PATHWAYS

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FACILITY IMPROVEMENT FUND FOR LAIKIPIA BRIEF

LET HOSPITALS RETAIN AND MANAGE THEIR MONIES

Image by thirdway.org

BRIEF AUTHOR

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Introduction

Facility Improvement Fund (FIF) is revenue collected at public health facilities as user fees paid to defray the costs of running these facilities. This fund is usually vital in enabling facilities to manage their day-to-day expenses and to manage situations where emergency supplies need to be acquired.

The Government of Kenya acknowledges that Kenyans are entitled to quality, accessible, and affordable health care. As the need for health care services continues to increase, it has become necessary to supplement Government financing from other sources; one of such sources is cost sharing revenue. The principle of cost sharing is not new in the world. Kenyans are sharing costs through school fees, airport tax; and are accustomed to paying mission and private hospitals for health services. Cost sharing revenues should be deposited into a Facility Improvement Fund (FIF) account. Such income is additional to budget allocations from the Treasury. In most jurisdictions, 75% of the revenue remains to be used by the generating facility, and the balance for primary and preventive health care activities in the County where the money is collected to cover operating expenses, resulting in improved services.

Through the NHIF drives conducted by Laikipia County Health Services, the public indicated a willingness to pay for good quality services and put emphasis on value for money, e.g., by maintaining adequate supplies of drugs. It is important to note that all Laikipians should have access to health care.

NB: Fees are therefore waived for those patients who cannot afford to pay, and services which benefit society in general are provided free of charge.

These brief highlights that:

- Laikipia County Hospitals should be allowed to operate and manage bank accounts named facility improvement fund accounts.
- Counties should adopt legislation that is consistent with the Public Finance Management Act, 2012 (PFM Act) and the Public Procurement and Disposal Act, 2005, which allows facilities to operate accounts for FIF and be semi-autonomous procurement agents.

Rationale

The government has been relying on cost sharing over the past three decades to cater for the deficit in budget allocations to health since the introduction of the FIF Manual and procedure in 1989, and subsequent in 2002.

In 2002-03, cost-sharing contributed over 8 percent of the recurrent expenditure and about 21 percent of the non-wage recurrent budget of the Ministry of Health[1]• Facilities have in the past been managing these funds as part of their operational budgets.

With hospitals and health centers falling under county management, Laikipia County health facilities shut their accounts, where the user fees were previously held, and have been banking their funds with the County Treasury, as is required of the Public Finance Management Act (2012).

Getting these funds back to the facility after banking them with the County Treasury has been challenging due to delays in disbursements, counties insisting on managing these funds directly and procuring on behalf of the facilities, and a plow back rate that is less than what was initially banked. This has in effect resulted in service disruptions in these facilities. Civil Society Organizations working in health conducted a rapid assessment and found the following:

1. Some of the facilities lose access and control of the money, and this is now at the behest of the county government to disburse or not.
2. There were reported cases of delays in disbursements in most of the counties in getting back the FIF. This was linked to an overly bureaucratic process requiring many signatures from different people for approval.
3. Some of the collected funds submitted to the County Treasury had not been remitted to the facilities as at the time of data collection, despite being requested.

[1] Dr. Richard Muga, Dr. Paul Kizito, Mr. Michael Mbayah, Dr. Terry GakuruhOverview of Health Systems in Kenya. Accessed from the web on 22.5.15

Implementing FIF while respecting the PFM Act 2012

The rationale of facilities remitting their collections to the County Treasury has been the Public Finance Management Act (2012) which states that all revenue collected as part of county revenue should be managed by the County Treasury.

However, the PFM Act has some exceptions that allow facilities to operate separate accounts based on national or county legislation if it is in line with the PFM Act.
Part Ill Section I 09 (2) (a) and (b) further expound on these exceptions:

"I 09 (2) The CountyTreasury for each county government shall ensure that all money raisedor received by or on behalfof the county government is paid into the CountyRevenue Fund, except money that-

(a)is excluded from payment into that Fund because of a provision of this Act or another Act ofParliament and is payable into another county public fund established for a specific purpose.
(b)may,in accordance with other legislation,this Act or County legislation, be retained by the county government entity which received it for the purposes ofdefraying its expenses.
or
(c)is reasonably excluded by an Act of Parliament as provided in Article 207 of the Constitution."

The County Government of Laikipia enacted the Laikipia Health Services Act (2014), which has provisions for facilities to manage their funds, and to operate their own bank accounts under Part 111 section 2 of the Act. However, this has not been made operations. The Act gives the CECM powers to institute regulations to supporting the implementation of the FIF.

Policy Actions Recommendations

The County government of Laikipia, through amendments to the Act and through the Regulations by the CECM can act on;

Section 1: Policy Staff support:
Make sure that all health, administrative and support staff are aware of policies through meetings and circulars.

Section 2: Managing for Success Performance targets:
Use facility service statistics and fee levels to set targets so that facility knows how much to be collecting and waiving.

Set priorities: See which departments have the greatest revenue potential and focus on improving performance in such departments.

Spend money to make money: Motivate staff to improve performance by spending a percentage of the department's revenue on improving services in that department. Monitor collection performance: Compare actual collections with targets each month to detect good and bad performance.

Section 3: Organization and Management County supervision:
Let CHMT members know what is happening and help them to use supervisory visits to encourage staff support for cost sharing revenue.

CHMT support: Work closely with in charges and Accountants to ensure that facilities always have adequate supplies of essential receipts, medical stationery, and record books.

Staff responsibilities: Make sure that all staff members know what they are supposed to do regarding cost sharing revenue.

Section 4: Fee Structure, Exemptions and Waivers Fees and exemptions:
Make sure that fee-level and exemption posters are prominently displayed and that all staff are familiar with them.

Access to the poor: Make sure that staff are familiar with waiver procedures so that patients who cannot afford to pay are not turned away. Open a waiver register and record all waivers granted.[1]

Section 5: Fees Collection Fees collection:
Minimize queuing and movement between departments to ensure that patients are not inconvenienced.

Cash boxes: Make sure that the Revenue Clerk uses a proper cash box for security and demonstration of accountability to patients. Digital payment processes are key e.g., Mpesa to Cards but should be the only options.
Departmental registers: Make sure that each department enters information on fees in their service registers and prepares monthly summaries.
Inpatient Summary Form: Use the new Inpatient Summary Form to ensure that all inpatient fees are correctly charged.

Section 6: Expenditure Planning and Management Expenditure Planning:
Submit annual expenditure plans and quarterly AIE requests on time to make sure that there are no delays in spending funds.

Expenditure monitoring: Keep track of goods and services provided from your 75% funds through the in-charge office*.

The position can differ.

[1] FIF OPERATIONS MANUAL - HEALTH CENTRES - December 2002 Page 6

Section 7: Quality of Care and Local Public Information Quality of care:
Make sure that funds are used to visibly improve patient services and that other aspects of patient care such as courtesy and cleanliness are observed.
Patient and public information: Tell patients how cost sharing revenue is being used and keep the community informed.

Section 8: Accounting Cash Analysis Book:
Make sure that the collections section of the Cash Analysis Book is properly maintained and that the original page is submitted to the in charge by the 10th of the following month.

Section 9: Performance Review Monitor performance:
Prepare and use the monthly Revenue Summary Report and Collections Tracking Sheet to see where there is poor performance and take corrective action.

Reporting: Submit the monthly collection report to the in charge by the 10th of the following month and the monthly Workload Report to the Deputy Director* by the 15th of the following month.

Background basis for this Brief: The Rapid Assessment

In mid-2014, the Civil Society Coalition came together to identify how to best approach the situation on sustainable financing for Level 5 hospitals. The CSO Coalition planned for a rapid assessment on the status of funding across the eleven Level five facilities. This was achieved by having interviews with the technical teams at the facilities and the county executives in charge of health. A tool looking into the finance, management and operations of Level 5 hospitals was developed, and data collected from the facilities and county executives. Teams of data collectors from the CSOs went to the facilities, conducted interviews, and collected data from documents. These were then analyzed to explore the major themes emerging, especially around financing, management, staffing and service provision.

Acknowledgement: The Brief has borrowed on the work done by KANCO under the MACS alliance on Level 5 facilities in 2014 and from the FIF Operational Manual 2002.

Website

www.pathways.co.ke

Image by commonwealth fund.org

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