Kuhora	Benefits Design & Claims Management	Permanent & Pensionable
6	Ali Issack Abdulahi	Provider Management	Permanent & Pensionable
7	Stanley Wambugu Kariuki	Regional Manager	Permanent & Pensionable
8	Gibson Muhuhu	Beneficiary Management	Permanent & Pensionable

249. Through a letter Ref. OP/SCAC.9/60 VOL II/ (69) of 31st August 2020, the NHIF Human Resource instruments were approved by the State Corporations Advisory Committee (SCAC) for implementation (copy of letter attached). Implementation of the same was delayed due to the then ongoing restructuring process in the Fund. Further, through another letter Ref OP/SCAC.9/60 VOL II (89) dated 9th June 2021, SCAC advised that the Fund proceeds with the transition framework and adopt, among others that;

1. ***.... all staff be vacated from the old structure and be transitioned to the new structure horizontally.....***
2. ***.... where terms of service are translated from permanent and pensionable terms to contract terms or vice versa, the Board shall be required to negotiate with the affected employees and mutually agree on the transition terms....***

250. The Board approved implementation of the instruments in November 2022. The management then embarked on the implementation of the instruments with the guidance of SCAC. The mapping framework was developed and approved by the board. Following this, a mapping report had also been done for submission to the Board for approval for implementation.

251. Upon approval by the Board, full transition to the SCAC-approved structure was to be put into effect following which, as guided by SCAC, the Board would negotiate transition terms with the concerned staff. This would be in tandem with the provisions of Section 2.5.3 of the NHIF Human Resource and Procedures Manual which provided that Officers in level HF 2 and HF 3 will be appointed on a five (5) year contract renewable subject to performance.

(g) Detailed report on officers in acting positions and for what duration as well as the positions

252. The NHIF Human Resource and Procedures Manual provided that the acting appointment would be for six (6) months or until the position was substantively filled, whichever was earlier. The Fund at the time of the Inquiry had thirty-six (36) officers in acting positions. Some were appointed as far back as 2017. However, through Memo Ref HF/HR/21 VOL. V/145 dated 5th February 2021, the office of the CEO approved an extension of the acting appointments. During that time, the following had been done to ensure confirmation of the officers;

(i) The Human Resource Advisory Committee that had been disbanded had been reconstituted with, among others, the mandate to deliberate on the suitability of the acting officers for confirmation.

(ii) A suitability assessment was done, starting with all acting Branch Managers and the report was submitted to the office of the Chief Executive Officer for further guidance.

(iii) NHIF had operated without senior management for some time. Some of the alleged fraud issues required a technical officer in NHIF to identify as they required close monitoring, review, and evaluation of medical documents. The Committee sought information on the technical qualifications of NHIF staff deployed in Quality Assurance and claim management.

SUBMISSIONS BY MS RACHEL MWONYONCHO, CHAIRPERSON OF THE BOARD OF DIRECTORS SUB-COMMITTEE ON HUMAN RESOURCES NHIF

253. Ms Rachel Mwonyoncho, the Chairperson of the Board of Directors Sub-committee on Human Resources appeared before the Committee to clarify matters relating to irregular appointments and promotions at the NHIF.

254. She submitted on oath that appointments in acting capacity had been put into effect by the Board after a suitability assessment was conducted. The confirmations of some of the officers who were in acting capacity were however done by the then CEO of the NHIF, Mr Peter Kamunyo without the involvement of the Board. The Committee then requested for copies of the Board minutes on the acting appointments and report on suitability assessment. These documents were however not submitted.

WRITTEN SUBMISSIONS SENT BY MS JACKLINE RUGURU KAGU A KENYAN CITIZEN OF ID No. 23737800, RESIDENT OF NYERI COUNTY, MATHIRA EAST SUB COUNTY, KARATINA WARD AND A MEMBER OF THE NYERI VETERANS

255. On 22nd May 2023, she received a complaint concerning St. Patrick Hospital Karatina. The complainant alleged that sometime last year there was negligence on the side of the management and staff who work in the side facility which led to her premature delivery and the death of her six-month-old son.

256. On 2nd July 2023 after a fact-finding mission, which had unearthed much, she went public through her social media page (Westkagu Jacque) with the information gathered in the view of catching the interest of the right and intended audience since her social media page has a wide following.

257. On that day she was shocked to receive more complaints regarding the same institution. The post attracted an audience which had structures in place to call upon investigation. This audience included the Nyeri County Governor.

258. On 5th July 2023, the victim who had reached out to her and whose story she had shared on her social media page was called upon by the Health Committee Board in Nyeri County where she recorded her statement and gave her documents of proof. Thereafter, several other victims who had shared their complaints against St. Patrick Hospital Karatina were contacted for the same.

259. Among the allegations includes and not limited to:

(i) NHIF Fraud
(ii) Running a Pharmacy that is not registered with the Pharmacy and Poisons Board.
(iii) Mr Patrick Kimuyu is a Clinical Officer and not A Doctor.
(iv) The facility is not licensed as a hospital facility.
(v) Sub-standard services.
(vi) Issuing wrong prescriptions.
(vii) Giving the wrong diagnosis.
(viii) Loss of life through negligence
(ix) Breaking the Confidentiality Code

260. She called upon the Committee to quickly check on the NHIF fraud incidents raised as per the complaints attached. The victims were very ready to provide necessary proof and documents when called upon.

WRITTEN SUBMISSIONS BY THE KENYA MEDICAL ASSOCIATION (KMA)

261. As a representative body for medical professionals, KMA is dedicated to ensuring the highest standards of healthcare delivery and advocating for necessary reforms within the healthcare sector. In this regard, within its mandate, KMA proposes two areas for reforms at the National Hospital Insurance Fund (NHIF), namely governance and regulation, and investments in digitisation/ICT systems.

Governance and Regulation

262. Healthcare regulation plays a crucial role in ensuring public safety, maintaining and improving quality, establishing entry requirements, achieving equity, and enhancing the efficiency of health systems. The correction of market failures and the NHIF's vision to be the trusted and valued partner in securing the health of the community cannot be achieved without effective regulation. It is imperative to have standards of professional practice regulated by a sizable and influential group of professionals within the institution.

263. Thus, self-regulation has been identified as one of the main regulatory approaches through which quality and public safety can be achieved with the support of mandated professional associations.

Recommendations:

264. As the Kenya Medical Association, we extend our support, technical know-how, and expertise to the NHIF in enhancing governance and regulation. We recommend the following actions.

a) Collaboration with Professional Associations:

265. NHIF should actively engage and collaborate with professional associations such as KMA to develop and enforce standards of professional practice. By involving relevant stakeholders, NHIF can benefit from their expertise, ensuring that healthcare services provided through the insurance scheme meet the highest standards.

b) Strengthening Oversight Mechanisms:

266. NHIF should establish robust oversight mechanisms to monitor and enforce compliance with regulatory standards. This includes conducting regular audits and inspections, as well as taking appropriate actions against non-compliant healthcare providers. By doing so, NHIF can safeguard public safety and promote the delivery of quality healthcare services.

c) **Quality Assurance:**

267. NHIF should provide Clinical Practice Guidelines for use by the NHIF Preauthorization staff in their work. Conduct regular Continuous Professional Development through Continuous Medical Education for NHIF Clinical staff to improve the quality of clinical decisions made. Provide technical support to NHIF in its cost-containment efforts, ensuring quality is never compromised while trying to lower costs.

d) Investments in Digitisation/ICT Systems

268. The NHIF acknowledges that the healthcare industry is prone to fraud, wastage, and abuse, with an estimated annual loss of 29% to 32% due to medical fraud. Considering that NHIF has a benefit pay-out ratio of approximately 90% each year, these losses are significant. Moreover, the lack of full automation in claim processes and the absence of integration between healthcare provider ICT platforms and the NHIF system contribute to significant inefficiencies.

Recommendations:

269. KMA recommends that NHIF invest in digitisation and ICT systems to improve efficiency, reduce fraud, and enhance service delivery. The following actions are proposed.

a) System Integration:

270. NHIF should prioritize the integration of healthcare provider ICT platforms with its system more so facilitate efficient data exchange between providers and the NHIF. By embracing digitization, NHIF can ensure transparency, accuracy, and accountability in its operations.

b) **Fraud Detection and Prevention:**

271. NHIF should adopt advanced data analytics tools to detect and prevent medical fraud. By leveraging technology, NHIF can analyse large volumes of data, identify irregularities, and take prompt action against fraudulent activities. This will safeguard the financial sustainability of the NHIF and promote trust among beneficiaries.

c) **Recruitment of trained and competent healthcare providers**

272. NHIF should employ trained and competent healthcare providers to do preauthorisation and pay claims including enough doctors and retain consultants from the various specialties to help in approval process.

d) **Stakeholder Training and Engagement**:

273. NHIF should provide comprehensive training programs to healthcare providers on the proper utilisation of integrated ICT systems. This will ensure smooth adoption and optimal utilization of the digitized processes, leading to improved efficiency and accuracy in claims processing. Additionally, with high apathy towards health insurance, advocacy efforts via effective communication channels to beneficiaries and households are needed to promote sustainability of the fund.

Conclusion

274. The Kenya Medical Association is committed to the welfare of doctors and the delivery of quality healthcare for all in Kenya. We strongly recommend that the NHIF focuses on governance and regulation, as well as investments in digitization/ICT systems to improve the efficiency, accountability, and quality of healthcare services. By implementing these reforms, NHIF will not only enhance its operations but also contribute to the overall improvement of the healthcare sector in Kenya. The Kenya Medical Association stands ready to provide its support, technical expertise, and collaboration to achieve these objectives.

WRITTEN SUBMISSIONS BY KHADIJA ALI, AN EMPLOYEE OF NHIF

275. The process of claims payment is initiated from the health facilities with confirmation of the provision of treatment and related services, as the contract signed between NHIF and Health facilities. The amounts to be paid are costed and contained in the Benefits Schedule of the contract.

276. The facility is expected to submit clinical notes on the treatment plan and supporting diagnostic notes and films for approval by the Case Management Division of NHIF, headed by the manager Case Management, who is the final and overall decision maker on preauthorisation and approvals of the requests submitted by the facilities for payments of claims.

277. NHIF pays out over 90% of the Ksh80 billion amounting to approximately Ksh72 Billion paid to all healthcare providers. A significant amount, that is over 80% of the pay-outs are approved under the stewardship and authority of the Case Manager Ms Judith Otele.

278. According to a very reliable source, the said Case Manager supervises around 15 case management officers stationed at the head office. The manager, Ms Judith Otele is also involved in approving surgical and other pre-authorised requests, internal audit has failed to flag her involvement in approvals as a risk. Of great concern is her role in the 6 facilities recently captured in expose.

279. Over 60% of the cases approved were done by her. She is married to one Dr Willy Humphrey Otele, a Urologist by practice (Registration Number A3165) who does surgeries in many hospitals across the country including some of the facilities involved in fraud activity recently exposed, surgeries of high value that are cleared and approved by the stewardship of her wife Judith Otele the Case Manager of NHIF.

280. This is a huge conflict of interest that the Fund's HR Department should have pointed out and handled. She operates with a lot of impunity and any staff that questions her conduct is viewed as an enemy of the system and he/she is transferred. For instance, one was transferred in August 2021 for refusing to pay a single claim worth Ksh3.3 million approved by Judith Otele.

281. The said claim was paid immediately the Branch Manager was moved. Of all the officers in the Fund, she mostly works from home and no one questions her absence from work. Colleague staff fears her.

282. For overseas claims, she approves the Guarantee of Payments (GOPs) that are not backed by any policy document and NO standard operating procedures (SOPs). She has sabotaged any effort to put such processes in place. She works with some cartel overseas hospitals mostly in India to agree on treatment costs for patients and goes ahead to approve Guarantee of payments (GPOs) and continues to amend some while the patient is still receiving treatment abroad. NHIF goes ahead to make payments directly to this hospital as per the GOP's issued, notwithstanding the risk involved. Her

movement/travels in and out of the country especially to India is so often on personal invitation by such overseas hospitals doing marketing.

283. Some of her records of travel can be obtained from the HR Department. Her husband who is a practitioner in the medical field has recruited cartel consultant doctors to refer patients outside the country at a fee. Such referral cases are eventually cleared and a guarantee of payments is issued by Case Manager Judith Otele.

284. Therefore, the Committee on Health must be provided with the data on preauthorisation and approvals by the Management Division, including overseas patient data and who has been approving what and how much, and if the approvals are with rate, as costed in the benefits schedule of the contract.

4.2 ANALYSIS OF FACILITIES MENTIONED IN THE MEDIA EXPOSE

4.2.1 ANALYSIS OF JOINT KMPDC AND NHIF AUDIT REPORTS

1. JEKIM MEDICAL CENTRE

A. Background

285. Jekim Medical Centre is licensed by KMPDC, REG No 003416 (issued on 29th November 20222) to operate as a private medical institution at Level 2 (No inpatient services). This facility is related to Jekim Hospital Nkubu Ltd in Nkubu Market, Meru County. It offers comprehensive cover for outpatient and dental services to eligible NHIF beneficiaries.

286. Following the NTV investigative expose titled "NHIF heist: Rogue Hospitals Exposed, We Steal God Heals", Jekim Medical Centre was accused of allegedly organising the medical camps amounting to induced demand. At these camps, the Centre identified patients in need of specialised treatment and referred them to Jekim Hospital Nkubu Ltd for tests and X-rays. These patients were later ferried to Joy Nursing and Maternity Eastleigh Limited and St. Peters Orthopaedic and Surgical Speciality Centre for surgeries.

287. Further, the facility was accused of demand-induced arrangements with schools where they offer free transport to and from schools and snacks and refreshments for students.

288. For the period from 1st July 2021 to 19th June 2023, the facility was paid Ksh7,000,656 by NHIF as indicated below:

Scheme	Number of Claims	Amount Claimed
Edu Afya	3117	3,177,00
Disciplined services	467	685,000
Civil service 2021/2022	395	1,339,399
Civil Service 2022/2023	521	1,667,737
Kenya National Library Services	40	64,700

	Office of DPP	17	61,170
	Multimedia University	1	5650
B.	S		**7,000,656**

c

hedule of payments

(i) Annual capitation for the beneficiary of the National Scheme at Ksh1000

(ii) Annual capitation for a beneficiary of the managed schemes without limits at Ksh2,850

(iii) Fixed fees for services for outpatient to beneficiaries of select management schemes. *Edu Afya* Ksh1000

(iv) Limits apply to beneficiaries of managed schemes with annual allocated limits.

(v) All beneficiaries in managed schemes including *Edu Afya* access specialised laboratory investigations based on preauthorisation.

C. NHIF Audit Finding

Accusation	NHIF Audit Finding	KMPDC	Facility Response	Amount to be recovered
The facility was making claims using the wrong Internal Classification of Diseases Code	58 claims totalling Ksh58,000 wrong ICDS. 171 cases amounting to Ksh295,224 had no vital signs	▪ The facility is registered and licensed as a Level 2 by KMPDC. ▪ The workload is very high vis-a-vis the staffing levels. ▪ NHIF systems were closed so didn't verify information.	Clerical Error Vitals were done but not recorded due to huge workloads.	Ksh360,698
Missing records	20 sampled patient files amounting to Ksh65,474 were not availed		They have employed a trained health records officer	
Students transported from schools	15 out of 21 confirmed having been picked from school		School principals call the facility to plan to avoid clogging	
	13 schools had Jekim medical pre-printed leave-out sheets.			

2. JEKIM HOSPITAL NKUBU LTD

289. Jekim Hospital Nkubu Ltd is licensed by KMPDC, under Reg/ No.016774 to operate as a Level 4 private medical institution. The facility is located in Meru County, Imenti South Sub-county. The facility had a valid comprehensive contract for the provision of healthcare services to beneficiaries of the National Health Insurance Fund in FY 2022-2024.

Services allowed to be offered regarding the contract with NHIF

290. Jekim Hospital Nkubu Ltd is contracted to offer various services namely outpatient, inpatient, dental, optical, and radiological services (x-ray and ultrasound), maternity packages (*Linda Mama* services) and surgical packages (major and minor surgeries).

Accusations

291. NHIF and KPMDC inspected the facility following the NTV investigative expose titled "NHIF Heist: Rogue Hospitals Exposed, We Steal God Heals". It was alleged that the facility had offered radiological services and X-rays to demand-induced patients from medical camps.

Findings by KMPDC

(i) The facility is registered and licensed as a Level 4 by the Kenya Medical Practitioners and Dentists Council.
(ii) The facility was found clean at the time of the inspection with adequate infrastructure for the level granted.
(iii) The services offered conform with Level 4.
(iv) The NHIF systems were closed (contract cancelled) thus difficult to verify information at the time of inspection.
(v) The facility was not operational at the time of the inspection (had complied with the directive issued).

Recommendations by KMPDC

(i) To continue operating as a level 4 facility
(ii) The Council to re-inspect the facility within the next three (3) months.
(iii) KMPDC to lift the suspension on the facility license.
(iv) NHIF to investigate the issues raised.

Audit Findings by NHIF

(i) Harleys and Smith company provides the arthroscopic machines to perform arthroscopic procedures since Jekim Hospital Nkubu Ltd has no arthroscopic machines.
(ii) Jekim Hospital Nkubu Ltd subjected NHIF to a loss of Ksh4,700,000 due to anomalies ranging from the incomplete register, the facility not having the capacity to offer arthroscopic, meniscectomy and chondroplasty, an omission in the recording of the patients' names in the theatre's register and performed procedures not in the contract and unnecessary visits due to induced demand thus increasing unwarranted benefits.
(iii) Jekim Hospital Nkubu Ltd and Ruai Family Hospital (RFH specialist) did not follow referral protocol while taking X-rays and admitting patients from referring doctors or hospitals.
(iv) A sample size of 82 inpatient files was verified and anomalies were identified in 20 of unwarranted admissions and long stays. A financial loss of Ksh262,000 due to unwarranted admissions and long stays were identified.
(v) There was excess bed capacity against the approved capacity of 80 beds exposing NHIF to loss of funds equivalent to Ksh403, 000.

(vi) Review of 50 sampled outpatient files revealed that 22 had their diagnosis not tallying with the history of presenting illness and unnecessary laboratory services which led to financial loss of Ksh114, 745.00 by NHIF.

Recommendations by NHIF

(i) The Ag. Director Beneficiaries and Providers Management to liaise with Ag. Director ICT to enhance the system such that notification is within the approved bed capacity and additionally to ensure that the facility refunds Ksh403,000.
(ii) The Head of Provider Management to ensure the facility refunds Ksh114,745.00 accrued through diagnosis that did not tally with the history of presenting illness and unnecessary procedure. The facility to also refund Ksh262,000 due to unwarranted admissions and long stays.
(iii) The NHIF Management should remove or extract the arthroscopic procedure from Jekim Hospital Nkubu Ltd Limited contract and matrix until they acquire an arthroscopic machine and re-assessments done to confirm the same.
(iv) The Head, Provider Management to ensure Jekim Hospital Nkubu Ltd refunds Ksh4,700,000 for anomalies ranging from incomplete register, facility not having capacity to offer arthroscopic, meniscectomy and chondroplasty.
(v) Both Jekim Hospital Nkubu Ltd and RFH specialists to be suspended for failing to follow referral protocol while taking x-rays and admitting without referral letters from referring doctor or hospitals.

3. JOY NURSING AND MATERNITY EASTLEIGH LIMITED

292. Joy Nursing and Maternity Home, operating as Joy Nursing and Maternity Eastleigh Limited, is a private health facility licensed to function as a Level 4 hospital. It is situated in Eastleigh, adjacent to the Mathare slums in Nairobi County. The facility has a total inpatient bed capacity of 20.

293. According to Level 4 facility licensure requirements, the following criteria must be met: a minimum of 24 beds with at least 6 beds allocated to each ward (female, male, paediatric, and maternity). Additional services should include comprehensive outpatient care featuring a minimum of 4 resident specialists, particularly in the fields of general medicine, paediatrics, gynaecology and surgery. These specialists should offer medical case management, paediatrics, obstetrics, and gynaecology care and both surgical outpatient and inpatient care.

294. Additionally, a Level 4 facility should possess a Class D laboratory licence, a blood transfusion unit, a fully operational radiology unit, a functional maternity theatre, advanced life support for emergency care, and mortuary and autopsy services. This facility however does not have resident physicians, paediatricians, gynaecologists and surgeons as per the Kenya Quality Model for Health (KQMH) guidelines.

Services Provided Under NHIF Contract

295. Joy Nursing and Maternity Eastleigh Limited held contracts covering the 2018-2021 contract cycle which were later extended to 30th June 2022, and the 2022-2024 contract cycle. Under these contracts, the facility was authorised to provide the following services:

(i) Provision of outpatient capitation services to NHIF Beneficiaries under the National and Managed Scheme.
(ii) Provision of outpatient Fixed Fee for Services to *Edu Afya* at Ksh1,500 per visit.
(iii) Provision of outpatient Fixed Fee for Services to National Police Service and Kenya Prisons Service Scheme at Ksh2, 000 per visit.
(iv) Provision of inpatient medical care and treatment on a rebate basis to National and Managed Scheme beneficiaries at Ksh3, 000 daily.
(v) Provision of comprehensive surgical services to National and Managed Scheme beneficiaries as per the contracted rates.
(vi) Provision of *Linda Mama* benefit package at Ksh6, 000 (normal delivery) and Ksh17,000 (C-section deliveries).
(vii) Dental and optical benefit packages to National and Managed Scheme beneficiaries as per the contracted rates.

Accusations against Joy Nursing and Maternity Eastleigh Limited

296. The facility faced several allegations including:
(i) Failure to adhere to contractual terms and obligations with NHIF.
(ii) Indictment for ferrying patients from Meru and Tharaka Nithi areas and allegations of patient inducement.
(iii) Claims of patients being induced with monetary cash rewards of between Ksh2,000 to Ksh8,000 to register their biometrics at the facility enabling the hospital to claim for surgical procedures.
(iv) Submission of non-authentic claims to NHIF from July 2021 potentially exposing NHIF to fraud.
(v) Discrepancies between the dates of admission and discharge in hospital and patient files.

NHIF Audit Findings and Recommendations

(i) From July 2021 to 25th May 2023, the facility filed a total of 6,707 claims valued at Ksh368, 868,453, with 2,698 claims worth Ksh3, 835,164 for outpatient care and 4,009 claims worth Ksh365, 033,289 for inpatient care.
(ii) Major surgeries accounted for 2,397 claims worth Ksh297,807,999, while 832 claims worth Ksh59,285,090 were under case code 30 (managed schemes), and 77 claims worth Ksh2,335,000 were for minor surgeries under case code 06.
(iii) There were also allegations of inducements for biometric registration for surgical procedures.

The investigation yielded several findings and accusations, including:

(i) Patients being taken to Jekim Hospital Nkubu Ltd for X-rays and then transported to Joy Nursing and Maternity Eastleigh Limited for further treatment, with no surgeries conducted.
(ii) There was confirmation from 13 telephone calls from patients suspected of being ferried to the facility who also reported no surgeries being performed.
(iii) Discovery of 5 surgical procedures totalling Ksh650, 000 conducted at the facility outside the scope of the services and the signed contract.
(iv) Inability to retrieve 201 patient files worth Ksh25, 495,020 from patient medical records.

(v) A review of 1,137 claims from 1st September to 30th April 2023 indicated potential ferrying and authenticity issues, with preauthorisation for surgeries conflicting with non-surgical MOH diagnoses.

(vi) The falsification of 54 radiology films and a report worth Ksh7,010,000, with manipulated preauthorisation documents to justify surgical procedures such as ORIF.

(vii) Doctors requesting surgical procedures, sometimes with falsified radiology reports, but their names do not appear in the theatre register.

(viii) Billing for surgical services that were never rendered, supported by claims from 60 members who confirmed no surgeries were performed, and an additional 38 members with similar claims.

(ix) Members alleging inducements, ranging from Ksh2,000 to Ksh8,000, to register their biometrics for surgical procedure claims.

(x) Claims that members from Meru and Tharaka Nithi were assessed at Jekim Hospital Nkubu Ltd in Meru County before being transported to Joy Nursing and Maternity Eastleigh Limited in Nairobi, corroborating media exposure allegations.

(xi) Payment of Ksh18,750,000 for 145 claims related to ferried patients and inability to access 637 preauthorisation documents and attachments worth Ksh78,455,000 due to empty NHIF system files.

(xii) Pending claims on the NHIF system totalling Ksh78, 172,000 for the audit period, casting doubt on their validity and recommending verification by the NHIF Head of Provider Management.

Recommendations from the NHIF Audit

(i) Seek a refund of Ksh25, 495,020 for 201 patient files that the hospital was unable to prove services were rendered, in contravention of Clause 2.10 of the contract.

(ii) Seek a refund of Ksh7, 010,000 arising from falsified X-rays and radiology services reports, violating Clause 16 on corrupt and fraudulent practices.

(iii) Seek a refund of Ksh18, 750,000 for claims paid for patients ferried from Meru, Tharaka Nithi, and Embu, violating clause 2.1.8 and the Kenya Health Sector Referral Implementation Guidelines.

(iv) Seek a refund of Ksh7, 790,000 for 64 files with claims paid to the facility but differing procedures as per clinical medical review.

(v) Seek a refund of Ksh650, 000 for claims paid for services rendered at Mother and Child Hospital but paid to Joy Nursing and Maternity Eastleigh Limited.

(vi) Collaborate with government agencies for further investigation and validation of 178 files worth Ksh22, 587,460, suspected to be newly created with discrepancies in patient data and signatures.

(vii) Institute an investigation against Mother and Child Hospital to determine the extent of surgical procedures claimed by Joy Nursing and Maternity Eastleigh Limited.

(viii) Initiate disciplinary action in accordance with the Human Resource Policy and Procedure Manual against specific individuals in NHIF for not observing due diligence while processing claims, resulting in a loss of Ksh64, 430,020.

(ix) NHIF Board should consider unilateral termination of the agreement, revoking the healthcare provider's declaration, or legal action against Joy Nursing and Maternity Eastleigh Limited for contract breach, as outlined in clause 16.2 of the contract.

4. ST PETERS ORTHOPAEDIC AND SURGICAL SPECIALITY CENTRE

297. St. Peters Orthopaedic and Surgical Speciality Centre is a licensed private medical institution per Rule 5 of the Medical Practitioners and Dentist Rules. This licence entitles the facility to operate as a Private Level V hospital in Kiambu County, with a maximum number of 180 in patients.

298. The services offered at the facility as per the NHIF contract were.
   (i) Outpatient Care Package -The beneficiaries must be beneficiaries in the managed scheme with an allocated annual limit for outpatient cover.
   (ii) In Patient Package - Beneficiaries must be beneficiaries of the National and Managed Schemes
   (iii) Surgical Benefit Package - The beneficiary must be a beneficiary of the National and Managed Schemes.

299. The NHIF CEO had directed the NHIF Internal Audit team to investigate the facility following the previous Audit Report and media exposure of impropriety. Two auditors and two quality officers were appointed to investigate the claims lodged against the facility.

Allegations of the previous audit

300. There were three complaints regarding the facility namely:
   (i) Cancellation of patient length of use since there was no surgery done.
   (ii) A team of staff from the facility wooed old people for treatment in Masinga Sub-county, Machakos County.
   (iii) A lady posing as a doctor wooed elderly people with NHIF cards in Meru County and Mount Kenya Region for surgical procedures.

301. Following a review of the Audit Report and documentation submitted in respect of surgeries between 1st January 2021 to 2023, the following observations were made:
   (i) The facility received the highest amount of Ksh1,632,461,500.10, representing 22.8% of the total amount of claims paid by NHIF.
   (ii) 92% of the claims were on major surgeries and specialised surgeries. Minor surgeries accounted for 3.8%.
   (iii) 57 claims of Ksh11, 729,500 had different dates of admissions between NHIF records and hospital files.
   (iv) 77 of these surgeries were elective since patients had no medical notes or referral letters. Only 5 were referrals.
   (v) Hospital records accounted for 73 admissions with 9 missing cases in the patient files.
   (vi) The facility was given a specialised surgery package during the preparation cycle contract, yet it was not part of the instructions from the Benefit and Contracting Department (The facility admitted that it was a Level IV facility.)
   (vii) Unwarranted payment of 1265 claims worth Ksh379, 920,000. Despite being non-comprehensive by virtue of being type C. The facility offered outpatient, in-patient and surgical packages contrary to the communication from the Benefits and Contracting Department.

(viii) The facility has been selectively implementing the contract by doing surgical procedures with no outpatient services offered to capitate members and maternity services.

(ix) The Directorate of Beneficiary and Provider Management changed the facility status from contract type C to type B. The Audit observed that there was no policy to guide change of facility contract type.

(x) The facility maintained different registers for surgical cases and anaesthesia.

(xi) Discrepancy between dates of admission and dates of discharge in the hospital files and patients' files.

(xii) The facility ferried 10 patients from their homes to the facility to undergo surgeries, this is in addition to the eight confirmed in the first audit, totalling 18 patients.

302. It was not clear whether the facility was operating as a Level 4 hospital or a Level 5 as there were so many conflicting reports on the status of the hospital.

303. During the period under review, a total of 608 specialised surgeries totalling Ksh175, 980,000 and 676 major surgical cases totalling Ksh12, 479,000 claims were lodged.

5. AFYA BORA HOSPITAL

304. Afya Bora Hospital is a private healthcare facility licensed by KMPDC Reg No. 006350 (issued on 18th January 2023), to operate as a Level 4 private medical institution. It is located at Wanguru Market in Mwea, Kirinyaga County. It was initially suspended in 2021 for engaging in suspected fraud, wastage and abuse. The suspension was later lifted in September 2022, after investigations by DCI found them not guilty.

305. Afya Bora Hospital and Afya Bora Hospital Annex are both managed by the same Administrator/Director, share key personnel and file registry. Patient files contained documents with logos that belonged to both facilities and had been used interchangeably within a single file.

306. The facility offered comprehensive cover for outpatient, inpatient, surgery, *Linda Mama*, *Edu Afya*, optical and dental services to eligible NHIF beneficiaries.

Accusations

307. In November 2022, NHIF Directorate of Internal Audit received a complaint through the fraud email about a medical heist where several ailing senior citizens, eager to receive treatment and ease medical bills were duped into free medical treatments. Elderly people suffering from arthritis and holders of active NHIF cards were convinced, using various deceitful tactics, to travel to the health facilities on the pretence they would receive free medical services including surgery. However, when patients were discharged, NHIF later paid inflated costs for treatment received at the health facility.

308. Further, following the NTV investigative expose Afya Bora Hospital was accused of allegedly organising the medical camps (Induced demand), identifying patients in need of specialised treatment and referring them to the hospital for tests and consequently surgeries.

309. In 2023 alone, the facility was accused of undertaking several surgical procedures in a single day. For instance, on 7th February 2023, 21 cases were done even though the facility only had 2 theatres and all these cases were done by one orthopaedic surgeon, Dr Allen Sunny Deol of Registration No. C0001438. The facility was thereafter paid Ksh7, 499,000 irregularly for the cases.

310. In the 2021 suspension, the facility was found to have misappropriated Ksh12, 404,000.

NHIF AUDIT FINDINGS

(i) There was no surveillance reports from January to June 2023 despite the high number of hospital admissions (mostly surgical) recorded.
(ii) A review of 17 cases out of the 28 long stays indicated the cases secured admissions following a discharge from Afya Bora Hospital Annex hence raising the possibility that it claimed both rebate and package.
(iii) 5 cases were admitted at the facility before being taken for a surgical procedure at Afya Bora Hospital Annex.
(iv) Inadequate surveillance at the Mwea NHIF office that may have led to payment of unconfirmed claims.
(v) Payment of unauthorised long stay and late claims and weakness of the e-claim system which allowed backdating of notification numbers by staff that had not been issued with login rights.
(vi) Facility claimed for major surgeries worth Ksh26, 090,000 and 18 minor surgeries worth Ksh410,000 for the period under review (Jan-May 2023). Major surgeries accounted for 94% of what the facility claimed from NHIF.
(vii) A review of sampled 113 files for surgical claims revealed that 55 cases were done before the requests could be approved by NHIF while the remaining 58 were done after approval as required.
(viii) Forty-Eight (48) surgeries done before approval were for arthrotomy (not an emergency) amounting to Ksh3, 840,000.
(ix) The team also confirmed that a total of 77 cases (done before and after approval) were arthrotomy and 10 were for open reduction and internal fixation while the remaining 12 were charged at rebates arising from rejected pre-authorizations.
(x) In the patients' care plan, physiotherapy was prescribed but there was no evidence of physiotherapist's reviews.
(xi) Review of the theatre register indicated that 15, 21, 12, 10, 15, and 9 surgical procedures were done on 22/01/2023, 07/02/2023, 03/04/2023, 27/03/2023, 27/01/2023 and 30/01/2023 respectively thus raising concern on quality and capacity of the facility to conduct such high number of surgeries by one surgeon Dr Allen Sunny Deol within a day.
(xii) There was no physiotherapy infrastructure to support the orthopaedic procedures being performed.
(xiii) Twenty –two (22) members who underwent arthroscopy were interviewed through a questionnaire and stated that they were given injections while 19 indicated that a small cut was done, and medicine was injected in procedures that took few minutes.

NHIF Audit Recommendation

The facility engaged in fraud due to inadequate surveillance at the Mwea NHIF office which may have led to the payment of unconfirmed claims.

6. AFYA BORA HOSPITAL ANNEX

311. Afya Bora Hospital Annex is a sister facility to Afya Bora Hospital as indicated in the audit reports conducted by NHIF. The two facilities are about 20 meters apart and operate in many respects like one single facility. Its registration number is 015799 and it operates at Level 4B. It is located in Wanguru Market in Mwea, Kirinyaga County. It was contracted to offer comprehensive cover for inpatient, outpatient, *Linda Mama*, surgery, dental and optical services to NHIF beneficiaries.

312. The facility has three varying KMPDC operating licenses under serial No. 48305, one indicating it as a level 4B (specialised treatment centre), another level 3B (nursing home) and the other level 4, all signed by different KMPDC officers. KMPDC did not respond to this.

313. Afya Bora Hospital and Afya Bora Hospital Annex are both managed by the same Administrator/Director, share key personnel and file registry. Patient files contained documents with logos that belonged to both facilities and had been used interchangeably within a single file.

Accusations

(i) Following the NTV investigative expose, the facility was accused of allegedly organising medical camps (Induced demand), identifying patients in need of specialised treatment and referring them to the hospital for tests and consequently surgeries.
(ii) The facility had conflicting KMPDC operating licenses for the period 2021, 2022, and 2023, for different KEPH levels.
(iii) The facility was paid a total of Ksh13, 670,000 by NHIF. Seventeen (17) long-stay cases secured admissions at Afya Bora Hospital following a discharge from Afya Bora Hospital Annex, hence suspected to have claimed both rebate and package.
(iv) 5 cases were admitted at the facility before being taken for surgical procedures at Afya Bora Hospital Annex (a sister facility) contrary to clause 16.1.2 of the signed contract.

NHIF Audit Findings

(i) Inspection conducted on 22nd June and 6th July 2023 confirmed that the facility had a bed capacity of 41 and NHIF records indicated 40 beds. However, the KMPDC operating license indicated 60 beds.
(ii) A review of system records as of 25th June 2023 showed that the facility had been paid 2,379 claims totalling Ksh386,521,400 in the period under review, where specialised surgery was the majority with 924 claims amounting to Ksh281,790,000 (73%) of the total amount paid.

Case code	Package	No. or Records	Claim Total	%
00	Inpatient	507	8,621,400	2.2
06	Minor Surgery	137	5,386,000	1.5
07	Major Surgery	811	90,721,000	23.4
15	Specialised surgery	924	281,790,000	72.9
	Total	**2,379**	**386,521,400**	**100**

(iii) 1,872 out of the total 2,379 were surgical claims amounting to Ksh377,900,000 relating to the period January 2022 to 25th June 2023.

(iv) A visit to the facility on 22nd June 2023 and 6th July 2023 and a review of 77 sampled clinical files amounting to Ksh18,210,000 revealed the following:

a) Forty-five out of 77 cases were specialised surgeries and 32 major surgeries.
b) All 77 clinical files lacked discharge summaries while 76 lacked X-ray or radiological reports.
c) Late notifications and procedures carried out before preauthorisation approval amounted to Ksh6, 920,000.
d) Claims amounting to Ksh12, 340,000 were for procedures done before preauthorisation approval, late notifications, and member details not in the theatre register.
e) 56 clinical files had consent forms not witnessed by next of kin, three were not filled/signed by either patient or next of kin, and six lacked consent forms.
f) Dr Kevin Ongeti reg. No. A6753, whose credentials were missing from KMPDC register of practitioners, carried out three surgical procedures.
g) The facility did not have an X-ray machine. X-ray services were sought from Afya Bora Hospital, under a service level agreement signed by two managers, Mr Kennedy Murimi and Mr Erick Orina, who were both employees of Afya Bora Hospital Annex and none from the other sister facility.
h) All 77 clinical files sampled lacked physiotherapy forms and notes to indicate post-operative care was offered to patients.
i) All 77 patients were not referral cases, and most were capitated from elsewhere.
j) The facility has a shared receiving and recovery area in the two theatres.
k) Thirty beneficiaries out of 31 confirmed being ferried to the hospital after attending organised medical camps by Afya Bora Hospital Annex in various places including Machakos, Embu, Kirinyaga and Murang'a counties.
l) On 3rd July 2022, the hospital conducted 22 surgeries while on 18th January 2023, it conducted 16 surgeries.
m) Ten NHIF beneficiary payments were made by Afya Bora Hospital and Afya Bora Hospital Annex staff through their personal cell phone numbers.

NHIF Audit Recommendation

The hospital engaged in fraud due to inadequate surveillance at the Mwea NHIF office that may have led to the payment of unconfirmed claims.

7. AMAL HOSPITAL LIMITED

314. Amal Hospital Limited is a Private Practice-Medical Specialist Level 4 hospital located in Eastleigh South (Biafra Shopping Centre, Section 3 Opposite Zawadi Primary School)

Kamukunji in Nairobi County. As of 2021, the facility was fully operational with a capacity of 6 beds. It is regulated under registration number 27807.

315. After the NTV expose, KPMDC officers visited the facility and established that although it was licensed as a Level 4 hospital, the facility did not meet the minimum set requirements for this level at the time of inspection. Among other observations, it was also noted that the facility filled NHIF request form on behalf of patients.

316. NHIF had suspended the hospital for engaging in fraudulent practices of altering and falsifying information in collusion with members to defraud the Fund and obtain benefits to the tune of Ksh11, 453,000 of which Ksh8, 063,000 had been paid to the facility. Another Ksh3, 000,000 in payment was made for the claims sampled translating to 96.6% fraudulent claims. Consequently, the facility was suspended from offering services to NHIF beneficiaries.

317. A review of system records revealed benefits access and utilisation patterns where the facility lodged surgical preauthorisation requests for many employees of the same employers. The highest beneficiaries per employer on surgical procedures were:

(i) Self-employed 56
(ii) Ministry of State for Youth Affairs 23
(iii) Kenya Kazi Services Ltd 12
(iv) Africa Apparels EPZ Ltd 12
(v) Ministry of Home Affairs-Prison Department 11
(vi) Bob Morgan Services Ltd 8
(vii) Machakos County 8
(viii) Office of the President-Police 7
(ix) Securex Agencies (K) Limited 7
(x) Sekura International Ltd 6
(xi) Office of the President-Administration 6
(xii) Hatari Guards 6

318. The Audit team conducted interviews with some of the employees of these entities and it was established that the staff were at work and not admitted yet they had their biometrics taken at the facility.

8. BEIRUT PHARMACY AND MEDICAL CENTRE

319. Beirut Pharmacy and Medical Centre is a Private Practice Level 4 located in Airbase (Eastleigh 8th Street 2nd Avenue) Kamukunji in Nairobi County. As of 2021, the facility was fully operational, and regulated by Kenya Medical Practitioners and Dentists Council under registration number 25450.

320. The quality improvement checklist for contracting of health facilities indicated that Beirut Pharmacy and Medical Centre was assessed, and the overall score was 35.5% for both inpatient and outpatient which was below the threshold of 45%. Nevertheless, Beirut Pharmacy and Medical Centre code 80008904 was updated in the NHIF system and issued with a contract for inpatient and surgical services without assessment.

321. From 1st January 2022 to 1st June 2023, the hospital submitted a total of 1,706 claims. Out of these claims, 1,592 had been paid, amounting to Ksh153, 439,360, while 114 claims, totalling Ksh13,198,580 were pending payment. Of the paid claims, 858 claims worth Ksh59, 461,360 (38.2%) related to enhanced schemes, 731 claims of Ksh93, 888,000 (61.2%) related to major surgeries, and 3 claims worth Ksh90,000 (0.06%) were for minor surgeries.

322. The NHIF Audit found that the facility was engaging in fraudulent practices by altering and falsifying information in collusion with members and defrauding the Fund benefits to the tune of Ksh16,307,000, out of Ksh17,850,000 of claims sampled, translating to 91.4% fraudulent payments.

323. NHIF Officers at the Eastleigh Branch failed to carry out due diligence while executing the contract and processing of claims occasioning a loss of funds of Ksh15, 787,000.

KMPDC Findings

(i) The facility lacked potable water in most service points including the theatre where the theatre staffs were subjected to using basins.
(ii) The facility lacked emergency preparedness protocols and had no emergency trays and no referral mechanisms.
(iii) The facility wards and outpatient departments had poor ventilation and lighting.
(iv) The facility had wanting IPC measures, with a lack of colour-coded bin liners, no running water, and poor drainage.
(v) The maternity ward had no running water, no drainage area, no macerator, no emergency drugs, and no emergency preparedness measures e.g., Ambu bags.
(vi) The facility lacks a macerator.
(vii) The lab had several expired reagents, no running water, no IQCs, poor documentation and sample labelling, and storage of donor blood was done in the same fridge as the reagents.
(viii) The Lab also lacked documentation relating to the servicing and calibration of the equipment.
(ix) The pharmacy met the minimum set requirements.
(x) The operating theatre was wanting in infrastructure, set up and infection control.
(xi) The wards were substandard and lacked running water.
(xii) Review of patient files revealed wanting patient management documentation.
(xiii) The facility did not have standing contracts with visiting consultants.
(xiv) The facility contract with the NHIF was already cancelled in April 2023 and is under investigation.
(xv) The NHIF had suspended the facility for engaging in fraudulent practices by altering and falsifying information in collusion with members and defrauding the fund benefits amounting to Ksh15, 787,000.
(xvi) Both Amal Hospital Limited and Beirut Pharmacy and Medical Centre cases were forwarded to EACC for further investigations.

HOSPITAL VISITS BY THE COMMITTEE

1. AFYA BORA HOSPITAL ANNEX AND AFYA BORA HOSPITAL

324. The Committee visited Afya Bora Hospital Annex and Afya Bora Hospital in Wanguru market, Mwea Constituency on 31st January 2024. Members conducted a consultative meeting with the Hospital Administrator, Ms Bernice Wairimu and Dr Wachira Waigoko who admitted that Afya Bora Hospital and Afya Bora Hospital Annex are connected. The latter manages the Afya Bora Hospital while the former manages the Afya Bora Hospital Annex.

325. Both Afya Bora Hospital and Afya Bora Hospital Annex are private healthcare facilities operating as Level 4.

326. The two facilities were managed by the same Administrators/Directors and share key personnel although though they were registered as different entities by the Kenya Medical Practitioners and Dentists Council and contracted separately by the NHIF.

Figure 1: Theatre room in Afya Bora Hospital Annex

327. They both offer comprehensive cover for outpatient, inpatient, surgery, *Linda Mama*, *Edu Afya*, and optical and dental services to eligible NHIF beneficiaries.

Allegations against Afya Bora Hospital Annex

328. Afya Bora Hospital Annex had been accused of having conflicting KMPDC operating licenses for the period 2021, 2022 and 2023 (Different KEPH levels), sharing of branded letter-heads with Afya Bora Hospital, late notification on procedures done before approvals on non-emergency-cases, patients missing in the theatre registers and not putting in place measures and interventions to prevent and manage beneficiaries with comorbid conditions. Additionally, the hospital had been accused of having Dr Allen and Dr Ongeti undertake surgical procedures at the facility before they were registered by KMPDC. The facility was also cited for lodging claims for services not rendered worth Ksh12, 640,000.

Allegations against Afya Bora Hospital

329. The Afya Bora Hospital had been accused of:

(i) not having physiotherapy equipment despite the high number of orthopaedic procedures carried out at the hospital;

(ii) making requests for major surgery approvals and performing minor incisions;

(iii) engaging Dr Allen Sunny Doel to perform surgeries at the facility between January and March 2023 when he did not have a practicing license;

(iv) undertaking several surgical procedures in a single day for instance on 7th February 2023, Dr Allen performed twenty-one surgeries;
(v) unwarranted long stays; and
(vi) Induced demand.

330. The facility had been accused of inducing demand for orthopaedic surgical procedures through outreach programmes, undertaking an abnormally high number of surgical procedures in a single day done using one doctor by Dr Allen Sunny Deol. The latter performed these surgeries between January and March 2023 at a time when he did not have a license.

331. Out of the sampled twenty-eight (28) cases of long stay, seventeen (17) cases had secured admission following a discharge from Afya Bora Hospital Annex hence claiming both rebate and package. There were also instances where patients were admitted at Afya Bora Hospital before being taken for surgical procedures at Afya Bora Hospital Annex. Also, the facility did not have physiotherapy equipment despite the high number of orthopaedic procedures being performed. 77 arthrotomy cases amounting to Ksh6, 160,000 showed that the facility requested approvals for major surgery (arthrotomy with a diagnosis of osteoarthritis) which was approved but the facility performed minor incisions and drug applications or intra-articular injections which were not classified as major surgery.

332. Out of 60 sampled beneficiaries, 44 confirmed that they accessed medical services aimed at the treatment of knee problems at Afya Bora Hospital because of outreach and that they were ferried alongside others to the facility.

333. The Audit report had recommended a refund of Ksh13, 670,000 from Afya Bora Hospital Annex being payment for services not rendered as the procedures could not be verified and suspension of the health facility.

Response to the Allegations on Afya Bora Hospital Annex and Afya Bora Hospital Annex

334. Dr Wachira submitted that he had not conducted any outreach program but only marketed the Afya Bora Hospital using radio and television-related talks.

335. Dr Wachira submitted that the staff and management of the two health facilities had not participated in or organised any medical camps. They had also not conducted any activity that would result in demand inducement or ferried any patients to the facility for treatment.

336. Dr Wachira claimed that he had been informed of medical camps being conducted in Meru, in the name of the two hospitals. He had been forced to put an advertisement in the local radio stations to warn locals that his hospitals were not associated with the medical camp. He further filed a court case against those who were conducting medical camps in the hospital's name.

337. Dr Wachira explained that it was common for hospitals to secure admissions of patients after discharge from another facility due to developed complications or other illnesses that would not be handled by the other facility. He said they had done operations on emergency cases and later made requests to NHIF, as they would not turn away such patients.

338. Dr Wachira submitted that as an orthopaedic hospital, the hospitals majorly conduct surgeries which account for most of the claims they have been lodging with NHIF. He indicated that he closed Afya Bora Hospital and now only runs Afya Bora Hospital Annex, where he only treats cash-patients who are few. He submitted that he has had problems with preauthorisation in NHIF as the process sometimes takes long hence the reason why the facilities have conducted procedures before approvals in some cases such as emergencies.

339. Afya Bora Hospital Annex had scaled down operations in the facility and did not have patients to meet its operating costs. They submitted that upon suspension by NHIF the other medical insurances had also withdrawn from the hospital as mostly they operate on a co-pay with NHIF in relation to inpatient services. The hospital had laid off 198 staff, further suffered immense loss as debtors have auctioned some of the Director's property and has been forced to pay loans for his staff who were laid off whom he had guaranteed.

340. On the allegation that both hospitals did not offer radiology services, Dr Wachira explained that in his view radiology services did not have to be conducted at the facility as other health partners were offering the radiology and imaging services that the patients could access. Dr Wachira further explained that to qualify for KMPDC assessment as a level 4, he demonstrated that the patients would have access to services from another facility.

2. JEKIM HOSPITAL NKUBU LTD

341. On 1st February 2024, the Committee conducted a fact-finding visit at Jekim Hospital Nkubu Ltd located in Nkubu in Meru County. The facility is affiliated to Jekim Medical Centre (have the same directors) although the two facilities have different management teams and are registered as two different entities by KMPDC and separately contracted by NHIF.

Allegations against Jekim Hospital Nkubu Ltd

342. Jekim Hospital Nkubu Ltd, a Level 4 facility, had been accused of incomplete records, allegations of offering radiological services (X-ray) to demand-induced patients from medical camps that were later ferried to other hospitals for specialised procedures, incomplete registers, the facility not having the capacity to offer arthroscopic,

Figure 2: Jekim Hospital Nkubu Ltd

meniscectomy and chondroplasty services.

343. The facility was also accused of long stays. Additionally, there were claims of induced demand for X-rays without initial tests or referrals and claims that some patients had been lured by the facility and transported from Meru to hospitals in Nairobi and Kiambu for specialised surgeries. The NHIF Audit had recommended the suspension of the hospital and recovery of Ksh5, 589,745 from the hospital.

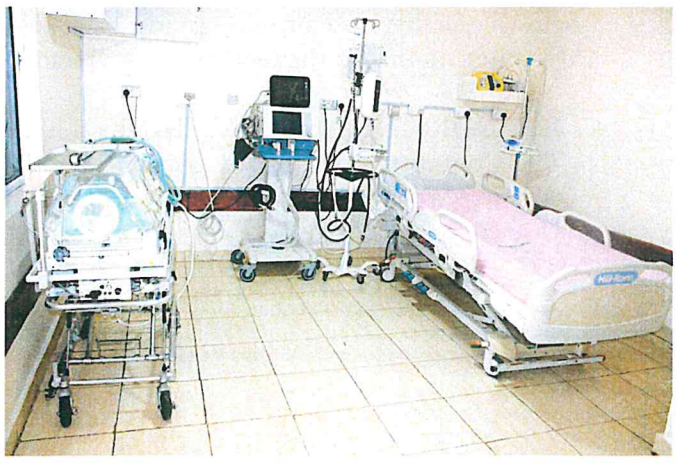
Response to the Allegations on Jekim Hospital Nkubu Ltd

344. The Director of the facility indicated that they did not know whether the patients had been sent by any specific facility and neither did they conduct medical camps to lure unsuspecting members of the public. They denied having had any relationship with Afya Bora Hospital or St Peter's Orthopaedic Centre.

345. He explained that the hospital did not have an arthroscopic machine and had a contract with Harleys and Smith Company for the provision of the same. The hospital however did not get many cases for its usage and thus the consulting physicians make plans for it when the need arises. He emphasised that the hospital only had three cases that needed an arthroscopic machine in the period under review.

346. The hospital management admitted that sometimes there have been cases of omissions on their records as surgeons forget to enter the details after surgery in their records. The hospital management also admitted that NHIF accredited them with eighty (80) beds, but sometimes when the demand is more, they cannot turn away a patient in dire need of help, and that is why the facility added six (6) extra beds in their maternity wing to cater for such cases.

347. The management noted that the Jekim Hospitals did not conduct unnecessary laboratory tests as it would mean a loss on their side as NHIF only pays Ksh2000 for everything, yet some tests are expensive.



348. The management pleaded that the Jekim Hospitals were completely grounded as their clients depended on NHIF to access medical care. The hospitals have also been suspended by private medical insurance which urged them to sort out their matters with NHIF first.

349. At their peak, Jekim Hospitals had over 10,000 NHIF beneficiaries as clients who had selected their facility and at the time of the Inquiry, cash-paying clients were few which forced them to close their in-patient section. They had about 120 staff that has since been reduced to 18.

Figure 3: Empty Wards at Jekim Hospital Nkubu Ltd

3. JEKIM MEDICAL CENTRE

350. On 1st February 2024, the Committee conducted a fact-finding visit at Jekim Medical Centre located in Nkubu in Meru County. The facility is affiliated to Jekim Hospital Nkubu Ltd (have the same directors) although the two facilities have different management teams and are registered as two different entities by KMPDC and separately contracted by NHIF.

Allegations against Jekim Medical Centre

351. Jekim Medical Centre, a Level 2 Hospital was accused of making claims using wrong ICD codes, missing records, and inducement of students through the head teachers to seek *Edu Afya*-sponsored services in the hospital. Further, the facility was accused of demand-induced arrangements with schools where they offer free transport to and from schools and snacks and refreshments. For the period between 1st July 2021 to 19th June 2023, the facility was paid Ksh7,000,656 by NHIF the highest being *Edu Afya* claims amounting to Ksh3,177,000. The hospital had been suspended from offering NHIF-sponsored services and a refund of Ksh360,698 was recommended.

Response to the Allegations on Jekim Medical Centre

352. The facility Director submitted that the hospital as part of its business was offering externally prescribed X-ray services to clients who paid in cash and did not bill NHIF for the same. He explained that during the period under inquiry, the facility was offering X-ray services at the cheapest rate (as low as Ksh500) in the region, and as such they had served many clients who only required the prescribed X-rays.

353. The Director further submitted that the facility did not conduct medical camps to induce students to come to the facility. Schools organised how students came to the facility on specific days that were convenient for them.

354. He further explained that the facility had had a good working relationship with NHIF in the past which had helped the facility to grow. He then implored the Committee to help the facility to continue giving back to the community as most of their former staff are suffering due to the lack of employment.

4. JOY NURSING AND MATERNITY EASTLEIGH LIMITED

355. The Committee visited Joy Nursing and Maternity Eastleigh Limited, on 29th January 2024. It is a private health facility licensed to function as a Level 4 hospital. It is situated

in a residential apartment in Eastleigh, adjacent to the Mathari slums in Nairobi County. The facility has a total inpatient bed capacity of 20.

Allegations against Joy Nursing and Maternity Eastleigh Limited

356. The facility was accused of inconsistency in categorisation, claims above its physical bed capacity, preauthorisation for surgeries yet diagnosis was non-surgical such as osteoarthritis and lumbago, manipulation of radiology films and reports for preauthorisation as support documents to justify surgical procedures such as ORIF for claims worth Ksh7,010,000, billing for surgical services not rendered (60 members interviewed among the 22 ferried confirmed that no surgeries were conducted for claims worth Ksh5,385,00), and billing NHIF for procedures conducted at different hospitals (for example 5 files amounting to Ksh650,000 were emanating from Mother and Child Hospital which were billed by Joy Nursing and Maternity Eastleigh Limited and settled by NHIF.)

Response to the Allegations on Joy Nursing and Maternity Eastleigh Limited

357. The Hospital Director, Mr Kennedy Otieno, noted that the facility is a Level 4 hospital with a bed capacity of 21 as initially, the facility had 40 beds but when they were expanding, they did not have a theatre and removed some beds to give way for the theatre, optical room and dental rooms.

358. Mr Otieno was adamant that the facility did not licence itself as a Level 4 facility. The facility just applied and was registered as a Level 4 facility after inspection by someone from KMPDC. He further stated Quality Assurance officers from Eastleigh branch, whom he did not know by name, had inspected the facility for accreditation.

359. He explained that patients follow due procedures when they get admitted at the hospital, including having their biometrics taken even for the patients referred to the hospital by their visiting consulting doctors. He noted that surgeons could work in shifts at the hospital, and thus the high number of surgical procedures recorded.

360. Mr Otieno denied any relationship with Jekim Hospital Nkubu Ltd. He also denied that patients were being ferried from medical camps for surgeries at his facility. He however noted that their doctors have not been restricted from bringing their patients to utilise their theatres for various procedures although he had no written agreements with the seven doctors that he had given credentials to use his facility.

361. He denied having been contacted by NHIF over the decision to refund Kshs73,964,470 and instead indicated that the NHIF still owes the facility Kshs78 million.

362. Mr Otieno further submitted that the hospital was not functioning during the site visit as the facility was adhering to suspension of the hospital's licence by the KMPDC. He indicated that KMPDC had suspended the hospital's licence since its theatre did not meet the prescribed requirements.

5. ST PETERS ORTHOPAEDIC AND SURGICAL SPECIALITY CENTRE

363. The Committee held a consultative meeting with the management of St Peters Orthopaedic and Surgical Speciality Centre on 30th February 2024 at the facility

premises. Dr Gerald Wasena, an orthopaedic surgeon trained at the University of Nairobi and director of the facility, submitted that the facility started its operations in Uthiru in 2018 with one doctor and an outpatient theatre before it moved to the new premises in 2021.

Allegations against St Peters Orthopaedic and Surgical Speciality Centre

364. St Peters Orthopaedic and Surgical Centre was accused of conducting medical camps and ferrying patients from their homes to receive treatment at the hospital.

Response to the Allegations on St Peters Orthopaedic and Surgical Speciality Centre

365. The Hospital Director, Dr Wasena, confirmed that the hospital had conducted medical camps in various parts of the country after receiving approvals from all relevant government institutions. He further submitted that on many occasions the facility had identified patients in need of specialised orthopaedic treatment who were too poor to afford transport to hospitals and the facility had organised transport for the patients. Most patients were not able to travel using normal public transportation after the orthopaedic surgeries and hence the hospital would organise transportation back to their homes.

366. He submitted that when the facility started, it was not serving NHIF cardholders. Initially, the facility operated as a Level 3B before moving to Level 5B. The change of level was dependent solely on the facility and what it offers. There is no specified regulation that a facility cannot move from one level to a higher level while skipping other levels.

367. NHIF first accredited the facility as a Level 3 under the comprehensive cover. He further explained that at the first audit, NHIF was not sure if the facility was comprehensive. In the second audit, the facility was accredited as Level 3B before 2022 where NHIF clients did not have to co-pay and in the FY 2022/2023, it was accredited as a Level 5.

368. Dr Wasena admitted that he has undertaken medical camps after securing authorisation from the respective county governments, in churches and other places where he sensitises the elderly who have various ailments related to body joints, and who then visit his hospital for check-ups and eventual surgeries if they so wish.

369. He noted that his good relationship with boda boda and *matatu* groups helped him get referrals whenever there were accidents, which saw him record a significantly higher number of surgeries. He noted that the facility has been on NHIF comprehensive cover from the start, and charged a flat rate of Ksh300, 000 per client for joint replacement, which has seen them receive a significantly higher amount of money from the Fund. He noted the amount is sometimes not enough to warrant some surgeries, but he optimises this through donations from other partners which help the facility not to pass charges on patients.

370. He explained that NHIF had been paying the facility, although inconsistently and as of June 2023 when it stopped its services, the NHIF owed Ksh400 million to the facility. He

expressed that the facility performs up to 32 surgeries in a day because he had many assistants, a number of theatres and his expertise. He also noted that the facility sometimes experienced challenges with NHIF pre-authorisations even though the facility can secure about 20 in a day which happens over time.

371. He explained that the facility did not have any irregular billing as preauthorisation was sought before surgeries were done and also post-operation before discharge.

372. He denied having done an operation on Mr Peter Mugambi that had not been preauthorised by NHIF which led to him being incapacitated. He noted that the patient had come for a total knee replacement. However, after his analysis, the patient needed a severe contracture release. The patient was advised of the same to which he consented to change the surgery and the NHIF only paid Ksh80,000 for the release.

373. He informed the Committee that services at the facility were at 2% of its capacity and the services had gone down completely since NHIF stopped its services as most of the patients who sought treatment at the facility were insured by NHIF. He said he had over 400 staff but currently has only 95.

374. He requested the Committee to inform NHIF to allow hospitals to undertake emergency operations especially when preauthorisation takes long. This will prevent the allegations that he faced of performing unauthorised surgeries without preauthorisation as his facility was located near a busy highway.

375. On his relationship with NHIF, he noted that the relationship was bad as he was treated as fraudulent even though no one called him to answer these allegations.

376. He submitted that NHIF contracts with the hospitals were not explicit and that ferrying patients to hospitals was illegal. The contract was however clear that a service provider should not entice patients to do procedures that are not medically necessary. He further explained that the KMPDC had reviewed all procedures done at the facility and established that they were all medically necessary.

377. On the discrepancy in the dates of admission at the hospital and the NHIF system, the hospital director clarified that the differences were a result of the patients not being able to submit their NHIF cards and biometrics and NHIF system downtime, especially during emergencies. It was noted that this was an administrative issue that should have been resolved by the NHIF rather than the Commission of Fraud.

378. Dr Wasena submitted a letter ref: CID/IB/ECCU/SEC/4/4/1/VOL.LVIII/219 dated 4th January 2024 to the Committee from the Directorate of Criminal Investigations and copied to Dr Wasena. The letter indicated that the DCI had received a letter from the Office of the Director of Public Prosecutions ref. ODPP/HQ/COM/2/2194 dated 20th December 2023 whereby the DPP had found that there was no sufficient evidence to disclose criminal culpability on the part of the proprietor of St Peters Orthopaedic and Surgical Speciality Centre. The DPP further directed that the file be closed with no further police action.

6. AMAL HOSPITAL LIMITED

379. The Committee visited Amal Hospital Limited on 29th January 2024.

Allegations against Amal Hospital Limited

380. The facility was accused of fraudulent practices of altering and falsifying information in collusion with members to defraud the NHIF and obtain benefits to the tune of Ksh8, 063,000 as well as Ksh3, 000,000 which was in the process of payment which translated to 96.6% fraudulent payments. The management of the Hospital failed to appear before the Committee citing that the matter was the subject of a court case. During the site visit, the hospital was also closed even though patients could be seen in the wards and the neighbours of the facility informed the Committee that the facility was still operating.

7. BEIRUT PHARMACY AND MEDICAL CENTRE

381. The Committee visited Beirut Pharmacy and Medical Centre on 29th January 2024.

Allegations against Beirut Pharmacy and Medical Centre

382. Beirut Pharmacy and Medical Centre was accused of engaging in fraudulent practices of altering and falsifying information in collusion with members and defrauding NHIF to a tune of Ksh15,787,000. The management of the Hospital failed to appear before the Committee citing that the matter was the subject of a court case. During the site visit, the hospital was closed and had moved from its last known address.

8. MURANG'A HIGH SCHOOL DISPENSARY

383. The Committee visited Murang'a High School Dispensary and held a consultative meeting with the principal and other senior teachers of the school on 31st January 2024 at the school.

Allegations against Murang'a High School Dispensary

384. The school dispensary had been accused in the NHIF Audit of having over-claimed in the *Edu Afya* scheme thereby the Auditors were not able to verify claims amounting to Kshs4, 256,000. The NHIF Audit report had indicated the amounts as "unsupported payment" and had recommended recovery of the same.

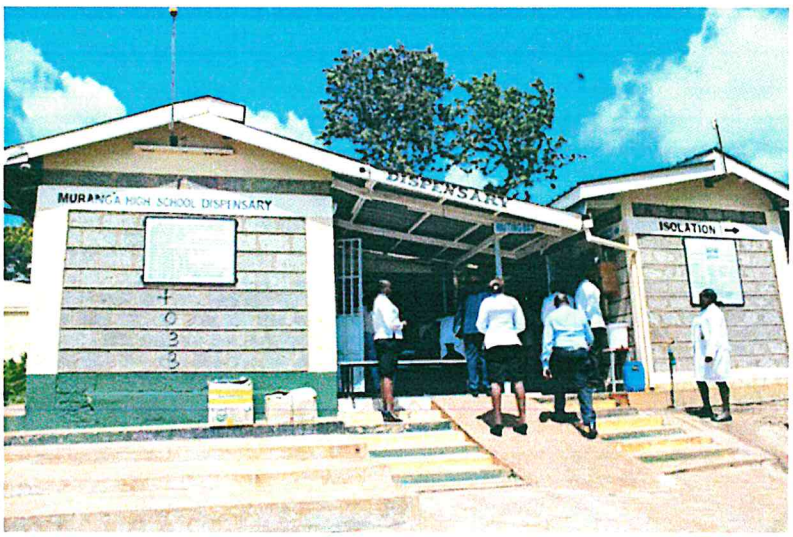


Figure 4: Murang'a High school Dispensary.

Response to the Allegations against Murang'a High School Dispensary

385. In response to the allegation that the contract for Murang'a High School Dispensary captured the name of the facility as Murang'a High School Clinic but the code remained the same. The *Edu Afya* package was not captured in the contract. However, the facility

has been lodging claims at Ksh500 relying on an advisory email issued in July 2018. The Principal, Mr Kuria submitted "there could likely have been an error during capturing as all records read Murang'a High School Dispensary including the certificate of registration issued on 15th September 2017. As regards claims, the school has been relying on advice given by the NHIF when the facility was accredited."

386. Murang'a High School has a sanatorium under the school management and introductory letters are pre-signed and kept at the sanatorium where students seeking treatment fill them. Mr Kuria submitted that "this was done to ensure smooth operation to students attending the facility regardless of the time of the day being a boarding institution. However, some introductory letters are kept by the teacher on duty (TOD) in case the authorising officer is not available to ensure no student is denied access to the facility for lack of the letter."

387. It was alleged that an interview with six (6) students confirmed that they made 23 visits to the school sanatorium against 55 visits notified in the NHIF system. The variance of 22 visits amounting to Ksh11, 000 cannot be accounted for. Mr Kuria stated that "We are of the opinion this is not the correct position. Any student treated in our facility always fills out the NHIF form whenever they seek treatment. Our record department at the facility has all supporting documents and if we can get the names of the students interviewed, we can easily confirm the accuracy of the above. Also considering the flow of thoughts and the period the student was supposed to respond to, the student may not be able to accurately estimate the number of times he has visited the dispensary. Only records can confirm such. Further, before any treatment is administered to students, one must fill NHIF form and the daily record is maintained in the register book. The school also retains a copy of every form/claim submitted to NHIF offices."

388. Mr Kuria further noted that the school has never received any communication from NHIF regarding the allegations levelled against them of impropriety. They only heard about them in the media.

Figure 5: Murang'a High School Dispensary Rest room for Sick Students

389. The dispensary has not been receiving money and the little it gets for services rendered is not sustainable. The principal submitted that most of the time, the school dispensary was operating at a loss as the costs incurred in treating were higher than the Ksh1000 paid per treatment episode.

390. He requested the Committee to streamline NHIF as the audit that had informed the allegations was not fair and the audit process did not offer the facility a right to respond to the allegations. Future audits should involve the accused in establishing the facts first before such allegations are publicly released.

391. He pleaded that the outstanding funds be paid as the debt had affected service delivery at the dispensary, especially, constraining the procurement of health products.

9. CHEST AND SKIN CLINIC

392. The Committee visited the Chest and Skin Clinic, in Mbeere North, Embu County on 1st February 2024, for a fact-finding inspection.

Allegations against Chest and Skin Clinic

393. The facility had been accused of failure to produce complete clinical records for services offered to *Edu Afya* Scheme beneficiaries in respect of 1,248 claims for the year 2022. The Audit report recommended the suspension of the facility's *Edu Afya* contract and recovery of Ksh1, 248,000.

Response to Allegations against Chest and Skin Clinic

394. Dr Daniel Kiondo, the hospital administrator while under oath explained that the facility only operated *Edu Afya* for seven months between June and December 2021, after which Auditors from Nairobi visited the facility to ascertain the number of students who had been treated at the facility. He explained that the facility has a large catchment area and since he opened the facility in the region after many years of practice at the Kenyatta National Hospital, he has received a positive reputation and enjoyed serving a large number of patients.

395. Dr Daniel Kiondo explained that, due to his specialisation in chest and skin, a common problem in schools, he has served many students and schools that brought students in need of specialised treatment to the hospital on his clinic days since he is not always at the facility.

396. Being the only skin specialist in the area, he was bound to get more clients, especially after appearing on local radio stations creating awareness of the common chest and skin conditions that he was treating at his clinic. He noted that he has never been given any communication regarding the allegations officially by NHIF and only heard about them in the media.

397. While under oath, Dr Kiondo submitted to the Committee that officers from *Edu Afya* came to his hospital and checked records and after sampling about 15, they found two (2) entries missing. He was then told that to be able to clear the matter, he should bribe the officers with Ksh100, 000. He refused to do so and later, his facility was mentioned in the media as having been involved in fraud. He visited the NHIF Embu branch for them to explain the matter and the officers at the branch advised him to seek an explanation from the NHIF Headquarters in Nairobi. He later visited the NHIF headquarters in Nairobi where he was referred to pursue clarifications from *Edu Afya* Offices in the Ministry of Education as the allegations were derived from an audit conducted by the Ministry of Education.

398. He urged Parliament to pursue this matter thoroughly and accord him justice as his name and profession had been tarnished unfairly. He claimed that the audit officers who came to his clinic accused and judged him without giving him a chance to explain himself.

Dr Kiondo submitted that the allegations levelled against his facility may have been due to business rivalry.

10. GARISSA NURSING HOME

399. The Committee held a consultative meeting with the management of the facility on 5th February 2024 at its premises in Garissa County.

400. Dr Mohamed Dahir Duale, the facility Director submitted that the facility commenced operations in 1997 as a small clinic and expanded it in 2005 to include a modernised theatre, maternity wing and radiology department among other services. Currently, the facility is licensed as a private Level 4 Hospital and offers comprehensive cover for NHIF patients.

401. The 24-bed capacity hospital has a staff establishment of 52, but majorly relies on the Garissa County Referral Hospital which has a pool of professionals offering several services. It further depends on the county hospital for other services such as waste disposal. The hospital has pending claims amounting to Ksh2.7 million which NHIF had not paid from December 2023 to January 2024.

402. The Director submitted that the regional NHIF officers, especially those from the Quality Assurance Department visit the facility daily, but the others, including the Manager, rarely visit the facility. Dr Duale indicated the facility has had challenges with preauthorisation and sometimes very sick patients' requests are rejected as approvals are done in Nairobi. For the last year, the NHIF had in some instances approved fewer amounts of money than what had been billed.

403. The hospital has never been contracted under the *Edu Afya* Scheme but was offering services to the National Police Service through NHIF, which was later withdrawn and given to another insurer. It mostly serves civil servants with NHIF, patients with other insurance covers and cash clients.

11. ALJAZEERA HOSPITAL

404. The Committee held a consultative meeting with the management of the facility on 5th February 2024 at its premises in Garissa County. The hospital administrator, Mr Peter Otieno stated that the private Level 5 hospital started in 2020 as a Level 3B and has 32 staff and a bed capacity of 40. He also submitted that Quality Assurance officers from NHIF visit the facility daily. From 2021 to date, the hospital has made claims worth Ksh87, 191,000 to NHIF and currently has Ksh2, 087,262 as pending claims dating back to November 2023.

12. MEDINA HOSPITAL

405. The Committee held a meeting with the management of the facility on 5th February 2024 at its premises in Garissa County after a tour of the facility. Dr Idris Athuman the hospital director submitted that the facility was a private Level 5 hospital and was in its 10th year of operation. It started as an outpatient clinic and has grown over time. It offered services to NHIF beneficiaries for the past eight (8) years.

406. He further submitted that the NHIF Quality Assurance team visits the facility every day when there is an NHIF client. The facility was still owed by NHIF from 2020 when

the NHIF changed the system it was using and wanted to do an audit at the facility before making payments. However, no clear direction has been given ever since that time.

13. CHARITY MEDICAL CENTRE

407. The Committee visited Charity Medical Centre in Laikipia County on 1st February 2024 and held a consultative meeting at its premises. The facility started in 1991 and is now a Level 4 facility with 60 beds and one HDU bed.

Allegations against Charity Medical Centre

408. The audit team had indicated that the hospital had defrauded the *Edu Afya* Scheme through forged introductory letters, missing records and demand-induced treatment from unaccredited facilities. The team had recommended that the facility should refund Ksh548, 000 and that the NHIF should reject 5,145 claims amounting to Ksh7, 694,542.

409. The facility was also accused of offering services out of the contract by visiting schools for treatments and admissions. The facility operated mobile clinics and moved from one school to another on certain days of the week as agreed between themselves and the school management. The services were offered in school dispensaries and other designated areas within the school precincts.

Response to Allegations against Charity Medical Centre

410. The Hospital's Legal Counsel noted that *Edu Afya* commenced in May 2018 and a meeting was called by Mr Geoffrey Mwangi, the former Chief Executive Officer (CEO) of NHIF and a question was raised as to whether hospitals were allowed to see students in schools to which the CEO replied in the affirmative. He further explained that the facility had student patients in October 2020 during the COVID-19 period because Form 4 students had been called back to school and since there was high sensitivity to any illness, any principal who had a suspected issue of illness could call the hospital to verify and take the student for treatment.

411. From October 2020 to March 2021, the hospital lodged claims for payment amounting to Ksh11, 438,000 but has not been paid up to date. An audit query by NHIF was therefore raised on whether the hospital was going to schools for treatments or not. The Hospital responded to the audit query but they were never responded to. The hospital has been following up on the same. The hospital director stated that in 2023 Ksh548, 000 was deducted as recovery for overpayment yet the NHIF did not specify the recovery even though Ksh11, 438,000 was owed to the hospital.

14. ELBURGON NURSING HOME

412. The Committee visited Elburgon Nursing Home located in Nakuru on 1st February 2024. The facility began its operations in December 1996 offering maternity and outpatient services. It was accredited by NHIF for *Linda Mama* and *Edu Afya* as a Level 3A private facility in 2018. The hospital provided 90 per cent of its services to schools, especially to Elburgon and Michinda Secondary Schools.

Allegations against Elburgon Nursing Home

413. The facility was accused of non-adherence to contract amounts and payment claims offered from non-accredited service points. The facility was claiming *Edu Afya* outpatient at the rate of Ksh1, 500 instead of the Ksh1, 000 stipulated in the contract. Thus, 440

claims were lodged using the rate of Ksh1, 500 leading to a loss of Ksh220, 000. The facility was also accused of poor service delivery to members because of offering medical services in non-accredited service points.

414. The NHIF Audit report indicated that the facility should refund Ksh362, 000 being Ksh220, 000 paid in excess of the contract amount and Ksh142, 000 for unsupported claims. The Hospital Director provided the letter from NHIF directing the hospital to charge Ksh1, 500 instead of Ksh1, 000 as per the scheme since the facility was Level 3A.

Response to Allegations against Elburgon Nursing Home

415. The Director of the facility submitted that claims cannot go through until the student goes through the biometrics registration process. The Hospital could serve 5 to 6 students per visit and whenever students exceeded 10, the school could call the clinic to see students at the school but the claims were done through the hospital.

416. He further alleged that they were implicated by the auditors because they could not give a bribe to be cleared.

15. EQUITY AFYA BURUBURU

417. The Committee conducted an inspection visit to Equity Afya Buruburu on 29th January 2024.

Allegations against Equity Afya Buruburu

418. The hospital had treated students from Buruburu Girls, Ofafa Jericho High School, St Aquinas High School and Huruma Girls High School with the records showing more than 3,000 students were treated in the facility contributing to the facility lodging huge claims which raised concerns. NHIF has so far recovered a bulk of the money from the facility and the facility still has to pay Ksh17,000. The Audit report had indicated that the facility had not availed case notes to support visits by 4,768 students to the facility totalling Ksh7, 152,000.

Response to Allegations against Equity Afya Buruburu

419. The facility Director, Dr Anthony Kinyanjui said the hospital was accredited to offer services to all the NHIF members in 2018 as well as nine schools within its locality.

420. The hospital had a capacity of around 65 patients at once, with 6 doctors, 2 nurses, 2 dentists and one ophthalmologist. Specialists came to the hospital on specific days by appointment. The hospital had dedicated one male doctor for male students and one female doctor for female students. The efficiency and express services made other schools prefer Equity Afya as their service provider, where the facility could serve 50 to 100 students in a day. Dr Anthony refuted claims that the facility stationed nurses in schools to make student referrals to the hospital. Instead, he submitted that school nurses acted as liaison officers in cases where the facility treated students before their biometrics were taken.

421. Dr Anthony submitted that the facility had paid back NHIF as they wanted to close the matter as they have an obligation to serve all the people in the community including teachers and the police whom they did not want to disadvantage by severing ties with NHIF.

CHAPTER FIVE

7.1 ISSUES FOR DETERMINATION AS PER THE TERMS OF REFERENCE

422. The Committee made the following observations concerning the NHIF processes according to its Terms of Reference (TORs):

(a) To Establish Whether there was Fraud and such other Malpractices in the Payment of Claims by NHIF

Observations during the Visit to Afya Bora Hospital Annex

423. The Committee observed that Afya Bora Hospital Annex:

(i) had two theatres with receiving and recovery rooms;
(ii) did not have x-ray equipment;
(iii) did not have a mortuary;
(iv) had adequate operating space with infrastructure including ICU and an HDU;
(v) had a dental unit;
(vi) had a maternity wing;
(vii) had a physiotherapy unit;
(viii) had orthopaedic equipment;
(ix) since the scaling down, had one doctor, Dr Wachira, operating on his own and the facility did not have contracts with visiting doctors as they only came on a need basis;
(x) is located in a mixed-use building with the outpatient located in the commercial section of the building (ground floor) and the rest of the facility located in the residential part of the building;
(xi) records showed that most of its admissions were for NHIF beneficiaries;
(xii) had a few cash patients at the time of the visit; and
(xiii) had an ambulance.

Figure 6:Afya Bora Hospital Annex NHIF Accredited Ambulance

Observations during the Visit to Afya Bora Hospital

424. The Committee found that Afya Bora Hospital was not operational at the time of the inspection visit on 31st January 2024 but the Committee was allowed to enter the facility for inspection. The facility:

(i) Had empty beds and wards.

(ii) had adequate operating space,
(iii) had a theatre room;
(iv) did not have x-ray equipment; and
(v) Did not have a mortuary.

Observations during the Visit to Jekim Hospital Nkubu Ltd

425. The Committee found that the facility:

(i) Had adequate infrastructure for the level of care issued to it by the KMPDC;
(ii) Was only serving a few cash-paying patients;
(iii) Records had been taken by the DCI;
(iv) Had two operating theatres, a dental unit, an ICU, an HDU, a maternity wing, a Class D laboratory, paediatric wards and a radiology unit.

Observations during the Visit to Jekim Medical Centre

426. The Committee found that the facility:
(i) provides outpatient services;
(ii) had adequate infrastructure for the level of care issued to it by the KMPDC;
(iii) was only serving a few cash-paying patients; and
(iv) Records had been taken by the DCI.

Observations during the Visit to Joy Nursing and Maternity Eastleigh Limited

427. The Committee found that the facility:
(i) was in a residential apartment and the stairs were shared by the residents accessing their houses;
(ii) did not have written contractual agreements with the alleged seventeen orthopaedic surgeons who were providing healthcare services at the facility;
(iii) there were limited spaces at the reception, waiting area, consultation area and procedure rooms;
(iv) did not have adequate infrastructure for the level granted by the KMPDC: there was no Class D licenced laboratory, no blood transfusion unit, no radiology unit, no maternity theatre, no advanced life support for emergency care, and no mortuary nor autopsy services; and
(v) Did not have resident physicians, paediatricians, gynaecologists nor surgeons as per the Kenya Quality Model for Health (KQMH) guidelines.

Observations during the Visit to St Peters Orthopaedic and Surgical Speciality Centre

428. The Committee found that the facility:
(i) The hospital had a bed capacity of 180 beds. However, at the time of the visit, the Committee observed that there were only 23 patients admitted. This was against the claim by the hospital administration that the hospital was admitting more than 70 patients per day.
(ii) Was clean, well-equipped and staffed;
(iii) Had well-maintained theatre registers;
(iv) Had a pharmacy and a Class E laboratory;
(v) St Peters Orthopaedic and Surgical Speciality Centre met the requirements of a Level 5 hospital as per the Kenya Quality Model for Health (KQMH) guidelines.

Observations during the Visit to Amal Hospital Limited

429. The facility was closed at the time of the Committee visit even though neighbours of the facility indicated that the hospital was operational.

Observations during the Visit to the Beirut Pharmacy and Medical Centre

430. The Committee found that the facility was deserted. There was no furniture or equipment. There were no staffs or patients.

Observations during the Visit to Murang'a High School Dispensary

431. The Committee observed that:

(i) The school had a building specifically designated for the dispensary;
(ii) The dispensary had two nurses, a laboratory technologist, and a records officer. The Committee was informed that there was a visiting doctor who could be called in the event of severe cases;
(iii) The dispensary serves a total of 2,400 students plus staff at the school;
(iv) it attends to an average of 30 students a day and has a 14-bed capacity for short-term monitoring of patients suffering minor illnesses;
(v) the dispensary referred students to Murang'a Hospital in the event of conditions not manageable with the existing capacity; and
(vi) The facility had claimed a total of Ksh9,430,000 since the inception of *Edu Afya* and over the period NHIF had paid Ksh7,989,460 with an outstanding balance of Ksh1,440,540.

Observations during the Visit to the Chest and Skin Clinic

432. The Committee observed that:

(i) On randomly sampled days, the clinic treated a large number of students ranging from around 20 to 35 in a single day;
(ii) the facility had 18 beds, some of which had admitted patients;
(iii) the hospital administrator was an ENT specialist and had further specialised in skin conditions; and
(iv) The clinic had a pharmacy, a laboratory and two assisting nurses.

Observations during the Visit to Garissa Nursing Home

433. The Committee established that the facility:

(i) had a pharmacy, laboratory and radiology department offering ultrasound and X-ray services;
(ii) offered dental services;
(iii) handled about three (3) deliveries per day in the maternity department of the hospital;
(iv) had an operating theatre that shared a recovery and receiving room; and
(v) From the sampled claims below as against the patient files, the NHIF invoices tallied with the claims submitted to NHIF.

Sample Outpatient claims made to NHIF

January 2022 - 4,328,603
January 2023 - 2,611,595
January 2024 - 808,920

Jan – June 2022 - 22,621,622
Jan – June 2023 - 5,811,130

Sample Inpatient claims made to NHIF

January 2022 - 3,122,360
January 2023 - 3,973,700
January 2024 - 601,400
Jan – June 2022 - 22,713,620
Jan – June 2023 - 13,855,840

Observations during the Visit to Aljazeera Hospital

434. The Committee observed that the facility:

(i) Had an operating laboratory, dental unit, radiology department offering x-ray and ultrasound services, one operating theatre that shared a receiving and recovery room and a High Dependency Unit;
(ii) Offered dialysis to about five patients a day and most theatre cases were minor;
(iii) consultants run clinics at the facility on demand without formal contracts;
(iv) Outsourced physicians from the Garissa County Referral Hospital as it did not have a resident physician. Other services are also sought from the county referral hospital;
(v) Did not have adequate personnel to operate as a Level 5 hospital.

Observations during the Visit to Medina Hospital

435. The Committee observed that the facility:

(i) had a 75-bed capacity;
(ii) had a class D laboratory, dental unit, physiotherapy, eye unit, radiology department that offers ultrasound, X-ray and CT scan; maternity and a theatre that offers both minor and major surgeries, an ICU and an HDU;
(iii) was well equipped with good infrastructure and was under-utilized; and
(iv) from the sampled claims below as against the patient files, the NHIF invoices tallied with the claims submitted to NHIF:

Sample claims made to NHIF

2021 - 20,648,332
2022 - 53,390,202
2023 - 56,692,534

Sample Receipts from NHIF

2021 - 50,468,215
2022 - 50,468,215
2023 - 47,747,459

Observations during the Visit to Charity Medical Centre

436. The Committee observed that:

(i) the owner of the facility was a consulting surgeon resident in the facility;
(ii) the facility had an NHIF office where patient claims were lodged;
(iii) the facility was adequately equipped for a level 4 with a theatre, X-ray and CT-scan services;

(iv) the facility provided inpatient and outpatient services;
(v) the facility had a well-laid-out patient flow;
(vi) the facility had a genuine theatre list; and
(vii) The NHIF was quick to deduct the disputed claims even though it owed the facility.

Observations during the Visit to Elburgon Nursing Home

437. The Committee observed that:
(i) during the review of the hospital records, the facility could not provide school leave-out sheets for some months to support those students physically visiting the hospital for treatments;
(ii) There was a variance between students treated and those discharged from school.
(iii) The facility was in a crowded place within the town;
(iv) The facility looked dirty and deserted;
(v) The facility had a laboratory, clinic and a pharmacy that were not fit for patients;
(vi) The facility building was not fit for a hospital and was not well maintained;
(vii) The facility was licensed as a level 3 A for outpatient and maternity services;
(viii) The NHIF had not suspended services and the facility was still offering services but was not being paid;

Observations during the Visit to Equity Afya Buruburu

438. The Committee observed that:
(i) The hospital had a capacity of 65 beds, with 6 doctors, 2 nurses, 2 dentists and one ophthalmologist.
(ii) there was no clear information on who verified the claims lodged by the facility, and
(iii) The facility had paid back the alleged fictitious claims. However, the Committee was not convinced of the reason why the facility paid back. The Committee observed that this could be an avenue for service providers to get money from NHIF and repay later from their claims only if they are discovered.

439. From the forgoing the Committee was able to establish there was collusion between NHIF staff and health service providers and also with NHIF beneficiaries in some instances to defraud the NHIF through the lodging of unverifiable, fictitious and fraudulent claims.

(b) To Establish the Financial Status of NHIF

1. Financial Status of NHIF

440. From the financial statements for the years 2019-2020, 2020-2021, and 2021-2022, the Committee noted that while premium contributions had increased three-fold, benefit pay-outs have increased five-fold over the same period, meaning that growth in benefit pay-outs had outpaced growth in premium contributions for NHIF. It was also observed that the Fund had liquidated some of its short-term investments without reinvestment. Short-term investments had also reduced from Ksh13, 388,971,803 as of 30th June 2022 to Ksh8, 232,200,000 as of 30th June 2023. This implies that if all factors were held constant, the NHIF's financial sustainability would have been compromised.

441. According to the financial status analysis, NHIF had a deficit of Ksh6,028,999,591 in FY 2022/2023 as the total collected benefits and other incomes were at

Ksh75,088,880,320; while total paid benefits plus operating expenses were Ksh81,117,879,911.

442. The 2022/23 FY had closed with premiums owed by the Government totalling Ksh11, 249,375,049. The implication of this was that some contributors would have been denied services and penalised for late payment of contributions whereas government-sponsored schemes were offered healthcare insurance on credit.

443. The Fund's investment policy provided that the Fund ought to have maintained an amount equivalent to not less than six months' worth of claims payment as provided in the annual estimates and investments in short-term securities. The Acting CEO at the time of the Inquiry had failed to justify the delays in reimbursement of rebates and capitations to service providers. The Investment and Quality Assurance Policies submitted to the Committee were neither signed nor dated by the Board.

2. Investments by NHIF

444. An analysis of the status of the Fund's investments shows that the Non-Current Assets were valued at Ksh13.1 billion as at the end of financial year 2022/23. Further, the Fund had invested in short-term securities (as guided by its Investment Policy). Notably, the value of short-term investments reduced from Ksh13.4 billion (balance as of 30th June 2022) to Ksh8.2 billion (balance as of 30th June 2023).

445. NHIF purchased a car parking management system from KAPS in 2011 for collecting parking fees. The Committee observed that this system was solely managed by Crystal Valuers. No evidence was availed to confirm that NHIF had access rights to the KAPS system to monitor daily revenue collection before banking. Notably, NHIF used Ksh802, 989 in 2014 to upgrade the parking management system but the system does not provide a detailed report on vehicles whose owners have been issued with access cards, time taken by daily parked vehicles to enable computation of amount payable and registration numbers of parked vehicles. For example, between 4th January 2021 to 16th January 2021 in Silo carpark and on 12th August 2019,11th February 2020, and 14th May 2021 in Central parking, the system did not report any vehicle having used the pay point centres.

3. Operating expenses

446. There was an exponential increase in the NHIF operating expenses from Ksh7.58 billion in financial years 2020/21 to Ksh8.34 billion in the financial year 2021/22. Notably, Legal expenses increased from Ksh40 million to Ksh247 million (510% increase) while advertising and publicity expenses increased from Ksh85 million to Ksh301 million (251%).

4. Sponsored Programmes

447. The objective of the Kenya UHC Policy 2020–2030 was to expand access to comprehensive health services, especially for the under-served, marginalised and vulnerable populations while providing them financial protection. Sponsorship of indigents is vital in the journey towards the achievement of Universal Health Coverage for all Kenyans by ensuring that those with an income pay their insurance contributions while the poor and vulnerable in the society are paid for. The Government of Kenya is currently the biggest sponsor of 1.3 million indigents in three (3) Government health

insurance subsidy programmes: Health Insurance Subsidy Programme for Orphaned and Vulnerable Children (HISP-OVC), Health Insurance Subsidy Programme for Older Persons and Persons with Severe Disabilities (HISP-OPSD) and the UHC Indigents Cover. In the Financial Year 2022/2023, there were seventy-three (73) sponsorships covering 1,435,330 indigent households. As of the end of FY 2022/23, the NHIF was owed by the government premiums totalling Ksh11, 249,375,049.

5. Managed Schemes

448. A review of the submitted reports indicated that, in general, there was an increase in claims in managed schemes. The *Edu Afya* medical scheme's claims increased from Ksh847, 221,027 in FY 2019/2020 to Ksh3, 500,562,643 in FY 2022/23. The risk of fraud was higher in the enhanced schemes, for example, in *Edu Afya* as proven by the high number of reported fraud cases by service providers under investigation. Services in the schemes were mostly offered by Level Two facilities, most of which lacked the infrastructure for biometrics.

449. The National Health Scheme and Civil Servants Managed Schemes registered the highest paid overseas claims for FY 2021/22 at Ksh101, 394,186 and Ksh102, 268,020, respectively. This was still the case in FY 2022/23 at Ksh74, 154,620 and Ksh82, 142,977, respectively. The benefit pay-out ratio for the Civil Servants Scheme over the three years was over 100% making it untenable. The utilisation benefit pay-out ratio for the Retirees Scheme was 139% for FY 2021/22 while the National Police and Kenya Prisons Scheme had a pay-out ratio of 139%. Additionally, utilisation reports and the submissions by Benefits, Claims, and Actuarial Services, together with the submissions by the Head of Beneficiary Management, confirmed that the NHIF-managed schemes did not give the NHIF value for money.

450. The Claims Management Division was adversely mentioned by whistle-blowers to have facilitated fraud in its function of preauthorisation of surgical procedures and other requests. It was further alleged that Ms Judith Karimi Otele had been sponsored by service providers to travel to India as an inducement for approval of overseas treatment in the facilities of these service providers. Ms Otele under oath informed the Committee that she had never travelled to India. However, her passport indicated she had travelled to India in February 2020 with an entry on 8th and an exit on 14th. She again travelled to India in May 2022 with an entry on 20th and an exit on 25th. The Committee also observed that between June 2019 and March 2022, she had travelled to Uganda, South Korea, Malaysia, Canada, Switzerland, and Thailand.

6. Emergency Rescue Services

451. NHIF had entered a 3-year renewable contract with Emergency plus Medical Services (E-PLUS) (Kenya Red Cross Society effective 1st October 2020 to 30th September 2023). This contract was further renewed from 1st October 2022 to 30th September 2023 and executed on 30th December 2022. The 1st September 2020 tender issue attracted only one bidder. In this tender, the population increased to 4,067,351 from 1,250,000 when the tender was awarded. As such, the service should have been retendered rather than directly sourced. It was also noted that the Fund opted for a premium payment model rather than a fee-for-service model. As a result, the Fund paid Ksh936, 002,949.50 under

capitation for evacuation services, whereas the same would have costed Ksh205, 115,923.00 assuming the use of the fee-for-service payment model.

7. Information and Communication Technology system

452. NHIF ICT solution was provided fewer than two major contracts; one contract was for the ERP solution provided by an ICT firm named Fourtel Ltd since 1998. The Committee noted that the same supplier had continuously been awarded the maintenance contract of the same since 1998. The other major contract was to Great Sands Consulting for a comprehensive ICT review. At the same time, NHIF engaged Blue Sky Consulting to provide consultancy services for Business Process Reengineering and the implementation of the ICT Digital Transformation Roadmap at a cost of Ksh134, 982,414. Other ICT consultants engaged in the three years under inquiry included: Envisage Multimedia Co., Smoothtel and Data Solutions Ltd. The Committee observed that the NHIF had invested hugely in the ICT system and was planning to invest additional resources, yet the system remained prone to mismanagement and fraud. The Committee also noted inconsistency in the submission of NHIF Acting CEO, Dr Samson Kuhora on the ICT system, particularly on whether the institution was planning to procure a new system or was planning to upgrade the existing system.

8. NHIF and MTRH Loan

453. The Ministry of Health wrote a letter, dated 1st December 2016 requesting NHIF to consider supporting the establishment of radiotherapy treatment centres at Moi Teaching and Referral Hospital and Kenyatta National Hospital due to the rising cancer cases in the country. Subsequently, MTRH wrote a letter dated 2nd February 2017 requesting funding from NHIF and specifying the details of the two proposed loans and proposed repayment periods and interest rates due. NHIF disbursed **Ksh312, 669,869.20** on 8th September 2017 vide EFT17081893.001 to MTRH. The Committee noted that the money was disbursed even though the parties had not executed a signed contract for the loan. MMA Advocates later invoiced for the instructions and deliverables at Ksh40, 883,040 for preparing the documents and payment was made on 3rd October 2018. At the time that the Committee engaged the Ag. Director of Finance, the contract for the loan was yet to be executed despite NHIF making full payment of Ksh40,883,040 on 24th September 2018 vide EFT18093536.001. The Committee further observed that the legal fees were overpaid as the amount used to calculate the fee was not the actual money disbursed but rather the initial request amount for both MTRH and KNH and yet the KNH loan was never disbursed. Apart from the legal fees being overpaid, the advocate paid did not render the services.

454. In view of the forgoing the Committee was able to establish that, NHIF had liquidated some of its short term investments without reinvestment which implies that if all factors were held constant, the financial sustainability would have been compromised.

(c) To Assess the Efficiency and Effectiveness of the NHIF Quality Assurance Mechanisms

The Committee observed that:

(i) The NHIF did not have sufficient competent Quality Assurance Officers.

(ii) The Quality Assurance and Contracting Division has 61 staff, with varied qualifications.

(iii) The Quality Assurance and Contracting Division managed empanelment and accreditation requirements and processes for Healthcare Providers (HCPs) seeking enrolment into NHIF.
(iv) The online platform was supposed to provide accurate hospital biodata, and geo-coordinates, and to authenticate the provision of services.
(v) The QA team was further tasked with ensuring facilities correctly fill in the offer letters for service provision. For purposes of re-contracting and quality assurance, the team verified Kenya Essential Package for Health (KEPH) levels, capacity of HCPs and actual number of in-patient beds which informed the amount of capitation, rebates and to some extent choice of hospital category. The reassessment exercise helped deter cases of HCPs launching fictitious claims, inappropriate higher levels of care allocated to some HCPs, false and unnecessary admissions of more than actual bed capacity, and unlicensed medical facilities and staff.
(vi) The Manager, Quality Assurance and Contracting had the overall responsibility to ensure that empanelled HCPs are contracted.

455. The Committee concludes that, the NHIF quality assurance mechanism did not have the requisite competencies and capacity to effectively and efficiently ensure proper empanelment and accreditation of health service providers as well authentication of the claims lodged.

(d) To Determine the Efficiency and Effectiveness of NHIF's Human Resource Management

Human Resource Effectiveness and Efficiency

456. During the last five (5) years, a total of thirty-five (35) staffs were promoted. Ten (10) of them were in the management category falling under the purview of Board appointment while the remaining twenty-five (25) were under the CEO's delegated authority. The Committee observed that the ten Staff were appointed to management positions without adhering to NHIF's Human Resource Policy. The Board appointed several staff in acting capacities in management positions and later the staff were confirmed to the positions and salaries backdated unprocedurally.

457. The Chairperson of the Board of Directors Sub-Committee on Human Resources, Ms Rachel Mwonyoncho submitted orally that the staff appointed by the Board in an acting capacity and who were later confirmed had undergone suitability tests before the confirmation. She was however unable to provide evidence of the conduct of the alleged suitability assessments. Her assertions were further denied by the Human Resource Manager, Mr Tanui who submitted that he was one of the beneficiaries and he had not undergone any suitability assessment before his confirmation. The Committee takes note that Ms Rachel Mwonyoncho gave false evidence on oath.

458. Given the forgoing the Committee determines that, NHIF did not adhere to its human resource policies during the period under inquiry.

(e) To Evaluate the Efficiency and Effectiveness in the Empanelment of Service Providers by NHIF

1. Beneficiary management

459. The total enrolment membership of NHIF as of 2023 was 16,210,351, out of which 7,106,911 (44%) were active members. Between 2020/2021 and 2021/2022, there was tremendous growth in membership of 20% considering the commencement of the scale-up of UHC in December 2020 and the subsequent launch of UHC in February 2022. Member retention was stable and high in the formal sector while the retention rate in the informal sector was quite low due to the voluntary nature of enrolment. Members in the informal sector would often enrol when they needed services such as maternity, elective surgical procedures or chronic illnesses and would opt out after NHIF had paid for the services.

2. Biometric Registration of Beneficiaries

460. The Fund contracted Munishram International Machines Ltd (MIBM) on 14th August 2017 for a period of 4 years (to July 2021) for the provision for biometric registration of NHIF members at a cost of Ksh1, 757,106,000. MIBM assigned this service to Nestor Limited at an annual contract sum of Ksh439, 276,500 to which NHIF consented. In 2021, NHIF carried out three (3) extensive countrywide field biometrics registrations which resulted in 3.3 million new registrations that year. As of 15th August 2023, the total figure of biometrically registered beneficiaries was 7,881,032. NHIF also provided for biometric registration of beneficiaries by accredited service providers.

461. The Committee observed that there was a possible conspiracy between the service providers and members of the public to defraud NHIF through fake claims. The service providers enticed the public to register biometrics in their hospitals.These biometrics were later used to seek payment of non-existent claims from NHIF as happened in the case of Amal Hospital Limited. Members of the NHIF confirmed to have been referred by colleagues to register their biometrics at a fee of Ksh7, 000 to Ksh10, 000. The use of service provider's especially private service providers to register biometrics for NHIF contributors was a glaring avenue for exploitation of the Fund.

462. The Committee concludes that, the licensing and accreditation process of health facilities and health service providers was flawed as some health facilities were wrongly categorized in higher levels that were not in tandem with their capacity, infrastructure and staffing levels.

CHAPTER SIX

6.1 COMMITTEE RECOMENDATIONS

463. The Committee in light of the Terms of Reference (ToRs) makes the following recommendations:

(A)TO ESTABLISH WHETHER THERE WAS FRAUD AND SUCH OTHER MALPRACTICES IN THE PAYMENT OF CLAIMS BY NHIF

Recommendations on Afya Bora Hospital Annex

(i) The National Health Insurer immediately lifts the suspension of Afya Bora Hospital Annex and pays the outstanding verifiable claims.

(ii) The National Health Insurer, within the next three months, takes the necessary disciplinary action against all NHIF staff involved in the verification of claims, including the Claims Managers, the Branch Manager and the Quality Assurance Officers at NHIF Mwea Branch.

(iii) KMPDC re-categorises Afya Bora Hospital Annex and assign it the appropriate level.

Recommendations on Afya Bora Hospital

(i) The National Health Insurer immediately lifts the suspension of Afya Bora Hospital and pays the outstanding verifiable claims.

(ii) The National Health Insurer, within the next three months, takes the necessary disciplinary action against all NHIF staff involved in the verification of claims, including the Claims Managers, the Branch Manager and the Quality Assurance Officers at NHIF Mwea branch.

(iii) KMPDC re-categorises Afya Bora Hospital and assign it the appropriate level.

Recommendations on Jekim Hospital Nkubu Ltd

The National Health Insurer immediately lifts the suspension of Jekim Hospital Nkubu Ltd and pays the outstanding verifiable claims.

Recommendations on Jekim Medical Centre

The National Health Insurer immediately lifts the suspension of Jekim Medical Centre and pays the outstanding verifiable claims.

Recommendations on Joy Nursing and Maternity Eastleigh Limited

(i) The Directorate of Criminal Investigations, within three months, do finalise investigations on the fraudulent claims and operations of Joy Nursing and Maternity Eastleigh Limited and take appropriate action against all parties involved in the lodging and payment of the unverifiable claims by the facility.

(ii) Within the next three months, the National Health Insurer takes the necessary disciplinary action against all NHIF staff involved in the verification of claims, including the Claims Managers, the Branch Manager and the Quality Assurance Officers at the NHIF Eastleigh branch.

(iii) KMPDC permanently closes Joy Nursing and Maternity Eastleigh Limited immediately.

Recommendations on St Peters Orthopaedic and Surgical Speciality Centre

The National Insurer immediately lifts the suspension of St Peters Orthopaedic and Surgical Speciality Centre and pays the outstanding verifiable claims.

Recommendations on Amal Hospital Limited

(i) The Directorate of Criminal Investigations, within three months, finalises investigations on the Amal Hospital Limited to recover unverifiable claims and payments and take appropriate action against all parties involved in the lodging and payment of the unverifiable claims by the facility.

(ii) Within three months, the National Health Insurer takes the necessary disciplinary action against all NHIF staff involved in the verification of claims, including the Claims Managers, the Branch Manager and the Quality Assurance Officers at the NHIF Eastleigh branch.

(iii) Kenya Medical Practitioners and Dentists Council immediately closes Amal Hospital Limited permanently.

Recommendations on Beirut Pharmacy and Medical Centre

(i) The Directorate of Criminal Investigations, within three months, finalises investigations on the Beirut Pharmacy and Medical Centre to recover unverifiable claims and payments and take appropriate action against all parties involved in the lodging and payment of the unverifiable claims by the facility.

(ii) Within three months, the National Health Insurer takes the necessary disciplinary action against all NHIF staff involved in the verification and payment of claims, including the Claims Managers, the Branch Manager and the Quality Assurance Officers at the NHIF Eastleigh branch.

(iii) KMPDC immediately closes Beirut Pharmacy and Medical Centre permanently.

Recommendations on Murang'a High School Dispensary

The National Health Insurer immediately lifts the suspension of Murang'a High School Dispensary and pays the outstanding verifiable claims.

Recommendations on Chest and Skin Clinic

(i) The National Health Insurer pays the outstanding verifiable claims of Chest and Skin Clinic.

(ii) The EACC to, within three months, conduct investigations on the Audit Team that audited the *Edu Afya* Scheme and school administrators to ascertain whether the audit team solicited bribes from hospitals and school administrators to put them in the audit report.

Recommendations on Garissa Nursing Home

The National Health Insurer pays the outstanding verifiable claims of Garissa Nursing Home.

Recommendations on Aljazeera Hospital

(i) The National Health Insurer pays the outstanding verifiable claims to Aljazeera Hospital.

(ii) Within one month from the date of adoption of this Report by the National Assembly, Aljazeera Hospital enters into formal contracts with all visiting physicians and consultants.

(iii) KMPDC, within three months, inspects and re-categorises Aljazeera Hospital to ensure that the facility complies with the requirements of a Level 5 hospital.

Recommendations on Medina Hospital

(i) The National Health Insurer pays the outstanding verifiable claims to Medina Hospital.

(ii) The hospital management to utilise and explore more fields of treatment as it was well equipped and has good infrastructure.

Recommendations on Charity Medical Centre

The National Health Insurer immediately lifts the suspension of Charity Medical Centre and pays their outstanding verifiable claims.

Recommendations on Elburgon Nursing Home

(i) The National Health Insurer pays the outstanding verifiable claims to Elburgon Nursing Home.

(ii) The Elburgon Nursing Home should relocate to a new premise and apply for re-inspection and re-categorisation by the KMPDC within six months, failure to which, the KMPDC to close the facility.

(iii) The EACC, within three months, conducts investigations on the Audit Team that audited the *Edu Afya* Scheme and school administrators to ascertain whether the audit team solicited and took bribes from hospitals and school administrators to put them in the audit report.

Recommendations on Equity Afya Buruburu

Within the six months after the adoption of this Report by the National Assembly, the Directorate of Criminal Investigations investigates Equity Afya Buruburu, the NHIF Claim Managers, the Branch Manager and the Quality Assurance Officers at the NHIF Buruburu Branch involved in the verification of claims.

(B) TO ESTABLISH THE FINANCIAL STATUS OF THE NHIF

Recommendations on the Financial Status of NHIF:

(i) The National Treasury to remit the outstanding premiums owed in the provision of National government-sponsored schemes to enable the National Health Insurer to settle all the pending reimbursements owed to service providers during the winding up period of the National Health Insurance Fund.

(ii) Within six months after the adoption of this Report by the National Assembly, the National Health Insurer develops a policy that will provide for the advance payment of premiums by the national and county governments on behalf of the indigents.

Recommendation on Investments by NHIF

(i) The National Health Insurer, within sixty days of the adoption of this Report by the House, submits a report on the status of all investments indicating the acreage of the land owned and the prevailing valuation of the assets.

(ii) The Office of the Auditor-General to, within six months of the adoption of this Report by the House, conduct a special audit on the NHIF parking system to ascertain the amount of revenue collected through the parking system for the financial years 2011/2012 to date and the utilisation of monies collected.

Recommendations on Operating Expenses:

(i) The National Health Insurer to deliberately allocate expenditure aligned towards the delivery of core mandate in its transformational journey to align with the new government expectation on UHC.

(ii) The National Health Insurer, in future contractual engagements, do seek an opinion from the Office of the Attorney-General and use the services of its in-house legal counsel instead of procuring private law firms to prevent the high exposure in terms of legal fees.

Recommendations on Sponsored Programmes:

(i) The National Treasury to remit the outstanding premiums owed in the provision of National government-sponsored schemes to enable the National Health Insurer to settle all the pending reimbursements owed to service providers during the winding up period of the National Health Insurance Fund.

(ii) Within six months after the adoption of this Report by the National Assembly, the National Health Insurer develops a policy that will provide for the advance payment of premiums by the national and county governments on behalf of the indigents.

Recommendation on Managed Schemes:

(i) The Auditor-General to, within six months from the adoption of this Report by the House, conduct a special audit pursuant to the Public Finance Management Act, Cap. 421A, on the usage, management and payments made out of the *Edu Afya* Scheme in the FY 2019/2020 to FY 2022/23.

(ii) The EACC to, within three months from the adoption of this Report by the House, conduct investigations on the Audit Team that audited the *Edu Afya* Scheme and school administrators to ascertain whether –

a) The audit team solicited and obtained bribes from hospitals and school administrators so as not to adversely put them in the audit report; and

b) There was collusion between Hospitals, Schools, and NHIF staff to defraud the *Edu Afya* Scheme offered by NHIF through fraudulent claims.

Recommendation on Enhanced Schemes:

(i) The National Health Insurer should not provide enhanced schemes and should instead focus on providing a comprehensive benefits package for all Kenyans including civil servants.

(ii) The State Department for Public Service may procure an additional insurance cover for civil servants in the country separate from the insurance cover offered by the National Health Insurer.

Recommendation on Claims Management Division:

(i) The Directorate of Criminal Investigations to, within three months from the adoption of this Report by the House, conduct investigations on the possible collusion between the service providers and the Claims Management Division at the NHIF and in particular the Manager of the Division and service providers in the preauthorisation of overseas treatment.

(ii) Within six months after the adoption of this Report by the National Assembly, the Ethics and Anti-Corruption Commission conducts forensic audit on the Claims Management system to deter fraud.

(iii) The Committee reprimands Ms Judith Karimi Otele for giving false evidence before the Committee.

Recommendation on Information, Communication and Technology Systems:

(i) All the data in the ICT systems should be securely retained by the Social Health Authority and the existing ICT service providers of NHIF during the transition period up to seven (7) years.

(ii) The National Health Insurer immediately automates its processes including preauthorisation of requests that do not require human intervention, and the empanelment of facilities and contracts to eliminate fraud.

Recommendation on MTRH Loan:

(i) The MMA Advocates, within three months from the date of adoption of the Report by the House, do refund the monies irregularly paid.

(ii) Within six months after the adoption of this Report by the National Assembly, EACC conducts investigations on the NHIF's contract with MMA Advocates for the MTRH Loan and the role of the current and previous Board of Management and the relevant staff in the legal, procurement and finance departments of the NHIF.

(iii) The Auditor-General undertakes a special audit on the Moi Teaching and Referral Hospital loan and submit report to the National Assembly within three (3) months.

(c) To Assess the Efficiency and Effectiveness of the NHIF Quality Assurance Mechanisms

(i) The Committee recommends that the Board of the National Health Insurer adopts a staff establishment that makes provision for a department on Quality Assurance that has staff with medical expertise for purposes of evaluating the requested medical procedures and ascertaining whether the procedures are medically necessary.

(ii) The Committee further recommends that the National Health Insurer recruits adequate quality assurance personnel and that these personnel are equitably distributed based on workload.

(d) To Determine the Efficiency and Effectiveness of the NHIF's Human Resource Management:

Recommendation

(i) Ms. Rachel Mwonyoncho be declared unfit to hold any public office.

(ii) The Social Health Authority, in conducting a suitability assessment of the staff of the NHIF, to take note of the fact that the ten management employees were irregularly appointed and take appropriate action.

(iii) Within three months after the adoption of this Report by the National Assembly, the Public Service Commission provides clear guidelines on the terms for engagements of staff on acting capacity and the procedure for confirmation in such positions.

(e) To Evaluate the Efficiency and Effectiveness in the Empanelment of Service Providers by the NHIF.

Recommendation on Beneficiary Management:

The Ministry of Health to enforce compulsory registration of all Kenyans above the age of eighteen as provided in the Social Health Insurance Act, 2023 to reduce adverse selection where the informal sector enrolled in NHIF only when in need of medical insurance.

Recommendation on Biometric Registration of Beneficiaries:

The National Health Insurer in the registration of the members and beneficiaries of the Social Health Insurance Fund should utilise the existing national government databases held by entities such as the National Reference Bureau to verify the identification documents and biometrics provided.

GENERAL OBSERVATIONS AND RECOMMENDATIONS

1. Within six months, the Auditor-General do undertake a special audit of the NHIF on the utilisation of funds disbursed towards payment of claims for the contracted health facilities in the financial year 2019/2020 to 2022/23.

2. The Board of the national insurer, in future contractual engagements, should seek an opinion from the Office of the Attorney-General instead of using private law firms, particularly in matters of interpretation of law to prevent the unnecessary usage of public funds.

3. Within six months, the Auditor-General do undertake a special audit of the WIBA contracts and all contracts procuring legal services in the financial year 2019/2020 to 2022/23.

4. The National Health Insurer should at all times ensure that all payments made are duly supported by requisite documents and adhere to the Public Procurement and Asset Disposal Act, Cap. 412 C and the attendant regulations.

5. The National Health Insurer to, in the conduct of its suitability assessment of the staff of the NHIF, consider the observations and recommendations of this report on internal audit, preauthorisation and claims management division as well as the report of the EACC and DCI on the involvement of the staff of the NHIF in fraudulent activities.

6. The KMPDC strengthens its monitoring systems and ensures proper categorisation of hospitals per level based on the factual infrastructure/capacity and personnel.

7. The KMPDC conducts re-categorisation of all health facilities in the country by September 2024 before the empanelment of the healthcare facilities by the national insurer in accordance with the prescribed criteria or guidelines.

8. The Directorate of Criminal Investigations, the Ethics and Anti-Corruption Commission and the Auditor-General submits progress reports on these investigations and audits within three months after the adoption of this Report by the National Assembly.

Signature.....**Date** 31/05/2024

HON. DR ROBERT PUKOSE, CBS, M.P.
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON HEALTH

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 12 JUN 2024 DAY: Wednesday
TABLED BY: Chair. DC-Health Hon. (Dr.) Robert Pukose, MP
CLERK-AT-THE-TABLE: Miriam Mbo

ANNEXTURE 2:

ADOPTION LIST

THE NATIONAL ASSEMBLY

13TH PARLIAMENT – THIRD SESSION (2024)
DIRECTORATE OF DEPARTMENTAL COMMITTEES
DEPARTMENTAL COMMITTEE ON HEALTH

REPORT ADOPTION LIST OF THE CONSIDERATION OF THE REPORT ON THE INQUIRY INTO THE ALLEGED FRAUDULENT PAYMENTS OF MEDICAL CLAIMS AND CAPITATION TO HEALTH FACILITIES BY THE NATIONAL HEALTH INSURANCE FUND.

We, the undersigned Members of the Departmental Committee on Health do hereby append our signatures to adopt this Report **Date:** 31/05/2024

NO	NAME	SIGNATURE
1.	The Hon. (Dr) Pukose Robert, CBS, M.P -**Chairperson**	
2.	The Hon. Ntwiga Patrick Munene, M.P -**Vice-Chairperson.**	
3.	The Hon. (Dr) Nyikal James Wambura, M.P.	
4.	The Hon. Titus Khamala, M. P	
5.	The Hon. Sunkuli Julius Lekakeny Ole, EGH, EBS, M.P.	
6.	The Hon. Prof. Jaldesa Guyo Waqo, M.P.	
7.	The Hon. Owino Martin Peters, M.P.	
8.	The Hon. Wanyonyi Martin Pepela, M.P	
9.	The Hon. Lenguris Pauline, M.P	
10.	The Hon. Mary Maingi, MP	
11.	The Hon. Muge Cynthia Jepkosgei, M.P	
12.	The Hon. Oron Joshua Odongo, M.P.	
13.	The Hon. Kibagendi Antoney, M.P.	
14.	The Hon. Mathenge Duncan Maina, M.P	
15.	The Hon. Kipng'ok Reuben Kiborek, M.P	