The Kiambu Model: How county legislation can support Health financing for Level 5 hospitals

Devolution of health functions in Kenya resulted in new challenges regarding financing of regional hospitals. Prior to devolution, the bulk of the funding stream was direct from the national government, and facilities used the user fees collected to defray some of their expenditure. Upon devolution, regional hospitals, on the basis of serving more than one county, were allocated a conditional grant to facilitate their recurrent and development financing, while also still collecting revenue through user fees, which now became county revenue for the host county. This case study looks at how Kiambu county, which hosts the Thika Level 5 hospital, has addressed the challenges that have come up with the new funding mechanism.

Current situation regarding financing in Level 5 Hospitals

In 2014, a coalition of Civil Society Organizations working in health conducted a rapid assessment on financing of Level 5 hospitals. Results reported that counties required the Level 5 facilities to shut down their accounts and bank the money with the County Treasury, a situation that created challenges for the facilities to operate. Getting back the money banked with county treasury proved challenging, and there were delays in facilities getting the funds and financing their activities. Results also indicated that a number of facilities highlighted challenges in procurement as an impediment to the smooth delivery of services, when they had to procure through the county system.

The Kiambu County Health Services Act, 2014

In 2014, Kiambu County passed the Kiambu Health Act, to provide guidance in relation to provision of health services in the county. The Act describes roles of service providers and customers and management of county health facilities among other things. The focus of this case study is the way the Kiambu Health Act has outlined the management of finances that are related to the provision of health services.

Notable Clauses

Part III of the Act explicitly discusses financial provisions. It highlights all the sources of revenue for financing the Act, and how these sources should be handled. It also outlines how the revenue will be managed and used, and the persons responsible. Below are the specific clauses and the areas they focus on:
Section 42
The first part of this section discusses the sources of financing for health. It lists all sources of revenue from the national government, county government and development partners.

The second part outlines sources of revenue that shall not be paid into county treasury, and this includes conditional grants from the national government as well as any monies raised by the individual facilities as user fees. It further outlines that these sources of revenue will be used solely for provision of health services, and for development of the health facility that generates the source of revenue, with the approval of the Executive Member (of health). Part 5 of Section 42 also allows individual facilities to operate bank accounts for purposes of managing facility revenue, and with guidance of the Public Finance Management Act.

Section 43
Section 43 of the Act discusses procurement, and highlights that the Health Department is considered as a procurement entity, as well as all the facilities classified as county hospitals under Section 7. It also highlights the procedures required and corresponding legislation to guide procurement, including Public Procurement and Disposal Act, 2005, which prescribes the formation of a tender Committee for procurement purposes.

Implications for Health Facility Operations
The Kiambu Health Act 2014 empowers the health ministry in the county, and the county facilities in a number of ways;

Enabling the health department and health facilities to be semi-autonomous procurement agents allows facilities to take care of emergency supplies without having to bear the long wait of bureaucratic county procurement processes. By being empowered as procurement agencies, the facilities are not only able to handle emergency purchases, but also adequately plan for what is necessary for facilities on a case by case basis.

Secondly, the Health Act allows facilities to operate and manage their accounts, with guidance from the Public Finance Management Act. The Kiambu example indicates that it is possible to enact county legislation that is aligned with national legislation in relation to management of revenue collected at county Level, without necessarily banking it all with the County Treasury.

The Kiambu Level 5 facility has been operating smoothly, according to the data collected, and this has mainly been facilitated by the Kiambu Health Bill, 2014. This has enabled the facility to make procurements as needed, and to operate without depending on the county system to run activities.
Key to note is the Public Finance Management Act, which has been used as a basis by counties to ask facilities to shut down the bank accounts they manage. The Public Finance Management Act, 109 is the section of the Act that gives guidance on how money collected from county revenue streams should be managed. It states that money generate or received on behalf of the county should be paid into the county revenue fund.

Section (2) (a) and (b) of the Act further outline instances where funds can be managed from different accounts because of the Act or other legislation, and instances in which county entities can have a separate account to manage funds, based on national or county legislation:

*Establishment of a County Revenue Fund for each county government.*

109. (1) There is established, for each county a County Revenue Fund in accordance with Article 207 of the Constitution.

(2) The County Treasury for each county government shall ensure that all money raised or received by or on behalf of the county government is paid into the County Revenue Fund, except money that—

(a) is excluded from payment into that Fund because of a provision of this Act or another Act of Parliament, 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 of defraying its expenses

**Recommendations for Legislation**

The Kiambu Health Act 2014 exemplifies the possibility of a combination of county legislation that is implemented hand in hand with national legislation in a complementary manner. The Act has enabled the health system within Kiambu to operate uninterrupted, and also for finances generated for health to remain and be used up in health, and for the specific facilities that have collected them. Other counties should follow the Kiambu model.