

**AN ANALYSIS OF THE FACTORS AFFECTING CUSTOMER  
SATISFACTION AT NATIONAL HOSPITAL INSURANCE FUND, KENYA**

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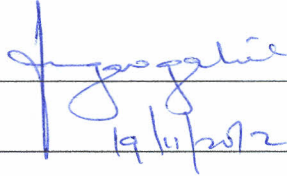
## DECLARATION

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

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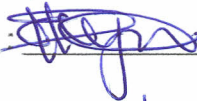
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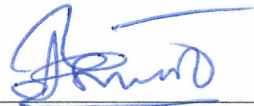
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## **DEDICATION**

This work is dedicated to my wife and parents.

## ACKNOWLEDGEMENT

I am deeply indebted to all those who directly helped in the course of the preparation of this project. I would like to express my sincere gratitude to Mrs. Gitonga, my supervisor for her able guidance throughout the preparation of this project. Her suggestions, guidance, comments and above all patience were very helpful.

## ABSTRACT

Customer satisfaction is becoming a widely embraced measure of how well the enterprise is doing. Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. It focuses on measuring customer perception of how well the Organisation delivers on the critical success factors and dimension of the business. These usually include factors such as service promptness, quality of service, product offered, staff responsiveness and understanding customers problems and providing solutions.

This study therefore sought to analyze the factors affecting customer satisfaction at NHIF from the customers' point of view. The objectives of the study were to: analyze customer satisfaction with NHIF products; analyze customer satisfaction against the ability to contribute by NHIF customers; analyze customer satisfaction against accessibility to the NHIF offices; establish the challenges that customers encounter in their consumption of NHIF Products and find ways of improving NHIF customer satisfaction. The study adopted a descriptive study design, targeting all the NHIF members countrywide. Thika District, which has 1006 employers, both in public and private sector with 82,014 registered contributors will be selected for this study. Systematic random sampling method was used to select a sample for the purpose of this study in which 150 respondents were selected. Questionnaires were employed as the main data collection instruments. Data was both quantitative and qualitative. Quantitative data collected was coded and entered into an SPSS programme for analysis. The qualitative data was presented thematically in line with the objectives of the study. The results of data analysis were presented using frequency distribution tables, bar graphs and pie charts.

The study established that that the NHIF customers were satisfied with the products offered by the NHIF apart from the fact that they would like NHIF to have more products. The study established that most customers could make their NHIF payments in time, and also found the payments to their level. The study also established that NHIF held forums with its customers regarding the pricing of products, therefore ensuring that the customers' needs and ability to contribute were taken into consideration, thus leading to customer satisfaction. The study further established that customers could easily access the NHIF offices since they were within their reach. However, it emerged that some offices were upstairs and some customers, especially the disabled ones, could not get easy access. The study also established that the challenges faced by NHIF customers were: long queues during payment, offices are crowded and few in town, slow operations, some hospitals are not covered, for instance, some private hospitals, children above 18 who are dependants are not covered by NHIF and also that NHIF does not cater for out-patients. The study recommends that: NHIF should have many offices to cater for the rising number of its customer and also come up with a system that ensures people do not queue for long periods of time without being attended to; NHIF should come up with covers for people with more than one spouse as well as for children over the age of 18 who are still under the care of their parents; among other recommendations.

## DEFINITION OF TERMS

**Contributors** - Individuals who are making payments in accordance to NHIF Act

**Members** - Contributors who have registered with NHIF

**Fund** - National Hospital Insurance Fund

**Price** - Funds graduated scale of premium. Premiums ranging from Ksh 30 to Ksh 320

**Product** - Funds In- patient scheme

**Service distributions** - Funds branch network

**Customer satisfaction** - State of mind that customers have about an organization and its products or services when their expectation have been met or exceeded

## LIST OF ABBREVIATIONS AND ACRONYMS

<b>GDP</b>	Gross Domestic Product
<b>IPAR</b>	Institute of Policy Analysis and Research
<b>KRA</b>	Kenya Revenue Authority
<b>MOH</b>	Ministry of Health
<b>NHIF</b>	National Hospital Insurance Fund
<b>NSHIF</b>	National Social Health Insurance Fund
<b>NSSF</b>	National Social Security Fund

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## CHAPTER ONE

### INTRODUCTION

#### **1.0: Overview of the chapter**

This chapter focuses on background information, benefits and access to NHIF services accreditation of hospitals and financing of hospitals. Role of the government on NHIF, contributors expectations statement of the problems are the other areas covered in this chapter

#### **1.1: Background Information**

The National Hospital Insurance Fund (NHIF) was established on 12th July 1966 by an Act of parliament. Prior to that, there was a discriminative scheme meant to cover Europeans, Arabs and Asians. The initial objective of NHIF was to establish a compulsory hospital insurance fund to which all employed person(s) earning Ksh.1000 (\$12) or more per month would make contributions out of which benefits towards the healthcare expenses of the contributors and their dependants would be paid. A series of amendments have been made to the original Act at different times to accommodate changing healthcare needs of the Kenyan population, employment and restructuring in the health sector. In 1972, the same Act was amended to incorporate voluntary membership. In 1990, the Act was repealed to allow contribution on a graduated scale of income. In 1998, the old Act was repealed and in its place is NHIF Act of 1998, which makes several new provisions. This is the piece of legislation currently governing the Fund's operations making it more efficient and responsive to the healthcare needs of Kenyans. It also transformed NHIF into a state corporation, delinking it from the Ministry of Health, where formerly it was a government department.

NHIF, which is Kenya's largest health insurer, currently, has a membership of about 1.9 million. Members contribute between Ksh30 and Ksh320 per month depending on their income. Contributions to the fund are mandatory for employees in formal employment earning more than Ksh1, 000 per month, but many employers, particularly those in the informal sector, do not remit their employees' contributions because of lack information and due to unevenly distribution of NHIF offices (<http://www.nhif.or.ke/healthinsurance>)

A recent study by the Institute of Policy Analysis and Research (IPAR) that looked into the effectiveness, efficiency and relevance of the NHIF noted its dismal performance in terms of coverage, accessibility, affordability and benefits offered (IPAR Policy Brief, Vol 11, Issue 2, 2005). To date, NHIF covers only 20-30 per cent of the population and is more skewed in favour of the formal sector, leaving out the population categories in the informal sector. In terms of accessibility, NHIF has offices in less than half of the current 72(as at the beginning of 2005,wikipedia)of Kenya's administrative districts and there are about 400 accredited healthcare providers (for in-patient services), which are unevenly distributed. Access to NHIF services in the rural and in particular, remote areas has been minimal, mainly due to poor infrastructure and long distances to the Fund's offices. Thus, the initial intention of NHIF reaching out to all, by making the scheme accessible to as many Kenyans as possible, has not been attained affordably.

In terms of product, Fund offers an affordable package, given the nature of services provided. Monthly premiums ranging from Kshs30 to Kshs320 are low, as compared to those of the conventional insurance schemes, which are actuarially determined. However, even with the low contribution levels, many Kenyans have not been able to join NHIF, mainly due to the high poverty levels.(ibid)

### **1.1.1: Benefits of and Access to NHIF Services**

The current Act makes provisions for in-patient and outpatient benefits to members. However, currently NHIF only provides for an in-patient cover and is undertaking actuarial studies to determine the feasibility of establishing an outpatient cover for its members. Under the in-patient scheme, NHIF pays benefits to accredited hospitals and health providers in respect of its members and their declared beneficiaries (spouses and children) who are admitted to the accredited hospitals. Benefits payable cater for a fraction of hospitalization daily expenses incurred at approved daily rebate(s), which range from Ksh.400 to Ksh.2000 (GoK, NHIF Act, 1998)

### **1.1.2: Financing Hospitals**

NHIF is mandated under the new Act to invest funds in programmes aimed at improving the quality of health care in the country. Intended beneficiaries are both public and private hospitals, and other stakeholders. The money can be invested in the procurement and acquisition of essential medical equipment for provision to hospitals.

Investing in hospitals is essentially meant to improve services for contributors who use these health facilities. For example in mid 2001, NHIF donated 83 ambulances through the Ministry of Health to public and mission hospitals countrywide (GoK, 2001).

### **1.1.3: Accreditation of hospitals and health providers**

Facilitating members' access to quality health services is central to the operations of NHIF. It is for this reason that NHIF works closely with public and private health care facilities countywide and professional medical associations. Currently, about 400 hospitals and health providers that offer generalized specialised and emergency healthcare services are accredited by the Fund. The NHIF Act gives the fund power to sdeclare/accredit hospitals where contributors can seek services. Accredited institutions

are those legally recognized by the Fund in respect of claims made by contributors or hospitals. Refunds cannot be made for health care services sought in non-accredited hospitals.

The Fund regularly inspects these facilities to ensure quality is maintained in the services that contributors receive as well as to avoid contributors from being overcharged. The criteria used in determining the benefit rates for these hospitals and health providers, is based on facilities available. These include X-rays, Intensive Care Unit (ICU), overall area occupied, separate wards for children, males, females, isolation wards, number of doctors, nurses and clinical officers, supply of electricity and availability of standby generators, ambulances, pharmacies, laboratories, and operating theatres.

#### **1.1.4: Verification and payment of hospital claims**

Claims are submitted by hospitals directly to NHIF after the Contributors have paid hospital bills less NHIF rebate. These are subjected to thorough scrutiny by the Fund to eliminate any cases of fraudulent claims. An advanced computerized system is in place to ensure speedy processing of all incoming claims. Individual contributors can also lodge claims directly with NHIF after paying all the hospital bills, upon which they are reimbursed the NHIF fraction of the hospital bill. All hospital claims are refunded in conformity with the regulations set from time to time in accordance with the Act. These rates have to be itemized in the hospital invoice.

#### **1.1.5: Role of the Government on NHIF**

At independence, the Kenyan government committed itself to providing “free” health services as part of its development strategy to alleviate poverty and improve the welfare and productivity of the nation. To address problems in the health sector and make healthcare accessible and affordable, the government, in the early years after

independence, instituted and implemented various health reforms among them setting up of health insurance through the National Hospital Insurance Fund (NHIF).

The overall goal of the Government of Kenya was to promote and improve the health status of all Kenyans by making health services more effective, accessible and affordable which necessitated the inception of the NHIF. Despite the rapid expansion of the health care sector, various constraints made it impossible for the government to continue financing increased health care delivery system due to poor management and inappropriate pricing of services by the health care providers.

An act of the parliament cap 255 ROK, therefore established the National Hospital Insurance Fund (NHIF) on July 1966. It replaced the then existing Europeans, Asians and Arabs Hospital Fund which only catered for the three communities. The government has also signaled its intention of having State corporations operate efficiently and has engaged them into signing performance contract where it is committed to achieving the strategic objectives and introduce change into the organizations

#### **1.1.6: Contributors' Expectations**

The mandate of the NHIF is to enable all Kenyans to access quality and affordable health care services. However, there is no mechanism that enables its members to participate in the governance of the fund nor does the NHIF have representation from the grassroots level; those who should derive the greatest benefits. However the ever increasing demand and expectation for better services, better products and nearness to service points by customers and other stakeholder has culminated the fund to embark on the initiatives aimed at achieving increased efficiency and effectiveness in discharging its mandate of providing affordable and accessible health care insurance to the Kenyan populace. In line

with this, the Fund has already embraced and operationalised the concept of Result Based Performance Management (RBPM), which was recently introduced by the Government of Kenya in the public sector. It is expected that the implementation of RBPM will help improve the funds performance and make it more accountable to its members, the government and its entire stakeholders' fraternity.

## **1.2: Statement of the problem**

The problem addressed by this study is that of poor perception of service quality by NHIF customers, as indicated in the NHIF Strategic Plan 2006 – 2011 (NHIF, 2006). The strategic plan notes that one of the main challenges facing NHIF is having a tainted image from the public's perspective, whereby most potential customers view the organization to be filled with fraud. This in part has led to failure by existing members to embrace the proposed increment in monthly contributions, which, according to NHIF, would have led to improved service delivery. Other challenges listed in the strategic plan include excessive bureaucracy in processes and procedures, non-optimal utilization of resources, lack of effective communication mechanisms, and lack of reward systems and capacity building for employees (NHIF, 2006, p. 11). These challenges among others could lead to lack of customer satisfaction. This is despite the fact that NHIF is mandated to ensure that Kenyans access quality and affordable health care services. Data from NHIF indicate that there is no mechanism that enables members to participate in the governance of the fund nor does the organization have representation from the grassroots level. For NHIF to fulfill its strategic mandate of being a world class social health insurance scheme, high levels of service quality, customer satisfaction, and public support are necessary. Consequently, this study seeks to determine the factors affecting customer satisfaction at NHIF. Understanding the factors affecting customer satisfaction

of the fund would lead to development of strategies to improve customer satisfaction, which would lead to desirable business outcomes such as attraction of new customers, customer retention, and profitability.

### **1.3: Objectives of the study**

The general objective of this study was to analyze the factors affecting customer satisfaction at NHIF from the customers' point of view.

The specific objectives of the study were:

- (i) To analyze customer satisfaction with NHIF products
- (ii) To analyze customer satisfaction against the ability to contribute by NHIF customers.
- (iii) To analyze customer satisfaction against accessibility to the NHIF offices.
- (iv) To establish the challenges that customers encounter in their consumption of NHIF Products.
- (v) To find ways of improving NHIF customer satisfaction

### **1.4: Research questions**

- (i) What is the impact of NHIF products on customer satisfaction?
- (ii) What are the effects of customer's ability to contribute on customer satisfaction?
- (iii) What are the effects of accessibility to the NHIF offices on customers' satisfaction?
- (iv) What challenges do customers encounter in their consumption of NHIF products?
- (v) What suggestions are there to improve the NHIF products?

### **1.5: Significance of the study**

This research may assist the management on improvement of customer service. It may pinpoint the areas lagging behind in regard to product, pricing and service distribution which needs the management attention. The customers may also be able to refer to their product preferences and how they value them. Their view may lead to product innovation and improved customers satisfaction. This study may assist future researchers in this area of customer service and satisfaction. It may also assist the government in policy formulation in matters relating to pricing of products /services and distribution of health care services.

### **1.6: Limitations of the study**

The activities involved in carrying out the study required a lot of finance. This is especially due to the cost of printing the questionnaire. Time for carrying out the study was limited hence access to some information was also limited. Some targeted respondents were unwilling to cooperate and at times demanding money in return for information. Some respondents misplaced or lost the questionnaires, hence necessitating extra expense and time in producing more.

### **1.7: Assumptions of study**

The researcher operated within the following assumptions:

- i. The respondents were cooperative and availed the required data during data collection
- ii. The respondents provided honest and sincere views.
- iii. The analyzed variables (price, product and service distribution) will improve customers satisfaction at NHIF

### **1.8 Scope of the study**

The study covered formal sector contributors in Thika District but the findings may generally be applied to all NHIF existing and potential workers countrywide.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1: Introduction

Reforms in the health sector have always aimed largely at addressing affordability and access to health care services. Spending to promote access to health care is crucial, given also that Kenya is a signatory to the World Health Organization (WHO) Abuja Declaration (WHO/CDS/RBM/2000.17). The latter requires member countries to spend at least 15 per cent of their national incomes on health. Kenya spends only 9 per cent of her Gross Domestic Product (GDP) on health. Many Kenyans therefore continue to have no access to or cannot afford to pay for their health care needs.

A clear shortcoming of the current National Hospital Insurance Fund (NHIF) scheme is the fact that it caters only a fraction of the total bill incurred. Thus the government proposed to amend this scheme and developed the National Health Social Insurance Fund (NHSIF) Bill in order to address these shortcomings. NHSIF was proposed to cover both inpatient and outpatients bills as per NHIF act. Currently, NHIF only provide for an inpatient cover although the act makes provision for inpatient and outpatient benefits to its members. However, the NHSIF proposal was defeated in parliament.

In contrast to the private/commercial health insurance plans where premiums are actuarially based, a social health plan's contributions are based on members' ability to pay but access to services depends on individuals. Actuaries attach higher premiums to individuals whose health risks are considered to be higher. Health care needs, should thus be a socialized concept with emphasis on community spirit of solidarity.

## **2.2: Challenges facing the NHIF**

NHIF is faced with various challenges and inefficiencies, key among them being poor quality service delivery, inefficiency in collections, limited coverage, bureaucratic obstacles on administrative issues, tedious claiming process with high transaction costs that are characterized by fraud and abuse.

As such, the Fund remains non accountable to its members and less responsive to their needs. Fundamental policy issues that need to be addressed include whether the existing NHIF has delivered on its mandate of facilitating affordability and accessible to healthcare services to its members (IPAR2005).

A recent study by the institute of Policy Analysis and Research (IPAR 2005) on NHIF that looked into the effective, efficiency and relevance of the NHIF noted its dismal performances in various parameters. Effectiveness of the NHIF was assessed in terms of coverage, accessibility, affordability and benefits offered. To date, the Fund covers only about 20-30 per cent of the population and is more skewed in favour of the formal sector, leaving out the population categories in the informal sector. In terms of accessibility, NHIF has offices in less than half of the current 72 districts (as at the beginning of 2005, Wikipedia) of Kenya's administrative districts, and about 400 accredited health care providers (for in-patient services), which are unevenly distributed. Access to NHIF services in the rural and in particular, remote areas has been minimal due mainly to poor infrastructure and long distances to the Fund's offices. Thus, the initial intention of NHIF reaching out to all, by making the scheme accessible to as many Kenyans as possible, has not been attained.

The Fund offers an affordable package, given the nature of services provided. Monthly premiums ranging from Kshs 30 to Kshs 320 are low, as compared to those of the conventional insurance schemes, which are actuarially determined. However, even with the low contribution levels, many Kenyans have not been able to join NHIF, mainly due to the high poverty levels. In relation to the benefits offered, NHIF has no provision for exclusions. As such, all medical conditions are covered, including maternity cases. There is also no limit as to the number of a beneficiary's dependants. The NHIF Act No. 9 of 1998 provided for both in- and out-patient cover. But up to now, only in-patient benefits are offered (*ibid*).

In terms of Efficiency, it was found that until recently, NHIF embraced manual operations and systems, associated with inefficiency and high costs. Both administrative and operational expenditures have been and are still high. Increasing staff levels have not necessarily yielded any economic gain. The proportion of personnel emoluments to total expenditure is high, accounting for about 25 per cent of the total collections (*ibid*).

In terms of relevance, the Fund has tried to respond to contributor and stakeholder expectations in terms of reviewing the benefits upwards from Kshs 75 at inception in 1966 to the current levels of between Kshs 400 and 2,000. It has also expanded the branch network and increased the number of accredited health care providers to ease problems of access. Operations have now been computerized and the Fund is now moving towards decentralization in an effort towards improving the quality and speed of service delivery. Relevant divisions such as public relations and marketing, research and development, quality assurance and prosecutions and underwriting have also been

established, thereby embracing a business culture and discipline in the organization. Other responsive actions undertaken by the Fund include recruiting professionals, introduction of a hospital bed usage surveillance system, verification of claims by visiting the contributors whose cards are used to claim and also the health facility where the beneficiaries have been hospitalized and verification of the contributor's employer before effecting any payments. These systems are meant to ensure effective control against fraud.

In terms of financial viability, the contributions have grown from Kshs 9.6 million per year at inception to over Kshs 2.0 billion today. These contributions facilitate financing and running of NHIF. In essence, the Fund has been able to meet all its financial obligations without seeking assistance from elsewhere, purely on the basis of collections realized from contributions and other sources, hence able to cover claims, operational, administrative and investment outlays (*ibid*).

### **2.3: Kenya's preparedness for a national social health scheme**

#### **2.3.1: Infrastructure Capacities**

The IPAR study (2005) found that public institutions such as the ministry of health (MoH) and NHIF, which are critical in the implementation of the scheme, do not have adequate human resource capacities to sustain the scheme. It was also noted that the public service health personnel are poorly remunerated, have negative attitudes towards work and very low morale. Furthermore, most of the health facilities are dilapidated and would require major renovations prior to implementation of the scheme.

### **2.3.2: Governance Concerns**

The IPAR study (2005) revealed that the general public is skeptical about the proposed NSHIS because of the government's poor record of mismanagement and dismal delivery of services to the public. As such, there are fears that the scheme will fall into the past corrupt practices associated with NSSF and NHIF. It was also noted that there is no regulatory framework put in place to check the excesses of the government and/or to make the would-be board of directors of the Fund accountable to the public.

### **2.3.3: Summary of Comparative Study Analysis**

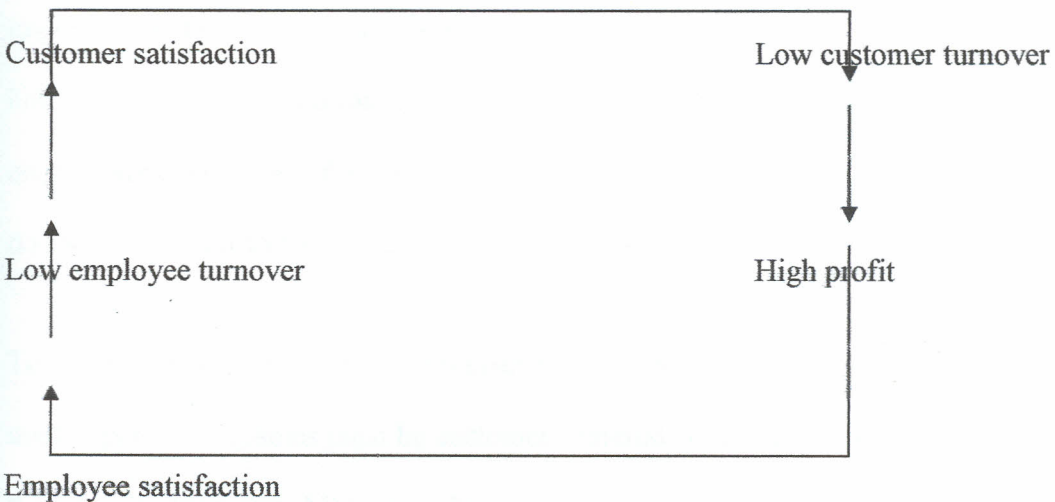
According to Kenya Government Vision 2030 document (2008), countries that have adopted social health insurance schemes such as Germany, South Korea, Philippines, Costa Rica, United Kingdom and Egypt were analysed. In these countries, it was noted that the schemes were rolled out gradually in terms of population, coverage and benefits. The designs took into account the resource constraints, expected excess demand, which required expansion and development in provider and administrative capacities and consensus amongst all the stakeholders. Financing and sustainability came out as key concerns in design and implementation of a social health scheme. Kenya might, for instance, want to avoid falling into the experiences of the Phil Health and Korean projects, which were characterized by deficits, as premiums could not sustain the benefits and administration costs.

In Philippines, government subsidies were used to make up for the shortfalls, while in Korea, the deficit financing measures included increase of premium rates, controlling costs and subsidies. Such shortfalls should be envisaged in the proposed scheme in Kenya, with advance plans on interventions that will be needed and their feasibility. The

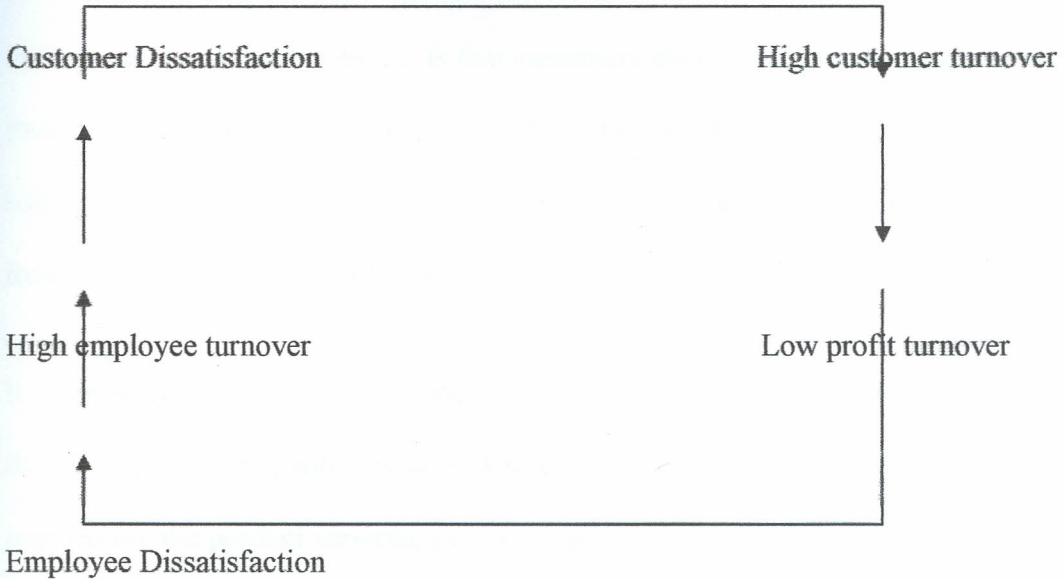
level of economic progress of a country has a bearing on the extent to which a social health scheme can be successful and sustainable. Poverty levels in most of the countries that have gone for the universal health insurance and made progress are notably low, compared to Kenya (56 per cent). In terms of health care spending as a percentage of GDP, Kenya (4.5 per cent) compares closely with Philippines (3.5 per cent). Germany (10.5 per cent) and the United Kingdom (6.8 per cent) have a higher percentage spending. Kenya's public expenditure on health as a percentage of total expenditure as of 2001 (25 per cent) is low, compared to that of Philippines (45.9 per cent), Germany (75.8 per cent), and the United Kingdom (83.3 per cent). Kenya's per capita total health expenditure (\$21) is also low in relation to that of Philippines (\$ 54.1), Germany (\$2,697), and the United Kingdom (\$1,499). From the above socioeconomic indicators, Kenya compares poorly to other countries that have adopted similar schemes.

#### 2.4: The service cycle

Figure 2.1: Cycle of Good service



**Figure 2.2: Cycle of Poor service**



**Source:** *Kotler and Armstrong, Principles of Marketing*

Every business enterprises including insurance companies exist to serve customers. The customer defines the business. To satisfy the customer should therefore be the mission and purpose of every business. Gupta (1995) notes that, “the customer is the most important visitor on one’s premises and is not dependent on us, but we are dependent on him. He is not an interruption in our work; he is the purpose of it. He is not an outsider on our business, he is part of it .we are not doing him a favor by giving us an opportunity to do so. Thus the customer is the king”.

To succeed or simply to survive companies need the new philosophy. To win in today’s market place, companies must be customer centered. They must deliver superior value to their target customers. More than 35 years ago, Peter Drucker sight fully observed that company first task is to create customer. However creating customers can be a difficult

task. Today insurance customers face a vast array of product and varying prices (premiums). The insurance company must answer a key question. How do customers make their choices? The answer is that customers choose the marketing offer that gives them the maximum value. Customers are value maximizers. The customer value is the sum total of the entire product, services, personnel and image values that a buyer receives from a marketing offer (Melec, 1985).

It is therefore important for insurance companies to deliver greater value to its customers than what the competitor would deliver. This can be done by strengthening or augmenting the product services, personnel or image benefits of the offer. Company can decrease total customer cost by reducing its prices (premiums) and simplify the ordering and delivery process.

When customers visit your business they will be looking for two things: The core product which is the product or service and the “service bundle”, the service (customer service) Koskey (2004). One of the service bundle dimension is the appearance of physical facilities, equipment, personnel and communication materials (Ibid). This is the appearance of the organization that is organized.

Reliability is the second of the service bundle. This is the ability to perform promised service dependably and accurately. Does the company keep the promises? Does it live in an era of company vision, missions, mottos and objectives?

The third dimension of the service bundle is responsiveness. Responsiveness refers to the willingness to help customers and provide prompt service. Many customers have had the experience of being ignored by the receptionist.

Assurance is the fourth dimension of the service bundle. It refers to knowledge and courtesy of employees and their ability to inspire trust and confidence. Lastly customers want us to empathize with them. This refers to the caring individualized attention the firm provides its customers. Thus the customer chooses to do business with your performance on the "service bundles" and not core product as it can be sourced from elsewhere. A satisfied customer is the best advertisement and therefore it should be the endeavors of every body to see that quality of customer service is at its best at all times (Jerom 1981).

Kibera (1997) notes that customer satisfaction is the key to success of a business. Getting your customer to tell you what is good about your products or services and where you need improvement helps you to ensure that your business measures up to the expectations. Understanding of customers' perception and expectation enable an organization to come up with appropriate strategies and programs to meet the expectation.

A research survey by Arasa(2007) on the satisfaction of NHIF employees revealed that satisfied and motivated employees could create higher customer satisfaction and in turn positively influence organizational performance.

Further, Brouttal (1993) argues that for customer centered companies, customer satisfaction is both a goal and a major factor in company success. Highly satisfied

customers produce several benefits to the company, are less price sensitive and are retained by the companies for long periods

Blancherd et al (1987) also noted that a satisfied customer is retained. This increases the company's profit margin translating to higher/greater employee satisfaction and ultimately leading to low employee turn over and vice-versa.

Nagle et al (1990) notes that price is an important factor in determining the success of marketing efforts. In the marketing of services, greater managerial creativity is required. Customers may postpone the purchase or even perform the services themselves. While fixing price mix for services an organization needs to take into consideration the satisfaction value. A company can always increase customer satisfaction by lowering its prices or increasing its services

Kotler (1990) notes that a company's pricing decision is affected both internal company factors and external environmental factors. Internal environment factors include marketing objectives, marketing mix strategy, costs and organizational considerations while external factors include nature of the market and demand competition, economy and government.

To ensure that customers are satisfied, a bank manager is expected to ensure that the service (product) are designed to meet the needs of customers, they are rightly priced and distributed at places convenient to the client and are properly promoted (Gupta1995). A product is anything that can be offered to a market for attention, acquisition use or

consumption that might satisfy want or need. It includes physical objects, services, persons, places, organization and ideals

A bank's main products are services like deposit schemes, lending schemes, agency services and public utility service. Insurance firms like NHIF has various medical schemes (cover), which include inpatient and outpatient cover. Product planners need to think about the product on three levels. The most basic level is the core product which consist of the benefits that consumer seek when they buy a product.

Prior to the amendment of the NHIF act in 1998, the only method available of obtaining medical services was to pay for those services. Thus only people with means could afford medical cover with less offs having to rely on charity. Private insurance companies were the only source of insurance cover. Their aim was profit and thus customer service and satisfaction was secondary. They were also selective in their business (insurance cover). Their customers were mostly from the upper and middle strata of society. During this period, the relationship between them (insurance companies) and the customer was based on premiums and little attention was given to customer satisfaction (Oluoch, 2007).

Companies have turned quality into a potent strategic weapon. Strategic quality involves gaining an edge over competitors by consistently offering products and services that better serves customers need and preferences for quality. During the past decade a renewed emphasis on quality has spawned a global quality movement. Japanese firms have long practiced total quality management (TQM) an effort to constantly improve the product and process quality in every phase of their production (Melec, 1994).

Marketing channel decision is among the most important decisions that management faces. Company channel decisions directly affect every other market decision. Services/products may be sold in three ways (Chege1996) .Direct marketing without face-to-face contact with the customer e.g. automatic teller machines, direct face-to-face sales over counter and indirect sales thorough intermediates. Most companies use intermediaries to bring products to market.

The use of intermediaries results from their greater efficiency in making goods available to target markets. Through their contacts, experience, specialization and scale of operation, intermediaries usually offer the firm more than it can achieve on its own (Kibera1997). The concept of distribution channel is not limited to the distribution of physical goods. Producers of services and ideas also face the problem of making their output available to target population (Lazer and Cullery1996).

The company channel objectives may be influenced by the nature of its products, company polices, marketing intermediaries, competitors and the environment. Once such channel is selected, channel members must be continuously motivated to do their best. This may be in terms of higher margins, special deals and premiums.

In terms of accessibility/distribution, NHIF has offices in less than half of the current 72 districts of Kenya's administrative districts, and about 400 accredited health care providers (for in-patient services), which are unevenly distributed. Access to NHIF services in the rural and in particular, remote areas has been minimal, mainly due to poor infrastructure and long distances to the NHIF's offices. Thus the initial intention of NHIF

reaching out to all, by making the scheme accessible to as many Kenyans as possible, has not been attained.

According to Gupta (1995), customers counter constitute the face of the banking system and people in general judge a bank by this face. Therefore the physical arrangement within the branch, brightness of interior, location of signboards, waiting lobby and space for queuing etc needs proper planning at the branch level. The branch should not only be operational convenient but also a pleasure to visit.

Management's crucial role is that of providing overall direction while leading motivated informed staff that fully engages its talents in achieving shared goals. It is a dynamic balance of leading and letting go but the result can be dazzling by appreciating how personal and group goals enrich and sustain an organization character and stability (Kottler1990).

Mbugua(2007)cited that the Funds main challenge to achieve objectives and improvement on performance are low customer satisfaction. The greatest challenge of the NHIF has been failure to attract new members due to its perceived poor services. Mbogo(2008) notes that the National Hospital Insurance Fund has its work cut out in trying to enlist 15 million eligible workers to its health insurance programmes. The fund has been on an outreach mission to have workers in the informal and formal sectors to cover themselves and their families for medical emergencies.

Returns for the first two years, however, point to a slow acceptance of medical insurance with only two million new members being brought under the NHIF scheme. The returns

show that only 1.8 million of a possible six million formal sector workers are insured for medical needs while 230,000 workers, from a possible nine million, in the informal sector have bought covers.

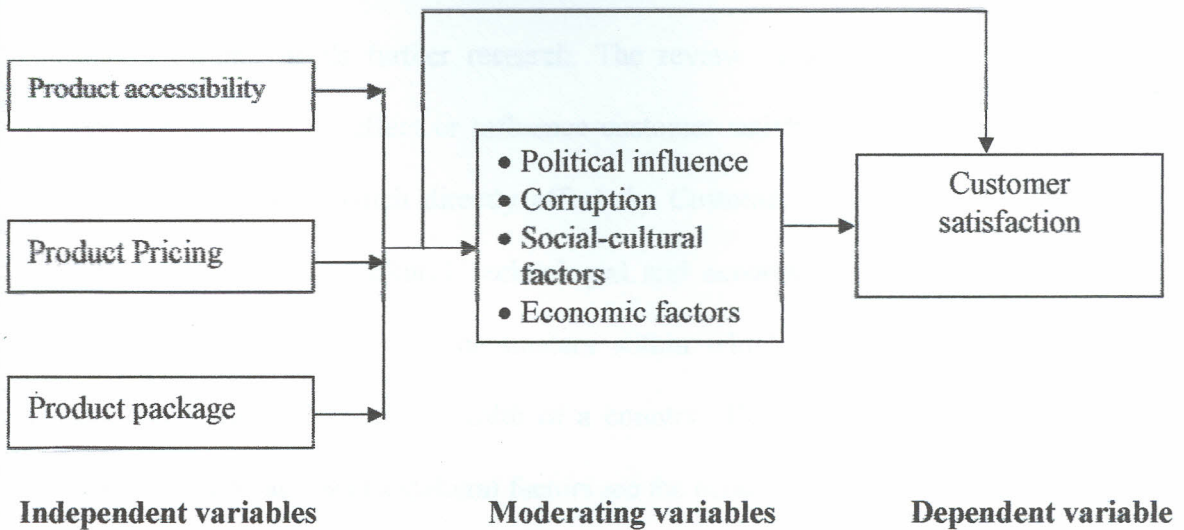
An estimated 400,000 workers are enrolled with private medical schemes, meaning nearly 9 in 10 workers and their families are yet to adopt modern health financing options. Low enrollment may be attributed to lack of information, lack of awareness and little or no education to members on how to enroll with NHIF. Lack of subsidies for Kenyans unable to pay contribution would also be another reason.

Historically, price has been the major factor affecting buyer choice. This is still true in poorer nations, among poorer groups and with commodity product. However non-price factors have become more important in buyers choice behavior in recent times. Many companies use current profit maximization as their pricing goal. They estimate what demand and cost will be at different prices and choose the price that will produce the maximum profit, cash flow or return on the investment. Price is also used as a tool to penetrate a specific market, to prevent competitors from entering the market and to stabilize the market (Quelch1994)

## **2.5: Conceptual framework**

The general objective of the study was to analyze the factors affecting customer satisfaction at the National Hospital Insurance Fund (NHIF). In carrying out the study, the following conceptual framework was used.

**Figure 2.3: Conceptual framework on factors influencing customer satisfaction**



Source: Researcher (2010)

Figure 1 shows that there are three main factors that could influence customer satisfaction of NHIF customers, including product accessibility, product pricing, and product packaging. Product accessibility refers to the convenience or the ease of access of NHIF services, and will be measured by the distance between customers and local NHIF offices as well as number of health providers who are accredited by NHIF to offer free service to members. Product pricing refers to the amount money charged to members annually. Product package refers to the extent to which customers feel that NHIF products meet their needs. These three are the independent variables of the study, and will influence customer satisfaction, which is the dependent variable of the study. There are also a number of moderating variables, which could have a strong contingent effect on the relationship between independent variables and the dependent variable. These include factors like political influence, corruption, social-cultural factors, and economic factors.

**2.6: Summary**

The literature reviewed shows that there are various variables affecting customer satisfaction which needs further research. The review indicates that pricing, service distribution and product affect or influence customer satisfaction. It also emerged that there are other factors which directly affect the Customer satisfaction at NHIF. These include political, social/ cultural, technological and economic factors. Political factors define the legal and regulatory parameters within which a firm operates. Economic factors determine the economic health of a country. They include; poverty levels and economic growth rate. Social-cultural factors are the behavioral Factors of the company's operating environment. They include; the beliefs, values, attitudes, opinion and lifestyles of persons in the firms external environment, as developed from cultural, ecological, demographic, religious and educational and ethnic conditioning. Technological factors – creative technological adaptations can suggest possibilities for new product or in marketing techniques. Most of the previous studies have been conducted outside the country, and no customer satisfaction studies have been conducted at NHIF. Therefore in this study, the researcher will examine how price (premium), product (benefit) and place (service distribution) affect customer satisfaction at NHIF.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0: Introduction

This chapter focuses on the methodological procedures employed in the study. These include; research design, study locality, target population, sample size and sampling procedure, data collection instruments and data analysis techniques.

#### 3.1: Research design

The study adopted a descriptive study design. The descriptive study method was appropriate because it explores and describes the relationship between variables in their natural setting without manipulating them. The descriptive study aims at obtaining information that can be analyzed, patterns extracted and comparison made for the purpose of clarification and provision of basis for making decisions.

Descriptive study design has been defined as systematic gathering of information from respondents for the purpose of understanding or predicting some aspects of behavior of the population of interest, (Mugenda et al 1999). Both qualitative and quantitative data are obtained for comparison purposes.

#### 3.2: Study locality

The study was carried out in Thika District. The area was chosen because of its diverse workforce in the formal sector. Thika is a beehive of activity in the formal sector ranging from industrial, manufacturing, agricultural, and financial institution. Beside that, Thika is one of the principal towns in Kenya and is one of the designated growth centers within Kenya's regions (Thika district development plan, 2002-2008)

### 3.3: Target population

The target population was all the NHIF members countrywide. NHIF has about two million registered contributors. Thika district has 1006 employers both in public and private sectors with a total of 82,014 registered contributors.

### 3.4: Sample size and sampling procedure

The products offered by NHIF are uniform countrywide and for this purpose Thika District was selected for this study. Thika District has 1006 employers, both in public and private sector with 82,014 registered contributors. Systematic random sampling method will be used to select a sample for the purpose of this study in which 150 respondents were selected. According to Umasekaran (2006), Systematic sampling design involves drawing every  $n$ th element in the population starting with a randomly chosen element between 1 and  $n$ . For market surveys, consumer attitude surveys, and the like, the systematic sampling design is often used (Umasekaran, 2006). A systematic sampling design was as follows:

**Table 3.1: Sampling design**

Category	Total Number	Number in the sample
Formal sector contributors	82,014	150
<b>Total</b>		<b>150</b>

The respondents in the formal sector were given the questionnaires randomly as they come to the NHIF Thika office. This involved randomly choosing respondent between 1 and say 7 respondents who come to NHIF office. If my random number is 7 i.e. 7<sup>th</sup> respondents then respondents numbered 7, 14, 21, 27 and so on would be sampled and given questionnaires until 150 respondents were selected. The results from the sample

were quite representative as the products offered by NHIF to all the regions and the problems experienced by the contributors are homogeneous.

### **3.5: Data collection**

Both primary and secondary data was used in this study. According to Ochola(2007) primary data is the one collected directly by the researcher for the purpose of his research while secondary data is information that has been collected by others for their specified use that a researcher intends to use.

#### **3.5.1: Data collection Instruments**

The data collection instrument to be used in this study was self-administered questionnaires involving both structured and unstructured question items. The structured items enabled the researcher to tabulate and analyze data with ease, while the unstructured items facilitated in-depth responses and opinions important for the study.

Self-administered questionnaire is a suitable method in a descriptive study since it avoids subjectivity due to absence of interviewer's influence. It also allows respondents sufficient time on items that require consultation before responding (Bless et al, 1987).

#### **3.5.2: Data collection procedures**

Permission and authority to conduct the research were sought first from the NHIF. The researcher then waited for the respondents as they come to the NHIF Thika office. He introduced himself, briefed the NHIF members then distribute the questionnaires to every 7<sup>th</sup> respondent

### 3.6: Data analysis techniques

After all the data was collected, data cleaning was done in order to determine inaccurate, incomplete, or unreasonable data and then improve the quality through correction of detected errors and omissions. After data cleaning, the data was coded and entered in the computer for analysis. Data analysis procedures employed involved both quantitative and qualitative procedures. Quantitative data was analysed using descriptive statistics such as frequency counts, means and percentages. Quantitative data analysis required the use of a computer spreadsheet, and for this reason the Statistical Package for Social Sciences (SPSS) was used. Martin and Acuna (2002) states that SPSS is able to handle large amount of data, and given its wide spectrum of statistical procedures purposefully designed for social sciences, it is also quite efficient. Qualitative data was analyzed qualitatively using content analysis based on analysis of meanings and implications emanating from respondent information and comparing responses to documented data on customer satisfaction. The qualitative data was presented thematically in line with the objectives of the study. The results of data analysis were presented using frequency distribution tables, bar graphs and pie charts.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION

#### 4.1: Introduction

This chapter presents data analysis and discussion of the study findings. The general objective of the study was to analyze the factors affecting customer satisfaction at NHIF from the customers' point of view. The specific objectives of the study were to:- Analyze customer satisfaction with NHIF products, analyze customer satisfaction against the ability to contribute by NHIF customers, analyze customer satisfaction against accessibility to the NHIF offices, establish the challenges that customers encounter in their consumption of NHIF products and find ways of improving NHIF customer satisfaction.

#### 4.2: Background Data of the Respondents

The study was conducted from 150 respondents who receive the NHIF products in Thika District. Out of the 150 respondents who participated in the study, 88 (58.7%) were female while 62 (41.3%) were male.

Table 4.1 shows the age bracket of the NHIF customers.

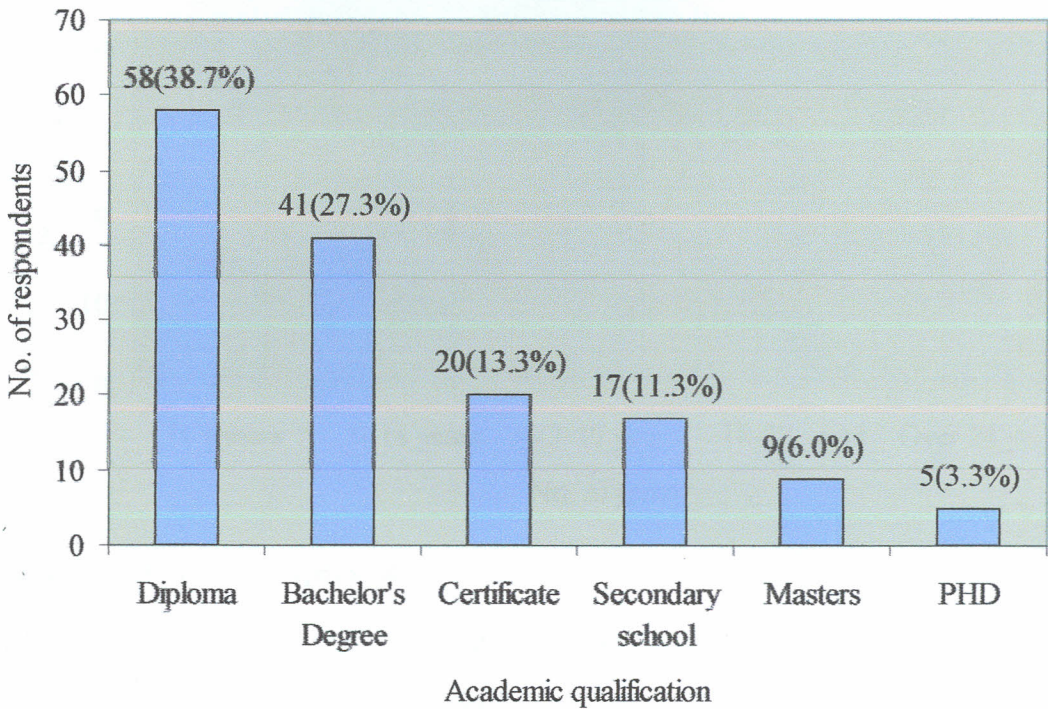
**Table 4.1: Age distribution of NHIF customers**

	Frequency	Percent
Below 30 years	65	43.3
31-61 years	75	50.0
Above 62 years	10	6.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table 4.1 illustrates the age bracket of the participants. Out of 150 respondents, 43.3% were aged below 30 years, 50.0% aged between 31-61 years while 6.7% aged above 62

years. This table implies that majority of the respondents were aged above 31 years. The respondents were further asked of their marital status. It turned out that 57.3% of the respondents were married while 42.7% were single.

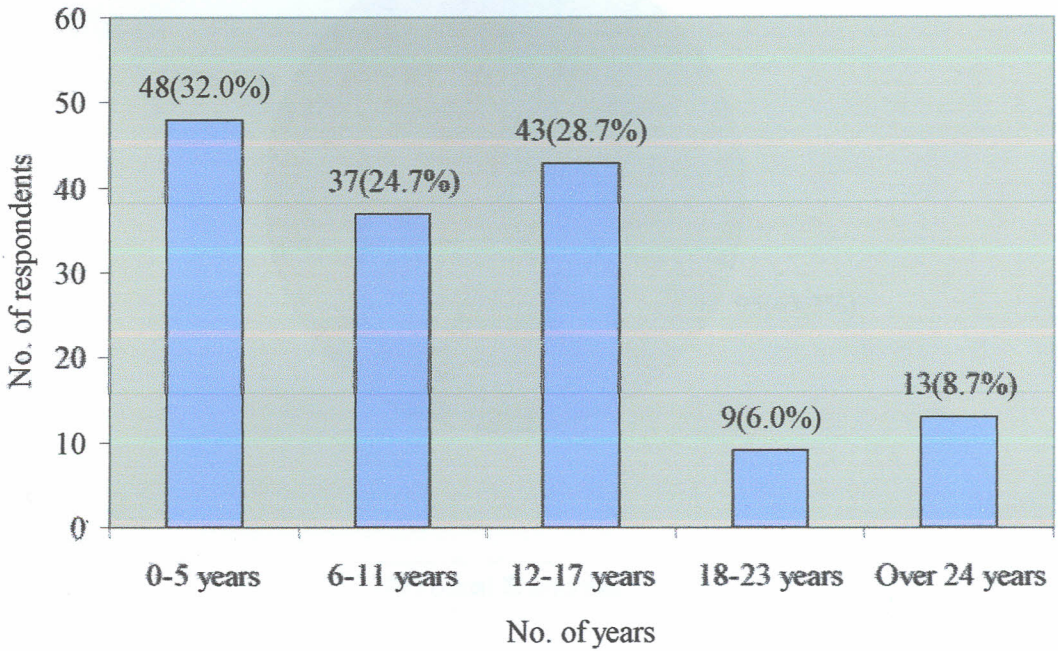
Figure 4.1 shows the highest academic qualifications attained by the NHIF customers.



**Figure 4.1: Academic Qualifications**

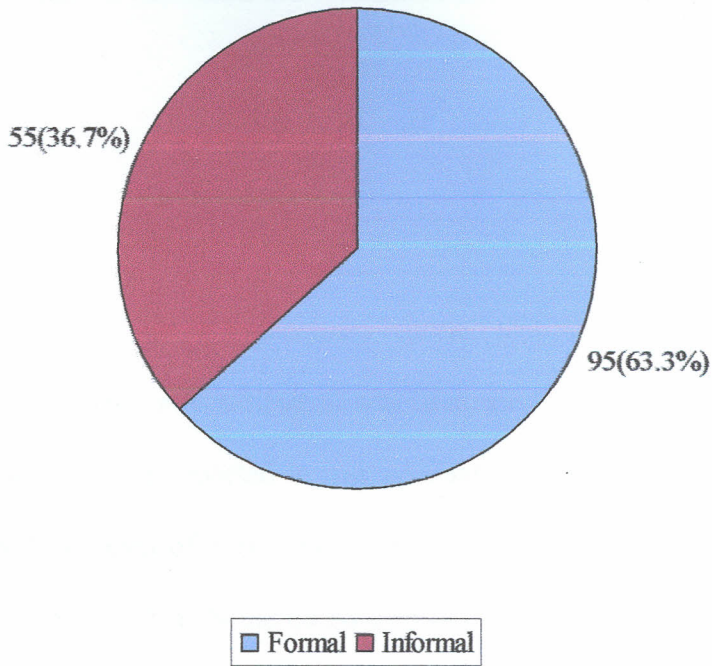
Figure 4.1 shows that 58 (38.7%) reported that they had a Diploma as their highest qualifications, 41 (27.3%) held a Bachelor's Degree while 20 (13.3%) had certificate qualifications. Additionally, 17(11.3%) had a secondary school qualification, 9(6.0%) had Masters Degree while 5 (3.3%) had a PHD qualification. This shows that all participants had reached the secondary school level thus they could provide the information needed for the study.

The NHIF customers were asked about their working experience. Figure 4.2 shows their responses.



**Figure 4.2: Working Experience**

Figure 4.2 shows that 32% of the respondents reported that they had worked for less than 5 years, 24.7% had worked between 6-11 years while 28.7% had worked between 12-17 years. On the other hand, 6.0% had worked between 18-23 years while 8.7% had worked for more than 24 years. This implies that majority of the respondents had worked for a long period in their respective work places, which shows they had been members of NHIF long enough to know the weaknesses and strengths of the products offered at NHIF. Figure 4.3 shows the respondents' working sectors.



**Figure 4.3: Working Sector**

Table 4.3 shows that 95 (63.3%) of the respondents worked in the formal sector while 55 (36.7%) worked in the informal sector.

#### **.4.3: Customers' Satisfaction with NHIF products**

The first objective of the study sought to analyze customer satisfaction with NHIF products among workers in Thika District. To establish this, the customers were asked a series of questions and their responses are presented below.

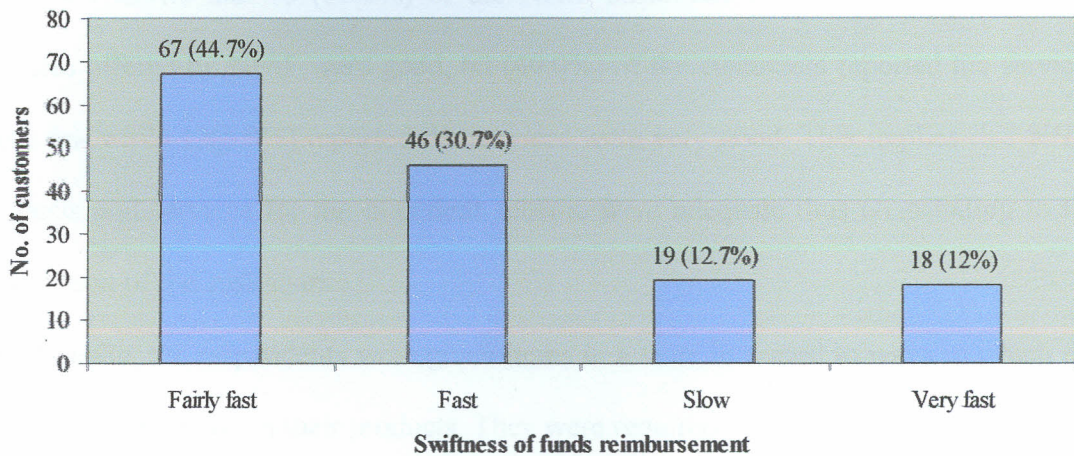
The customers were asked the level of expenses covered by the NHIF based on the current contribution. Their responses are shown in table 4.2.

**Table 4.2: Level of expenses covered by NHIF**

<b>Level of expenses</b>	<b>Frequency</b>	<b>Percent</b>
Adequate	89	59.3
Fairly adequate	36	24.0
Inadequate	13	8.7
Very adequate	12	8.0
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table 4.2 shows that 59.3% of the customers reported that the level of expenses covered by NHIF based on the current contribution was adequate, 24.0% of them reported it was fairly adequate while 8.7% reported it was inadequate. This is an indication that most customers deemed the level of expenses covered by NHIF to be adequate. Further, the customers were asked on what should be done to the level of expense coverage based on the current amount of contribution. 48.7% of the respondents reported that it should be maintained, 26.7% of them reported that it should be reduced while 24.7% reported that it should be increased. This shows that the customers were satisfied with the level of expenses covered by the NHIF.

The customers were asked their perceptions regarding the swiftness of NHIF response to its members for reimbursement of bills once they have occurred. Their responses are as shown in figure 4.4.



**Figure 4.4: Swiftness of funds reimbursement by NHIF**

Figure 4.4 shows that 44.7% of the respondents reported that the NHIF were fairly fast in responding to its members for reimbursement of the bill incurred, 30.7% reported the NHIF were fast while 12% reported NHIF were very fast. On the other hand, 12.7% of the respondents reported that NHIF were very slow. This is an indicator that NHIF were prompt in their services, which leads to customer satisfaction with the services at NHIF.

The respondents were also asked to give their opinion regarding the in-patient scheme NHIF product. They responded as shown in Table 4.3 indicates the efficiency of NHIF products and services on the out-patient scheme.

**Table 4.3: In-patient services at NHIF**

Rates of services	Frequency	Percent
Good	78	52.0
Fair	60	40.0
Very good	12	8.0
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table 4.4 shows that 78 (52.0%) of the NHIF customers reported that the in-patient services offered by NHIF were good, 60 (40.0%) of the customers reported the services were fair while 12(8.0%) reported the services were very good. This implies that NHIF products and services for the in-patient scheme were adequate thus contributing to the satisfaction of the customers.

Additionally, the respondents were given items in a table in regard to ways in which the NHIF could improve on their products. They were required to state their agreement levels with the statements on a five-point Likert scale as shown in Table 4.4.

**Table 4.4: NHIF products**

Products	SA		A		U		D		SD	
	f	%	f	%	f	%	f	%	f	%
NHIF should start offering outpatient cover	131	87.3	19	12.7	0	0.0	0	0.0	0	0.0
NHIF should enhance their scope to cover indigents and orphans	125	83.3	25	16.7	0	0.0	0	0.0	0	0.0
NHIF should diversify to offer a range of health insurance products	125	83.3	25	16.7	0	0.0	0	0.0	0	0.0
NHIF products fully address my health insurance needs	52	34.7	50	33.3	0	0.0	40	26.7	8	5.3

**Key: SA-Strongly Agree; A- Agree; U- Undecided; D- Disagree; SD Strongly Disagree**

Table 4.4 shows that over 80% of the respondents strongly agreed with the statements that: NHIF should start offering outpatient cover, NHIF should enhance their scope to cover indigents and orphans and that NHIF should diversify to offer a range of health

insurance products. On the other hand, only 26.7% of the respondents disagreed with the statement that NHIF products fully address my health insurance needs. This is an indicator that despite the fact that NHIF customers rated the NHIF products as adequate, they felt that they should have enhanced product.

**4.4: Customer Satisfaction against the Ability to Contribute by NHIF Customers**

The second objective of the study sought to analyze customer satisfaction against the ability to contribute by NHIF customers. To establish this, the respondents were given a series of questions whose responses are discussed below.

The NHIF customers who participated in the study were asked to rate the affordability of the NHIF contributions. Their responses are as shown in table 4.5

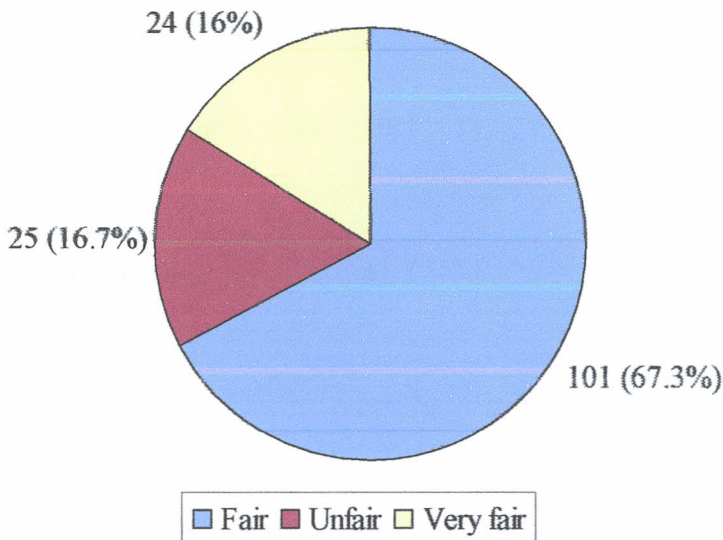
**Table 4.5: Affordability of NHIF contributions**

	<b>Frequency</b>	<b>Percent</b>
Appropriate	107	71.3
Low	32	21.3
Too much	11	7.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table 4.5 shows that 107 (71.3%) of the customers reported that NHIF contributions were appropriate, 32 (21.3%) reported the contributions were low while 11 (7.3%) reported the contributions were too much. This is an indicator that the NHIF customers could afford the contributions stipulated by the organization. The respondents were further asked whether there was any forum through which views about pricing are considered/handled by NHIF authorities. To this question, 123 (82%) of the customers reported that NHIF had forums through which pricing views were handled by authorities while only 27 (18%) of them indicated that there were no such forums. This is an

implication that NHIF cared about their customers' views and strived to offer them the best services through incorporating their views in the NHIF policies.

The respondents were also asked about the stratification of NHIF contributions based on level of income. Figure 4.5 shows their responses.



**Figure 4.5: Stratification of NHIF contributions**

Figure 4.5 shows that 101 (67.3%) of the respondents reported that the contributions were fairly distributed, 25 (16.7%) reported the stratification was unfair while 24 (16.0%) reported that it was very fair. This is an indicator that the NHIF gave considerations to their customers' levels of income, thus being fair in their stratification of contributions which ultimately leads to customer satisfaction.

The respondents were given a list of items in a table regarding the pricing of the NHIF products. They were required to state their agreement levels regarding the items in the table on a five-point Likert scale. Their responses are as shown in table 4.6.

**Table 4.6: Pricing of NHIF products**

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	f	%	f	%	f	%	f	%	f	%
The monthly contribution for NHIF product is affordable and fair	49	32.7	94	62.7	0	0.0	7	4.7	0	0.0
NHIF should offer differentiated and flexible products at varied prices	71	47.3	71	47.3	3	2.0	0	0.0	5	3.3
NHIF contributions are high compared to scope of cover	28	18.7	43	28.7	0	0.0	72	48.0	7	4.7
I have never defaulted my NHIF monthly contributions	68	45.3	39	26.0	13	8.7	26	17.3	4	2.7

Table 4.6 shows that over 40% of the respondents agreed with the statements that: the monthly contribution for NHIF product is affordable and fair, NHIF should offer differentiated and flexible products at varied prices and that I have never defaulted my NHIF monthly contributions. On the other hand, 48% of the respondents disagreed with the statement that NHIF contributions are high compared to scope of cover. This is an indication that the customers deemed the NHIF prices to products fair and affordable, and would therefore not default on payment and would continue being members of NHIF.

#### **4.5: Effects of Accessibility of NHIF Offices on Customer Satisfaction**

The third objective of the study was to analyze customer satisfaction against accessibility to the NHIF offices. To address this research objective, the respondents were first asked where they accessed the NHIF products from. Table 4.7 shows their responses.

**Table 4.7: Access of NHIF Products**

	<b>Frequency</b>	<b>Percent</b>
NHIF area offices	123	82.0
NHIF Headquarters	27	18.0
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table 4.4 indicates customer responses on where they access the NHIF products from. Out of 150 respondents, 123(82.0%) accessed the products from the NHIF area offices while 27(18.0%) accessed them from the NHIF headquarters. This is a clear indication that NHIF customers were well catered for since they could easily access the NHIF products and services from the NHIF offices near them.

The respondents were further asked to rate the adequacy of the NHIF branch network. Table 4.8 shows their responses.

**Table 4.8: Adequacy of NHIF branch networks**

	<b>Frequency</b>	<b>Percent</b>
Adequate	79	52.7
Inadequate	42	28.0
Highly adequate	29	19.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table 4.5 shows that 52.7% of the respondents reported that the NHIF branch network was adequate, 28.0% reported that it was inadequate while 19.3% reported that the network was highly adequate.

The respondents were given a list of items in a table regarding the accessibility of NHIF offices. They were required to state their agreement levels with the statements on a five-point Likert scale. Table 4.9 shows their responses.

**Table 4.9: Accessibility of the NHIF offices**

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	f	%	f	%	f	%	f	%	f	%
NHIF offices are easily accessible	44	29.3	68	45.3	0	0.0	25	16.7	13	8.7
At NHIF offices I am able to get served quickly and complaints are addressed quickly	19	12.7	40	26.7	2	1.3	61	40.7	28	18.7
I can visit NHIF offices and transact business in less than an hour	16	10.7	48	32.0	0	0.0	68	45.3	18	12.0
I am satisfied with the number of hospitals in my locality accredited by NHIF	16	10.7	42	28.0	5	3.3	49	32.7	38	25.3

Table 4.9 shows that 74.9% of the respondents agreed with the statement that NHIF offices are easily accessible. On the other hand, over 30% of the respondents disagreed with the statements that: at NHIF offices I am able to get served quickly and complaints are addressed quickly, I can visit NHIF offices and transact business in less than an hour and that I am satisfied with the number of hospitals in my locality accredited by NHIF. This is an implication that despite the fact that the NHIF customers could easily access NHIF offices, they were dissatisfied with the promptness of services rendered there.

#### **4.6: Challenges facing NHIF customers in Consumption of NHIF Products**

The fourth objective of the study was to establish the challenges that customers encounter in their consumption of NHIF Products. To address this objective, the respondents were asked to list the challenges they faced in relation to accessibility, NHIF products and pricing of NHIF products. Their responses are shown in table 4.10.

**Table 4.10: Challenges facing NHIF customers**

<b>Challenges</b>	<b>Frequency</b>	<b>Percent</b>
Most offices are located upstairs of buildings where it may be out of reach for some people	54	36.0
Offices are crowded and few in town	75	50.0
Long queues during payment	118	78.7
Slow operations	77	51.3
Some hospitals are not covered i.e private hospitals	93	62.0
Children above 18 who are dependants are not covered by NHIF	81	54.0
NHIF does not have a provision for more than one spouse	69	46.0
NHIF does not cater for out-patients	102	68.0
Offices are located in towns and most people from rural areas may not be able to access them regularly	55	36.7
NHIF does not cover people with irregular income	46	30.7

Table 4.10 shows that the biggest challenges faced by NHIF customers as reported by over 50% of the respondents were: long queues during payment, offices are crowded and few in town, slow operations, some hospitals are not covered i.e private hospitals, children above 18 who are dependants are not covered by NHIF and also that NHIF does not cater for out-patients. This is an indication that despite the fact that NHIF management has tried to meet their customers' needs, there are still some loop holes that need to be sealed so as to ensure total customer satisfaction.

#### **4.7: Improvement of NHIF Products**

The fifth objective of the study sought to find ways of improving NHIF customer satisfaction. To establish this, the respondents were asked to give suggestions on how NHIF services could be improved to enhance their satisfaction. Their responses are listed below:

- Offices should be located on ground floors of buildings so that it can be of easier reach especially to disabled customers
- Offices should be located in known buildings
- NHIF officers should visit places like churches, schools and other institutions to raise awareness on benefits of NHIF
- NHIF contribution should be based on income, in that those people with high salaries should pay more than those with low salaries
- Opening offices in rural areas and employing people from the area so as to enhance a feeling of ownership
- Introduction of out patient cover
- Encouraging youths to join NHIF, and lowering the rates so that they can afford. The rates can be adjusted once the youth get permanent jobs
- Services should be rendered promptly to avoid long queues of people. The NHIF could also come up with ways of making people pay at different times of the month, depending on where they work so as to avoid overcrowding in the offices at the end of the month

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### **5.1: Introduction**

This chapter presents the summary of the study, conclusions and recommendations arrived at. It also gives suggestions for further studies.

#### **5.2: Summary**

The purpose of this study was to analyze the factors affecting customer satisfaction at NHIF from the customers' point of view. The study was conducted from 150 respondents who received the NHIF products in Thika District, and the data was analyzed based on this number. Given below is a summary of the main study findings.

The study established that 59.3% of the customers reported that the level of expenses covered by NHIF based on the current contribution was adequate, 24.0% of them reported that it was fairly adequate while 8.7% reported that it was inadequate. Further, the customers were asked on what should be done to the level of expense coverage based on the current amount of contribution. 48.7% of the respondents reported that it should be maintained, 26.7% of them reported that it should be reduced while 24.7% reported that it should be increased. 44.7% of the respondents reported that the NHIF were fairly fast in responding to its members for reimbursement of the bill incurred, 30.7% reported the NHIF were fast while 12% reported NHIF were very fast. On the other hand, 12.7% of the respondents reported that NHIF were very slow. 78 (52.0%) of the NHIF customers reported that the in-patient services offered by NHIF were good, 60 (40.0%) of the customers reported the services were fair while 12 (8.0%) reported the services were very good. over 80% of the respondents strongly agreed with the statements that: NHIF

should start offering outpatient cover, NHIF should enhance their scope to cover indigents and orphans and that NHIF should diversify to offer a range of health insurance products. On the other hand, only 26.7% of the respondents disagreed with the statement that NHIF products fully address health insurance needs.

The study found out that 107 (71.3%) of the customers reported that NHIF contributions were appropriate, 32 (21.3%) reported that the contributions were low while 11 (7.3%) reported that the contributions were too much. The respondents were further asked whether there was any forum through which views about pricing are considered/handled by NHIF authorities. To this question, 123 (82%) of the customers reported that NHIF had forums through which pricing views were handled by authorities while only 27 (18%) of them indicated that there were no such forums. 101 (67.3%) of the respondents reported that the contributions were fairly distributed, 25 (16.7%) reported that the stratification was unfair while 24(16.0%) reported that it was very fair. over 40% of the respondents agreed with the statements that: the monthly contribution for NHIF product is affordable and fair, NHIF should offer differentiated and flexible products at varied prices and that they have never defaulted their NHIF monthly contributions. On the other hand, 48% of the respondents disagreed with the statement that NHIF contributions are high compared to scope of cover.

The findings of the study revealed that out of 150 respondents, 123(82.0%) accessed the products from the NHIF area offices while 27(18.0%) accessed them from the NHIF headquarters. 52.7% of the respondents reported that the NHIF branch network was

adequate, 28.0% reported that it was inadequate while 19.3% reported that the network was highly adequate.

Regarding the accessibility of NHIF offices by customers, it was established that 74.9% of the respondents agreed with the statement that NHIF offices are easily accessible. On the other hand, over 30% of the respondents disagreed with the statements that: at NHIF offices I am able to get served quickly and complaints are addressed quickly, I can visit NHIF offices and transact business in less than an hour and that I am satisfied with the number of hospitals in my locality accredited by NHIF.

It was established that the biggest challenges faced by NHIF customers as reported by over 50% of the respondents were: long queues during payment, offices are crowded and few in town, slow operations, some hospitals are not covered i.e private hospitals, children above 18 who are dependants are not covered by NHIF and also that NHIF does not cater for out-patients.

### **5.3: Conclusion**

Based on the findings of the study as summarized above, it can be concluded that the NHIF customers were satisfied with the products offered by the NHIF apart from the fact that they would like NHIF to have more products.

The findings of the study revealed the following:-

#### **5.3.1: The impact of NHIF products on customer's satisfaction**

Based on the findings of the study as summarized above it can be concluded that over 83% of customers were satisfied with the level of expenses covered by NHIF. This is an indication that the level of expenses covered by NHIF is adequate. Further over 72% of

customers were in agreement with current contributions with 24% of customer maintaining that it should be increased probably for enhanced cover. Over 80% of the customers were satisfied with swiftness of funds reimbursement by NHIF. Over 92% of the customers were satisfied with the inpatient scheme which they felt adequate. However over 80% of the respondents strongly agreed that NHIF should start offering outpatient cover, should enhance cover for indigents and or orphans and should diversify their products.

### **5.3.2 : The effect of customers ability to contribute on customers satisfaction**

The second objective of the study sought to analyze customer satisfaction against ability to contribute by NHIF customers. Over 71% of the respondent felt the contributions were appropriate while 21% reported that the contributions were low. This is probably the category which is demanding for enhanced cover for higher premiums. This is also an indication that NHIF customers could afford the contribution stipulated by the organization. The respondents were satisfied with stratification of NHIF contribution. Over 83% of respondent reported that the contributions were fairly distributed. This is an indication that a lot of consideration to level of customers income is taken into account when pricing products by NHIF. In relation to pricing of NHIF product, over 94% of the respondent agreed that the monthly contribution for NHIF product is affordable and fair. However 4.7% of respondents felt that this pricing is high. These are probably the respondents who are in low income group especially casual and seasonal workers.

The argument that NHIF should offer differentiated and flexible product at varied prices was agreed by over 94% of the respondents. This is the class of respondents who felt the

need to have enhanced cover to match with other institution financing health sector. However 3.3% of the respondents disagreed with this aspect. Probably being that, NHIF is a social insurer and has a motto of “rich to support poor and healthy one to support sickly”. Therefore charging high price will be unfair for them and is against the motto of NHIF. 48% of the respondent also disagree that the NHIF contribution are high compared to the scope of cover while 46% agrees that NHIF contribution are high compared to cover. 17.3% of the respondent also disagree with the statement that they have never defaulted NHIF monthly contribution. This probably reflects the feeling of 46% respondents who agrees that NHIF contributions are high compared to cover. It is also the feelings of 7.3% respondents who indicated that NHIF contributions were too much.

### **5.3.3: Effects of accessibility to NHIF offices on customer satisfaction**

The third objective of the study was to analyze customer satisfaction against accessibility to the NHIF offices. Out of 150 respondents 82% accessed the products from the NHIF area offices while 27% accessed them from the NHIF headquarters. In terms of branch adequacy, 52.7% felt that the branches are adequate while 28% reported that it was inadequate while 19.3% indicated that the network was highly adequate. This is an indication that there is a huge gap (50%) in terms of branch network. However over 50% respondents were not satisfied with the promptness of the services rendered despite the adequacy of branch network. Also the respondents (over 57%) were not satisfied with the number of hospitals accredited by NHIF in their locality.

#### **5.3.4: Challenges customers encounter in their consumption of NHIF products**

The fourth objective of the study was to establish the challenges that customers encounter in their consumption of NHIF products. In relation to this objective, 36% of the respondents reported that most of the offices are located upstairs of a building where it may be out of reach for some people especially people with physical disabilities and are located in towns and most people from rural areas may not be able to access them. 50% of respondents says that offices are crowded and few. Long queues during payment and slow operation are also listed as challenges facing NHIF customers. 62% of the respondents reported that some hospitals are not covered especially private hospitals.

In terms of benefits, 54% of the respondents indicate that children above 18 years who are dependent are not covered by NHIF while 46% and 68% of the respondent listed that NHIF does not have a provision for more than one spouse and does not cater for out patients respectively. 30% of the respondents indicate that NHIF does not cover people with irregular income and therefore accessing them in terms of amount to contribute become an issue

#### **5.4.0: Recommendations**

In view of the challenges met by the NHIF customers, the following recommendations were made:

##### **5.3.1: The impact NHIF products on customer's satisfaction**

The NHIF Act to provide for both inpatient and outpatient medical covers. However, currently the fund is only providing cover for inpatient. Out patient services is also being piloted. This seek to address the feeling of over 90% respondents who indicated that the Fund should start covering outpatient The study has indicated that 47 percent of

customers were willingness to part with higher premium for an improved product. The Fund should consider designing packages in line with the market needs and expectation. The Fund has to continue analyzing the market in order that any new products are based on customer needs. The management of NHIF has also come up with the scheme for orphans. Such scheme should be fine tuned so as to cater the variety of needs of the orphans. In terms of claims processing, the management should come up with a lasting solution or common policy guidelines to facilitate smooth and faster processing of claims by area managers. This will ensure that health providers are not inconvenienced in addition to fulfilling the funds promises with the customer service charter on the payment of claims. Sufficient float at branches level should be the solution to faster payment of claims to health providers.

### **5.3.2: The effect of customer's ability to contribute on customer's satisfaction**

A large percents of customers (94%) had indicated their willingness to part with higher premiums for an improved package. This should be a grey area for management act on it. There is also a feeling that NHIF contribution should be based on income, in that those people with high salaries should pay more than those with low salaries. The fund needs to restructure the rates schedule so as to net that member with income of above kshs. 15000. Currently members earning kshs. 15000 and above are paying a flat rate of kshs. 320. The management of NHIF should address the concern of 43% respondents who felt that the contribution is high as compared to scope of the cover. New price needs to be introduced to cover low income groups but with equal treatment of the cover .This will be in line with NHIF motto.

### **5.3.3: Effects of accessibility to NHIF offices on customer satisfaction**

Initially various agencies collected contribution on behalf of NHIF (post office and Kenya commercial bank) along side the NHIF outlets through the sale of NHIF stamps. In the year 2001, the funds management contracted KRA to collect contribution on behalf of NHIF. However the system was not efficient and effective and the engagement was called off. Such network should be fine tuned and revived so that member in remote centers should pay for NHIF. Opening up of more service points should be the priority of the management. However, at least six service centers have been established since 2009. To do even better, especially now that the informal sector has become the main focus there is need to identify more window outlets. Increased utilization of the M-pesa facility is likely to reduce the inconveniences for the self employed contributors.

Many employers could also be urged into the electronic transfer regime to control the traffic into NHIF officers for remittances. The above solutions should address the concern raised by over 55% respondents who disagreed with statement that they can transact the business in less than an hour despite the adequacy of the branch network.

Accreditation of health providers- the whole process of accreditation hinges very much on the involvement of all stakeholders. It is therefore imperative that the fund reviews and adopt a strategy that foster objectivity in the accreditation process to the extent that it gains credible levels of all concerned parties. This could include formation of a technical team comprising of staff from the concerned department of standard and quality assurance, information and communication technology and operation among others. Such process should ensure that every corner of the country have accredited hospital / health centre where the members can access health services. This will address the issues raised by respondents (Over 60%) on the number of hospitals accredited. Hospital

connectivity project has eradicated the issue of stamps and certificate of contribution paid books (CCP) that were printed and then provided to all the employers as a substitute for physical stamp. It is also important to note that all NHIF accredited hospitals are online and therefore can access member's database/contribution. This has solved the problem of members going to their companies and NHIF officers for clearance.

Mobile registration centers – Expectation is high on this matter of registration as it provides access to the otherwise un reached zones. As a result management needs to put in place a deliberate effort to this noble exercise. One of the ways of achieving this mobile registration could be by the use of modems for onsite registration. Once thus is done, timely technical facilitation from ICT is necessary for the exercise to succeed. Nearly all branches use Thika, Kericho and Naivasha have procured modems for online registration.

In the past the issue of members not having cards even after registering and availing all the required documentation. Some branches are using cell phone numbers to call the members to collect these cards. Use of post office is also serving the purpose. Bulky cards should be delivered by officers.

#### **5.3.4: Challenges customers encounter in their consumption of NHIF products**

The management need to address the remittance deadline and efficient management of long queues (especially during the deadline dates) .The Fund should also strive to open officer on ground floors of building so that physically challenged customers can access them. It is equally important that offices should be located in known building for easier identification. Opening of officers/ satellite and window offices in rural areas should be paramount to the NHIF management. The study has established that some hospitals are not covered i.e private hospitals, children above 18 who are dependants are not covered

by NHIF and also that NHIF does not cater for out-patients. Other challenges faced by NHIF customers were: Nhif does not have contribution for more than one spouse and does not cover people with irregular income. It is worth to note that NHIF is piloting outpatient scheme.

Management should also come up with a cover for a nuclear family irrespective of the number of spouse one has. Fund should also speed up the accreditation process with the aim of reaching the remote area .Such process should ensure that every corner of the country have accredited hospital / health centre where the members can access health services. NHIF should extend the threshold for those earning high and irregular income so as to ensure fairness in contribution of NHIF rates.

#### **5.3.5: Suggestion to improve the NHIF products**

The study registered an overall satisfaction of above 55%. One of the main issues raised by respondents was that NHIF should introduce the out patient cover. It is worth to note that NHIF is currently piloting the outpatient scheme with civil servants and plans to roll out the scheme to other contributors by next year. This will be a relieve to those respondents who have indicated the need to have outpatient cover. The respondents also felt the need for NHIF officers to visit places like churches, schools and other institution to raise awareness on NHIF benefits. On this, the management has realized the need to tap the informal sector as the Fund has managed to bring on board almost all members in the formal sector. This need calls for management to make use of both electronic and print media to raise awareness beside its officers to tap the informal sector.

Respondents also raised concern on long queues of members especially during peak period. One of the ways of managing the long queues could be to designate more counters for cash receipts during the peak periods. The fund should also provide incentives to customers/employers to encourage them to pay early and avoid last minutes rush. The NHIF could also come up with ways of making people pay at different times of the month, depending on where they work so as to avoid overcrowding in the offices at the end of the month

Expectations are however still high on the matter of registration as it provides not only the entry point but a beginning of the whole dealing between fund and its customers. As a result management needs to put in place deliberate efforts to this noble exercise. On site registration should be encouraged and one of the ways of achieving this could be the use of modems for onsite registration.

In terms of accessibility, members felt the need to open offices in known building and be on ground floors of building so that it can be of easier reach especially to disabled customers. The Fund should strive to open offices on ground floors of building so that physically challenged customers can access them. It is equally important that offices should be located in known building for easier identification. It is now a policy for NHIF to open ground offices to cater for physically challenged clients and for easier identification. Opening offices in rural areas and employing people from the area so as to enhance a feeling of ownership was also listed by respondents. Increased utilization of the M-pesa facility is likely to reduce the inconveniences for the self employed

contributors and those in rural areas. NHIF has also contracted agent banks whose sole aim is to collect the contribution on behalf of NHIF.

Respondents felt that the graduated scale should extend beyond the upper limit of Khs. 15000 so as to net those members in high income bracket. This is a grey area where the management can tap in additional resources and use the same for benefit purposes

### **5.5: Areas for Further Research**

1. A study should be conducted on the effects of customer satisfaction on NHIF growth and development
2. A similar study on factors affecting customer satisfaction at NHIF should be conducted in other NHIF branches though out the country to establish whether there is consistency
3. A study should be conducted on the effects of customer satisfaction on nhif piloted outpatient scheme.
4. A study should be conducted on employees satisfaction against customer satisfaction so as to establish their role/effect on customer satisfaction.

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<http://www.nhif.or.ke/healthinsurance>

## APPENDIX I

### TRANSMITTAL LETTER

James M. Ngatia  
Department of Business Administration  
Kenyatta University

Dear Sir/Madam

**RE: A QUESTIONNAIRE ON THE ANALYSIS OF THE FACTORS  
AFFECTING CUSTOMER SATISFACTION AT NHIF**

I am a postgraduate student in the department of business administration at Kenyatta University. I am carrying out a study on customer satisfaction analysis at NHIF.

The purpose of the research is to gather information on customer satisfaction in relation to price, product and place at NHIF with the ultimate goal of improving areas lagging behind in respect to the above aspects. I will be grateful if you answer the questions in the questionnaire and also share your experience with me. Your responses will be kept in confidence.

Kindly complete all sections of the questionnaire. Please do not indicate your name on the questionnaire

Thank you  
Yours faithfully,

**James Muigai Ngatia**

## APPENDIX II

### QUESTIONNAIRE

Please fill in the required information. The information you provide will be treated with confidentiality and will only be used for academic purposes

#### Part I Personal Information

Please indicate your answer by ticking where appropriate

1. Gender: male ( ) female ( )
- Age: Below 30yrs ( ) 31-61yrs ( ) Above 62( )
- Marital status: Single ( ) Married ( )
2. What is your highest academic qualification?
- PHD ( ) Masters ( ) Bachelors degree ( ) Diploma ( )
- Certificate ( ) Secondary school ( ) Primary ( )
- Others specify .....

3. What is your working experience?
- 0-5yrs( ) 6-11yrs( ) 12-17yrs( ) 18-23yrs( ) over 24 years ( )
4. Which sector are you working in?
- Formal ( ) Informal ( )

#### Part II: Main issues to the study

##### Accessibility factors

1. Where are the NHIF products accessed?
- Through:
- NHIF Headquarters ( ) NHIF area offices ( ) Satellite ( ) window offices ( )
2. Is NHIF branch network adequate?
- Highly adequate ( ) Adequate ( ) Inadequate ( )

3. In the table below, indicate the extent to which you agree or disagree with each of the statements given

**SA - Strongly Agree, A – Agree, U – Undecided, D – Disagree, SD - Strongly disagree**

STATEMENT	SA	A	U	D	SD
1. NHIF offices are easily accessible					
2. At NHIF offices I am able to get served quickly					
3. NHIF employees address customer complaints quickly					
4.					

4. State briefly what should be done by NHIF in order to increase accessibility of its services.

.....

.....

.....

**Role of price in customer satisfaction**

5. How affordable is the NHIF contributions?

Too much ( )    Appropriate ( )    low ( )    Too low ( )

6. Is there any forum through which views about pricing are considered/handled by NHIF Authorities?

(a)Yes ( )    No ( )

(b)If yes, which one?

7. How is the stratification of NHIF contributions based on level of income?

Very fair ( )    Fair ( )    Unfair ( )

8. In the table below, indicate the extent to which you agree or disagree with each of the statements given

**SA - Strongly Agree, A – Agree, U – Undecided, D – Disagree, SD - Strongly disagree**

STATEMENT	SA	A	U	D	SD
1. The monthly contribution for NHIF products is affordable					
2. NHIF should offer differentiated and flexible products					
3.					
4.					
5.					

9. Give suggestions on how the NHIF contributions should be structured and whether ready to pay more for enhanced benefits/cover.

.....

.....

.....

.....

**Customers expectations on the NHIF products**

10. What is the level of expenses covered by the NHIF based on the current contribution?

Very adequate ( )      Adequate ( )      fairly adequate ( )      Inadequate ( )

11. Based on the current amount of contribution, what can be done to the level of expense coverage?

Should be increased ( )      should be maintained ( )      should be reduced ( )

12. Once medical bills have been incurred (incase of general claim), how fast does the NHIF respond to its members for reimbursement of the bill incurred?

Very fast ( )      Fast ( )      fairly fast ( )      slow ( )

13. How is the NHIF products and services(in-patient scheme)?

Very good ( ) Good ( ) Fair ( ) Poor ( )

In the table below, indicate the extent to which you agree or disagree with each of the statements given

SA - Strongly Agree

A - Agree

U - Undecided

D - Disagree

SD - Strongly disagree

STATEMENT	SA	A	U	D	SD
1. NHIF products fully address my health insurance needs					
2. NHIF should start offering outpatient cover					
3. I am satisfied with the number of hospitals accredited by NHIF					
4.					
5.					

6. Suggest ways in which medical expense coverage can be improved?

.....

.....

.....

.....

**Scope of Coverage of NHIF benefits**

7. How many family members are covered by your NHIF contributions other than yourself?

a) One ( ) Two ( ) Three ( ) Four ( ) More than four ( )

b) Is the coverage adequate?

Yes ( ) No ( )

c) If No, suggest ways for a wider family cover

8. NHIF places a limit on the age of the dependants. Is it okay for NHIF to do this?

Yes/No

b) If

c) No, give suggestions concerning the age limit.

15 Suggest ways in which the scheme should be adjusted so as to benefit as many family members as possible?

.....  
.....  
.....

**Challenges Facing NHIF customers**

16 Please enumerate any five challenges that you face as an NHIF customer.

.....  
.....  
.....  
.....  
.....

17) Kindly state any five ways in which you think NHIF can be improved

.....  
.....  
.....  
.....  
.....

***Thank you for your participation***

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