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Signature
AN EVALUATION OF THE PRICING OF HEALTH CARE SERVICES IN
HOSPITALS RUN BY PROTESTANT CHURCHES IN KENYA //

BY

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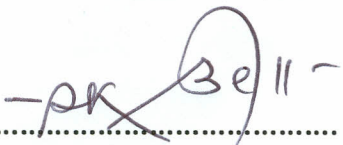
DECLARATION

This research project is my original work and has not been presented for a degree in any other University or any other award

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I confirm that the work reported in this research project was carried out by the candidate under my supervision

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To our Almighty God for His magnanimity

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Finally I wish to thank my employer for allowing me to work full time so that I can concentrate on my studies.

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Finally I wish to thank my employer for allowing me time off when I needed to concentrate on this study.

ABSTRACT

The protestant Churches in Kenya provide health care services through clinics, Dispensaries, Health Centers and Hospitals. They currently operate 21 hospitals which are located in various parts of the country. These hospitals are experiencing financial difficulties. They cannot raise enough revenue to meet the operational costs and they are not sure if they are charging the right price for the services they render. The hospitals administrators are not capable of convincing patients on the justification of set prices though they think patients are not paying for the full costs of what they receive from these hospitals. Patients on the other hand are complaining of high prices on these services.

The objective of this study therefore was determine whether hospitals run by protestant Churches in Kenya are pricing their services while considering all costs, competition, demand for services and patient's perception of value of services.

The study adopted a descriptive research design involving the entire population of 21 hospitals and to meet this objective, both the primary and secondary data were used. Primary data was obtained from field by using two questionnaires targeted to Finance Manager and Hospital Administrator in each hospital. The questionnaire covered pricing, costs, competition, demand for services and patient's perception on value of services. Secondary data was obtained from records available with Christian Health Association of Kenya (CHAK)

The data obtained were analyzed and presented in tables and charts while the descriptive statistics was used to explore, analyze and describe the factors involved and provide conclusions.

The study concludes that hospitals run by protestant churches take into considerations some costs, competitions, demand of services and patients' perception of value of services while pricing their health care services.

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LIST OF ABBREVIATIONS

ACK	-	Anglican Church of Kenya
AIC	-	African Inland Church
AGC	-	African Gospel Church
CHAK	-	Christian Health Association of Kenya
FGCK	-	Full Gospel Churches of Kenya
MCK	-	Methodist Church of Kenya
NHIF	-	National Hospital Insurance Fund
NSHIS	-	National Social Health Insurance Scheme
PCEA	-	Presbyterian Church of East Africa
SDA	-	Seventh-Day Adventist Church
MEDS	-	Mission for Essential Drugs & Supplies

DEFINITION OF TERMS

Demands are wants for specific product or services backed by an ability to pay.

Competitors are companies that satisfy the same customer need.

Customer's perception is the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world.

Competitor Analysis is a set of activities which examines the comparative position of competing enterprises within a given strategic sector.

Quality is the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs.

Primary data are data gathered for a specific purpose or for a specific research project.

Secondary data are data that are collected for another purpose and already exist somewhere.

Questionnaire is of a set of questions presented to respondents for their answers.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Faith based organizations have been involved in health care ministry and other services like education and social services for over 50 years in Kenya. The former minister of health, Hon. C. Ngilu, (2004) during opening ceremony of National Social Health Insurance Scheme (NSHIS) Seminar for Church leaders and managers of Mission Hospitals, said the government recognized the Church as a key partner in the delivery of health services in Kenya. It is acknowledged that the Church provides about 40% of the total health care services and has commitment to their mission of providing health and other services to the poor and members of society in marginalized areas. The other 60% of health care services, are provided by, the government, private and other non-governmental organization.

The protestant churches in Kenya have an association called Christian Health Association of Kenya (CHAK). CHAK is a secretariat of their health programs. The members are drawn from 17 Church denominations and are located all over Kenya. The total registered membership as of the last Annual General Meeting report of April 2008 was 416 members, comprising of 21 hospitals, 46 health centers, and 349 dispensaries and Church health programs.

The Church involvement in provision of health care services is not by accident or business driven activity but as the response to Jesus Christ great commission –Go ye therefore and teach all nations baptizing them in the name of the Father, the Son and the Holy Ghost; teaching them to observe all things whatsoever I have commanded you: and lo I am with you always even unto

the end of the world. (Mathew 28:19-20. New King James Version). The locations of these facilities are in various rural areas of Kenya with great need of these services irrespective of economic viability.

Overseas missionaries started majority of these health institutions, as part of total package of the Good News ministry, before independence in 1963. They relied heavily on donated funds from mother churches abroad, missionary workers, government grants and little on patient fees to facilitate their financial obligations. CHAK Times, (2002).

Currently, these Institutions are facing economic hardship arising from diminishing donor subsidy, absence of government grants, prevailing poor economic and debt burdens and the impact of HIV/AIDS. CHAK Times, (2003). These means there is need to have serious financial management of the meager resources from patient fees. Pricing of services offered should be properly done to ensure that as far as possible fees charged to patients' covers all costs incurred.

Pricing involves looking not only at costing but also the prevailing operating environment.

Advanced Marketing Consultants (2005) says lack of precise pricing information from ones market is one key reason why business owners fail to make adequate profits. Maximizing profits allows the organization to generate healthy cash flow resulting in sustainability.

The dynamic nature of society and the health care services in particular, requires up to date information for organization to operate effectively. The hospital management must assess their position in the market and services needed by the consumers and respond accordingly. The patients on the other hand require information concerning price charged and how they are charged.

The existing price policies have been designed primarily to raise revenue. The approach is to raise all prices by some arbitrary percentage amount each year. There is little attempt to find out

who is benefiting, who is paying and the level of benefits and payments involved for each service. Even the incremental price increase are based on acceptable criterion, they assume that the original price was appropriate. If the initial price was arbitrary derived, then subsequent incremental increase are also likely to result in an arbitrary price. Pricing therefore is a critical subject for sustainability of health care services.

1.2 Statement of the problem:

Majority of the hospitals run by Protestant Churches in Kenya are experiencing financial difficulties. They cannot raise enough revenue to meet the operational costs. Patients on the other hand are complaining of high charges on the services from these hospitals. The hospitals are not sure if the charged prices are the right prices. They cannot therefore convince patients on justification of set prices. Pricing therefore is the main problem that needs to be addressed. Specific factors that must be considered should be outlined as well as pricing policies and strategies that can be applied.

The hospitals managements will not be able to intelligently address pricing issues that really affect their financial management unless a study is done on pricing. Pricing will not only give the right price to charge but it will also pin point systems, procedures and resources that may be improved, eliminated or developed. If the situation continues unchecked, the hospitals will continue making losses, employees morale will come down due to low salaries, patients will continue complaining of prices, and eventually some hospital may have to be closed down and hence the stakeholders.

The purpose of this study therefore is to find out if these hospitals take into consideration all the relevant factors in pricing, which includes but not limited to all costs, competition, demand and patient's perspective.

1.3 General Objective

The broad objective of this study is to determine whether the hospitals run by protestant Churches in Kenya are pricing the health care services in consideration of Costs, Competition, Demand for services and Patients' perception.

1.4 Specific Objectives

1. To determine if all costs are included in pricing of health care services in the hospital.
2. To find out how competition affects the pricing of services in the hospital.
3. To determine whether the demand for services are considered in pricing of services in the hospital.
4. To establish whether patient's perception of value of services affects pricing of services in the hospital.

1.5 Research Questions

1. Are patients paying for the full cost of services offered to them?
2. Do competitors pose a serious threat to survival of the hospital?
3. Does the demand of services affects pricing services in the hospital?
4. Is there any connection between the patient's perception of value of services and pricing of services in the hospital?

1.6 Significance of the study

1. The research study will attempt to find out how pricing is done and whether the hospitals considers all costs, competition, demand and patients perception in pricing health care services.

2. The study is important because knowing the exact right price to charge means a big difference between financial losses, mediocre performance, and high increase in revenue.
3. The study will provide useful information on pricing, factors to consider in pricing, and how to establish a right price.
4. The results will aid the management to make well-informed and intelligent decisions on pricing. The accountants responsible for calculating and recommending price to be charged will benefit too. The patients will be charged a reasonable price or at least will be given adequate information on price charged.
5. It is expected that the study will reveal existing strengths and weakness of pricing in hospitals. When the revealed issues are addressed, the hospital financial position will improve, the patients will receive service equivalent to value of their money. The management will have confidence to answer any questions from stakeholders related to price of services.
6. New effective pricing policies and strategies may be set that are manageable and useful to the operation of the institutions. NHIF will get useful hints on how rebates can be reviewed. All these will translate into better and affordable services for members of the society and hence better living standard. It is therefore worth pursuing this study.

1.7 The scope of the Study

The scope of the study will be hospitals run by Protestant Churches throughout Kenya. There are 21 hospitals located in various parts of the country. 6 of them are in Central province, 4 in Western province, 4 in Riftvalley province, 3 in Nyanza province, 1 in Nairobi province, 2 in Eastern province and 1 in coast province.

1.8 Limitations

1. Studying hospitals located in different parts of the country with different operating environment and resource ability may not yield accurate results.
2. The interpretation of questionnaire may mean different to each hospital
3. The questionnaire may be deficient in certain unforeseen areas of operation.
4. The limitation of time and funds to visit each hospital and clarify any question that may arise during the process of filling the questionnaire.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The price of products and services is one of the major factors that are considered by those who purchase. Pricing is the process of establishing a price by taking into consideration the components, policies, objectives and strategies of the organization in relation to pricing. In marketing terms, pricing is viewed as part of the marketing mix, along with promotion, place, product/service, people and process.

Charles W. Lamb JR (1987) considers pricing as one of the most technically difficult and politically sensitive areas in which public and private services managers have to make decisions. The pricing decisions are influenced by a myriad of ideological, political, economic and professional arguments. The debate that accompanies this diversity of perspectives however should be focused on some sound principles.

The aim of pricing is to establish a price that is very close to the maximum that customers are prepared to pay and that minimum which the organization is willing to receive after accounting for discounts, promotions and other incentives. Pricing can determine the financial performance of the organization and the relationship with consumers. Therefore the act of pricing must be taken with all the seriousness it deserves so that it may yield useful results.

2.2 Costing

John Spencer and Adams Pruss (1997), says in an ever- competitive society, all business and organizations in both public and private sector need to make and one often is required to make the best possible use of resources at their disposal, personnel, finance and physical assets. For

this reason cost accounting techniques have been developed as a tool to inform decision makers how and where money has been spent. So as to establish what it costs to purchase raw materials, produce goods, hold stock, hold a meeting and provide a service and so on.

They further went a head and define a cost as the amount of money, which has been spent or will be incurred in the normal cause of business in bringing a product or the supply of a service to its present condition and to its present location.

According to Colin Drury (2004) Costing may be defined as the establishment of budgets, standard costs and actual costs of operations, processes activities or products and the analysis of variances profitability or the social use of funds. There are two types of costing. Target costing and Cost-plus pricing. Cost-plus pricing is where cost is used as the starting point to determine the selling price, target costing is the reverse of this process with target costing starting as the determination of the target –selling price. There are four stages:

- Stage 1 Determine the target price which customers will be prepared to pay for the product.
- Stage 2 Deduct a target profit margin from the target price to determine the target cost;
- Stage 3 Estimate the actual cost of the product
- Stage 4 If estimate actual cost exceeds the target cost, investigate ways of driving down the actual cost of the target cost.

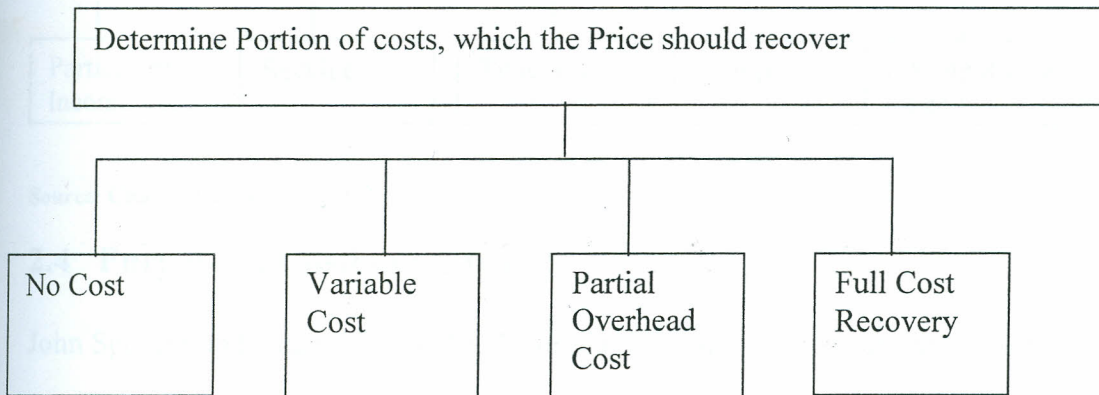
Major attraction of target costing is that marketing factors and customer research provide the basis of determining selling price where as the cost tends to be dominant factor in cost-plus pricing which is good for cost management....but main criticism is that cost-plus pricing is that demand is ignored

Survey shows that for most companies the dominant factor in pricing is product cost. Determine the cost, apply the desired markup, and that is the price.... Managers though must think about how customers will value the product. Robert J. Dolan (1995).

2.3 Establishing a Price.

Charles Lamb Jr (1987), presents a logical approach to establishing a price through 3 stages. Stage 1 focuses on the portion of costs incurred that should be recovered from direct pricing. But if it intended to recover marginal cost, then a service is provided at a price equal to the cost of providing an additional unit of service or the cost of serving the incremental user (fig. 2.1).

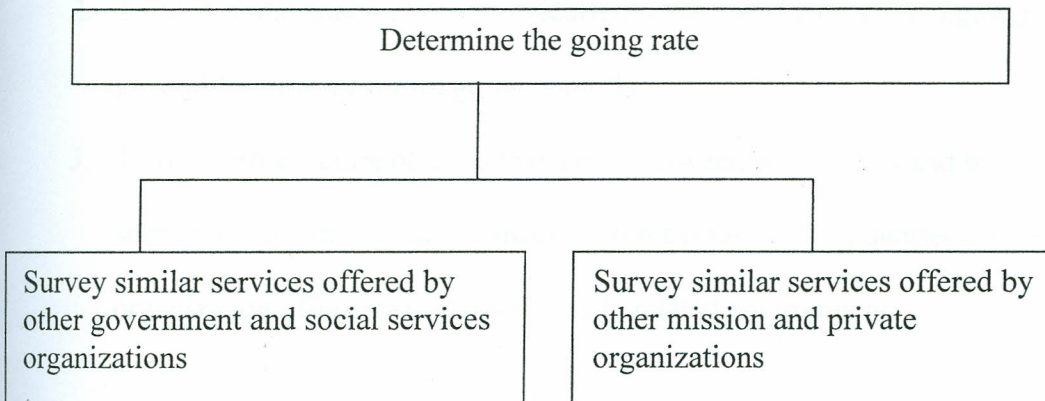
Figure 2.1 Logical approach to establishing a price stage one.



Source: Charles Lamber Jr (1987)

Stage 2 ensures the price is market sensitive and checks what others are charging for similar services (fig.2.1).

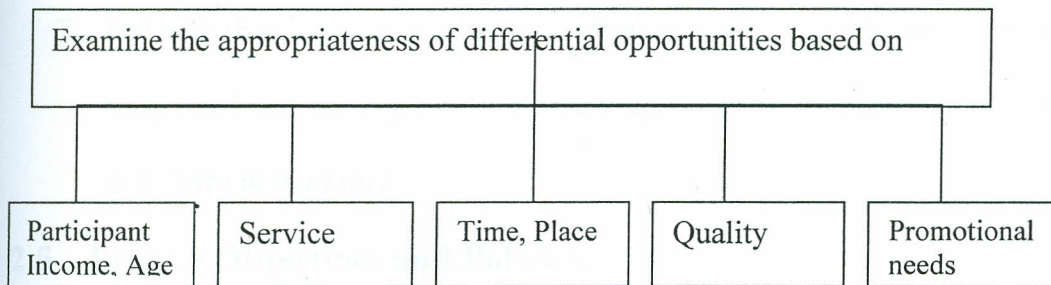
Figure 2.2 Logical approach to establishing a price stages two.



Source: Charles Lamber Jr (1987)

Stage 3 considers the appropriateness of price to various user groups or service needs in a particular context (fig.2.3). It advocates for differential pricing with assumption that market is segment able and the segments show different price elasticity of demand, for an organization to be able to offer some services at 2 or more prices is that it must not cause resentment from majority of clients or else antipathy will be created and goodwill lost.

Figure 2.3 Logical approach to establishing a price stages three.



Source: Charles Lamber Jr. (1987)

2.4 Purpose of Costing System

John Spencer and Adams Pruss (1997) further recognize that costing needs to have a procedure and they have outlined the following:

1. To record all the activities undertaken within the organization so that profitable and unprofitable tasks can be identified, thereby enabling management to take corrective action needed
2. To record and analyze all costs incurred so that wastage can be highlighted and provide a general framework for on going controls.
3. To build up a picture of costs that varies between actual costs and budgeted costs can be seen and comparisons can be made with previous months, quarters and even with other organization offering similar services in related environment.

4. To provide raw data for financial planning and analysis, project costing, estimating and pricing.
5. To identify and know fixed costs as those costs that tend to remain unchanged in total for a short term even if activity increases, like rent, rates, salaries and security.
6. To know variable costs as cost which directly in relation to changes in activity and volumes, like gas, electricity and medicine
7. To know that there are also semi-variable costs, which exhibit some characteristic of both, fixed and variable costs, like the wages of extra temporary staff taken to cope with short term in workload.

2.5 Pricing Objectives and Policies.

Jerome McCarthy and Andrew Brogowicz (1982) said pricing objectives should flow from company-level objectives. They should be stated clearly because they have a direct effect on pricing policies and the price setting method used. The possible pricing objective includes:

1. Profit oriented –where the firm seeks to get as much profit as possible while others work to get satisfactory profits enough to allow the firm continue in operation and make a return to investor.
2. Sales-oriented states that the firm seeks to get some level of sales or share of market without referring to profit
3. Status –quo objectives are fairly common, they may be stated as ‘meeting competition’ or ‘avoiding competition’ or ‘stabilizing prices’ this is held more often by conservative managers who want to reduce the risk of loss. They prefer instead a comfortable way of life and some assurance of profit.

Specific pricing policies are important for any firm. Price policies usually lead to administered prices. Some of the pricing policies include the following:

1. Price flexibility policy states how flexible prices will be, whether there will be one price for everyone or different prices for different customers.
2. Price-level policy is where the firm has to decide whether the price will be set below, at or above the market price.
3. Pricing over the product life cycle states that different prices can be set at different stages of product life cycle. This includes a skimming pricing policy, which tries to extract profit from the product even at the expense of market share and therefore can logically be applied during the latter stage of maturity phase of product life cycle. A penetration policy tries to set prices at low level as a means of developing market share and is therefore most appropriate during the growth phase of the product life cycle.
4. Discount policy states that certain reduction of prices are done on certain conditions, which could be quantity discount, to encourage buying in volumes, seasonal discounts to encourage buyers to stock earlier than present demand requires. There is also cash discount policy to encourage buyers to pay in cash rather than on credits.

2.6. Pricing Strategies

Operating a business activity in an ever-changing working environment requires constant evaluation of alternative ways of doing business. Developing several strategies is therefore inevitable. Pricing strategies include the following as discussed by Sheila Webler (2001).

1. Cost-oriented: this is where costs are determined, and then prices are set bearing in mind what percentage cost recovery (or profit) is required. It is very good for internal customers.

2. Competitor-oriented: is where the competitor's prices are checked and adjustment is done accordingly. It may necessitate charging the same, to undercut, or to present the same service in a better way and charge more.
3. Demand-oriented: is a strategy, which looks at what the market will bear. This will depend on the perceived value of the service. It requires a study on what the customers perceive as being value added. It is also worth saying that if the market survey shows that potential clients perceive the value of an information service as being low, then, the service needs to be changed so that it is perceived as valuable, choose a new market or stop offering the service.

Pricing strategies must be geared towards the key target market. Use of strategy will encourage customers to come again for buying. Discounts and subscription membership schemes are other strategies used by others to foster loyalty and create the impression that a special tailored service are being offered.

2.7 Role of Pricing

Pricing communicates a lot about how the organization value and transact business.

Robert J. Dolan (1995) says that pricing assess customers emotional response. When managers analyze how customers respond to a product's price, they must consider the long-term effects of the customer's emotional reaction as well as the short-term, economic outcome. Every transaction influences how a consumer thinks about a company and talks others about it.

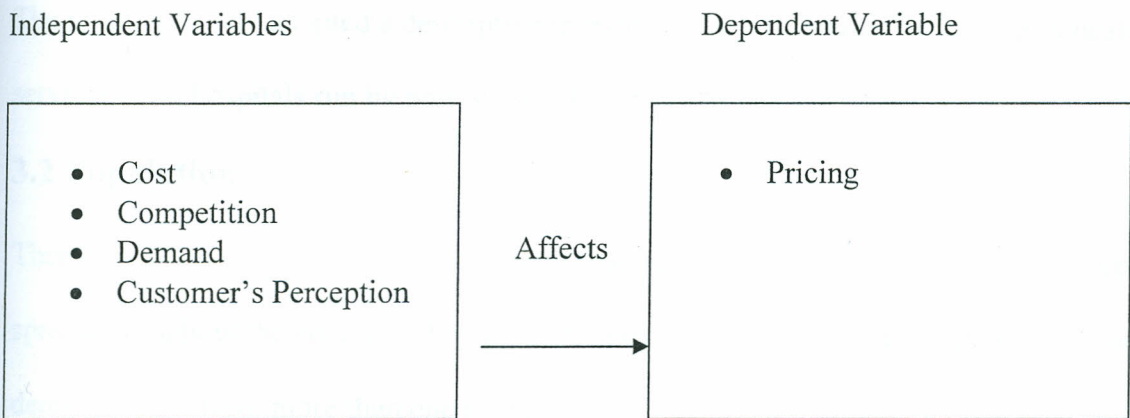
Proper pricing will assist in making realistic budgets that will yield better financial controls.

Budget preparation needs the participation of various departments to suggest the requirements of their areas of operation and in the process better co-ordinations of activities is achieved.

According to Sally Dibb (1990) pricing is inextricably linked to business's fortunes.

Profits are results of price multiplied by the units sold less total cost. Therefore, pricing assists the organization to look at their viability and survival, profit expectation, market share, cash flow level for on-going operations, customers' perceptions and needs.

Figure 2.4 Conceptual Framework



Source: Author's compilation (2005)

Costs of providing a service is a major component of pricing. Proper determination of costs will yield a better price, which will lead to financial stability. Competition plays a big role too.

Consumers generally have a choice of service providers, so it important to know and understand how the competitors price their services. Pricing will be influenced by what is generally charged by others offering similar services. Demand for certain services will influence the pricing too.

Services that are highly demanded may withstand higher prices and vice versa. Increase in demand for a service means more volumes of purchases and the better the pricing adjustment.

Customer's perception on the value of service-received will determined future purchases of the product. High value will sustain higher pricing and leads to continuous purchase and hence more income to the organization. It is worthy to note that the above factors are not exhaustive.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The proposed study adopted a descriptive research design. It focused on pricing of health care services in all hospitals run by protestant churches in Kenya.

3.2 Population

There are 21 hospitals that are run by protestant churches in Kenya. These hospitals are widely spread throughout the country. They are owned by different church denominations. Some denominations have more than one hospital.

3.3 Sample

Since the entire population of hospitals is only 21, a census survey was done. This means all the 21 hospital were involved in the research study. However in a situation where a church runs more than one hospital and uses the same system of accounting system, a purposive sampling was used. Hospital that was closer to Nairobi in terms of kilometers and accessibility was selected.

The respondents are the Hospital Administrator and Finance Manager. The two officers are normally involved on issues related with pricing of services.

3.4 Data Collection Procedure

The instrument developed to collect data for this study was a questionnaire. There are two sets of questionnaires, one for Hospital administrator and another for Finance Manager. The developed questionnaires (Appendix B & C), had items which addressed specific objectives and research

questions. The two questionnaires were sent to respective respondent with a cover letter. Most of the questionnaires were mailed through post office, while some were sent through E-mail to hospital with E-mail facility and others by securicor mailing services. An addressed return envelope with stamp was enclosed. The respondent's responsibility was to complete the questionnaire, put it in a return envelope and drop it at post office. A follow up through telephone was done to confirm if the document had been received, filled, and sent back. Misplaced questionnaires were replaced as soon as possible. Questionnaires sent on e-mail were followed up through e-mail and phone. Travels to some hospital were necessary to improve the response rate and finally a letter thanking those who have responded were sent to them.

3.5 Data analysis

Once completed questionnaires were received, the raw data was organized to facilitate analysis. The responses in the questionnaire, which are close-ended, were assigned numerical values, while the responses from open-ended questions were categorized and assign numbers to them. The data were analyzed and presented in tables and charts.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The purpose of this chapter is to present an analysis of the different variables and the interpretation of the results. The study examined how pricing is done in various hospitals in relation to independent variables, cost, competition, demand for services and patient's perception.

A total of 42 respondents were sampled randomly comprising of 21 Finance Managers and 21 Hospital Administrators respondents. The Finance Managers dealt with the pricing of services, the pricing policy, the price trend for the last four years and the pricing committees. They further dealt with Costs as a factor in pricing and the how it affects pricing. The administrator dealt with competition, demand for services, patient's perception and how it affects pricing and the general effects to financial position of the hospital

4.2 Response by Finance Manager

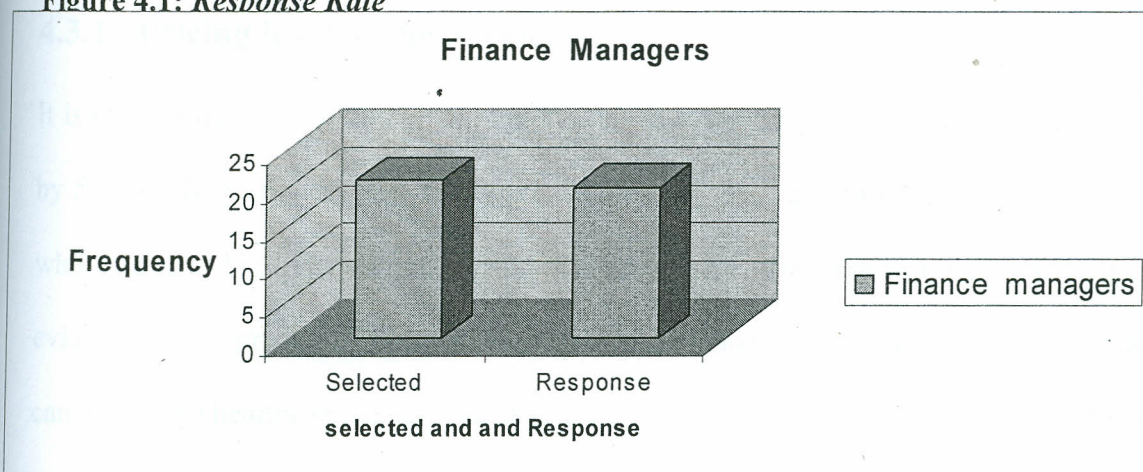
As shown in table 4.1 and figure 4.1, a total of 21 Finance Managers were included in the survey, 20 responded which represents 95% percent, clearly showing a high response rate. Simple random sampling was used to come up with the selected sample size.

Table 4.1 *Response Rate*

	Selected	Response	Percent
Finance Managers	21	20	95%

Source: Author 2006

Figure 4.1: Response Rate



Most of the respondents had work experience of between 5-10 years as shown by 45%, those with 0-5 years experience were 25%, those with between 10-15 years were 10% while those over 15 years were 15%. It can be interpreted therefore that majority of the Finance Managers have worked for over 5 years and therefore they should be to comment competently on the pricing of health care services in the hospital.

Table 4.2 Work Experience – Finance Manager

	Frequency	Percentage (%)
0-5 yrs	5	25
5-10 yrs	9	45
10-15 yrs	2	10
Over 15 yrs	3	15
Total	20	100

Source: Sample Data 2006

4.3 PRICING.

4.3.1 Pricing level of the Service

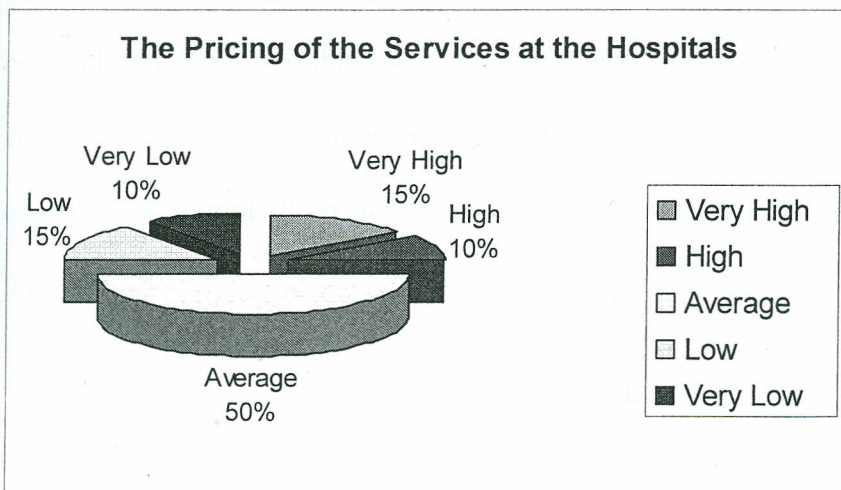
It is evident that the pricing level of the services at the hospitals is rated as average as indicated by 50% of the respondents, those who said it is very high and low were 15% respectively, those who said it is high were 10%, while those who said it is very low were 10%. It is therefore evident that the pricing of these services should be made in such a way that the average citizens can afford the healthcare services of the hospitals run by Protestant Churches and this will ensure that low infant mortality and deaths resulting from preventable diseases are dealt with.

Table 4.3 *Pricing Level of Services*

	Frequency	Percentage (%)
Very High	3	15
High	2	10
Average	10	50
Low	3	15
Very Low	2	10
Total	20	100

Source: Sample Data 2006

Figure 4.2 *Pricing level of the Services*



4.3.2 Pricing Policy

On whether there is pricing policy in the hospitals, majority of the respondents did indicate that they have, as evidenced by 65% of the respondents while 35% of the respondents said they did not have a pricing policy. It can be interpreted therefore that most hospitals price their services without pricing policy. These may create inconsistency in pricing and may make the patients in the hospital to be disadvantaged. There should be proper pricing policy to guide the Management in making charges of drugs, procedures & services. Majority of the respondent indicated that the general objective of pricing is to set a price that is affordable to the surrounding community while at the same time be able to cover the costs of providing the services.

Table 4.4 Pricing Policy

	Frequency	Percentage (%)
Yes	13	65
No	7	35
Total	20	100

Source: Sample Data 2006

4.3.3 Price for every service

On whether there is a price for every service being offered at the hospitals, just slightly more than half (55%) of the respondents said there is a price for every service being offered at the hospitals, while 45% of them said they don't have. This creates the problem of possible trial and error and this may result in overcharging or undercharging of the services. There should be criteria in pricing of all services in the hospitals including time taken by a patient with a service provider.

Table 4.5 *Price for every service*

	Frequency	Percentage (%)
Yes	11	55
No	9	45
Total	20	100

Source: Sample Data 2006

4.3.4 Price trend

On the hospitals' price trend for the last 5 years, it is evident from the table below that 75% of the respondents said it is on the upward trend, those who said it has been constant were 15% while those who said the pricing trend has been downward were 10%. This can be interpreted therefore that the pricing in hospitals have been on upward trend due to inflationary tendencies, through transportation costs, poor infrastructure and maintenance costs. The few cases of constant and downward trends could be attributed to the church sponsorship and donations or subsidy of drugs by government and overseas sponsors.

Table 4.6 *Price trend for the last 5 years*

Trend	Frequency	Percentage (%)
Upward	15	75
Constant	3	15
Downward	2	10
Total	20	100

Source: Sample Data 2006

4.3.5 Pricing committee

It is clear from the table below that majority of the hospitals (60 %) are doing pricing without involving committee members coming from different departments before approval. Those who use committees to discuss, set prices and approve pricing were 40%. It can be interpreted therefore that pricing is done in most hospital by individuals without input from other departments, since most of them do not have pricing committee.

Table 4.7 *Pricing committee in place*

	Frequency	Percentage (%)
Yes	8	40
No	12	60
Total	20	100

Source: Sample Data 2006

4.3.6 Treatment of emergency cases.

All respondents said they treat all emergency cases that are brought to their hospital whether they have money or not. These patients are however evaluated immediately on whether they can afford full treatment or not. Doubtful cases are given minimal services to enable them seek further treatment in government hospital. The costs of the treatment are normally not paid for, but later they are written off.

4.4 COSTS

4.3 Costs as a factor in pricing

On whether the cost is one of the factors affecting pricing in the hospitals, overwhelming majority said it is, as shown by 80% of the respondents; those who said it is not were 20%. It can be interpreted therefore that the cost of medicines, transport, salaries and allowances, food

stuff, electricity and water determines to a very great extent the pricing of these services and it means therefore that proper use of resources is required to keep costs at manageable levels.

Table 4.8: Costs as a factor, in pricing

	Frequency	Percentage (%)
Yes	16	80
No	4	20
Total	20	100

Source: Sample Data 2006

4.4.2 Effects of costs in pricing

The study clearly shows that majority of the respondents indicated that costs affects very strongly as shown by 70% of the respondents, while those who said it affects it strongly were 15%, and those who said it affects it less strongly were 10% and only one person said cost does not strongly affect the pricing. It can be interpreted therefore that the costs of providing a service really affects pricing. The Management of costs therefore determines how high or low the pricing will be set.

Table 4.9 Effects of costs in pricing

	Frequency	Percentage (%)
Very Strongly	14	70
Strongly	3	15
Less Strongly	2	10
Not Strongly	1	5
Total	20	100

Source: Sample Data 2006

4.4.3 Repairs and maintenance costs.

On whether costs of the repairs and maintenance of assets affect pricing many of the respondents indicated that, they affect pricing as evidenced by 65% of the respondents while those who said the repairs and maintenance of Assets do not affect pricing were 35%. It can be interpreted therefore that repairs and maintenance of furniture, equipment & machines affects the pricing of healthcare services.

Table 4.10 *Does costs of repair and maintenance affect pricing*

	Frequency	Percentage (%)
Yes	13	65
No	7	35
Total	20	100

Source: Sample Data 2006

4.4.4 All operational costs.

On whether the price is derived from calculation of all operational costs in hospital, most of the respondents said the price is not derived from calculation of all costs of operation in hospital as shown by 90% of the respondents. Those who said the price is derived from calculation of all costs of operation in hospital were only 10%. It can be interpreted therefore that the price of healthcare services in these hospitals does not include All operational costs and therefore price does not include the real cost incurred in the provision of services.

Table 4.10 *If pricing includes all operational costs.*

	Frequency	Percentage (%)
Yes	2	10
No	17	90
Total	20	100

Source: Sample Data 2006

4.4.5 Other costs

On whether there are costs that are not considered while pricing many of the respondents said there are other costs that are not included as shown by 75% of the respondents. While 25% of the respondents said that there are no costs that are not considered while pricing. It can be interpreted therefore that there are other costs that are not considered but contribute to the production of products and services. These costs may include the depreciation of the building, equipment & furniture, the cost of Board members and meetings, who are anyway largely employees of the sponsoring Church. Most of these hospitals receive donations which though the hospitals may not pay for them but the handling, the storage and the disbursement of these items is at a cost which needs to be considered in calculating the price.

Table 4.11 *Whether there are other costs not considered while pricing.*

	Frequency	Percentage (%)
Yes	15	75
No	5	25
Total	20	100

Source: Sample Data 2006

4.4.6 Pricing and preparation of budget

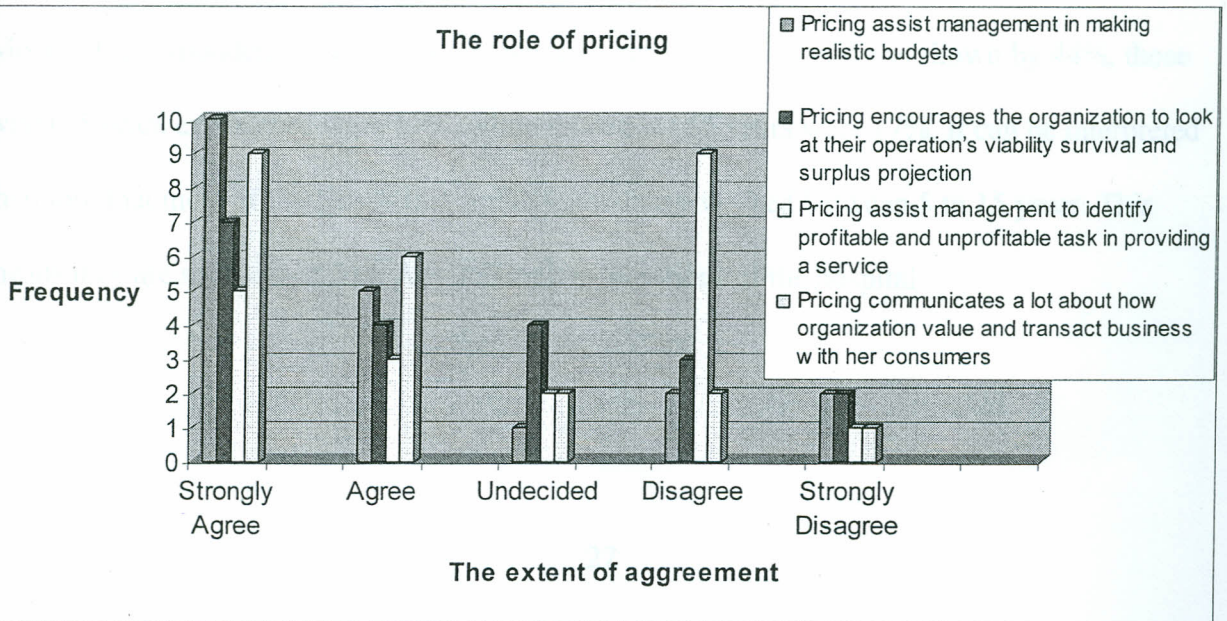
Many of the respondents did indicate that pricing is very useful in preparation of yearly budget as shown by 40% of the respondents. Those who said it is useful were 30%, while those who said it is less useful and not useful were 20% and 10% respectively. It can be interpreted that pricing is useful in preparation of hospitals yearly budget and the pricing should ensure that it reflects the true picture of the budget.

Table 4.12 *Usefulness of pricing in preparation of budget*

	Frequency	Percentage (%)
Very useful	8	40
Useful	6	30
Less useful	4	20
Not useful	2	10
Total	20	100

Source: Sample Data 2006

Figure 4.3 *Usefulness of pricing in preparation of budget*



4.5 Response by Hospital Administrators

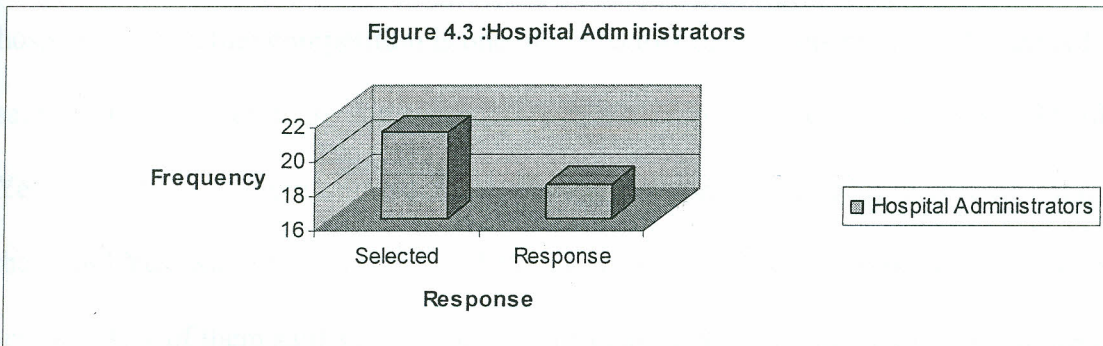
4.5.1 Responses rate

As shown in table 4.3 and figure 4.3, a total of 21 hospital administrators were included in the survey, 18 responded which represents 85.7% percent, showing a high response rate. Simple random sampling was used to come up with the selected sample size.

Table 4.13 Responses rate

	Selected	Response	Percent
Hospital Administrators	21	18	85.7%

Source: Author 2006



4.5.2 Work experience

Most of the respondents had work experience of between 10-15 years as shown by 44%, those with 0-5 years experience were 17%, while those over 15 years were 17%. It can be interpreted therefore that most of the Hospital Administrators have worked between 5 to 15 years. This means they are acquainted with Administrative operations of the hospital.

Table 4.14 Hospital Administrators Work Experience

	Frequency	Percentage (%)
0-5 yrs	3	17
5-10 yrs	4	22
10-15 yrs	8	44
Over 15 yrs	3	17
Total	18	100

Source: Sample Data 200

4.6 Competition

It is evident from the table below that competition has an impact on the administration of the hospital. On whether competition is one of the factors that affects pricing 67% agreed while 33% said No, On whether there are competitors of health care services in their area 83% of them said Yes while 17% of them said No. Does this competition pose a threat to your hospital 61% of them said Yes while 6% of them said No, Do you use pricing as a promotional tool for your services 94% of them said Yes while 17% of them said No. It can be interpreted therefore that competition has a great impact on the pricing of healthcare services in the hospitals run by Protestant churches in Kenya.

Table 4.15 Competition

	YES		NO	
	Freq.	%	Freq.	%
Is competition one of the factors that affects pricing	12	67	6	33
Are there competitors of health care services in your area	15	83	3	17
Does this competition pose a threat to your hospital	11	61	7	39

Do you use pricing as a promotional tool for your services	17	94	1	6
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4.6.1 Effects of pricing

On to what extent competition affect pricing of healthcare services, many of the respondents said that it is very strongly as shown by 56% of the respondents, while those that said strongly were 22%, less strongly and not strong were each 11% each. It can be interpreted therefore that competition in this sector drives a hospital to adjust pricing to fit the market situation.

Table 4.16 *Effects of competition on pricing*

	Freq.	%
Very strongly	10	56
Strongly	4	22
Less strongly	2	11
Not strong	2	11
Total	18	100

4.7 Demands for Services.

On the demand for services, the following questions were asked; Is demand one of the factors that affect pricing in your hospital? Findings were as follows: Those who said YES were 56% and those who said NO were 44%. Do you take into account the client's ability to pay when pricing services? Those who said YES were 33% and those who said NO were 67%,

Have you introduce some new services in the last 5 years due to demand? Those who said YES were 78% and those who said NO were 22%, Have you stopped some services due to pricing issues? Those who said YES were 17% and those who said NO were 83%, Do pricing influence the percentage of bed occupancy? Those who said YES were 72% and those who said NO were 28%, Are there any plans for expansion of services in your hospital? Those who said YES 89% and those who said NO were 11% and Have you modernized some services in your hospital to attract more patients? Those who said YES were 94% and those who said NO were 6%. It can be interpreted therefore that demand for services also has an impact on the pricing of the services of the hospitals.

Table 4.17 Demand for Services

	YES		NO	
	Freq.	%	Freq.	%
Is demand one of the factors that affect pricing in your hospital	10	56	8	44
Do you take into account the clients ability to pay when pricing services	6	33	12	67
Have you introduce some new services in the last 5 years due to demand	14	78	4	22
Have you stopped some services due to pricing issues	3	17	15	83
Do pricing influence the percentage of bed occupancy	13	72	5	28
Are there any plans for expansion of services in your hospital	16	89	2	11
Have you modernized some services in your hospital to attract more patients	17	94	1	6

4.7.1 Patient inflow for the last 4 years

On what has been the trend of the number of patients in the last 4 years, most of the respondents said it is increasing as shown by 67% of the respondents, while those who said it has been constant were 22% of the respondents and those that said it is decreasing were 11%. It can be interpreted therefore that the trend of the number of patients in the last 4 years has been increasing this calls for strategies that would match the increasing number of patients.

Table 4.18 Patient inflow for the last 4 years

	Freq.	%
Increasing	12	67
Constant	4	22
Decreasing	2	11
Total	18	100

4.8 Patients' Perception

On whether patients' perception of services affects pricing, 72% of the respondents said YES while 28% of the respondents said NO, On whether the hospitals have an official way of receiving feed back from clients 61% of the respondents said YES while 39% of the respondents said NO, on whether the hospitals offers outreach program like mobile clinic, 28% of the respondents said YES while 72% of the respondents said No and do you waive or write off bills for patients who are unable to pay? 11% of the respondents said YES while 89% of the respondents said NO. It can be interpreted therefore that the patients' perception of value of services affects the way management price the services and that most hospitals

have a reliable way of getting feedback from the patients. Most do not do outreach program and they rarely write off unpaid bills.

Table 4.19 Patients' Perception

	YES		NO	
	Freq.	%	Freq.	%
Does patients' perception of services affects your pricing	13	72	5	28
Does your hospital have an official way of receiving feed back from clients	11	61	7	39
Do you offer outreach program like mobile clinic	5	28	13	72
Do you waive or write off bills from patients who are unable to pay	2	11	16	89

4.8.1 Rating of the hospital image

On the rating of the hospital ,the Local community rating of the hospital was that those that said Excellent were 33%, Very Good were 39%, those that said Good and Satisfactory were 11% and Poor were 6%. The rating of hospitals image by Church members were Excellent 56%, Very Good were 28%, those who said Good and Satisfactory were 11% and 6% respectively. None of the church members rate their hospital as poor. The rating by Patients showed as follows Excellent were 44%, Very Good were 22%, those that said Good were 17% and Satisfactory were 11% and Poor were 6%, The rating by Government officials were as follows: those who said Excellent were 33%, Very Good were 17%, Good were 28% and Satisfactory were 22%, none said poor. The Competitors also rated as follows: Excellent were 17%, Very Good 11%, Good were 22% and Satisfactory were 44% and Poor were 6%. It can be interpreted that the hospitals image is very important to stakeholders and the

hospitals run by the churches should work very hard to ensure that they have good image by those who visit it and deal with them directly or indirectly.

Table 4.20 Rating of the hospital image

	Excellent		Very Good		Good		Satisfactory		Poor	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Local community	6	33	7	39	2	11	2	11	1	6
Church members	10	56	5	28	2	11	1	6	-	
Patients.	8	44	4	22	3	17	2	11	1	6
Government.	6	33	3	17	5	28	4	22	-	
Competitors	3	17	2	11	4	22	8	44	1	6
Total										

4.9 QUALITATIVE ANALYSIS

The Managers' responses on open ended questions did shade some more light on the pricing of health care services in hospitals run by the Protestant Churches. Majority of them indicated that their prices are generally affordable to the local community surrounding the hospital. They said that these prices have been set having in mind the economic status of the surrounding community.

4.9.1 Pricing, policy and emergency treatments

Though most hospitals doesn't have a written policy on pricing their services, they have a general objective of setting the prices that ensures that costs are contained in such a way that surplus can still be made to cover other indirect costs. They also set their prices of services to encourage market growth by a low price/ high volume policy. Prices are reviewed once year by the staff in accounts office and are shared with the hospital administrator before being taken to a committee for approval. Once they approved they are implemented. They rarely give notice or prepare the patients about the changes in prices in advance. The patients that are in the hospital at the time of changing of prices may get some discount on the new rates just to avoid unnecessary provocative actions.

Most hospitals did indicate that they attend to emergency cases even when they cannot pay for the services. The patients are however referred to the next nearest government hospital for further treatment. Though this issue of emergency treatment is often misused by clients by waiting till evening before they bring a sick patient without money, it was not listed as the major costs of running the hospital.

4.9.2 Costs and budgets

The five major costs listed as incurred by hospitals are Drugs and medical supplies, Salaries and allowances of employees, food stuff for patients, Transportation costs, Repair and maintenance costs, and administrative costs such as telephone, water, and electricity.

Budgets are done every year in most hospitals. The procedure of budgets preparation differ from hospital to hospital but generally they are done by one to two persons in accounts office then submitted to a committee for discussion and approval. Departmental or station heads are hardly involved. Allocations of funds are done to each department but rarely do they stick to their budget allocations due to very many unplanned activities which crop up during the year. Financial statements are prepared on monthly basis but they are rarely discussed and reviewed by the committees till the end of financial year. Major hospital did indicate that they are audited every year while the rest have their own internal auditors.

4.9.3 Competition

On the responses by the Hospital Administrators, they indicated that they are faced with stiff competitions not only from fully equipped hospitals but also from non-registered clinics who take the large amounts of funds from the patients and when the patients cannot improve they are referred to mission hospital when they are so sick and wiped out financially. The Administrators further commented that, patients generally prefer to use cheaper options until the situations becomes worse is when they will chose mission hospitals. They try to counteract competitors by giving health talks in churches, public meetings, improving on time spent by patients while waiting to be served, introducing some new services, improving further on their strong areas of operations and ensuring that they attend to patients' complaints.

The administrators have targeted areas where their patients are coming from. But they indicated that about 80% of their potential clients are aware of their quality care and kind of services they offer but 20 % of their potential clients may have heard of their existence and not more than that. They are therefore trying to reach out to the 20% by giving health talks and free medical camps in those areas.

4.9.4 Demand for Services

Several Administrators indicated that they have introduced some new services based on demand in the areas and these include mortuary, optical, maternity, family planning, surgical services and dental services. They have also tried to maintain all the other existing services; some of them are done on small scale while others are done during certain times of the day or in a particular day of the week while the administrators are happy with clients' comments, they indicated that the major complains are high prices, delay in getting treatment, lack of specialized personnel, poor road infrastructure and lack of free treatment for the needy.

4.9.5 Patients' perception

The administrators generally indicated that their hospital image is good among the stakeholders, the positive comments they indicated as coming from patients and what they term as their outstanding advantage includes, the commitment by the staff to offer services, the good reception, availability of drugs, the neatness of the hospital and the surrounding environment, the fair pricing of services as compared with private hospitals and the philosophy of church hospitals to provide service to all humanity and not serving for profits. They further acknowledged that they need to improve in services and physical facilities through continuous training, renovation of buildings, proactive servicing of machines and equipment and establishment of quality health care committee.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY AND DISCUSSION

The objective of the research was to determine whether the hospitals run by protestant Churches in Kenya are pricing the health care services in consideration of Costs, Competition, Demand for services and Patients' perception. A total of 42 respondents were sampled randomly comprising of 21 Finance Managers and 21 Hospital Administrators respondents.

Most of the respondents had work experience of over 5 years in the same position meaning the Finance Managers and Hospital Administrators have adequate work experience to competently comment on the general operations of the hospitals and more specifically on the pricing of health care services.

It is evident from the findings that most hospitals have pricing policy but have not been updated for a long time. Most services have specific prices while others don't have the exact price and the serving doctor would assign some value which would somehow attract some negotiation. This creates the problem of possible trial and error and this may result in overcharging or undercharging of services provided. Such differences may create concerns to patients and may create a poor public image. The prices of services in almost all of these hospitals have been on upward trend for the last 5 years, meaning it is matching with the prevailing inflationary tendencies in the country notably the cost of transportation, drugs and medical supplies as well as cost of food stuff. Committees involving several departments have not been set in all hospitals to handle the pricing of services. This means one or two personnel are involved in pricing and the

rest of the departments knows nothing about how certain prices have been set and under what considerations. Attaining best control of costs and wastage may not be achieved unless those who are involved are made to understand and appreciate the need. Pricing therefore are done and taken the governing committee as a formality to give final approval.

The findings of the study pinpoints that hospitals without pricing policy and price list may make the patients in the hospital to be disadvantaged when the pricing is done anyhow without outlined guidance. The Hospital Management may not take collective responsibility and talk in one voice in promotion of health care services because of possible varied explanation and interpretation of prices sets, neither will they justify the increase or the set price.

Operational costs are vital factors in pricing of health care services in these hospitals as confirmed by 80 % of the respondents. The costs that are taken into account includes but not limited to drugs and medical supplies, repairs and maintenance costs, transport costs, salaries and allowances, food expense and utilities like water and electricity expense. They however indicated that some costs are not included in the pricing process. These costs include depreciation costs and hospital board meetings expenses. The challenge however is to clearly identify and apportion all relevant cost to each service and procedure. This will make pricing more realistic and will reflect the true picture of costs of services rendered. The management therefore can be in a position to defend and justify the price list to anyone who would like to know the reason for price change. The findings of the study did indicate that pricing is very useful in preparation of hospital's yearly operating budget. A budget is a quantitative plan of action that aids in the coordination and control of the acquisition, allocation and utilization of resources over a given period of time (Richard M.S Wilson 2005, p 747). The building of the budget is looked upon as the integration of the varied interests that constitute the organization into a program that all have

agreed is workable in attempting to attain objectives. The budget is to show for each service, the expected revenues and their associated costs right from the beginning of a service to the end.

The findings of the study also indicates that Pricing assist management to identify profitable and unprofitable task in providing a service. In the process of identifying the cost of a treatment, certain task may be eliminated or improved such that it reduces the cost involved. The management will be challenged to think of alternative methods/procedures that can yield same results but at the same or lower costs.

While the finance Managers responded on the above issues, the hospital Administrators responded on the competition, Demand of services and Patients perceptions. It is evident from the findings of the study that competition is one of the factors that affects pricing of the health care services in the protestant hospitals. Pricing is done while looking at the prices of the competitors. Patients generally like other customers or buyers take time to compare prices of products and services in the market before they make a decision on a particular choice. The administrators did mention that there are many other health care providers in their catchment areas and the patients or their relatives will choose the hospital they prefer depending on variety of factors. Price is one of the factors. From the findings of the study, over 56% of the respondents indicated that competition affects very strongly the way the hospital prices their services. There is need for competitive analysis, the management must understand the competitors cost levels and their likely patterns of price behavior so that they are not taken by surprise. They agreed that competition poses a threat to hospital financial stability. So monitoring of competitors prices and price movements is necessary for any evidence of possible price offensive. Other studies Kotler Amstrong (2005) indicates that competition base pricing is the going-rate pricing in which a firm bases its price largely on competitor's prices with less

attention paid to its own costs or to demand. It was also clear from the study that Prices are used as a promotional tool for health services. When some prices are lowered, of certain services, more patients to use them and hence increase the income with a possibility of increased use of other related services. The lowering of medical check-ups and laboratory prices for example would more likely make patients to use these services and if the results show a problem, they will be required to purchase drugs with a possibility of having another follow up checkup. So pricing therefore is used by these hospitals as a marketing or promotional tool for attracting more patients to these hospitals. Another writer (Richard M.S.Wilson, 2005) wrote that because of the shortcomings of cost-oriented techniques, many organizations opt instead for methods of pricing that take far greater and more explicit account of market and market-related factors. Prices in these circumstances are to be determined by a combination of competitive forces and consumers' perceptions of relative value.

The study also revealed that the demand for a particular service affects the pricing of that particular service. 56% of the respondents said demand is one of the factors that affect the pricing of services in their hospitals. The trend on the number of patients patronizing these hospitals has been increasing steadily in the last 4 years and most of the hospitals have therefore introduced some new services in the last 5 years in respond to demand. They have however scale down on some services that are not in high demand within the same period of time. Pricing influences the bed occupancy, when prices are adjusted up wards, the bed occupancy comes down for some time before it stabilizes. The study further revealed that most hospitals plan to expand and modernized some of their services in respond to demand. So generally pricing is done in these hospitals while taking into consideration the demand of that particular service. This is in line with other studies as seen in the Bull (1995) – defines demand as the quantities of a

product/services which buyers collectively are willing and able to buy at any potential price over a specified period of time. The quantity demanded of any product will usually depend on a plethora of extra factors including population size, consumer incomes, tastes and competitive products (Baumol and Blinder, 1991). Bull (1995) regards demand as the driving force of need within the economy, stimulating entrepreneurial activity to produce the goods and services required to satisfy this need, in exchange for the appropriate reward. McIntosh and Goeldner (1990) state that in order to understand demand it is necessary to comprehend what demand comprises, what affects the level of demand, and how future demand can be identified.

On patients' perception of value of services, the finding indicates that over 72% of the respondent said that, perception of value of services affects pricing in these hospitals. Perceived value include the value the patients have put on a particular service provider, the image created, the historical facts, the level of support services and the opinion of those who have experienced their services when compared with those of a competitor. According to Kotler/Amstrong (2005) on perceived value, he says that companies must find out what value buyers assign to different competitive offers:- If less expensive pen might write as well but some consumers will pay more for the intangibles. The study revealed that the way nurses and doctors handle and care for the patients is the most important thing they value. Time taken to see and time taken with a patient impresses the patients. Patients love to be attended as soon as they arrive in hospital. They are happy when a doctor takes time examining them. The availability of medicine and cleanliness of the hospital also gives a higher value to the hospital. Most hospitals have suggestion box but most feedback comes from members of the church and staff members who interact a lot with patients.

5.2 CONCLUSIONS

The study can conclude that majority of the hospitals run by Protestant churches in Kenya have Financial Managers & Hospital Administrators who have worked over 5 years meaning that they are experienced and can therefore comment competently on the performance of their institutions.

Pricing decisions are subjected to an incredibly complex array of environmental and competitive forces. From the study, it can be concluded that hospitals adjust service prices to reflect changes in cost, competition, demand and patients' perception of value of the services. Majority of the hospitals have pricing policy that guides the management in settling prices, a few don't have a written policy but they still consider the above factors. It can also be concluded that decision of pricing are done and approved by a committee in most hospital while some are decided by Hospital Administrator in consultation with finance person.

Cost-based pricing is used by hospitals run by protestant churches. They take into considerations the costs incurred in providing the services, though majority of the hospitals do not take into consideration the depreciation expenses of buildings, furniture, equipment and machines.

Patients compares prices of services among the hospitals in the market and therefore hospitals prices their services while knowing that their competitor's prices will affect the consumers decisions in selecting the hospital to use. Competition is therefore a factor in pricing of health care services in hospitals run by protestant churches in Kenya.

Existence of need for a service enables the hospital to continue providing a service, while costs and competition plays a part in pricing of health care services, the study can also conclude that the demand for the services plays a vital role in setting the prices. Demanded services will naturally attract higher prices while non demanded services can attract low prices.

Though the above factors plays vital role in pricing, it is evident and can be concluded that patients make decisions about which hospital they will visit based on their perceived values and needs. Whatever is perceived to be of high value, will attract a higher price since patients are willing to pay for the value.

It can therefore conclude that the hospitals run by protestant churches price their services while considering the costs of providing the service, the competition in the market, the demand of the services and patient's perception value of the service.

5.4 RECOMMENDATIONS

5.4.1 Pricing

Hospitals run by protestant churches in Kenya are providing health care services as a mission call by Jesus Christ as earlier discussed. The pricing of these services therefore needs to reflect fairness to both the provider and the user. A pricing policy would be appropriate for each hospital and must be reviewed from time to time preferably each year. A pricing committee should be set up to discuss and set up prices that are mutually accepted to be fair for the kind of services to be provided. The composition of this committee should cover all major stakeholders.

5.4.2 Costs.

All costs should be determined for every Services being offered in the hospital and a mark-up should be added to make a price. The costs of depreciation of building and equipment as well as machines and furniture should be established and considered while pricing so that funds are set aside to replace these facilities when they are fully depreciated or declared obsolete.

5.4.3 Competition

A patient has the freedom to choose which hospital to visit based on the quality of services offered by other hospitals. The pricing therefore must not be too high or too low in comparison with those of competing hospitals. Hospitals within a given region should come together and discuss the prices and challenges they face and agree on acceptable prices for certain common services they offer.

5.4.4 Demand for Services:

Hospitals should focus on services that are highly demanded and provide quality services on those specific areas so that they can attract and maintain a good clientele for better revenue collection. Non demanded services should be phased out or be left to others who can provide at a more economical level or subcontracted to other providers. This will ensure that the hospital utilizes the available resources to the maximum and at least be able to run a sustainable hospital

5.4.5. Patients' perception

A patient and close members of family will choose to utilize the services of a given hospital based on perceived value of the services offered in the hospital. It's therefore prudent for all hospitals to create a positive image that can convince the patient that they can or have received a service higher than their expectation. Hospitals should improve on giving feedback, time taken on a service, mobile clinic, cleanliness and general reception of the patients by the hospital staff.

5.5 Suggestions for further Research

Health care services are essential services in any society. The pricing of these services therefore is equally important. It is generally acknowledged that pricing decisions are among the most potentially difficult decision to make. Prices are influenced by a series of factors and a detailed understanding of each of these factors and their interrelationship needs more time

and financial resources to carry out exhaustive study and therefore wish to make the following suggestions.

1. More study needs to be conducted on patient and their response pattern on pricing as well as cost structures in other hospitals.
2. There is need to investigate all factors that influence a price with main focus on a hospital.
3. A study to be carried out to compare pricing of health care services and other services that do not necessarily touches on human life.

5.7 Limitations of the study

Though much effort was put to this study, the findings may not be exhaustive and more studies could be carried out to establish more facts. The main limitation encountered by the researcher while conducting the study were as follows

1. Limited funds didn't permit a more detailed study.
2. Time constraint the study to hospitals run by protestant churches , but with sufficient funds and time, it may be possible to extent the study to cover pricing of heath care services in private and government hospitals
3. *Oliver Mugenda*

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APPENDIX A

RESEARCH BUDGET

a) Research Proposal

Typing and Printing	-	3,000.00
Photocopying and Binding of Proposal	-	3,000.00
Transport and Accommodation	-	40,000.00
Allowance for three (3) Research Assistants	-	15,000.00
Data Analysis	-	6,000.00
Sub total		67,000.00

b) Research Report

Compilation of the Project Report	-	2,500.00
Printing of the project report		1,500.00
Photocopying and Binding Research	-	6,000.00
Miscellaneous Expense	-	<u>4,000.00</u>
Sub total		14,000.00
Total		<u>81,000.00</u>

APPENDIX B

QUESTIONNAIRE TO FINANCE MANAGER

My name is Joseph Kipsang Keino, a student for Masters of Business Administration at Kenyatta University. My research area is on an evaluation of pricing of health care services in hospitals run by Protestant Churches in Kenya. I kindly request you to respond to this questionnaire for information, which will facilitate success of this study.

The information from you will be treated as confidential and shall be used for purposes of this study only. I am willing to share with you the results when the study is completed. I take this opportunity to thank you for your co-operation. My email is keinojoe@yahoo.com , Mobile-0722679248.

Now please fill in the provided space and answer the following questions as best as you can by placing a tick in the most appropriate answer.

SECTION A

Profile of Respondent

- 1. Name (optional).....
- 2. Sex.....Male.....Female.....
- 3. Years of work experience in the organization
 - A. 0-5 yrs B. 5-10 yrs C. 10-15 yrs D. Over 15 yrs
- 4. Current Position.....
- 5. Professional Qualification.....

Institutional Profile

- 1. Hospital.....4.District.....

- 2. Year Established..... 5. Province.....
- 3. Church Affiliation..... 6. Bed capacity.....
- 8. No. Of Doctors.....8. No. of Nurses.....
- 9. No of Employees.....

SECTION B

Pricing:

- 1. How is pricing of the services at the hospital?
 A. Very High B. High C. Average D. Low E. Very Low
- 2. Are the prices of services affordable? Explain.....

- 3. Is there a pricing policy in your hospital? Yes.... No....
- 4. If yes in no. 3, state the general objective of the pricing ?.....

- 5. Do you have a price for every service being offered? Yes.... No....
- 6. When was your current price list set?
- 7. What has been your price trend for last 5 years?
 A. Upward B. Constant C. Downward D. Other (specify).....
- 8. Is pricing done by committee involving several departments before approval?
 Yes.... No...
- 9. How do you handle charges on emergency treatment of patients who are unable to pay?.....
- 10. What other factors do you consider while pricing services in your hospital ?

11. What is your pricing strategy?.....

SECTION C

Cost

1. Is cost one of the factors affecting pricing in your hospital? Yes.... No.....

2. If Yes, no.1 Explain.....
.....

3. To what extend does cost affects pricing?

A. Very Strongly B. Strongly C. Less Strongly D. Not Strongly

4. Does costs of the repairs and maintenance of Assets affect pricing? Yes... No...

5. Is the price derived from calculation of **all** costs of operation in hospital? Yes.....
No.....

6. What are the five (5) major costs in your hospital that affects pricing?

i.

ii.

iii.

iv.

v.

7. Are there costs that are not considered while pricing? Yes..... No.....

8. If yes in no.7, which are these costs?
.....

9. To what extend do pricing useful in preparation of your yearly budget?

A. Very useful B. Useful C. Less useful D. Not useful

Appendix-D

Questionnaire to Hospital Administrator

My name is Joseph Kipsang Keino, a student for Masters of Business Administration at Kenyatta University. My research area of study is on an evaluation of pricing of health care services in hospitals run by Protestant Churches in Kenya. I kindly request you to respond to this questionnaire for information, which will facilitate success of this study.

The information from you will be treated as confidential and shall be used for purposes of this study only. I am willing to share with you the results when the study is completed. I take this opportunity to thank you for your co-operation. My email is address is keinojoe@yahoo.com , my phone is 0722679248.

Now please fill in the provided space and answer the following questions as best as you can by placing a tick (✓) in the most appropriate place.

SECTION A

Profile of Respondent

2. Name (optional).....

2. Sex.....Male.....Female.....

3. Years of work experience in the organization

A. 0-5 yrs B. 5-10 yrs C. 10-15 yrs D. Over 15 yrs

4. Current Position.....

5. Professional Qualification.....

Institutional Profile

1. Hospital.....2. District.....

3. Year Established..... 4. Province.....

5.Church Affiliation..... 6. Bed capacity.....

7. No. Of Doctors.....8. No. of Nurses.....

9. No of Employees.....

SECTION B

Competition

1. Is competition one of the factors that affects pricing? Yes..... No.....

2. Are there competitors of health care services in your area? Yes.... No....

3. If yes, in no. 2 has the number increased, remain same, or decrease in the last 5 years and why?.....
.....

4. To what extend do competition affect pricing of your services?

A. Very strongly B. Strongly C. Less strongly D. Not strong

5. Does this competition pose a threat to your hospital? Yes.... No....

6. How do you counter the threats posed by your competitors?
.....
.....

7. What percentage of your potential clients are familiar with your organization, services, programs?.....
8. Do you use pricing as a promotional tool for your services? Yes.... No....
9. What other tools do you use to promote your services?.....
.....
10. How are your prices generally in the market? A. Below market B. At market C. Above market D. Other (specify).....

SECTION C

Demand for Services.

1. Is demand one of the factors that affect pricing in your hospital? Yes...No....
2. What has been the trend of the number of patients in the last 4 years?
A. Increasing B. Constant. C. Decreasing D. Other (specify).....
.....
3. Do you take into account the client's ability to pay when pricing services? Yes... No.....
4. Have you introduce some new services in the last 5 years due to demand ? Yes.....
No.....
5. If yes, to no.4 what are these services?.....
.....
6. Have you stopped some services due to pricing issues? Yes..... No.....
7. Do pricing influence the percentage of bed occupancy? Yes..... No.....
8. Are there any plans for expansion of services in your hospital? Yes.... No.....
9. Have you modernized some services in your hospital to attract more patients?
Yes...No....

10. What outstanding advantage do patients get in your hospital in comparison to others?.....

SECTION D

Patients' Perception

1. Does patients' perception of services affects your pricing? Yes.... No....

2. If yes, in no 1, please explain how?.....

.....

3. Which services are perceived by your patients to be of great value to them?

.....

4. Does your hospital have an official way of receiving feed back from clients?

Yes.... No....

5. What are the 3 most common complains against your services?

.....

6. What procedure is used to respond to feedback?.....

.....

7. Do you offer outreach program like mobile clinic? Yes..... No.....

8. Do you waive or write off bills from patients who are unable to pay? Yes.... No...

9. How would you rate the hospital image from the following?(use- Poor, Satisfactory, Good, Excellent)

i. Local community.....

ii. Church members.....

iii. Patients.....

iv. Government.....

- v. B Competitors.....
- vi. Hospital Staff.....

Sl. No.	NAME OF HOSPITAL	ADDRESS	CITY/DISTRICT	DEPARTMENT	STATE
1.	St. Kithira Hospital	St. Kithira	Malapattanam	General	Central
2.	AIC Kappadim Hospital	Kappadim	Malapattanam	General	Central
3.	Kajira Mission Hospital	Kajira	Malapattanam	General	Central
4.	Friends Kappadim Hospital	Friends Kappadim	Malapattanam	General	Central
5.	Friends Lippala Hospital	Friends Lippala	Malapattanam	General	Central
6.	Friends Sathara Hospital	Friends Sathara	Malapattanam	General	Central
7.	PCA Changan Hospital	PCA Changan	Malapattanam	General	Central
8.	PCA Kappadim Hospital	PCA Kappadim	Malapattanam	General	Central
9.	PCA Kappadim Hospital	PCA Kappadim	Malapattanam	General	Central
10.	PCA Tamara Hospital	PCA Tamara	Malapattanam	General	Central
11.	Mateau Mission Hospital	Mateau Mission	Malapattanam	General	Central
12.	Messeri Mission Hospital	Messeri Mission	Malapattanam	General	Central
13.	St. Luke Hosp. Kappadim	St. Luke Hosp. Kappadim	Malapattanam	General	Central
14.	Mana Melasert Hosp.	Mana Melasert Hosp.	Malapattanam	General	Central
15.	Kendu Advertiser Hospital	Kendu Advertiser Hospital	Malapattanam	General	Central
16.	Kappado Mission Hosp.	Kappado Mission Hosp.	Malapattanam	General	Central
17.	Tenwek Mission Hosp.	Tenwek Mission Hosp.	Malapattanam	General	Central
18.	Bethania H. Mission Hosp.	Holy Spirit	Malapattanam	General	Central

APPENDIX D

PROTESTANT HOSPITALS IN KENYA

NO	NAME OF HOSPITAL	CHURCH	DISTRICT	PROVINCE
1.	AIC Githumu Hospital	AIC	Maragwa	Central
2.	AIC Kapsowar Hospital	AIC	Marakwet	Rift Valley
3.	AIC Litein Hospital	AIC	Bureti	Rift Valley
4.	Kijabe Medical Hospital	AIC	Kiambu	Central
5.	Friends Kaimosi Hospital	Friends	Vihiga	Western
6.	Friends Lugulu Hospital	Friends	Bungoma	Western
7.	Friends Sabatia Hospital	Friends	Bungoma	Western
8.	PCEA Chogoria Hospital	PCEA	Meru South	Eastern
9.	PCEA Kikuyu Hospital	PCEA	Kiambu	Central
10.	PCEA Tumutumu Hospital	PCEA	Nyeri	Central
11.	Plateau Mission Hospital	PCEA	Uasin Gishu	Rift Valley
12.	Maseno Mission Hospital	ACK	Kisumu	Nyanza
13.	St. Luke Hosp. Kaloleni	ACK	Kilifi	Coast
14.	Maua Methodist Hosp.	MCK	Meru North	Eastern
15.	Kendu Adventist Hospital	SDA	Rachuonyo	Nyanza
16.	Kappedo Mission Hosp	FGCK	Baringo	Rift Valley
17.	Tenwek Mission Hosp	ACK	Bomet	Rift Valley
18.	Bethania H. Mission Hosp	Holy Mission	Gucha	Nyanza

- | | | |
|------------------------------------|---------|--------|
| 19. Ranen Adventist Hospital SDA | Migori | Nyanza |
| 20. Nyamira Adventist hospital SDA | Nyamira | Nyanza |
| 21. Nyanchwa Adventist Hosp SDA | Kisii | Nyanza |