



NEWSFLASH

AUGUST 2011

*'Health is like money,
we never have a true
idea of its value until
we lose it'*

Josh Billings

*PSG Konsult Corporate
'PSGK Corporate' is part
of the PSG Konsult
Group - one of the
largest independent
financial services
providers in South Africa
today and focused on
serving the SME,
institutional and public
sector markets.*

IN THIS ISSUE

- Green Paper on NHI

GREEN PAPER ON NATIONAL HEALTH INSURANCE (NHI)

What is the "green paper"?

The green paper outlines the broad policy proposals for the National Health Insurance (NHI), and is published for comment and consultation. Three months have been allowed for this. After this, a policy document, or white paper, will be finalised and then draft legislation will be developed and submitted to Parliament.

What is National Health Insurance (NHI)?

NHI is a healthcare funding system which is aimed at providing universal coverage, i.e. everyone will have access to quality healthcare services and be protected from financial hardships linked to accessing these services.

NHI will therefore ensure that everyone has access to a "defined comprehensive package of healthcare services" irrespective of whether they are employed or not.

How and when will it be implemented?

It is envisaged that NHI will be phased in over a 14 year period commencing in 2012. The process has been broken into three phases, with the first 5 years dedicated to the building and improvement of the public health sector to improve quality and performance in that sector. In addition, from April 2012, piloting of NHI will commence in 10 districts – these will be selected after the current audit of all public health facilities has been completed.

How will it be funded?

Details of the funding model are not 100% clear. However, it is expected that NHI will be funded from public finances (taxes), mandatory contributions from individuals and employers, and partnerships with the private sector. In addition, there is also the potential for co-payments and user charges from individuals. Interestingly, the Minister of Finance stated at the launch of the policy paper that additional taxes on individuals would be a last resort.

NHI contributions will be made by all employed persons, although the level of income above which NHI contributions will be mandatory is not yet known. However, based on the implementation plan in the green paper, it seems unlikely that contributions to NHI will commence in the first phase (5 years).

Instead, the first phase of NHI (including its piloting from April 2012) will be funded from existing public finances and a Conditional Grant.

More clarity is expected on whether or not NHI contributions will receive favourable tax treatment in October, when Minister Gordhan delivers his medium term budget policy speech.

GREEN PAPER continued ...

What is more detail still required on?

- The income threshold above which contributions to NHI are compulsory;
- What treatment packages would be covered;
- As stated above, the detail of the funding model;
- The role of private healthcare providers contracted to deliver services;
- Governance and accountability structures.

What are the challenges to the implementation of NHI?

- The quadruple disease burden in South Africa will put the provision of healthcare services under pressure. This refers to
 - HIV / Aids and TB;
 - maternal, child and infant mortality;
 - non-communicable diseases like high blood pressure, diabetes, chronic heart disease, chronic lung disease, cancer and mental illnesses;
 - injury and violence.
- Countries with national health programmes all tend to have high net incomes, low unemployment, and large and stable tax bases, none of which is prevalent in South Africa. This makes Government's objectives regarding job creation all the more critical in order to broaden the tax base.
- Closing the personnel gap will be critical. There is a severe shortage of health professionals in the public sector.
- Improvement of quality of care in public hospitals, and in turn engendering confidence in the public healthcare system, is crucial to the success of NHI because it is assumed citizens will transfer voluntarily from the private to the public healthcare systems. The potential for negative fallout if citizens have to pay a compulsory contribution to NHI and also fund their own private medical cover due to an underperforming public healthcare system is something we believe the ruling party will want to avoid at all costs.
- The negative perception created by the periodic labour unrest in the public system may act as an impediment to gaining confidence in the public healthcare system, and will therefore have to be dissuaded vigorously in future.
- The central procurement system proposed will be complex and may be prone to corruption.
- The ultimate implementation of NHI will mean every beneficiary has to be issued with a NHI card. Presently no system exists and the logistics and expense of getting this done as a precursor to NHI is significant.

What are the positive factors?

- The green paper has been met in a positive manner with stakeholders indicating their acceptance of the underlying principles of NHI, and their willingness to engage constructively in the process.
- The green paper acknowledges the expertise available in the private sector in the areas of administration and management of insurance funds, and has indicated that NHI will draw upon that expertise.
- The implementation of NHI will be phased in over a period of (proposed) 14 years, and won't be rushed.
- Although the single-funder, single-purchaser publicly administered fund is the preferred model, the green paper does not shut the door on a multi-payer approach – indicating that this will still be explored.

GREEN PAPER continued ...

- Medical scheme cover will not be done away with – citizens wanting to pay for this cover over and above their mandatory NHI contributions will be able to do so.
- The proposed risk-adjusted capitation system encourages good quality outcomes and minimises the potential for fraud and over-servicing.
- Reimbursing hospitals according to diagnosis-related groups instead of costs incurred is recognised as a method for analysing quality and reducing risk.
- The strong emphasis on primary care, through a totally re-engineered primary healthcare system, will help shift healthcare from a predominantly curative to a preventative system, with resultant curtailment of downstream costs. The re-engineering process will see the appointment of;
 - District Clinical Specialist Support Teams;
 - School Health Services;
 - Municipal Ward-based Primary Health Care Agents
- The establishment of an independent watchdog body, called the Office of Health Standards Compliance, to monitor whether the required standards are being adhered to.
- The improvement of the public hospitals should result in competition with private hospitals, which will have a positive impact on the price of services in those facilities too.

What does this mean for medical schemes?

It is difficult to predict the future of medical schemes and what their on-going roles will be, and how private medical scheme members are going to react, until more is known about the funding and benefits (including quality of care) of NHI. However, what is known at this point is although contributions to NHI will be mandatory (above a still to be disclosed income), you will still be allowed medical scheme membership, but will have to forego tax subsidies.

The Registrar of Medical Schemes, Dr Monwabisi Gantsho, has stated that he will continue to regulate medical schemes until a well-developed NHI is in place, which could take at least 14 years. Thereafter, even if only supplementary “top-up” health insurance products remain, the requirement for regulation will remain.

If pushed to predict the likely implications of NHI on medical schemes we would comment as follows;

- Due to the mandatory NHI contribution, low income earners will in all likelihood leave the medical schemes, with a negative impact on those risk pools, as they are generally low-claiming members.
- Medical scheme cover will probably evolve into health insurance based cover, which would mean doing away with, or revamping, the Medical Schemes Act as many of its provisions (Prescribed Minimum Benefits, community rating, fixed solvency levels) would be redundant.
- The emergence of health insurance products to address the gaps in NHI, e.g. medication falling outside of the Essential Drugs List, diagnostic procedures which fall outside the approved guidelines and protocols and private sector providers not contracted to NHI.

Conclusion:

It is impossible to deny that the maladies inherent in the current tiered Healthcare system need to be addressed. We believe that the systematic approach proposed in the green paper is a positive first step in that direction. As outlined above, there are significant challenges to overcome – and the successful ultimate implementation of NHI may rely on concurrent success in other aspects of the broader development plans mapped out for South Africa.

However, we see the proposals as an important “peg in the ground” for the way forward, where success in the first phase proposals alone would make the attempt to reach a fully implemented NHI worthwhile.