

Perspective from Dr Jonathan Broomberg, CEO of Discovery Health, on the National Health Insurance Bill and the Medical Schemes Amendment Bill

During late June, the Department of Health issued the National Health Insurance (NHI) Bill and the Medical Schemes Amendment (MSA) Bill for public comment.

The NHI System as outlined in the NHI Bill

Our initial reflection on the proposed NHI system outlined in the Bill, is that it is pragmatic and workable. The Bill proposes the establishment of the NHI Fund and its associated governance and advisory structures. It indicates that for the next several years (at least until 2022), the NHI Fund will focus on funding critically-needed services for defined vulnerable groups, including school children, the elderly, mental health patients and cancer patients.

One of the critical elements of the NHI system will be the benefits it provides. The Bill provides no detail on these benefits, and these details are expected to be developed through a Benefits Advisory Committee, which will be appointed by the Minister of Health; and who will develop proposals for the NHI Benefits over the next few years. The Bill indicates that in order to qualify for NHI benefits at no cost, patients will need to follow the NHI's referral pathways and use its contracted providers. Those patients who elect not to do so, will not be able to claim from NHI, and will be able to fund their services directly, or via medical schemes or other forms of health insurance. This is an important point – as it confirms that medical schemes will continue to exist alongside the NHI system and that patients with medical scheme cover will retain freedom of choice in which doctors and hospitals they wish to use. This also makes it clear that for an extended period into the future, it will be critical for employers to make provision for the healthcare of their employees, either through a medical scheme, or through a primary care product that provides adequate day-to-day cover for employees and their dependants.

The Bill provides no detail on the funding of the NHI system, as this is a function of the National Treasury. In our view, funding for NHI will remain constrained for the foreseeable future, due to the weak macro-economic conditions in the country, and the other fiscal pressures on government. In the last Budget speech, the Minister of Finance allocated R4.2 billion to the NHI Fund for the 2018 to 2020 period. This will be used to fund the high-priority services outlined above.

The National Department of Health recently issued a tender for medical scheme administrators to act as Clinical Care Service Providers. These service providers will purchase defined high-priority services for defined vulnerable groups under an interim NHI fund mechanism.

The role of medical schemes in the context of the NHI system

We believe that for an extended period into the future, the benefits covered by the NHI will expand gradually, and will be focused on high-priority services for defined vulnerable populations. While the services covered by NHI will expand, those who belong to medical schemes will still have the choice of bypassing NHI referral pathways and the choice to use their own providers, and will also then be able to claim from their medical scheme. It is therefore clear that medical schemes will continue to operate alongside the NHI system, and will be able to cover all services currently covered.

Changes to medical schemes in the Medical Schemes Amendment bill

While it has been reported that all co-payments will be abolished, the draft MSA Bill indicates that medical schemes will not be permitted to allow co-payments where a member requires a treatment that is part of a basket of still-to-be-defined “mandatory benefits” (or “comprehensive service package”). This is in fact no different to the current situation, where schemes are not allowed to have co-payments for Prescribed Minimum Benefit (PMB) conditions. We therefore expect the co-payment situation to remain more or less as it is at present, except that the PMB definitions will be modified over time.

Regarding scheme reserves, there are no changes in the regulation of scheme solvency contemplated in the draft Bills. However, the Minister has indicated that he has instructed the Council for Medical Schemes to accelerate the development of a new capital regulation approach that will ensure that capital requirements for schemes are more closely related to their actual risk profile. This would be a very good development as the current rigid 25% solvency requirement (25% of total contributions) means that many schemes are over-capitalised, while others are under-capitalised.

In terms of governance changes, the new Bill proposes changes to the governance structure of medical schemes with the roles of Chief Executive Officer and Chief Financial Officer replacing the current Principal Officer and Treasurer roles; as well as a requirement for a board of trustees to include individuals with specified qualifications. The new Bill also suggests that the Registrar will now have authority to override decisions of the scheme’s trustees if actions of the trustees are inconsistent with the Act or the interests of members.

In addition to the above changes, there are a number of other technical changes, including proposed changes to the underwriting rules of medical schemes and how scheme contributions should be calculated and disclosed. We have significant concerns regarding some of these changes, and will be actively engaging with the National Department of Health and other policy makers regarding our concerns.

The legislative process

The bills are now open for public comment until 21 September 2018, and we expect substantial comments to be submitted by a wide range of stakeholders. Discovery Health will engage actively with policymakers, as well as all relevant industry bodies, and will make detailed submissions of its own as well.

Once all comments are received, the National Department of Health is required to process these and make amendments to the Bills, and to ensure that they are discussed in detail at Nedlac. The Bills then need to

be resubmitted to Cabinet and subsequently to Parliament for final approval. As 2019 is an election year, it is quite possible that the Bills will not be finalised and processed through Parliament until after the 2019 elections. As additional regulations are required to give effect to some of the proposed changes, it is likely that any changes arising from these Bills will not be implemented before January 2020 and perhaps later than that, in some cases.

We will continue to monitor developments in relation to these Bills and will provide updates as relevant developments emerge.

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