

Pursuing Universal Healthcare Coverage through the implementation of NHI

by the CMS NHI committee members

Universal health coverage (UHC) is the goal which seeks to ensure that all people obtain the health services they need without risking financial hardship from unaffordable out-of-pocket payments (WHO Bulletin, 2013). According to the World Health Organisation (WHO), this goal includes health promotion, prevention, treatment, rehabilitation and palliation healthcare services as well as coverage with a form of financial risk protection. A third feature is universality, which includes coverage for everyone. Attainment of these goals is not always easy no matter which mode of implementation is used by different countries. The World Health Organisation therefore acknowledges that whilst progress has been made, many countries are still far from attaining universal health coverage, even though different modalities of UHC have been implemented (WHO, 2013).

Universal Health coverage through the NHI

The World Health Organization recommends that countries spend at least 5% of their total GDP on healthcare each year; by 2015/16, South Africa was spending around 8.9% on health, which is well above the majority of middle-income countries. It still has a high burden of disease and poor health outcomes. Of the 8.9% of GDP, only 4.3% is spent on the public sector, which supports around 84% of the population. This means that the remainder (4.6%) is spent in the private sector, which supports about 16 % of the population (8.8 million individuals). In addition, over the last few decades the gap between per-capita spending on medical scheme members and public-sector spending has been rising substantially. Amado et. al observed that the per capita expenditure for health is also evidence of this inequity, with a public sector per capita expenditure of R2 766 and a private sector expenditure of R11 150 per capita (Amado, L. A. et al, 2012)¹. Furthermore, there is inequitable distribution of human resources between the public and private healthcare sector including within each sector. Gauteng, Western Cape and Kwa-Zulu Natal having more human resources compared to other provinces. This trend defeats the principles of social justice, social solidarity and effective risk pooling which are all embedded within the proposed National Health Insurance (NHI) by the Department of Health. The

¹ AMADO, Leandra Anastasia et al. National health insurance: A lofty ideal in need of cautious, planned implementation. **South African Journal of Bioethics and Law**, [S.l.], v. 5, n. 1, p. 4-10, jun. 2012. ISSN 1999-7639. Available at:

UHC goal through the implementation of the NHI in South Africa seeks to address all of the above factors with the overall objective being to uphold the right to health for all citizens whether rich or poor. Ensuring that all South African citizens and legal residence will have access to promotive, preventive, curative, rehabilitative and palliative healthcare services, which are of sufficient quality and are affordable without exposing the population to financial hardships is a matter of paramount importance (DoH, 2015).

Fragmented delivery & pooling

As illustrated by Figure 1 below, the current national system is also fragmented, with a privileged few having disproportionate access to health services. There is also a recognition that this system is not rational, and is instead saddled with challenges with regard to the efficient use of scarce resources, including healthcare professionals, to benefit the country's entire health system. Effective risk pooling is therefore required within the national health system in order to improve the overall country's health outcomes.

Risk segmentation is inefficient and has a potential of eroding the attainment of broader social solidarity within the national health system. Inadequate funding and inefficient use of current resources has huge opportunity costs and need to be addressed through a significant overhaul of the current national health system. The CMS, therefore, supports the initiative to pool funds, and provide access to quality and affordable health services for all South Africans based on their health needs, irrespective of socioeconomic status. The CMS also acknowledges that South Africa's health outcomes have not been adequately aligned to the Millennium Development Goals (MDG), although some progress has been made in this regard (DoH, 2015). This health financing reform is meant to provide sufficient financial protection for the population with the ultimate goal of realising improvements in the country's health outcomes, and significant progress towards attaining the Sustainable Development Goals.

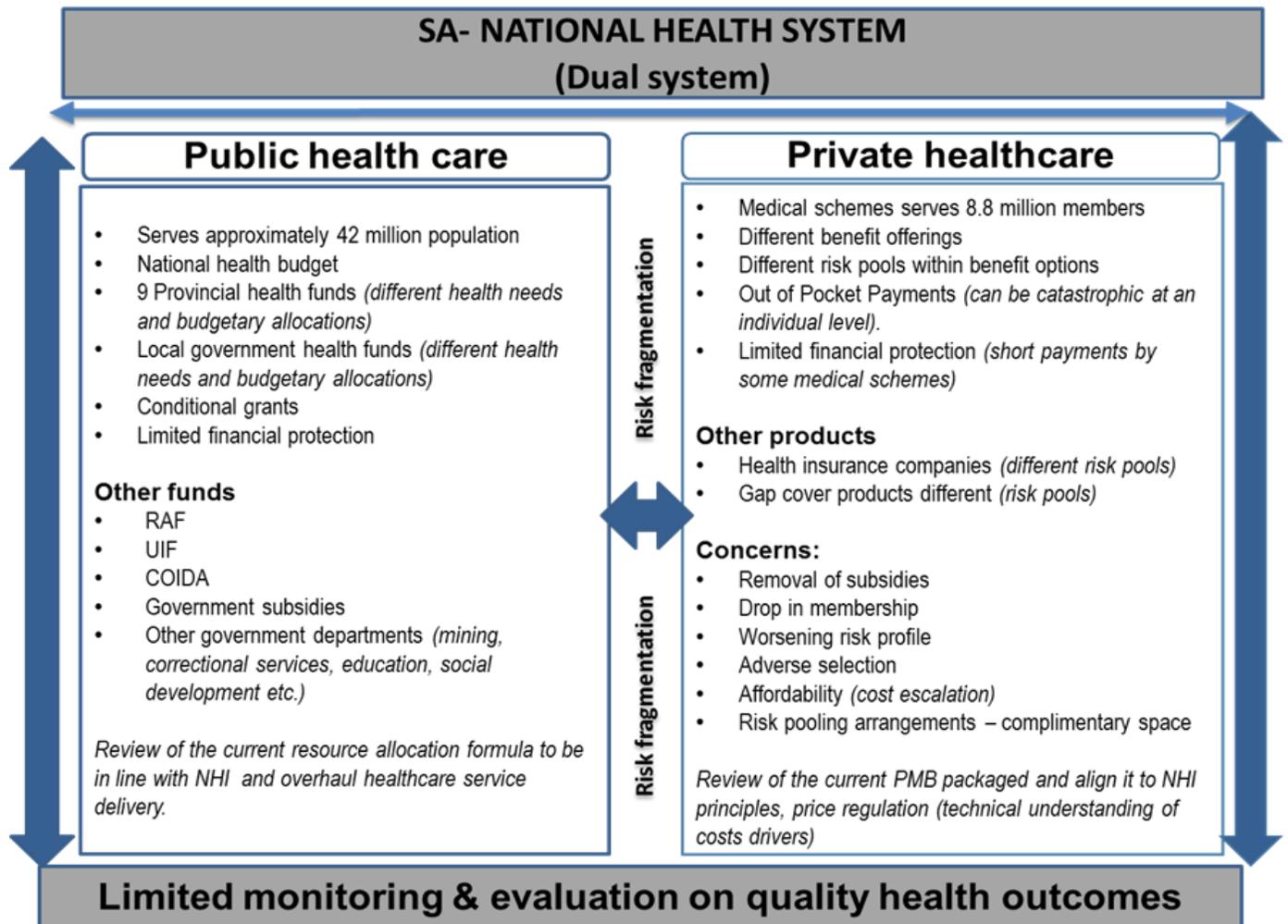
The CMS further applauds the initiative to coordinate health financing through the following principles:

- Right to access to healthcare services
- Broader social solidarity
- Equity
- Health is a public good
- Affordability
- Efficiency

- Effectiveness
- Appropriateness

The above principles are intended to provide meaningful financial protection for the entire population.

Figure 1: SA health care delivery



Recommendations

The CMS has made the following recommendations to the National Department of Health regarding the NHI:

- The definition of the NHI package should also include a concrete strategy around the future role of other health insurance products, including gap cover products to ensure that the overall financial protection is realised within the national health system.
- If not well considered and regulated, the existence of other health insurance products in an NHI environment can be destabilising for the future role of medical schemes and the NHI fund, leading to the erosion of the overall financial protection. Within this context , some form of risk adjustment system might need to be considered to:
 - Reduce the current fragmentation of risk profiles
 - Reduce the impact of potential risk selection
- The development of supplementary and complementary insurance products must be carefully monitored. The CMS welcomes interventions such as Interim Virtual Risk Pooling arrangements as mechanisms to protect risk pools and prevent discrimination against older and sicker members of the population. The risk adjustment mechanisms developed by the CMS in collaboration with the National Department of Health, with participation of other stakeholders within the industry, can be considered for this purpose.
- As the public sector improves and the NHI capacity to purchase services from the private sector develops, it is likely that younger and healthier members will opt out of medical scheme cover before older and sicker members because they already pay taxes and do not perceive the need for cover. This has a potential of affecting the risk profile of remaining schemes, especially within the open medical schemes market. It is within this context that the CMS encourages the NHI Committee to discuss in detail the role of the Interim Virtual Risk Pooling arrangements within the transition period. Without some form of risk adjustment mechanisms these schemes may collapse and cause sudden dumping of large numbers of older and sicker members to the NHI fund in an uncoordinated manner.
- The legislation governing the NHI package should be comprehensive to cover all the loopholes, thereby avoiding the problems experienced within the current PMB package. CMS welcomes the current collaboration with the NDoH on the revision of the PMBs to align the package to NHI with an explicit inclusion of PHC as well as identification of the appropriate points of care for service delivery.

Stakeholders are therefore encouraged to participate within this process as per CMS circulars (see Circular 83 of 2016, Circular 90 of 2016 & Circular 1 2017).

- The timing of legislative changes must be carefully considered in order to allow for a seamless transition from a supplementary to complementary benefits cover within the medical schemes environment.
- The Health Provider Registration Information System needs to be able to capture all data (financial and non-financial) on health professionals involved in different types of contractual arrangements within the NHI. This information can be used for monitoring and evaluation purposes, including contractual engagements between the NHI fund and the service providers.
- Amongst others, the Office of Health Standards Compliance (OHSC) needs to ensure that there is compliance with norms and standards for quality, by all health establishments with a technical consideration/review of cost drivers. There is also an opportunity to either expand the scope of the regulatory work for OHSC to including price determination and oversight or the OHSC can work closely with the Price Determination Unit within NHI or the independent regulatory body of price setting (is established).
- The private hospital licensing system needs to be updated and strengthened in order to address market concentration within the private healthcare industry, as well as improve competition and removing barriers of entry for other facility types (such as NGO hospitals).
- The National Department of Health can draw lessons learned from the private hospital licencing process on issues related to licencing and/or renewal of licences within the context of access to minimum data (financial and non-financial performance data) from all facility types to triangulate appropriately for regulatory purpose.
- In absence of a statutory body responsible for price setting, the mandate of the Price Determination Unit be expanded to influence and/or regulate price setting within the national health system (that is , not only limited to the NHI environment).

- A mixed NHI funding method is recommended with a strong emphasis to progressivity on tax funding. This funding mechanism should be implemented within the context of efficiency and fiscal consolidation all health related funding, including consideration as well as improvements in absorption capacity across all service delivery points within different provinces. Absorption capacity is largely attributed to deficiency in public health and managerial expertise.
- Although the current VAT rate within South Africa can be viewed as relatively low when compared to some middle income countries. The increase in the rate should be carefully considered. A detailed impact assessment study from a societal perspective needs to be undertaken especially since other segments within the society might consider such increases as regressive, especially the poor.
- The communication and stakeholder awareness strategy should be proactive, innovative, and tap into the existing systems by government to expand consumer information about NHI. These could make use of eHealth's communications and broadcasting capabilities. Taking into account the diversity and vastness of South Africa, a variety of developmental communication approaches should also be employed to encourage public participation within the NHI engagements and implementation.
- Open enrolment, social solidarity and community rating should still apply in the medical schemes industry post the implementation of NHI to avoid affordability challenges.
- All necessary amendments to the Medical Schemes Act should be initiated as part of the broader phased implementation approach.