



# Determinants of Revenue Collection in Public Hospitals in Kenya

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## **Abstract:**

This study explores the intricate mechanics of revenue collection in public hospitals in Nairobi and throughout Kenya. Public hospitals do not pay taxes, unlike for-profit businesses, and rely on government money and other contributors to improve services, treatment facilities, and personnel capacities. To serve a broad patient group with a range of financial abilities, this support is essential. This study looks at how important management is to hospital operations, highlighting the need for strict oversight of processes to maximize revenue collection. The study explores three relevant theoretical frameworks: the Cost Shifting Theory, which redistributes service costs from low- to high-income clients; the Health Insurance Theory, wherein covered clients contribute to revenue through insurance payments; and the Operating Efficiency Theory, which advocates for streamlined hospital operations to boost revenue. In essence, this research underscores the pivotal roles of management, workforce quality, service delivery, and strategic revenue collection in bolstering revenue generation for Kenya's public hospitals. By focusing on management, workforce quality, and service delivery, this study provides insights to augment revenue generation and enhance the overall healthcare experience.

**Keywords:** Revenue collection, Public hospitals, Management commitment, Service delivery, Workforce

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## 1. Background

Public hospitals within Nairobi and also across the country do not pay taxes because they are not profitable organizations; they depend on the government and donors from or outside the country for their support to improve their services, treatment areas, and workers, among other activities, because they cover a large volume of

citizens. These citizens have different capabilities for paying for their health services, and thus, the public hospitals are sponsored to enable the low-income citizens to afford the health services.

The study will show that management is responsible for all the activities and services that take place in hospitals. Management should control all the activities to ensure maximum revenue collection. The workforce has a duty to undertake service delivery to clients as established by management to ensure maximum revenue collection. Management commitment should encourage the workforce to deliver good services to clients. Undertaking roles and regulations from management and performing them in a good way will help in raising revenue (Maichuhie & Obiria, 2020).

Therefore, that does not mean they offer free services to their customers; rather, they charge fees to their clients, which are paid in various ways. Some patients pay for their services through registered health care insurances, as per Williams (2009), like NHIF, UHC, and Linda Mama, while others pay cash. The collected revenue is used for maintenance and the smooth running of the hospital's activities by the management. The amount that public hospitals raise from patients may be termed as revenue. The revenue collected from the hospitals may thus be used by the management of the hospital to procure some facilities that are used within the hospitals by patients, like food, beds, medicine, etc., to maintain and run hospital management, and to pay casuals.

Effective management in public hospitals plays a crucial role in efforts to improve revenue collection in public hospitals. The amount of revenue also helps the government determine the amount of capital expenditure to be allocated to a specific hospital due to the hospital's number of attendees; thus, hospitals with high revenue collection are clients' favorites due to their good service. Hospitals with low revenue have a limited number of clients, and thus the government allocates a small expenditure budget to them (Mutisya et al., 2019).

The knowledge gained from this research can inform hospital management, policymakers, and health professionals in developing targeted strategies and interventions to address gaps and improve revenue collection practices in public hospitals. Management commitment, workforce, service delivery, and revenue collection. Good management, a qualified workforce, and high-quality, affordable service delivery contribute to increased revenue collection in public hospitals.

### 3. Theoretical Review

This section will explore theories that are in line with my research on the determinants of revenue collection in public hospitals in Kenya.

### **3.1 Cost Shifting Theory**

This theory focuses on shifting the cost of services from clients with low living standards to those with high living standards for compensation. For example, for clients who pay using cash, their service costs should be lower than those of those who pay for their services using private insurance. This cost shifting will enable low-income clients to seek health care services from private hospitals.

This theory is relevant to the study in the ways below: This way, it will help public hospitals generate minimal revenue as it encourages more clients with low incomes to seek health services from public hospitals. For clients with high incomes or those who contribute to health insurance companies, their charges should be higher than those of those who do not contribute to health insurance companies and whose bills are not covered by any health insurance. This method helps in the compensation of revenue.

### **3.2 Health Insurance Theory**

The theory focuses on the importance of health insurance in revenue generation. Clients who are covered by health insurance companies, by making their contribution, also play an important role in revenue collection. These kinds of clients make their payments through insurance companies.

This theory is relevant to the proposal in the following ways: Covered clients seek services from public hospitals when they are sure their bills will be covered by the insurance company. The company pays the bill on behalf of their clients for the service delivered to them by the hospital. This method helps in ways such as when a client's bill is high to the extent that the client is unable to meet the amount the insurance company makes payment on behalf of the client; by doing this, the public hospital is able to generate revenue from the insurance company.

### **3.3 Operating Efficiency Theory**

The theory focuses on operational efficiency in public hospitals. Therefore, it emphasizes that revenue collected from public hospitals can be increased by optimizing hospital operations, reducing costs, and maximizing resource utilization. This theory is relevant to a research proposal in the following ways: When the operating efficiency of public hospitals increases with the number of services offered to clients per hospital, this will lead to an increase in revenue collection. An increase in the number of services increases the number of clients per given period seeking different services at the same time. Maximum use and supply of all health facility resources in hospitals will ensure no shortage of resources in public hospitals. Clients will no doubt go to a public hospital to seek health services. Also, reducing the cost of services offered in public hospitals

makes it affordable for clients to seek out health services, thus drawing a large number of clients and increasing revenue collection.

In summary, these theories contribute to the understanding of revenue collection dynamics in public hospitals. The Cost Shifting Theory suggests differentiating charges based on income levels, the Health Insurance Theory underscores the revenue contribution of insured clients, and the Operating Efficiency Theory emphasizes efficient operations to attract more clients and increase revenue. Each theory offers valuable insights into how revenue generation can be optimized within the context of public healthcare services.

#### **4. Empirical Review**

This topic discusses the relationship between the independent variables and the dependent variable, i.e., determinants of revenue collection and revenue collection from public hospitals. These determinants are Management commitment, workforce, and service delivery. Under management commitment, we will discuss Good and Poor management.

**Management commitment:** When management commitment is good, there are higher chances that the revenue collected is high, and when management commitment is poor, the revenue collected is low. According to [Henri Fayol \(2014\)](#), good management should take into consideration the following: planning, organizing, controlling, organizing, controlling and leading. Good management in public hospital settings to achieve better service delivery will lead to an increase in revenue collection. On the other hand, poor management will lead to low revenue collection due to unstrategized management, a weak workforce, and poor service delivery. Management should set rules and regulations that guide workers in their duties. The rules should be clear and indicate the role that each worker should play in contributing to revenue collection.

**Workforce:** According to [Liang and Xue \(2010\)](#), a highly qualified workforce delivers high-quality services to clients. When public hospitals employ a qualified workforce, many clients will shift from private hospitals and get attracted to public hospitals, thus increasing revenue collected. Enough employees in public hospitals will reduce queuing time as a large number of clients will be served at the same time. [Orwa \(2019\)](#) alleged that one of the factors in revenue collection is the number of employees. A high number of employees will gather more revenue within a short period of time compared to a low number of employees.

**Service Delivery:** According to [Chumba \(2019\)](#), the cost of the service being offered to clients determines the amount of revenue collected. Institutions with high-quality services at affordable prices will attract more clients. The public hospitals in

Nairobi County should focus on delivering high-quality services to clients at affordable prices; this way, they will attract more clients, thus increasing their revenue collection. Public hospitals with a high number of services being delivered will attract more clients, as per [Mugendawala \(2022\)](#). By doing this, it will help to increase revenue collection per hospital.

**Revenue Collection:** The amount of revenue collected in public hospitals depends on the above-mentioned variables. Well-strategized management and a qualified workforce will deliver high-quality services that will attract more clients, thus increasing revenue collection in public hospitals. Minimizing the number of employees and maximizing the number of services being delivered helps increase the total revenue collected. The mode of collection should be tight to avoid losing revenue during the process of revenue collection. Well-automated technology should be used in collecting the revenue and keeping records for all transactions made during each day. Taxpayers are obligated to pay taxes in accordance with the accounting and legal guidance given, which should be in line with the company's financial reporting and the applicable tax laws. Taxation is complicated, and understanding the tax code necessitates consulting with knowledgeable accountants, attorneys, and other professionals ([Kamau et al. 2012](#)). Similar to this, those seeking hospital services may take advantage of every chance to avoid paying fees.

This analysis underscores the intricate relationship between management commitment, workforce quality, service delivery, and revenue collection in public hospitals. Effective management practices, a qualified workforce, diverse service provision, and meticulous revenue collection processes are pivotal for enhancing revenue generation and sustaining the financial stability of public healthcare institutions.

In summary, the intricate relationship between management commitment, workforce quality, service delivery, and revenue collection forms the bedrock of successful revenue generation and financial stability in public hospitals. Effective management practices guide strategic decisions, a qualified workforce enhances service quality, diverse service provision attracts a broad patient base, and meticulous revenue collection safeguards against financial discrepancies. By recognizing and nurturing this interconnected relationship, public healthcare institutions can achieve sustainable revenue growth while continuing to provide high-quality healthcare services to their communities.

## 5. Summary and Conclusions

The passage discusses various aspects related to revenue collection in public hospitals in Kenya. Public hospitals in Nairobi and across the country do not pay taxes as they rely on government funding and donor support due to their non-profit nature.

They offer services to a diverse population with varying abilities to pay, and they are sponsored to ensure low-income citizens can access healthcare. The study emphasizes the role of management in overseeing hospital activities and revenue generation. Effective management encourages good service delivery, which in turn aids revenue collection.

Patients pay for services through health insurance schemes like NHIF, UHC, and Linda Mama, or with cash. The revenue collected is used for hospital maintenance, running activities, and procuring necessary facilities. The study highlights the importance of revenue in determining government allocation for hospitals and how hospitals with higher revenue attract more capital expenditure due to their service quality. Three theoretical frameworks are explored: Cost Shifting Theory, which shifts costs from low-income to high-income clients for compensation; Health Insurance Theory, where covered clients contribute to revenue through insurance payments; and Operating Efficiency Theory, which emphasizes optimizing hospital operations to increase revenue.

The empirical review section delves into the relationship between variables and revenue collection. Management commitment, workforce quality, and service delivery are discussed. Effective management positively impacts revenue, while a well-qualified workforce and quality service delivery attract more clients and increase revenue. The mode of revenue collection and technological automation are also highlighted to ensure efficient revenue management. Overall, the passage highlights the importance of effective management, workforce quality, service delivery, and strategic revenue collection methods in enhancing revenue generation for public hospitals in Kenya.

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