



OPERATIONALIZATION OF THE SOCIAL HEALTH INSURANCE FUND (SHIF)

A. BACKGROUND

Kenya is currently undergoing a transformative and significant change in its healthcare system following the introduction of Social Health Insurance Fund (SHIF) to replace the National Health Insurance Fund (NHIF).

The Social Health Insurance Act, No. 16 of 2023 (“SHIA”) was assented to on 19th October 2023. This Act established the framework for the management of the Social Health Insurance, the establishment of the Social Health Authority and sorts to give effect to Article 43(1)(a) of the Constitution.

The Social Health Insurance Regulations, 2024 (“the Regulations”) were gazetted on the 8th March 2024 via **Legal Notice No.49**. The object of the said Regulations is to give effect to the provisions of the SHIA by facilitating a mandatory registration of every person resident in Kenya and the access to the highest attainable standards of health.

The Regulations shall apply in respect to the implementation of the following funds;

- **The Primary Health Fund (PHF)** whose object is to purchase primary healthcare services from level 1,2 and 3 health facilities that is made universally accessible to individuals and families at the community level;
- **The Social Health Insurance Fund (SHIF)** which purchases healthcare services from empanelled and contracted healthcare providers and level 4, 5 and 6 health facilities on referral from primary health facilities with a mandatory registration requirement for all Kenyans; and
- **Emergency, Chronic, and Critical Illness Fund (ECCIF)** whose object is to defray the cost of chronic illness after completion of social insurance cover and to cover the costs of emergency treatment.

The Regulations further applies to the empanelment and contracting of health care providers, outlines the benefits accruing to contributors and beneficiaries, determination of tariffs applicable as well as processes and services under the Act.

SHIA further establishes the Social Insurance Authority (“the Authority”) which will take over all the functions and operations of the Board of the National Health Insurance Fund (NHIF).

B. ESTABLISHMENT OF SOCIAL HEALTH INSURANCE FUND (SHIF)

The Social Health Insurance Fund is established under Section 25 of the Act and constitutes of the following;

- Contributions as outlined in the SHIA;
- Monies appropriated under the SHIA for indigent and vulnerable persons; and
- Gifts, grants, innovative financing mechanisms and donations.

C. REGISTRATION UNDER SHIF

In order to access SHIF, the following persons shall be required to register;

- Every Kenyan.
- A person being non-Kenyan but is ordinarily resident in Kenya
- A child born after the commencement of the SHIA.

As a pre-condition to dealing with or accessing public services from the National Government, county Government or a National or county Government entities, a registered person must demonstrate compliance with the provision of the SHIA.

A non – Kenyan who intends to be in Kenya for a period of not less than twelve(12) months shall be required to have a health insurance as may be designated by the Cabinet Secretary of Health.

A beneficiary under SHIF is defined as a person who;

- is a contributor;
- has not attained the age of twenty-one years, has no income of his own and is living with the contributor;
- has not attained the age of twenty-five years, is undergoing a full-time course of education at a university, college, school or other educational establishment or serving under articles or an indenture with a view to qualifying in a trade or profession and is not in receipt of any income other than scholarship, bursary or other similar grant or award;
- is a person with disability and is wholly dependent on and living with the contributor; or
- is a spouse of the contributor;

Initial Registration and Procedure

Following the gazettelement of the Regulations, every resident person is required to apply to the Authority for registration as a member of the SHIF pursuant to Section 26(1) of the SHIA not later than **30th June, 2024**.

Payment of contributions and subsequent access to healthcare services under the SHIA shall commence from **1st July 2024**.

Application for registration shall be made in the prescribed format under the Regulations and shall be accompanied by

- a copy of the identity card of the applicant; or
- in the case of a person without an identity card, any other identification document as provided in the regulations.

A contributor may declare his beneficiaries in the prescribed Form 1, at the time of registration to enable the beneficiaries to access the benefits under his or her cover.

D. CONTRIBUTIONS TO SHIF

The contributions under the fund shall be made by the following persons

- Every Kenyan household;
- A non-Kenyan resident, ordinarily residing in Kenya for a period exceeding twelve months;
- the National Government;
- county Government; and
- any other employer.

These contributions shall be made as follows;

I. Salaried Employment Household

- A household whose income is derived from salaried employment shall pay a monthly statutory deduction contribution to the SHIF at a rate of **2.75%** of the gross salary or wage of the household by the **9th day** of each month.
- The amount payable every month shall not, in any case, be less than Kshs. 300 per month.

II. Unsalaries Employment Household

- A household whose income is not derived from salaried employment shall pay an annual contribution to the Social Health Insurance Fund at a rate of 2.75% of the proportion of household income as determined by the means testing instrument prescribed in the regulations.
- The amount payable every month shall not, in any case be less than Kshs. 300 per month payable within 14 days before the lapse of the annual contribution of the beneficiary.
- The Authority, in collaboration with the Ministry for the time being responsible for cooperatives and micro, small and medium enterprises development and other financing institutions, shall provide premium financing to non-salaried persons to enable them pay their annual contributions within the intervals under which their income becomes available.
- The Authority shall inform its members on the available premium financing products.

III. Households in need of Financial Assistance

- Households that require financial assistance as determined by the testing instrument provided in the Regulations will be paid by the National Government or County Government as prescribed in the Regulations.
- The amount payable every month for these households shall be the base premium calculated using statistical data and actuarial models and guided by the benefits packages provided in the Regulations and shall be payable on an annual basis.
- The National Government and County Government shall remit the amounts payable within nine days from the date when the annual contribution of the beneficiaries is due.

IV. Contributions for persons under Lawful Custody

- The Ministry responsible for correctional services shall be liable as a contributor for persons in lawful custody including children in conflict with the law and persons under police custody pursuant to the provisions of the SHIA.
- The amount shall be remitted within within nine days from the date when the annual contribution of the beneficiaries is due.

E. EMPLOYER'S OBLIGATIONS

An employer shall deduct the contribution of a salaried contributor and submit the contribution to the Authority on behalf of the employee at the prescribed rate by the 9th day of each month.

An employer shall further inform the Authority of any changes in the employment status of its employees.

In case of employment termination, the employer shall notify the Authority within 30 days of the termination and remit the final contribution of the employee.

The employer shall be required to register with the Authority as stipulated in the Regulations and shall submit the following documents below;

- a copy of the Certificate of Registration or Incorporation from the relevant authorized body; and
- a copy of the PIN Certificate of the employer issued by the Kenya Revenue Authority.

F. COMPARISON BETWEEN SHIF AND NHIF

We outline below a comparison between SHIF and NHIF as tabulated below;

Social Health Insurance Fund (SHIF)	National Health Insurance Fund (NHIF)
Established under the Social Health Insurance Act (SHIA), Act No. 16 of 2023.	Established under the National Health Insurance Fund Act (NHIF Act), CAP 455.
SHIA establishes three funds, that is, Primary Health Fund, Social Health Insurance Fund and Emergency, Chronic, and Critical Illness Fund.	NHIF Act establishes one fund, that is, the National Health Insurance Fund.
The SHIA provides for the establishment of Social Health Authority (the Authority) which has the powers to carry out functions and to operate and manage the fund.	The NHIF Act provides for the establishment of the NHIF Board (the Board) which operates and manages the fund.
<p>Registration;</p> <ul style="list-style-type: none"> • Mandatory registration requirement for all Kenyan residents • Non-Kenyans ordinarily resident in Kenya shall be eligible for registration • Children born after commencement of the SHIA shall be registered at birth <p>Others</p> <p>A non-Kenyan that intends to enter and remain in Kenya for a period of less than twelve months shall be required to be in possession of a travel health insurance cover as may be designated by the Cabinet Secretary.</p>	<p>Registration;</p> <p>Open to registration for any person who has attained the age of eighteen years (18) and is not a beneficiary of the Fund.</p>
<p>Contributions</p> <ul style="list-style-type: none"> • Employees contributions is at a rate of 2.75% of their gross monthly income with a minimum contribution of Kshs.300 • Self-employed members contributions is at 2.75% of income earned with a minimum contribution of Kshs.300 • Other households in need of financial assistance as determined by the testing method has been provided for. The amount payable every month will be based on premium calculated using statistical data and actuarial models and guided by the benefits packages provided in the Regulations and shall be payable on an annual basis 	<p>Contributions</p> <ul style="list-style-type: none"> • Employees contributions based on a graduated salary scale ranging from a minimum of Kshs.150 to a maximum of Kshs.1,700 • Self-employed members required to make monthly contributions of Kshs.500

G. IMPLICATION OF THE CHANGE FROM NHIF TO SHIF

The SHIF aims to improve and ensure there is a broad and inclusive access to health care services by all Kenyans. It is worth noting that the recently gazetted Regulations revokes the National Hospital Insurance Fund (Accreditation) Regulations, 2003 and the National Hospital Insurance Fund (Claims and Benefits) Regulations, 2003.

A comparison of the actual contribution between SHIF and NHIF is as highlighted below.

Gross Salary (KES)	Current NHIF Deductions	SHIF Deductions
20,000	750	550
50,000	1,200	1,375
100,000	1,700	2,750
250,000	1,700	6,875
500,000	1,700	13,750
1,000,000	1,700	27,500

The contributions under SHIF will be significantly higher as outlined above, being 2.75% of the gross salary in comparison to NHIF. This is likely to cause opposition from the public noting that a deduction based on the 2.75% of the gross salary will be exorbitant on the employees.

H. CONCLUSION

Following the gazettelement of the Regulations, every resident person shall be required to register under SHIF by **30th June 2024**.

Employers will be required to modify their payroll systems to ensure appropriate deduction of SHIF contributions in addition to registering with the Authority while employees need to be aware of the implications of this change on their net salaries. The deductions to SHIF will ensure improved access to healthcare for all Kenyans.

LET'S TALK

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