NHI – a healthy way to go?

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In the face of divided public opinion, the much-touted National Health Insurance (NHI) system looks set for full implementation in the coming years after the white paper gazetted by Health Minister Dr Aaron Motsoaledi in June 2017.

The government plans to fully implement NHI by 2025. It will be mandatory for every citizen to belong to NHI, and all state medical schemes will be made redundant. But it is unclear how NHI will affect private medical schemes, although it is likely that smaller schemes will cease to exist.

According to the white paper, “NHI is a health-financing system that is designed to pool funds and actively purchase services with these funds to provide universal access to quality, affordable personal health services for all South Africans based on their health needs, irrespective of their socio-economic status. NHI will be implemented through the creation of a single fund that is publicly financed and publicly administered.”

The white paper says NHI will be financed by the NHI Fund, which must be established through legislation. The fund will be financed out of general taxes and from payroll and surcharge taxes.

The main features of NHI are:

- It will integrate all sources of funding into a unified health-financing pool that caters to the needs of the population.
- It will pay for all healthcare costs on behalf of the population.
- There will be mandatory prepayment of health care, which differs from other modes of payment, such as voluntary prepayment and out-of-pocket payment.
- It will ensure that individuals do not suffer financial hardship and/or are not prevented from accessing health services. This means eliminating various forms of direct payment, such as co-payments.
- It will purchase healthcare services for everyone, and will use its power as a single purchaser to identify the country’s healthcare needs and determine the most appropriate, efficient and effective mechanisms for drawing on existing healthcare service providers.

The NHI Fund, in consultation with the Minister of Health, will determine its pricing and reimbursement mechanisms. Healthcare providers who want to contract with the NHI Fund will have to comply with these mechanisms.

The Director General of the Department of Health, Precious Matsoso, says the white paper stipulates that, until NHI is fully implemented and mature, the role of medical

schemes will not change. However, she says this doesn't preclude any changes to the business of medical schemes or transformation required in medical schemes.

"Currently, the medical schemes' role under the fully matured NHI is that of complementary services cover. This means that only services not covered by NHI can be offered as cover. If medical schemes undergo both voluntary and regulatory reform to become aligned and consistent with the objectives of NHI, there will be a need to relook this," Matsoso says.

The Council for Medical Schemes (CMS) has announced plans to consolidate the medical schemes industry by dissolving or consolidating small schemes in line with the white paper.

More than 228 000 people belong to 31 medical schemes that had less than 6 000 members at the end of December 2015, according to the CMS's 2015/16 annual report.

The Department of Health says only 8.8 million people belong to medical schemes out of a population of about 55.5 million.

Gerhard van Emmenis, the principal officer of Bonitas Medical Fund, says it's imperative that measures are put in place that will enable medical schemes to work in tandem with NHI to prevent duplication of services, improve access to healthcare and deliver quality service.

"If the future means there is only complementary cover from medical schemes, it will be very limited in its offerings, with cover for services such as dentistry and rare conditions. This means the number of medical schemes will greatly reduce," Van Emmenis says.

NHI is 'unrealistic'

Martin van Staden, a legal researcher at the Free Market Foundation, says there is no doubt that South Africa needs serious healthcare reform, but NHI, as it is currently proposed, is unrealistic, and if it is attempted, will do more harm than good to the economy.

"With the 2010 cost estimation inflated with the Consumer Price Index, in 2017 terms NHI will cost the taxpayer not R255.8 billion but R368.8 billion, by 2025. Even this, however, is a conservative estimate in light of overly generous future growth estimates provided by the government."

"Furthermore, in 2017 terms, NHI will cost South Africa R156 billion every year from 2025 onward – assuming we achieve two percent growth – which is roughly equal to four 2010 Soccer World Cup tournaments, or 1.4 million government houses a year. NHI would double South Africa's health budget," Van Staden says.

In its response to the white paper, the South African Institute of Race Relations (SAIRR) said NHI was premised on a number of flawed assumptions, and it overlooked many of the gains already made in managing the burden of disease in South Africa.

The SAIRR says the white paper disregards the main reasons for the poor performance of the public healthcare system, and this failure results in a skewed diagnosis of the problems in the healthcare sector, which, in turn, results in a skewed assessment of how these problems can be overcome.

“The government should increase the affordability of medical scheme cover and health insurance by introducing state-funded healthcare vouchers for households earning less than R15 000 a month,” the SAIRR says.

“The current medical tax credit could be combined with a portion of current provincial health expenditure to yield significant amounts of annual revenue. This could be used to provide every household within this income range with a voucher that could be used solely for the purchase of healthcare services from either the public or the private sectors,” the SAIRR says.

Overseas examples of universal healthcare systems

In Switzerland, healthcare is universal and is regulated by the Swiss federal law on health insurance. There are no free state-provided health services, but private health insurance is compulsory for all people who live in Switzerland. The government subsidises health care for the poor on a graded basis, with the goal of preventing individuals from spending more than 10 percent of their income on health care.

In Singapore, the government controls and heavily subsidises the population’s health care, but a principle of the system is that no medical service is provided free of charge. Hospitals are overwhelmingly public, a large portion of doctors work directly for the state, and citizens contribute to a national insurance plan known as MediSave. According to Wikipedia, “within MediSave, each citizen accumulates funds that are individually tracked, and such funds can be pooled within and across an entire extended family. Most Singapore citizens have substantial savings in this scheme.” In 2014, Bloomberg ranked Singapore’s healthcare system the most efficient in the world.