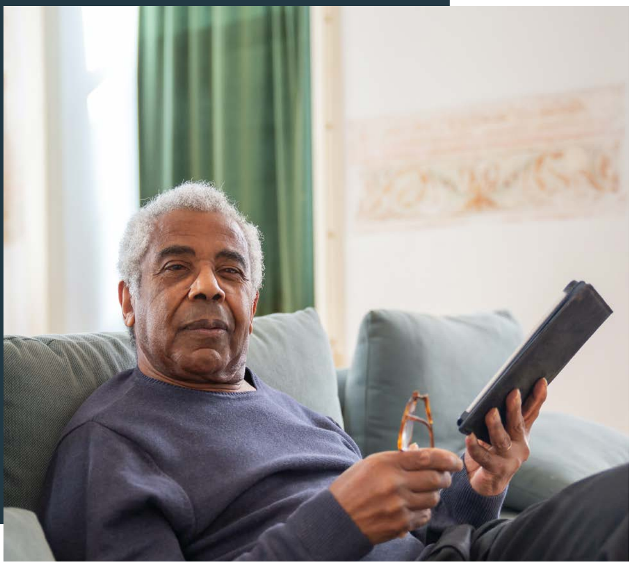
HEALTH CARE IN POST RETIREMENT- SIGNIFICANCE OF A POST RETIREMENT MEDICAL FUND (PRMF)

According to the Kenya National Bureau of Statistics (KNBS) 2022 demographic health survey, insurance cover among the elderly remains relatively low with less than a third of individuals above the age of 50 reporting to have any form of medical insurance. Additionally, there has been an increase in reported cases of chronic illnesses among the elderly in recent years. This has pushed individuals into utilizing their pension savings to finance their post retirement medical expenses.

This article will review the progress of the post retirement medical fund in Kenya and its significance in the face of great uncertainty in the health industry.

STATE OF HEALTH IN KENYA

According to the 2019 population census, the life expectancy in Kenya is currently at 66.7%, an increase from 58.0% in 2009. A report done by World Health Organization (WHO) explains that aging is caused by an accumulation of damage to the molecular and cellular structure of an individual. This causes a gradual decrease in the mental and physical capacity which exposes an individual to multiple diseases. WHO further explains that these changes are neither linear nor consistent and it is therefore difficult to predict or to create a pattern on the trend. Some of the illnesses common to old age include hearing impairment, cataracts and refractive errors, back and neck pains, chronic obstructive pulmonary disease, diabetes and depression.
In addition, common diseases like cancer, organ failure and geographic based diseases like malaria are still a major threat to the elderly. In terms of medical equipment and resources, Kenya has made significant progress in equipping the hospitals with tools and resources to enable them improve health care. In 2022, Kenya procured an Elekta's versa HD system, a machine capable of treating a wide range of cancer, with a capacity of 150 patients per day. Based on the health care index provided by WHO and the individual health ministries, Kenya ranks the best in the East African region in terms of advanced health care system. Continentally Kenya ranks third, behind South Africa and Tunisia.
In terms of expertise, Kenya has a wide range of medical specialists who are skilled in performing very advanced and complex medical procedures. The latest reports by the Kenya Medical practitioners guild indicates that there is presence of specialists in cardiac, neurosurgery, dental, orthopedic and dermatology among many others in the country. It is conclusive that Kenya is well equipped in terms of health facilities and personnel.

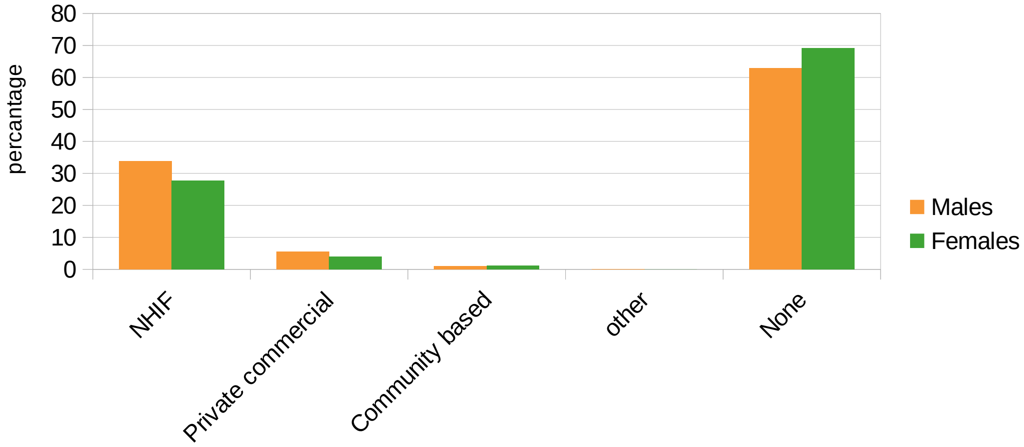


HEALTH CARE FINANCE FOR THE ELDERLY

Since Kenya is already equipped with facilities and equipment, the next critical issue will be about financing. This section will look at the different financiers of health care in Kenya. It will also highlight the need for PRMF.

1. **Government** - In Kenya, the Kenya Medical Supplies Authority (KEMSA) is in charge of procurement and supply of medicine and other medical equipment. The other functions in health have been devolved, with the county governments in charge of purchase of medical supplies from KEMSA, settling health workers remunerations and maintaining the health facilities. However, the finances from the county government and the Ministry of Health are still insufficient to maintain the health budget. According to the National Council For Population & Development, majority of Kenyans still access health through out of pocket expenditure.

2. **Insurance** – The National Hospital Insurance Fund (NHIF) accounts for majority of the market share in health insurance market. However, a larger population of Kenyans are unemployed and rarely take up insurance. In private insurance, most insurers don't take up policies for individuals above the age of 65years. The graph below shows results from survey done by the demographic health survey for the age 50+. This chat shows the response of the different types of insurance that the individuals have. It is important to note that a majority reported none.



3. **Out of pocket finance** - Majority of Kenyans finance health from their pocket expenditure. For the elderly, this is a hazard since most of them are not actively involved in an income generating activity. In addition, this age group is highly prone to illnesses. They require frequent medical attention for the purpose of prevention and cure of sickness which also requires a lot of financial play. Consequently, most elderly people are forced to spend their pension income in seeking for medical services.

4. **Post retirement medical fund (PRMF)** -The inadequacy of the other means of healthcare financing therefore created a need for a more elaborate way to finance healthcare for the elderly. In October 2018, the guidelines for Post Retirement Medical Fund was gazetted in Kenya allowing the setting up of PRMFs under the regulation of the Retirement Benefit Authority (RBA). In 2015/2016, the government included implementation of post retirement medical fund as a key performance indicator for public sector organizations. This was to promote universal health coverage in the country. Insurance for the elderly is expensive due to the high risk associated with that category of the population. As such, most insurance companies do not cover persons above 65 years of age. As a responsibility of ensuring employee welfare, employers are encouraged to set up post retirement medical funds for their employees. A Post retirement medical scheme allows individuals to make contributions whilst in employment and utilize savings to pay for medical costs after retirement. A member shall not be permitted to access the benefits while in active employment of the Sponsor. A member shall be eligible to access the contributions made to a post-retirement medical fund upon retirement only for the purposes of offsetting medical costs either for:

    1. Payment of medical bills
    2. Insurance Cover

    This implies that a member will have:

    1. Peace of mind in retirement
    2. Less dependence on children and fund raising efforts of friend and family
    3. Lifts the morale of members

The strength of PRMF is in the time value of money, small amounts contributed over time are able to accumulate and earn returns. The earlier the member starts contributing into a PRMF the longer the contribution period hence member will be required to make less monthly or annual contributions. If the contributions are consistent, the amounts are able to earn more interests over time.

A post retirement medical fund can be set up through;

1. **A stand alone entity** - where the PRMF is a legal entity on its own separate from the employer. The PRMF is governed by a board of trustees in this case similar to a pension fund. The Fund will be able to invest on its own and get returns on investments.

2. **Amalgamated with a pension fund** - The PRMF will be set within the pension fund, the pension fund Trust Deed and Rules will be amended to make provisions for the PRMF. The PRMF fund will however be invested separately from the pension fund assets.

3. **PRMF as an insurance policy** - the last option is through the purchase of a deferred insurance policy where the individual will contribute while working and the policy will become active upon reaching the retirement age. From there, any liability arising from medical expenditure will be settled by the insurer.

Benefits of PRMF

1. **Less costly** - the contributions in a PRMF are really low since they will be subject to investment gains over a long contribution period. The amount will accumulate over time and will be able to cater for the future medical liabilities.
2. **Cover for the elderly** - a PRMF is able to provide cover for the elderly who are usually left out by regular insurance cover. The high risk for the elderly is neutralized by the investment gains making it feasible.
3. **Economies of scale** - Medical benefits are to be provided through a contracted insurer for both in-patient and out-patient claims. The insurer is to be sourced jointly with the in-service employee medical cover
4. **Sustainable development Goal** - PRMF greatly contributes to sustainable development Goal number 3 of ensuring healthy lives and promote well being for all at all ages. PRMF assists in providing healthcare to the elderly.
5. **Safe guarding pension** - research has it that approximately 60% of an individual's medical costs are incurred after retirement. This creates a big dent on one's pension. PRMF therefore ensures that members make savings while in employment so that their medical expenses in retirement are taken care of. These allows one to utilize their post retirement income on food and other requirements.

In setting up a post retirement medical fund, it is important to seek the advice of an actuarial expert to assist in the set-up of the fund to mitigate risks that might unveil in the long run. In addition, they are able to ensure that the fund complies with the regulations by the RBA.

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