



# **MINISTRY OF HEALTH**

## **REGULATORY IMPACT ASSESSMENT FOR TARIFFS FOR HEALTHCARE SERVICES AS AMENDED 2026**

**This Regulatory Impact Assessment (RIA) has been prepared by the Ministry of Health in consultation with the Social Health Authority for the proposed Social Health Insurance (Tariffs), 2024 pursuant to Section 6 and 7 of the Statutory Instruments Act (No. 23 of 2013)**

**February 2026**

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## CHAPTER 1

### INTRODUCTION AND BACKGROUND

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The Government of Kenya is committed to the progressive realization of the constitutional right to the highest attainable standard of health through the implementation of a Universal Health Coverage (UHC) system. This commitment is anchored on four mutually reinforcing pillars: sustainable healthcare financing, an integrated health information management system, adequate and well-distributed human resources for health, and secure access to health products and technologies. Together, these pillars aim to deliver equitable, high-quality, and people-centred health services to all residents.

Recent legal and institutional reforms have fundamentally restructured healthcare financing in Kenya to support UHC. These reforms establish; Differentiated but complementary financing arrangements based on the nature of health services and the point of care. Primary healthcare services, comprising preventive, promotive, outpatient, and basic diagnostic services, are fully publicly financed, allowing beneficiaries to access care from public, faith-based, and private providers under regulated tariffs. In addition, a universal and seamless health insurance system has been established, anchored in mandatory national health insurance and complemented by voluntary private insurance.

To address emergencies, high-cost and catastrophic conditions, a publicly financed national fund supports emergency, critical, and chronic illnesses that exceed or fall outside standard insurance coverage. This layered financing architecture reflects global best practice in UHC systems, as observed in countries such as the United Kingdom, Thailand, and Rwanda, where essential services are publicly financed, insurance mechanisms pool risk for higher-level care, and special funds protect households from catastrophic expenditure. The overarching objective is to safeguard households from financial hardship while ensuring efficient use of public resources and high-quality service delivery through strong governance and accountability.

Within this context, the Social Health Authority (SHA) developed and rolled out explicit health Tariffs for Healthcare Services, as gazetted and effective from 1st October 2024. The formulation of these packages was guided by the

need to align health entitlements with population health needs, ensure financial sustainability within available fiscal space, reduce out-of-pocket spending, and enhance transparency and accountability in health financing. While the rollout of explicit benefits marks a major milestone toward UHC, parliamentary ratification of the process used to define these benefits is critical to ensure legitimacy, predictability, and protection against ad hoc or politically driven benefit expansion.

## **1.1 PURPOSE OF THE REGULATORY IMPACT STATEMENT**

This Regulatory Impact Statement is prepared pursuant to Sections 6 and 7 of the Statutory Instruments Act, Cap 2A, to assess the regulatory impact of implementing the Social Health Insurance Tariffs for Healthcare Services 2026 established under the Social Health Insurance Act<sup>1</sup>.

Sections 6 and 7(1) and (2) of the Statutory Instruments Act, 2013 require a Regulation-making Authority to prepare a Regulatory Impact Statement (RIS) for any proposed statutory instrument that is likely to impose significant costs on the community or a section of the community. The Act further requires that public participation be undertaken in the development of such regulatory measures.

The Regulation-making Authority for the Social Health Insurance Tariffs for Healthcare Services 2026 is the Cabinet Secretary responsible for matters relating to health, acting in consultation with the Board of the Social Health Authority, pursuant to Section 32 of the Social Health Insurance Act.

This Regulatory Impact Statement is prepared to support the making of the Social Health Insurance Tariffs for Healthcare Services 2026, which prescribe the tariffs applicable to benefits provided under the Social Health Insurance scheme

Under the *Statutory Instruments Act, Cap 2A*, a regulatory impact statement shall contain;

- a) a statement of the objectives of the proposed legislation and the reasons for them;
- b) a statement explaining the effect of the proposed legislation, including in the case of a proposed legislation which is to amend an existing statutory instrument the effect on the operation of the existing statutory instrument;

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<sup>1</sup> Kenya law: Statutory Instruments Act, Cap 2A

- c) a statement of other practicable means of achieving those objectives, including other regulatory as well as non-regulatory options;
- d) an assessment of the costs and benefits of the proposed statutory rule and of any other practicable means of achieving the same objectives;
- e) the reasons why the other means are not appropriate;
- f) any other matters specified by the guidelines;
- g) a draft copy of the proposed statutory rule

## **1.2 OBJECTIVES OF THE TARIFFS FOR HEALTHCARE SERVICES 2026**

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The purpose of the Social Health Insurance Tariffs for Healthcare Services 2026 2024 is to standardize health insurance tariffs under the Social Health Insurance scheme, ensuring affordability, accessibility, and sustainability in healthcare financing. The primary objectives include:

- a) Making essential healthcare services financially accessible to all citizens.
- b) Reducing out-of-pocket health expenditures.
- c) Providing a framework for cost-effective healthcare coverage.
- d) Provide a sustainable health financing mechanism aligned with Universal Health Coverage (UHC) goals.

## **1.3 SCOPE OF THE REGULATORY FRAMEWORK**

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The Social Health Insurance Tariffs for Healthcare Services 2026 apply to healthcare services provided under the following three funds established under the Social Health Insurance Act no. 16 of 2023:<sup>2</sup>

1. **Primary Healthcare Fund:** This Fund supports preventive, promotive, and basic healthcare services, including health education, early detection of diseases, and essential primary care interventions aimed at improving population health outcomes.
2. **Social Health Insurance Fund:** This Fund provides coverage for essential outpatient and inpatient services, including diagnostic services, maternity care, surgical procedures, and general medical care necessary for routine and specialized health needs.

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<sup>2</sup> Kenya Law: [Social Health Insurance Act no. 16 of 2023](#)

3. **Emergency, Chronic and Critical Illness Fund:** This Fund provides financial coverage for high-cost and specialized healthcare services, including emergency care, chronic disease management, and treatment of critical and life-threatening conditions.

The Tariffs apply to all eligible beneficiaries accessing services at contracted and accredited healthcare providers, ranging from Level Two facilities (dispensaries) to Level Six facilities (national referral hospitals), in accordance with the existing provider accreditation framework.

#### **1.4. STATEMENT OF THE EFFECT OF THE PROPOSED TARIFFS**

The Social Health Insurance Tariffs for Healthcare Services 2026 establish a standardized pricing framework for healthcare services reimbursable under the Social Health Insurance scheme. The effect of the Tariffs is to:

- (a) prescribe the maximum reimbursable amounts payable to contracted healthcare providers for services rendered;
- (b) guide claims processing, reimbursement, and financial planning under the Social Health Insurance scheme;
- (c) reduce variability in healthcare costs across providers and levels of care; and
- (d) provide certainty and predictability to beneficiaries, healthcare providers, and the Social Health Authority regarding the scope and cost of covered services.

#### **1.5 JUSTIFICATION FOR THE PROPOSED TARIFFS**

The Social Health Insurance Tariffs for Healthcare Services 2026 are prepared as subsidiary legislation to give practical effect to the Social Health Insurance Act by prescribing legally binding reimbursement rates for healthcare services. The Act establishes the framework for social health insurance but requires regulations to operationalize benefit entitlements and provider payments.

The implementation of the Tariffs as subsidiary legislation is to ensure legal certainty, uniform application, and enforceability across all contracted healthcare providers and beneficiaries. Prescribing tariffs through regulations provides a transparent and predictable framework for claims processing and

service delivery, which could not be achieved through non-binding administrative guidelines.

These Tariffs support financial accountability and sustainability in the management of public resources under the Social Health Insurance scheme. By setting standardized reimbursement limits, the Tariffs enable effective cost control, prudent resource allocation in accordance with the Statutory Instruments Act, 2013.

In addition, the tariff framework allows for periodic review and amendment of the tariffs to respond to changes in healthcare costs, disease patterns, and service delivery models, while remaining subject to public participation, regulatory impact assessment, and parliamentary scrutiny.

The proposed standardized Social Health Insurance tariffs promote equity, affordability, and financial risk protection, ensuring that access to essential healthcare services does not result in financial hardship. The Tariffs therefore provide a necessary regulatory foundation for advancing Universal Health Coverage and the constitutional right to the highest attainable standard of health.

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## CHAPTER 2

### CONTEXT FOR THE PROPOSED TARIFFS FOR HEALTHCARE SERVICES

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#### 2.1 UNIVERSAL HEALTH COVERAGE (UHC)

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Universal Health Coverage (UHC) refers to a health system in which all people have access to the full range of quality health services they need, including preventive, promotive, curative, rehabilitative, and palliative care, without suffering financial hardship. UHC also encompasses access to safe, effective, quality, and affordable essential medicines and vaccines.<sup>3</sup>

The concept of UHC is anchored in the WHO Constitution of 1948, which recognizes health as a fundamental human right, and was reinforced by the

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<sup>3</sup> World Health Organization (WHO), 2010 <https://www.ebsco.com/research-starters/health-and-medicine/world-health-organization-proclaims-health-basic-human-right>

1978 Alma-Ata Declaration on Primary Health Care, which emphasized equity, access, and community-based care. Global commitment to UHC was further consolidated through the Sustainable Development Goals (SDGs) in 2015, particularly SDG 3.8, which explicitly targets UHC. This commitment was reaffirmed by the United Nations General Assembly during the 2019 High-Level Meeting on UHC.<sup>4</sup>

UHC is globally recognized not only as a health goal but also as a driver of socio-economic development, poverty reduction, and social cohesion. Countries advancing toward UHC simultaneously strengthen health systems, improve productivity, and reduce inequality.

## **2.2 UNIVERSAL HEALTH COVERAGE IN KENYA**

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In Kenya, Universal Health Coverage (UHC) is a constitutional and policy priority. Article 43(1)(a) of the Constitution of Kenya guarantees every person the right to the highest attainable standard of health, including healthcare services. This constitutional obligation places a duty on the State to establish financing and delivery mechanisms that ensure equitable access to healthcare without financial hardship.

Despite this constitutional guarantee, progress toward UHC has remained uneven. According to the WHO and World Bank Tracking Universal Health Coverage: 2023 Global Monitoring Report, Kenya's UHC Service Coverage Index (SCI) stood at approximately 53-55, compared to a global average of about 65, with the global target set at 100 by 2030. In the same period, approximately 5% of Kenyan households experienced catastrophic health expenditure, while out-of-pocket (OOP) health spending pushed a significant proportion of households into or deeper into poverty<sup>5</sup>.

Health insurance coverage in Kenya has historically remained low, particularly among low-income and informal sector populations, where coverage rates have been estimated at below 5%. Household out-of-pocket spending on health is estimated at over KSh 150 billion annually, contributing significantly to financial hardship, delayed care-seeking, and forgone treatment<sup>6</sup>.

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<sup>4</sup> National Library of Medicine, *The Right to Health Looking beyond Health Facilities*  
<https://pmc.ncbi.nlm.nih.gov/articles/PMC4965667/>

<sup>5</sup> WHO and World Bank Tracking Universal Health Coverage: 2023 Global Monitoring Report.  
<https://reliefweb.int/report/world/tracking-universal-health-coverage-2023-global-monitoring-report>

<sup>6</sup> National Library of Medicine. Indicators for Universal Health Coverage: can Kenya comply with the proposed post-2015 monitoring recommendations?  
<https://pmc.ncbi.nlm.nih.gov/articles/PMC4296682/>

Recognizing these challenges, the Government has undertaken a series of health financing reforms aimed at accelerating progress toward UHC. A central pillar of these reforms is the enactment of the Social Health Insurance Act, 2023, which establishes a unified and more equitable social health insurance framework.

### **2.3 SOCIAL HEALTH INSURANCE AS A FINANCING MECHANISM**

Social Health Insurance (SHI) is a health financing model based on risk pooling and solidarity, where contributions from individuals, employers, and the State are pooled to finance healthcare services for the population. The model enables cross-subsidization between the healthy and the sick, and between higher- and lower-income groups, thereby enhancing equity and financial protection.

It is widely acknowledged that healthcare is never entirely “free.” Even where services are provided at the point of care without user fees, costs are borne through public financing mechanisms such as general taxation, mandatory contributions, subsidies, and donor support. In Kenya, successive policy interventions—including user fee removal at primary healthcare facilities and exemptions for vulnerable populations—have sought to reduce financial barriers, but these measures alone have proven insufficient to deliver comprehensive financial protection.

The Social Health Insurance Act, 2023 establishes three interrelated financing windows: the Primary Healthcare Fund, providing publicly financed preventive, promotive, curative, rehabilitative, and palliative services; the Social Health Insurance Fund, covering essential outpatient and inpatient services; and the Emergency, Chronic and Critical Illness Fund, addressing high-cost, specialized, and long-term care, including cancer treatment and emergency referrals. Together, these funds represent a deliberate shift toward a more structured, equitable, and sustainable health financing system.

### **2.4 RELEVANCE OF THE TARIFFS FOR HEALTHCARE SERVICES**

The proposed Social Health Insurance Tariffs for Healthcare Services 2026 provide the pricing and reimbursement framework necessary to operationalize the Social Health Insurance scheme. By defining standardized tariffs across the three funds, the Tariffs enable the Social Health Authority

to function as a strategic purchaser of health services, ensuring value for money, cost control, and improved quality of care.

The Tariffs are central to reducing out-of-pocket expenditure, improving access to essential and specialized healthcare services, and strengthening provider accountability. They also support transparent claims management, equitable provider reimbursement, and sustainable use of public resources.

In this context, the Social Health Insurance, Tariffs constitute a critical policy instrument for accelerating Kenya's progress toward Universal Health Coverage and fulfilling the constitutional right to health.

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## CHAPTER 3

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### PROBLEM DEFINITION

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#### 3.1 INTRODUCTION

Kenya's pursuit of Universal Health Coverage (UHC) was constrained by persistent weaknesses in the health financing and purchasing arrangements under the defunct National Health Insurance Fund (NHIF) model. While NHIF played a critical role in expanding health insurance coverage over time, its tariff and reimbursement framework proved inadequate in delivering equitable access, financial protection, and efficiency across the health system.

Kenya's health financing landscape is evolving, with the government assuming a larger funding role as contributions from donors decline. Over the last 20 years, total health expenditures have steadily increased, though the share from each source has shifted. Government contributions rose from 27% of total health expenditure in 2009/10 to approximately 52% in 2018/19. During this period, household contributions decreased from 30% in 2009/10 to 24% in 2018/19, reflecting reforms aimed at enhancing financial protection, particularly for low-income and informal sector households.

According to the Kenya Household Health Expenditure and Utilization Survey (KHHEUS) 2018, out of pocket expenditure was at 32% and the incidence of catastrophic health expenditure was estimated to be 4.9%, an improvement

from 6% recorded in 2013. In 2015, 1.3% of the Kenya population were pushed into poverty due to out-of-pocket health spending. Although out-of-pocket expenditure has gradually reduced over the years, Kenyans are still at risk of being exposed to catastrophic health expenditure<sup>7</sup>.

When out-of-pocket payments are required, households with elderly, persons with disability, or chronically ill members are generally more likely to be confronted with catastrophic health spending than others.<sup>8</sup> The proposed Tariffs for Healthcare Services tariffs will cushion these populations by ensuring enrolment to the social health insurance for all and highlighting the benefits payable to healthcare providers. The Tariffs for Healthcare Services covers emergency, chronic and critical illnesses that are often associated with catastrophic health expenditures.

Moreover, strengthening the Primary Health Care (PHC) systems is the most cost-effective pathway towards the attainment of UHC. The WHO consistently highlights that well-resourced PHC systems meet 80-90% of essential needs at lower cost, drawing from the Alma-Ata principles and modern evaluations like the 2019 WHO Political Declaration on UHC. Studies, including those on PHC efficiency in developing contexts, affirm this capacity when systems integrate community care, prevention, and referrals effectively, as seen in high-performing models in countries like Brazil and Thailand. This statistic underscores PHC's role in achieving SDG 3, urging investments in infrastructure and workforce to realize its full potential.<sup>9</sup>

### **3.2 EXISTING SCENARIO**

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Historically, Kenya's health financing system relied on implicit and fragmented benefit arrangements, largely shaped by historical allocations, administrative discretion, and multiple parallel schemes. This approach led to significant inequities in access to care, high out-of-pocket expenditures, and limited financial risk protection for households. Benefit entitlements were often unclear, inconsistently applied, and weakly linked to available resources or population health priorities.

At the same time, Kenya's disease burden has been undergoing an epidemiological transition, with a rising prevalence of non-communicable

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<sup>7</sup> World Health Organization Global Health Expenditure database ([apps.who.int/nha/database](https://apps.who.int/nha/database))

<sup>8</sup> World Health Organization. (2005). Designing health financing systems to reduce catastrophic health expenditure. World Health Organization. <https://apps.who.int/iris/handle/10665/70005>

<sup>9</sup> Ministry of health; primary health care network guidelines May 2021  
[GUIdelines.health.go.ke:8000/media/Primary\\_Health\\_Care\\_Network\\_Guidelines\\_-\\_May\\_2021.pdf](https://www.health.go.ke/8000/media/Primary_Health_Care_Network_Guidelines_-_May_2021.pdf)

diseases and chronic conditions requiring long-term and often costly care. Without explicit prioritization and cost controls, the expansion of health benefits under such conditions risks becoming fiscally unsustainable and inequitable. International experience demonstrates that countries that fail to define explicit Tariffs for Healthcare Services, such as in early phases of insurance expansion in several middle-income countries, face rapid cost escalation, inequitable access, and erosion of public trust.

### **3.3 EXTENT OF THE PROBLEM (QUANTITATIVE DIMENSION)**

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Quantitatively, out-of-pocket payments continue to constitute a significant share of total health expenditure (approximately 24%), exposing households to catastrophic health spending and impoverishment. Rising demand for specialized, chronic, and emergency care places increasing pressure on public finances and insurance pools. At the same time, fiscal space for health remains constrained, requiring deliberate prioritization to maximize population health impact.

Past benefit expansions without systematic costing or budget impact analysis contributed to inefficiencies, provider payment delays, and resource wastage. These challenges underscored the need for a regulatory intervention to define explicit, costed, and prioritized health entitlements aligned with available resources and national health priorities.

### **3.4 POLICY OBJECTIVES**

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The overarching objective of the regulatory proposal is to establish a transparent, equitable, and financially sustainable framework for defining health entitlements under the Social Health Authority. Specifically, the SHA Essential Tariffs for Healthcare Services seeks to;

The objectives of the SHA Essential Tariffs for Healthcare Services are to:

1. Increase investment in preventive and promotive health services at primary care level.
2. Progressively expand service coverage to all Kenyans, including poor and vulnerable groups.
3. Enhance financial risk protection by reducing co-payments and catastrophic expenditure.
4. Improve quality of care and health outcomes.
5. Sustainably finance an essential Tariffs for Healthcare Services within available resources.

These objectives are consistent with WHO guidance on explicit priority setting and health Tariffs for Healthcare Services design for UHC.

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## CHAPTER 4

### LEGAL AND POLICY FRAMEWORK SUPPORTING THE IMPLEMENTATION OF THE TARIFFS

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The Social Health Insurance Tariffs for Healthcare Services Tariffs are firmly grounded in Kenya's constitutional, legal, and policy framework. They provide a lawful, transparent, and accountable mechanism for operationalizing the Social Health Insurance Act, managing public resources, and advancing Universal Health Coverage. The Tariffs constitute a critical regulatory instrument for strengthening healthcare financing, promoting equity, and realizing the constitutional right to health.

#### 4.1 CONSTITUTIONAL FRAMEWORK

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The implementation of the Social Health Insurance Tariffs for Healthcare Services Tariffs is anchored in the Constitution of Kenya, 2010. Article 43(1) (a) guarantees every person the right to the highest attainable standard of health, including healthcare services. This right imposes a positive obligation on the State to establish financing and delivery mechanisms that ensure equitable access to health services without financial hardship.

Article 21(2) requires the State to take legislative, policy, and other measures, including the setting of standards, to achieve the progressive realization of socio-economic rights. The prescription of standardized health insurance tariffs constitutes one such measure.

The principles of national values and governance under Article 10, including public participation, equity, transparency, accountability, and social justice, guide the formulation and implementation of the Tariffs. Further, Article 94 authorizes Parliament to delegate legislative authority to the Executive through subsidiary legislation, while Article 132 mandates the Executive to implement laws enacted by Parliament. Together, these provisions provide the constitutional basis for prescribing Tariffs for Healthcare Services Tariffs through regulations.

## **4.2 SOCIAL HEALTH INSURANCE ACT, 2023**

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The Social Health Insurance Act, 2023 provides the primary statutory foundation for the Tariffs for Healthcare Services Tariffs. The Act establishes the Social Health Authority and creates three financing mechanisms: the Primary Healthcare Fund, the Social Health Insurance Fund, and the Emergency, Chronic and Critical Illness Fund.

The Act mandates the Cabinet Secretary responsible for health, in consultation with the Board of the Social Health Authority, to prescribe Tariffs for Healthcare Services and applicable tariffs for services financed under the Social Health Insurance scheme. The Tariffs therefore give operational effect to the Act by defining reimbursement rates, guiding claims management, and enabling strategic purchasing of health services.

## **4.3 STATUTORY INSTRUMENTS ACT, CAP 2A.**

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The Statutory Instruments Act, Cap 2A governs the making, scrutiny, and implementation of subsidiary legislation. It requires that regulations imposing significant costs on the community be accompanied by a Regulatory Impact Statement and subjected to public participation and parliamentary scrutiny.

The preparation of the Social Health Insurance Tariffs for Healthcare Services Tariffs as subsidiary legislation ensures compliance with statutory requirements on legality, transparency, accountability, and oversight, thereby strengthening their enforceability and legitimacy.

## **4.4 PUBLIC FINANCE MANAGEMENT ACT, CAP 412 A.**

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The Public Finance Management Act, 2012 provides the framework for the management of public resources. It emphasizes fiscal discipline, accountability, transparency, and value for money in the use of public funds.

The Tariffs for Healthcare Services Tariffs support these principles by setting reimbursement ceilings, enabling expenditure control, and ensuring that healthcare purchasing under the Social Health Insurance scheme is conducted in a financially sustainable and accountable manner.

## **4.3 POLICY FRAMEWORK**

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The following key policies guide the development of these tariffs. The Kenya Health Policy provides strategic direction for the health sector, emphasizing equitable access, financial risk protection, and efficiency in healthcare financing. The Social Health Insurance Tariffs for Healthcare Services Tariffs operationalize these policy objectives by standardizing reimbursement and supporting strategic purchasing.

The Tariffs align with Kenya's UHC agenda and The Bottom-Up Economic Transformation Agenda (BeTA) 2022-2027 which seeks to reduce out-of-pocket expenditure, expand coverage, and improve service quality. By defining benefit entitlements and reimbursement rates, the Tariffs provide the financial architecture necessary for UHC implementation.

The Tariffs support national development priorities articulated in frameworks such as Vision 2030 and Medium-Term Plans, which recognize health as a driver of socio-economic development and productivity.

#### **4.4 INTERNATIONAL AND REGIONAL COMMITMENTS**

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Kenya is a signatory to several international and regional instruments that inform the implementation of the Tariffs for Healthcare Services Tariffs, including:

- the World Health Organization Constitution, recognizing health as a human right;
- the Alma-Ata Declaration (1978) and Astana Declaration (2018) on Primary Health Care;
- the 2030 Agenda for Sustainable Development, particularly SDG 3.8 on Universal Health Coverage; and
- the African Union Agenda 2063, which emphasizes access to quality healthcare as a foundation for development.

These commitments reinforce the State's obligation to establish financing mechanisms that promote equity, access, and financial protection.

#### **4.5 INSTITUTIONAL AND GOVERNANCE FRAMEWORK**

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The implementation of the Tariffs for Healthcare Services Tariffs is supported by the governance structures established under the Social Health Insurance Act, including the Social Health Authority and its Board. These institutions are responsible for provider contracting, tariff application, and claims management.

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## CHAPTER 5

### OVERVIEW OF THE PROPOSED SOCIAL HEALTH INSURANCE TARIFFS FOR HEALTHCARE SERVICES

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#### 5.1 SUMMARY OF THE PROPOSED TARIFFS

The proposed Tariffs will bring into effect Section 32 of the Social Health Insurance Act, 2023. The Tariffs prescribe the standard costs and access rules for medical services covered under the Social Health Insurance Act No. 16 of 2023, organized into the three funds: the Primary Healthcare Fund, the Social Health Insurance Fund (SHIF), and the Emergency, Chronic and Critical Illness Fund (ECCIF), and revoke previous regulations from 2024.

#### 5.2 OVERVIEW OF THE THREE FUNDS

The tariffs are organized into three primary funds, each covering specific types of medical care:

- (i) Primary Healthcare Fund: Focuses on outpatient care at lower-level facilities (Levels 2, 3, and select Level 4)3. It includes consultations, basic laboratory work, and health education.
- (ii) Social Health Insurance Fund (SHIF): Covers more advanced services, including medical inpatient care, maternity and neonatal services, renal care, mental wellness, and surgical procedures.
- (iii) Emergency, Chronic, and Critical Illness Fund: Provides coverage for life-threatening situations such as ambulance evacuations, accident and emergency services, and long-term management of chronic illnesses.

#### 5.3 SUMMARY OF KEY HEALTHCARE TARIFFS

<b>FUND</b>	<b>Service Category</b>	<b>Access Point</b>	<b>Key Tariffs (KSh.)</b>	<b>Key Access Rules</b>
<b>Primary Healthcare Fund (PHC)</b>	Outpatient Care: Services include	Levels 2, 3, & select 4	900 per person per annum	Beneficiaries are mapped to a Primary Care Network (PCN).

<b>PHC</b>	Screening & Management Of Pre-Cancerous Lesions	Level 2-6 with the capacity to offer the service	Human Papillomavirus (HPV) – KES. 3,600 2. Prostate Specific Antigen (PSA) – KES. 1,500 3. Stool for occult blood – KES. 400 4. Cryotherapy – KES. 3,000 5. Thermal Ablation – KES. 3,000 6. Loop Electrosurgical Excision Procedure (LEEP) – KES. 2,800	Screening for common health conditions will be financed under outpatient services. 2. Cancer-specific screening will be rolled out subject to budgetary allocation.
<b>PHC</b>	Optical Health Services	Level 2, 3 and select Level 4 primary healthcare referral facilities as empaneled and contracted by the authority to offer primary healthcare services.	KES. 950 for dispensing eyeglasses.  Eye health education, consultation and eye tests will be covered under the outpatient services.	Limit: KES. 1,000 per Household Treatment for refractive errors is limited to beneficiaries below eighteen (18) years.

<b>Social Health Insurance Fund</b>	Outpatient Care Services	Level 4-6	1) Diabetes - KES. 4,300 2) Cardiovascular diseases - KES. 2,850 3) Sickle cell - KES. 6,800 4) Chronic Obstructive Pulmonary Disease (COPD)/Asthma	Limit: Once per year per person. SHIF will cover expenses up to the specified tariff.
<b>SHIF</b>	Medical Inpatient	Levels 3-6	2,240 to 4,480 per day	Limit of 180 days per household per annum.
<b>SHIF</b>	Maternity Delivery	Levels 2-6	10,000 (Normal) / 30,000 (C-Section)	Includes essential newborn care.
<b>SHIF</b>	Renal Care (Dialysis)	Levels 3-6	10,650 per session	Limit of 2 sessions per week for hemodiafiltration.
<b>SHIF</b>	Surgical Services	Levels 3-6	Based on complexity	Limits: 3 minor, 2 major, and 1 specialized procedure per year per household.
<b>SHIF</b>	Mental Wellness Tariffs for Healthcare Services	Level 2-6	Outpatient services will be reimbursed within the outpatient services package at Level 2, 3 and	Diagnosis and management of behavioral disorders while admitted will be provided

			<p>select Level 4 primary healthcare referral facilities as empaneled and contracted by the Authority to offer primary healthcare services.</p> <p>Inpatient Services</p> <ol style="list-style-type: none"> <li>1. Level 3 - KES. 2,240</li> <li>2. Level 4 - KES. 3,360</li> <li>3. Level 5 - KES. 3,920</li> <li>4. Level 6 - KES. 4,480</li> </ol> <p>Rehabilitation for Drug &amp; Substance Abuse</p> <ol style="list-style-type: none"> <li>1. Rehabilitation - KES. 67,200</li> </ol>	<p>for within the inpatient annual limit of 180 days.</p> <ol style="list-style-type: none"> <li>2. Social Health Insurance Fund (SHIF) will cover expenses for Drug &amp; Substance Abuse up to the specified tariff.</li> </ol>
<b>SHIF</b>	Overseas Treatment Package	Overseas empaneled and contracted healthcare	Limit: KES. 500,000 per person per annum.	Overseas empaneled and contracted healthcare providers.
<b>SHIF</b>	Medical Imaging and Other Investigations Package.	All facilities with required imaging services.		Limit: Up to 2 of each imaging service per household per annum.

<b>SHIF</b>	Hematology & Oncology Services Package	Level 3-6 with National Cancer Institute certification and capacity to offer the service		Diagnosis, staging & treatment – Limit: KES. 400,000 per person per annum.
<b>ECCF</b>	Ambulance (Emergency)	National/ County Centers	4,500 (within 25km) / 75 per km (>25km)	Accessible to all Kenyans regardless of registration or payment status.
<b>ECCF</b>	Longitudinal management of chronic conditions and diseases beyond the SHIF limit	Level 4-6	Haemo-dialysis, peritoneal dialysis, pre-transplant evaluation and postrenal therapy will be reimbursed as prescribed under the Renal Care services package in Social Health Insurance Fund (SHIF). 3. Haematology & Oncology Services: For Management of cancers, patients who	Must be a paid-up Social Health Insurance Fund (SHIF) member. 2. Shall be covered comprehensively subject to budgetary allocation.

			exhaust their SHIF limit shall have an additional KES. 400,000 for treatment	
<b>ECCF</b>	Critical Illness	Levels 4-6	28,000 per diem	Limit of 12 days; further days require authorization.

## Exclusions

Certain treatments and products are explicitly excluded from these Tariffs for Healthcare Services, including:

- Cosmetic procedures unless medically necessary.
- Alternative therapies such as acupuncture, herbalism, and massage (unless for injury recovery).
- Assisted fertility treatments like IVF.
- Private ward admissions, luxury services, and personal comfort items.
- Vaccines not included in the Kenya Expanded Program on Immunization (KEPI).

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## CHAPTER 6

### THE COST-BENEFIT ANALYSIS FOR THE PROPOSED TARIFFS FOR HEALTHCARE SERVICES

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#### 6.1 INTRODUCTION

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This chapter presents a comprehensive cost-benefit analysis of the proposed Social Health Insurance (SHI) Tariffs for Healthcare Services tariffs, as required under Section 7(d) of the Statutory Instruments Act. The analysis evaluates the economic rationale, anticipated benefits, associated costs, and

potential risks of implementing these tariffs within Kenya's Universal Health Coverage (UHC) framework.

The proposed tariffs form a critical component of Kenya's health financing reform under the Social Health Authority (SHA), which transitions from the National Hospital Insurance Fund (NHIF) to a strategic purchasing model anchored in the Social Health Insurance Act of 2023. The tariffs will determine contribution rates for insured individuals and reimbursement rates for healthcare providers across three major funds: the Primary Healthcare Fund, the Social Health Insurance Fund, and the Emergency, Chronic, and Critical Illness Fund.

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### **6.1.1 Policy Context and Reform Objectives**

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The reform aims to strengthen financial protection, enhance equity, and establish strategic purchasing mechanisms to advance UHC. The Benefits Package and Tariffs Advisory Panel<sup>10</sup> (BPTAP) has been established to ensure that tariffs align with quality standards, equity principles, and fiscal sustainability through evidence-based pricing and benefit definition.

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## **6.2 ANTICIPATED BENEFITS**

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The implementation of the proposed tariffs is expected to deliver substantial benefits across multiple dimensions:

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### **6.2.1 Enhanced Financial Protection**

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The tariffs will protect individuals and households from catastrophic health expenditures by shifting costs from direct out-of-pocket payments to pooled prepayment mechanisms. This protection is particularly significant for low-income households and patients with chronic conditions who face prolonged treatment costs. The Emergency, Chronic, and Critical Illness Fund specifically addresses catastrophic health events that could otherwise lead to financial ruin for families.

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### **6.2.2 Improved Equity and Inclusivity**

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Standardized tariffs across the three funds ensure that all individuals, regardless of income or geographic location, have access to essential

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<sup>10</sup> [Social Health Insurance Act, 2023 \(No.16 of 2024\)](#)

healthcare services. The system incorporates several equity-enhancing features:<sup>11</sup>

- Targeted subsidies for vulnerable populations, including those in extreme poverty, the elderly, children, and persons with disabilities
- Zero co-payment requirements for essential services
- Reduction of price discrimination across counties
- Transport vouchers for maternal and newborn care in underserved areas

These measures reduce disparities in healthcare access and ensure meaningful inclusion of marginalized groups.

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### **6.2.3 Quality Improvement and Efficiency Gains**

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Strategic purchasing with clearly defined tariffs and payment methods creates strong incentives for healthcare providers to<sup>12</sup>:

- Adhere to clinical standards and quality metrics
- Follow rational referral protocols
- Reduce unnecessary admissions and procedures
- Invest in service quality improvements

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### **6.2.4 System Sustainability and Long-Term Value**

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The Primary Healthcare Fund's emphasis on preventive care, early intervention, and disease prevention reduces the overall burden on the healthcare system. By addressing conditions such as diabetes, hypertension, and cancer at early stages, the system can lower long-term costs while improving population health outcomes.

Actuarially fair premiums ensure financial sustainability by balancing expected healthcare needs with available resources, creating a stable foundation for the social health insurance system without imposing unsustainable burdens on contributors or the government.

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### **6.2.5 Provider Stability and Investment**

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<sup>11</sup> [Kenya Health Policy 2014-2030](#)

<sup>12</sup> [Primary Health Care Strategic Framework 2019-2024](#)

Predictable, cost-reflective reimbursement improves cash flow for healthcare providers and enables investment in capacity expansion and quality improvement. Transparent contracts, timely payments, and periodic tariff reviews maintain provider participation and network breadth.

## 6.3 IMPLEMENTATION COSTS

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### 6.3.1 Administrative and Operational Costs

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Implementing the Tariffs for Healthcare Services tariffs requires substantial investment in infrastructure and systems:

- (a) **Digital Platform Development:** Establishment of a centralized system for claims management, registration, beneficiary identification, and provider payments requires significant upfront costs for software development, hardware infrastructure, and cybersecurity measures, with ongoing maintenance and upgrade expenses.
- (b) **Registration and Enrollment Systems:** Creating and maintaining member databases, establishing registration centers, and deploying staff for beneficiary verification represent continuous operational expenses that scale with system expansion.
- (c) **Claims Management Infrastructure:** The Claims Management Office within SHA requires dedicated staff and resources for accurate and efficient claims processing, while the Dispute Resolution Tribunal necessitates additional resources for mediation and legal processes.
- (d) **Quality Monitoring and Utilization Management:** Implementing prior authorization systems, referral protocols, clinical pathways, fraud detection, and claims audits requires robust capacity and ongoing investment.

### 6.3.2 Provider Contracting and Reimbursement Costs

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- (a) **Empanelment and Contract Management:** Assessing provider quality standards, negotiating contracts, and coordinating service delivery expectations require administrative oversight, dedicated staff, and potentially legal and financial advisory services.
- (b) **Service Reimbursement:** The volume-dependent cost of reimbursing healthcare providers according to agreed tariff rates represents the largest ongoing expenditure.

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### 6.3.3 Government Contributions and Subsidies

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The government bears primary fiscal responsibility for ensuring inclusive coverage through:

- (a) **Subsidies for Vulnerable Populations:** The government will fully subsidize contributions for indigent individuals and vulnerable groups unable to pay, including those in extreme poverty, the elderly, children, and persons with disabilities. The annual cost will vary based on census data and healthcare utilization patterns but represents a recurring fiscal commitment.
- (b) **Primary Healthcare Fund Financing:** The government will directly finance services at Level 2 and Level 3 healthcare facilities through National Assembly allocations, covering the full scope of primary healthcare services including preventive care, maternal and child health, and early intervention for chronic diseases.
- (c) **Emergency, Chronic, and Critical Illness Fund Support:** Government financing ensures accessible treatment for catastrophic health events and chronic condition management, particularly when individuals exhaust regular health insurance benefits.

These contributions require ongoing budget allocation with regular adjustments to accommodate growing healthcare demand.

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## 6.4 RISKS AND MITIGATION STRATEGIES

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While the proposed tariffs are expected to generate substantial positive socio-economic impacts, implementation carries inherent risks that could undermine intended outcomes if not properly managed. This section identifies key risk areas and outlines corresponding mitigation strategies to ensure the reform achieves its objectives while minimizing adverse consequences.

### (a) Trust and Legitimacy Risks

**Risk:** Inadequate transparency in tariff-setting processes or perceived unfairness in contribution requirements may erode public trust in the Social

Health Authority and broader government institutions, reducing voluntary compliance and undermining system sustainability.

**Mitigation:** Establish transparent, evidence-based tariff-setting processes with regular public reporting on system performance, financial flows, and benefit delivery. Engage diverse stakeholders in tariff review processes and maintain accessible grievance mechanisms to address concerns promptly.

### **(b) Trust in Government and Institutional Legitimacy**

**Mitigation:** Establish transparent, evidence-based tariff-setting processes with regular public reporting on system performance, financial flows, and benefit delivery. Engage diverse stakeholders in tariff review processes and maintain accessible grievance mechanisms to address concerns promptly.

**Positive Outcome:** Transparent, evidence-based tariff-setting processes build public trust in government institutions and demonstrate commitment to equitable, effective governance. When citizens observe that the system delivers promised benefits fairly and efficiently, confidence in the broader reform agenda strengthens.

This legitimacy is essential for sustaining political support for UHC implementation and for encouraging voluntary compliance with contribution requirements.

### **(c) Redistributive Effectiveness Risks**

**Risk:** Weak targeting mechanisms or enrollment system failures may result in subsidy leakage to non-poor populations while failing to reach the most vulnerable groups, undermining the equity objectives of the reform.

**Mitigation:** Develop robust beneficiary identification systems using updated census and poverty data. Implement regular validation exercises to verify eligibility. Establish community-level enrollment processes to reach remote and marginalized populations effectively.

**Positive Outcome:** When effectively implemented, the tariff structure's progressive elements enable wealthier contributors to subsidize healthcare access for poorer households. This redistribution strengthens social solidarity by making healthcare a shared responsibility and collective good rather than an individual burden.

#### (d) Stakeholder Resistance Risks

**Risk:** If contributions are perceived as unfair, tariffs are misaligned with service quality, or benefits fail to meet expectations, political resistance may emerge from key stakeholder groups including employers, formal sector workers, and healthcare providers. Such resistance could jeopardize implementation or force counterproductive policy compromises.

**Mitigation:** Conduct ongoing stakeholder engagement throughout implementation, maintaining transparent communication about system performance, costs, and benefits. Establish responsive governance mechanisms that allow for periodic tariff reviews and adjustments based on evidence and stakeholder feedback. Demonstrate early wins in service delivery to build momentum and support.

**Considerations:** Balancing competing stakeholder interests requires careful political management. The government must maintain commitment to equity objectives while addressing legitimate concerns from contributing populations about value for money and service quality.

### 6.5 COMPARATIVE ANALYSIS OF POLICY OPTIONS

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The following matrix evaluates the socio-economic impacts of three policy approaches: maintaining the status quo, relying on administrative measures, and implementing comprehensive Social Health Insurance regulations.

<b>Impact Dimension</b>	<b>Option 1: Status Quo</b>	<b>Option 2: Administrative Measures</b>	<b>Option 3: SHI Tariffs (Proposed)</b>
<b>Public Sector</b>	Non-attainment of UHC; healthcare system burdened by catastrophic costs	Difficulty in enforcement; limited systemic change	Achievement of UHC objectives; sustainable financing framework
<b>Private Sector</b>	Minimal impact; continued informal arrangements	Limited engagement and coordination	Structured participation framework supporting UHC goals
<b>Economic Impact</b>	Rising healthcare costs; continued financial burden	Inadequate cost containment	Reduced catastrophic expenditure; improved productivity

	on households		
<b>Social Impact</b>	Families impoverished by health costs; persistent inequity	Insufficient protection against out-of-pocket expenditure	Improved access across population; reduced poverty from health shocks
<b>Human Rights</b>	Delayed attainment of health-related socio-economic rights	Insufficient legal force to guarantee rights	Advancement toward highest attainable health standards
<b>Business Environment</b>	No structural change	Lack of legal framework for full implementation	Clear framework for enterprise contribution to UHC
<b>Health Infrastructure</b>	Limited investment; stagnant capacity	Minimal infrastructure development	Facilitated investment in healthcare facilities and systems
<b>Legal Framework</b>	Persistent regulatory gaps	Unaddressed regulatory concerns	Comprehensive gap closure; harmonized legal framework

The analysis clearly demonstrates that the proposed SHI regulations (Option 3) deliver superior socio-economic outcomes across all dimensions compared to maintaining the status quo or relying solely on administrative measures.

**6.6 CONCLUSION**

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The implementation of the proposed Social Health Insurance Tariffs for Healthcare Services tariffs will generate substantial positive socio-economic impacts that extend well beyond the health sector. Key anticipated outcomes include:

- Household welfare improvements through reduced out-of-pocket spending, enhanced financial protection, and improved equity.
- Labor market gains from increased productivity, better health outcomes, and potential formalization incentives.

- Macroeconomic benefits supporting GDP growth and human capital development.
- Healthcare system strengthening through provider stability and quality improvement incentives.
- Enhanced social cohesion via redistributive mechanisms and institutional legitimacy.

Realizing these benefits will require attention to the implementation of quality healthcare services, adequate and sustainable financing, effective governance, and ongoing stakeholder engagement. The proposed tariffs can contribute to a healthier, more productive society characterized by reduced poverty, enhanced equity, and improved human development outcomes.

The long-term socio-economic returns from this investment will substantially outweigh the implementation costs, positioning Kenya for sustained progress toward Universal Health Coverage and broader development objectives.

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## CHAPTER 7

### SOCIO-ECONOMIC IMPACT ANALYSIS OF THE PROPOSED TARIFFS

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#### 7.1 INTRODUCTION

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The implementation of the proposed Social Health Insurance (SHI) Tariffs for Healthcare Services tariffs will generate substantial socio-economic impacts across multiple dimensions of Kenyan society. These impacts extend beyond the health sector, affecting households, labor markets, macroeconomic performance, and social cohesion. The magnitude and distribution of these impacts will depend on the effectiveness of implementation, the adequacy of the tariff structure, and the quality of system management.

This chapter analyzes the anticipated socio-economic effects of the proposed tariffs, examining both positive outcomes and potential challenges across five key domains: household welfare, labor market dynamics, macroeconomic and fiscal effects, healthcare system performance, and social cohesion.

## 7.2 HOUSEHOLD-LEVEL IMPACTS

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### **(a) Improved Access to Healthcare Services**

The proposed tariffs represent a fundamental shift toward Universal Health Coverage (UHC), expanding access to essential health services for all Kenyans, particularly vulnerable populations in remote or underserved areas. By covering emergency treatment, maternal care, chronic illness management, and preventive services across the Primary Healthcare Fund, Social Health Insurance Fund, and Emergency, Chronic, and Critical Illness Fund, the system ensures that quality healthcare is accessible without geographic or financial barriers.

### **(b) Reduction in Out-of-Pocket Expenditure**

Currently, many Kenyans face significant financial barriers when seeking healthcare, particularly for costly medical procedures or emergencies. The shift from direct out-of-pocket payments to pooled prepayment mechanisms will substantially reduce household financial exposure. Families will be able to seek medical attention without fear of incurring catastrophic health costs that often lead to debt accumulation or asset liquidation.

This reduction in out-of-pocket spending enables consumption smoothing, allowing households to redirect income toward other essential needs such as education, housing, and nutrition, thereby improving overall household welfare and economic security.

### **(c) Enhanced Equity and Social Inclusion**

Standardized benefits across the three funds ensure that vulnerable groups—including low-income households, rural populations, and informal sector workers—gain access to comprehensive healthcare services previously beyond their reach. This reduces health-related inequality and promotes social equity.

The government's commitment to subsidizing contributions for indigent populations, including the elderly, children, persons with disabilities, and those living in extreme poverty, aligns with the "Leaving No One Behind" principle and ensures that the most marginalized groups are meaningfully included in the healthcare system.

## **7.3 FINANCIAL PROTECTION AND POVERTY ALLEVIATION**

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### **(a) Protection Against Catastrophic Health Costs**

Catastrophic health spending remains a leading cause of poverty in Kenya. When households are forced to deplete savings or sell productive assets to cover medical bills, they often experience irreversible economic decline. The SHI system's comprehensive coverage, particularly through the Emergency, Chronic, and Critical Illness Fund, provides robust financial protection against such outcomes.

By absorbing the costs of high-burden conditions such as cancer, chronic diseases, disabilities, and emergencies, the system enables families to preserve their economic assets and maintain their standard of living despite health shocks.

### **(b) Economic Empowerment**

Financial protection translates directly into economic empowerment. Households that retain their savings and assets during health crises maintain greater economic resilience and capacity for future investment. This is particularly significant for women and children in low-income communities, who gain improved health outcomes and enhanced participation in economic activities.

Affordable and accessible maternal and child health services empower women to maintain workforce participation, increase family incomes, and invest in their children's education and development, creating intergenerational benefits.

### **(c) Improved Access for Vulnerable Populations**

The tariff structure ensures that indigent and vulnerable groups have access to emergency, chronic, and critical services that are currently severely limited. This expanded access addresses a critical gap in the existing system and provides essential care to those who need it most, reducing health disparities and promoting inclusive development.

## **7.4 LABOR MARKET AND PRODUCTIVITY EFFECTS**

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Access to preventive healthcare and early treatment of chronic conditions creates a healthier, more productive workforce. Workers with improved health status experience reduced absenteeism, greater work capacity, and enhanced productivity. This benefits both individual workers through increased earnings potential and employers through improved operational efficiency.

At the macroeconomic level, a healthier population contributes to GDP growth through higher labor force participation rates and enhanced productivity across sectors. Long-term health improvements, particularly for children, generate substantial human capital gains. Healthier children attend school more consistently, achieve better educational outcomes, and develop stronger cognitive abilities. These early-life health investments translate into a more skilled, capable workforce in the future, supporting sustained economic growth and development.

## **7.5 MACROECONOMIC AND FISCAL EFFECTS**

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Improved population health contributes to economic growth through increased labor productivity, reduced healthcare-related household expenditure, enhanced human capital formation, and improved business performance. These effects compound over time, generating sustained economic benefits that exceed the initial costs of system implementation.

The primary fiscal risk lies in potential misalignment between tariff rates and actual healthcare costs. If tariffs are set too low relative to service utilization and costs, revenue shortfalls may emerge, requiring government subsidies or borrowing to maintain system solvency. Conversely, excessively high tariffs may reduce coverage uptake and limit the system's equity impact.

The proposed tariffs provide for regular actuarial reviews, adaptive tariff adjustments, and robust utilization management, which are essential to maintain fiscal sustainability while achieving coverage and equity objectives.

## **7.6 HEALTHCARE SYSTEM AND PROVIDER IMPACTS**

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Cost-reflective tariffs enable healthcare facilities to cover operational inputs, invest in infrastructure improvements, and retain qualified staff. This stability is essential for maintaining service quality and expanding capacity to meet increased demand under UHC.

Predictable reimbursement schedules improve cash flow management for providers, particularly smaller facilities and those serving rural populations, reducing financial stress and enabling sustainable operations. Strategic purchasing mechanisms tied to the tariff structure create strong incentives for quality improvement. The proposed tariffs have been calibrated based on rigorous costing studies to match the actual cost of healthcare.

## **7.7 TRUST IN GOVERNMENT AND INSTITUTIONAL LEGITIMACY**

Transparent, evidence-based tariff-setting processes build public trust in government institutions and demonstrate commitment to equitable, effective governance. When citizens observe that the system delivers promised benefits fairly and efficiently, confidence in the broader reform agenda strengthens.

This legitimacy is essential for sustaining stakeholder support for UHC implementation and for encouraging voluntary compliance with contribution requirements. Ongoing stakeholder engagement, transparent communication about system performance, and responsive governance are essential to manage these political economy risks.

## **7.8 COMPARATIVE ANALYSIS OF POLICY OPTIONS**

The following matrix evaluates the socio-economic impacts of three policy approaches: maintaining the status quo, relying on administrative measures, and implementing comprehensive Social Health Insurance regulations.

<b>Impact Dimension</b>	<b>Option 1: Status Quo</b>	<b>Option 2: Administrative Measures</b>	<b>Option 3: SHI Regulations (Proposed)</b>
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<b>Private Sector</b>	Minimal impact; continued informal arrangements	Limited engagement and coordination	Structured participation framework supporting UHC goals

<b>Economic Impact</b>	Rising healthcare costs; continued financial burden on households	Inadequate cost containment	Reduced catastrophic expenditure; improved productivity
<b>Social Impact</b>	Families impoverished by health costs; persistent inequity	Insufficient protection against out-of-pocket expenditure	Improved access across population; reduced poverty from health shocks
<b>Human Rights</b>	Delayed attainment of health-related socio-economic rights	Insufficient legal force to guarantee rights	Advancement toward highest attainable health standards
<b>Business Environment</b>	No structural change	Lack of legal framework for full implementation	Clear framework for enterprise contribution to UHC
<b>Health Infrastructure</b>	Limited investment; stagnant capacity	Minimal infrastructure development	Facilitated investment in healthcare facilities and systems
<b>Legal Framework</b>	Persistent regulatory gaps	Unaddressed regulatory concerns	Comprehensive gap closure; harmonized legal framework

The analysis clearly demonstrates that the proposed SHI regulations (Option 3) deliver superior socio-economic outcomes across all dimensions compared to maintaining the status quo or relying solely on administrative measures.

## 7.9 CONCLUSION

The implementation of the proposed Social Health Insurance Tariffs for Healthcare Services tariffs will generate substantial positive socio-economic impacts that extend well beyond the health sector. Key anticipated outcomes include:

- Household welfare improvements through reduced out-of-pocket spending, enhanced financial protection, and improved equity,
- Labor market gains from increased productivity, better health outcomes, and potential formalization incentives,
- Macroeconomic benefits supporting GDP growth and human capital development, and
- Healthcare system strengthening through provider stability and quality improvement incentives.

Realizing these benefits will require the provision of quality healthcare services by all contracted healthcare providers, adequate and sustainable financing, effective governance, and stakeholder engagement. The proposed tariffs can contribute to a healthier, more productive society characterized by reduced poverty, enhanced equity, and improved human development outcomes. The long-term socio-economic returns from this investment substantially outweigh the implementation costs, positioning Kenya for sustained progress toward Universal Health Coverage and broader development objectives.

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## **CHAPTER 8**

### **PUBLIC PARTICIPATION AND CONSULTATION**

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#### **8.0 LEGAL REQUIREMENTS RELATING TO PUBLIC PARTICIPATION AND CONSULTATION**

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It is a constitutional requirement to conduct public participation whenever a state or public officer enacts any law, formulates or implements public policy. This requirement is based on the Sovereignty principle in Article 1 of the Constitution, which vests all sovereign power on the people of Kenya and entitles them to contribute to the decision-making process through their involvement. As such, public participation ought to be inclusive, transparent, and accountable.<sup>13</sup>

Article 174 donates powers of self-governance to the people and enhances their participation in the exercise of the powers of the State in making decisions affecting them and recognizing the rights of communities, to manage their affairs and to further their development.

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<sup>13</sup> Article 10 of the Constitution

The principles of public service<sup>14</sup> require the involvement of the people in the process of policymaking through the provision of transparent, timely and accurate information to the public.

The Statutory Instruments Act obligates a regulation-making authority to carry out appropriate consultations before making statutory instruments, in this case, regulations, where the proposed regulations are likely to have a direct, or a substantial indirect effect on business or restrict competition. It further provides that, in determining whether any consultation that was undertaken is appropriate, the regulation-making authority shall have regard to all relevant matters, including the extent to which the consultation:

- (a) drew on the knowledge of persons having expertise in fields relevant to the proposed statutory instrument; and
- (b) ensured that persons likely to be affected by the proposed statutory instrument had an adequate opportunity to comment on its proposed content.

The Statutory Instruments Act also states that the persons to be consulted should be notified either directly or by advertisement through representative organizations. It further notes that these people shall also be invited to make submissions on a specified date, which should not be less than 14 days, or be invited to participate in public hearings concerning the proposed instrument.

## **8.1 DESCRIPTION OF THE TARIFFS DEVELOPMENT PROCESS**

The MoH followed a structured, multi-step methodology:

Step 1: Identification of Services: Services identified from national priorities, existing NHIF packages, stakeholder input, and global reference packages (e.g. WHO UHC compendium).

Step 2: Costing of the Tariffs for Healthcare Services : Unit costs were generated using:

- MoH facility costing data
- NHIF historical claims
- Health Benefits Advisory Panel estimates
- Kenya-specific and adapted international datasets

Step 3: Population Needs and Coverage Analysis: Assessment of disease burden, service utilization, and unmet need using National surveys, Routine health information systems and Epidemiological studies.

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<sup>14</sup> Article 232 of the Constitution

Step 4: Budget Impact and Yield Analysis: Total intervention costs and budget impact were then calculated to assess affordability and sustainability.

Step 5: Optimization of the Health Tariffs for Healthcare Services : Optimization was undertaken to ensure alignment with available funds and projected enrolment by:

- Prioritizing high-impact and cost-effective interventions
- Adjusting coverage levels to health system capacity
- Excluding unaffordable or low-value interventions
- Identifying efficiency measures (e.g. generic medicines, tariff negotiations)

Step 6: Stakeholder Validation: The Ministry of Health (MoH) undertook extensive consultations and stakeholder engagements throughout all stages of the development of the SHA Essential Tariffs for Healthcare Services (EBP). The objective of these engagements was to ensure technical robustness, feasibility of implementation, legitimacy, and alignment with national health priorities.

## **8.2 STAKEHOLDER MAPPING**

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The consultation process involved a broad range of stakeholders, including:

- i. National Government Ministries, Departments and Agencies (MDAs), including the National Treasury and the Social Health Authority
- ii. County Governments and County Departments of Health
- iii. Public, faith-based, and private healthcare providers
- iv. Professional associations and regulatory bodies
- v. Civil society organizations and patient advocacy groups
- vi. Development partners and technical experts
- vii. Health financing and health economics experts

## **8.3 PUBLIC CONSULTATION APPROACH AND METHODOLOGY**

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Stakeholder input was obtained through technical working groups and expert panels, policy and validation workshops, bilateral consultations, written

submissions and technical memoranda, as well as a review of international best practices and expert evidence.

The feedback informed the identification and prioritisation of services for inclusion in the benefits package, validation of unit costs and feasibility assumptions, assessment of service delivery capacity, refinement of provider payment mechanisms and tariff structures, and identification of implementation risks and mitigation measures.

Further stakeholder engagement will be undertaken by inviting written comments on the draft tariffs through letters and emails. This will be followed by consultation meetings held after a 14-day notice period, with publication in the Kenya Gazette and on the Ministry of Health and Social Health Authority websites. All feedback received through meetings, emails and written memoranda will be consolidated, analysed and incorporated into the final Tariffs and Regulatory Impact Statement (RIS).

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## **CHAPTER 9**

### **CONSIDERATION OF ALTERNATIVES FOR THE PROPOSED SOCIAL HEALTH INSURANCE TARIFFS FOR HEALTHCARE SERVICES 2026,2026**

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The Statutory Instruments Act mandates regulators to conduct comprehensive evaluations of regulatory and non-regulatory policy measures, examining factors including costs, benefits, distributional effects, and administrative requirements. Subsidiary legislation should serve as a measure of last resort when pursuing policy objectives. The options considered under this part are: maintenance of the status quo, administrative measures and developing the proposed Social Insurance Health Tariffs for Healthcare Services 2026.

## **9.1 OPTION ONE: MAINTENANCE OF THE STATUS QUO**

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The absence of regulated tariffs under the Social Health Insurance Act would lead to several adverse outcomes. Healthcare access disparities would continue to widen as providers maintain inconsistent pricing structures across facilities and regions. Patients seeking similar treatments would face vastly different costs depending on their location or choice of provider, undermining equity in healthcare delivery. High out-of-pocket expenditures would persist, pushing vulnerable households into financial hardship or deterring them from seeking necessary medical care entirely.

The absence of standardized reimbursement rates would create uncertainty for both healthcare providers and patients, complicating financial planning and resource allocation. In the long run the Kenya's progress toward Universal Health Coverage would stall as the Social Health Authority would lack the financial predictability necessary for long-term sustainability.

## **9.2 OPTION TWO: ADMINISTRATIVE MEASURES**

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Administrative measures represent a non-regulatory approach relying primarily on voluntary compliance by healthcare providers and professionals. This option would involve issuing directives, circulars, and guidelines to healthcare facilities, encouraging adherence to recommended tariff structures for the Social Health Insurance Tariffs for Healthcare Services .

While administrative measures offer flexibility and can be implemented rapidly without legislative processes, they carry significant limitations. Such measures lack the force of law, making them vulnerable to legal challenges and inconsistent implementation. Healthcare providers could choose to disregard recommended tariffs without facing meaningful consequences, resulting in fragmented compliance across the system. Public facilities might adhere to government directives, while private providers maintain independent pricing structures, creating a two-tier system that defeats the purpose of standardization.

Administrative measures provide no mechanism for enforcement or dispute resolution. When conflicts arise between providers and the Fund regarding appropriate reimbursement rates, the absence of legally binding tariffs leaves both parties without clear recourse. The voluntary nature of administrative measures also creates challenges for financial planning.

## **9.4 OPTION THREE: DEVELOPING THE SOCIAL HEALTH INSURANCE FUND (TARIFFS) , 2026**

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Implementing standardized tariffs through subsidiary legislation under the Social Health Insurance Act provides a comprehensive, legally enforceable framework for healthcare pricing and reimbursement. This approach establishes clear, binding rates for all services covered under the Tariffs for Healthcare Services , applicable to all contracted healthcare providers regardless of ownership or location.

Statutory tariffs create certainty and predictability throughout the healthcare system. Providers understand precisely what reimbursement they will receive for specific services, enabling accurate financial planning and operational management. Patients gain confidence that they will not face unexpected bills or financial barriers when accessing covered services. The Fund can forecast expenditures with greater accuracy, ensuring adequate reserves and sustainable contribution rates.

Standardized tariffs also promote equity by ensuring that all Kenyans receive comparable value for their contributions regardless of where they seek care. The legal status of subsidiary legislation provides enforcement mechanisms absent from administrative measures.

## **9.5 PREFERRED OPTION**

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The development and implementation of the Social Health Insurance Fund Tariffs for Healthcare Services 2026, 2026, through subsidiary legislation, represents the preferred option. This approach provides the legal certainty, enforcement mechanisms, and comprehensive coverage necessary to achieve Universal Health Coverage in Kenya.

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## **CHAPTER 10**

### **COMPLIANCE AND IMPLEMENTATION**

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#### **10.1 INSTITUTIONAL FRAMEWORK AND IMPLEMENTATION STRATEGY**

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The successful implementation of the Social Health Insurance Tariffs for Healthcare Services 2026, 2026 requires a robust institutional framework supported by clear legal authority, adequate administrative capacity, and effective enforcement mechanisms.

The Social Health Authority serves as the primary institution responsible for implementing and enforcing these tariffs. The Authority's responsibilities include provider contracting, tariff administration, claims processing, payment disbursement, compliance monitoring, and dispute resolution.

The regulation-making authority must conduct a comprehensive assessment of existing institutional arrangements, legal provisions, and incentive structures to ensure seamless integration of the tariff system into Kenya's healthcare landscape.

Robust monitoring systems are essential for detecting non-compliance, identifying system weaknesses, and ensuring that tariffs achieve their intended objectives. Regular audits of provider claims should be conducted to verify claim accuracy and detect potential fraud or abuse.

## **10.2 PERIODIC REVIEW AND ADJUSTMENT**

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Healthcare costs, technologies, disease patterns, and population needs evolve continuously. The proposed Social Health Insurance Tariffs for Healthcare Services tariff framework includes a mechanism for periodic review and adjustment through the Benefits Package and Tariffs Advisory Panel to remain relevant and effective.

## **10.3 CONCLUSION**

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The introduction of the Social Health Insurance Tariffs for Healthcare Services 2026, 2026 represents a transformative milestone in Kenya's journey toward Universal Health Coverage. These tariffs address fundamental challenges that have long impeded equitable access to quality healthcare.

By standardizing reimbursement rates across all contracted providers, the tariff framework creates a level playing field where Kenyans can access comparable services at predictable costs regardless of geographic location, facility ownership, or individual economic circumstances.

Beyond immediate technical objectives, these tariffs embody Kenya's constitutional commitment to health as a fundamental right. They

operationalize the principle that every Kenyan, regardless of income or social status, deserves access to quality healthcare without suffering financial hardship. This regulatory impact assessment demonstrates the necessity of these tariffs.

#### **10.4 RECOMMENDATION**

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Based on the analysis presented in this regulatory impact assessment, it is recommended that the proposed Social Health Insurance Tariffs for Healthcare Services 2026, 2026, be adopted and implemented.