PRESENTATION TO THEPUBLIC HEALTH ASSOCIATION OF SOUTH AFRICA (PHASA) CONFERENCE

NATIONAL HEALTH INSURANCE (NHI)

Wednesday, 12 September 2018

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NATIONAL HEALTH INSURANCE (NHI) BILL

Definition

- NHI is a health financing system that poolsfunds to provide access to quality health services for **all** South Africans based on theirhealth needs and **irrespective of their socio-economic status**

Appropriate Platform for NHI

- It will need a **massive reorganisation of the current health system, both public and private** .

WHAT PROBLEM IS NHITRYING TO SOLVE?

The central question is: Can we change the health care system of the country interms of:

- Quality
- Access
- Cost
- Efficiency and
- Effectiveness

By just improving the public health system?

Chapter 10: Promoting Health - Targets for 2030,

- **Under Universal Health Coverage:**
  - Everyone has accessto an equal standard of care regardless of theirincome;
  - A **common fund** enables equitable access regardless of what people can afford to pay or howfrequently they needto make use of health services

WHAT PROBLEM ARE WESOLVING IN SOUTH AFRICA TO ACHIEVE UINVERSALHEALTH COVERAGE ?

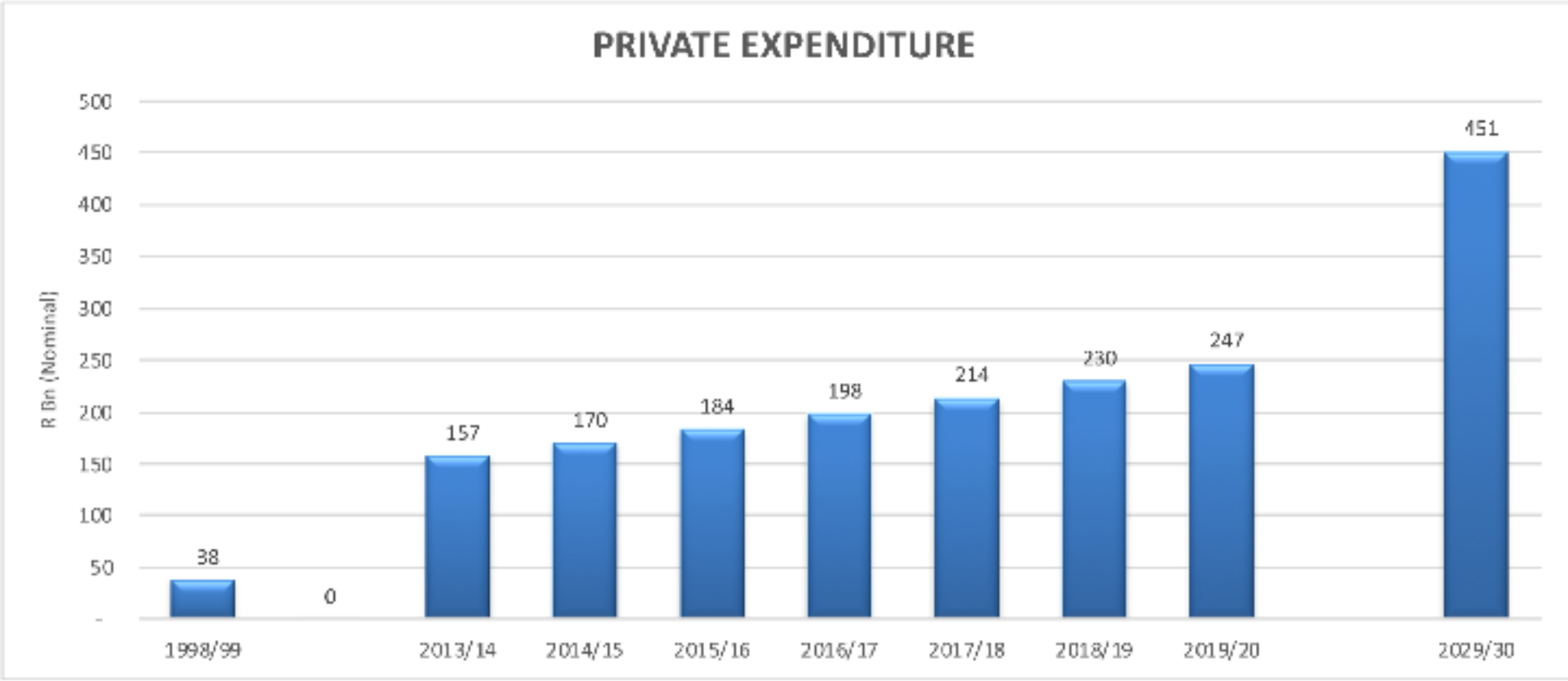
DEEPLY ENTRENCHED INEQUITIES

- The WorldHealth Organisationrecommends that countries should spend **5%** of GDP on health.
- South Africa currently spends **8.7%** of GDP on health (2018)
- The private sector spends **4.5%** of GDP on health but only provides care to **16%** of the population.
- The public sector spends **4.2%** of GDP on health but only provides care to **84%** of the population

	2015 (Bn)	2018 (Bn)	% Change
GEMS	17.8	20.5	15%
Civil Servants not on GEMS	1.8	2.2	22%
SOEs	7.2	8.3	15%
TOTAL GOVT AS AN EMPLOYER	26.8	31.0	16%
MEDICAL TAX CREDITS AND REBATES	20.0	26.0	30%
TOTAL STATE SUBSIDY	46.8	57.0	22%

Change inPrivate Sector Spending

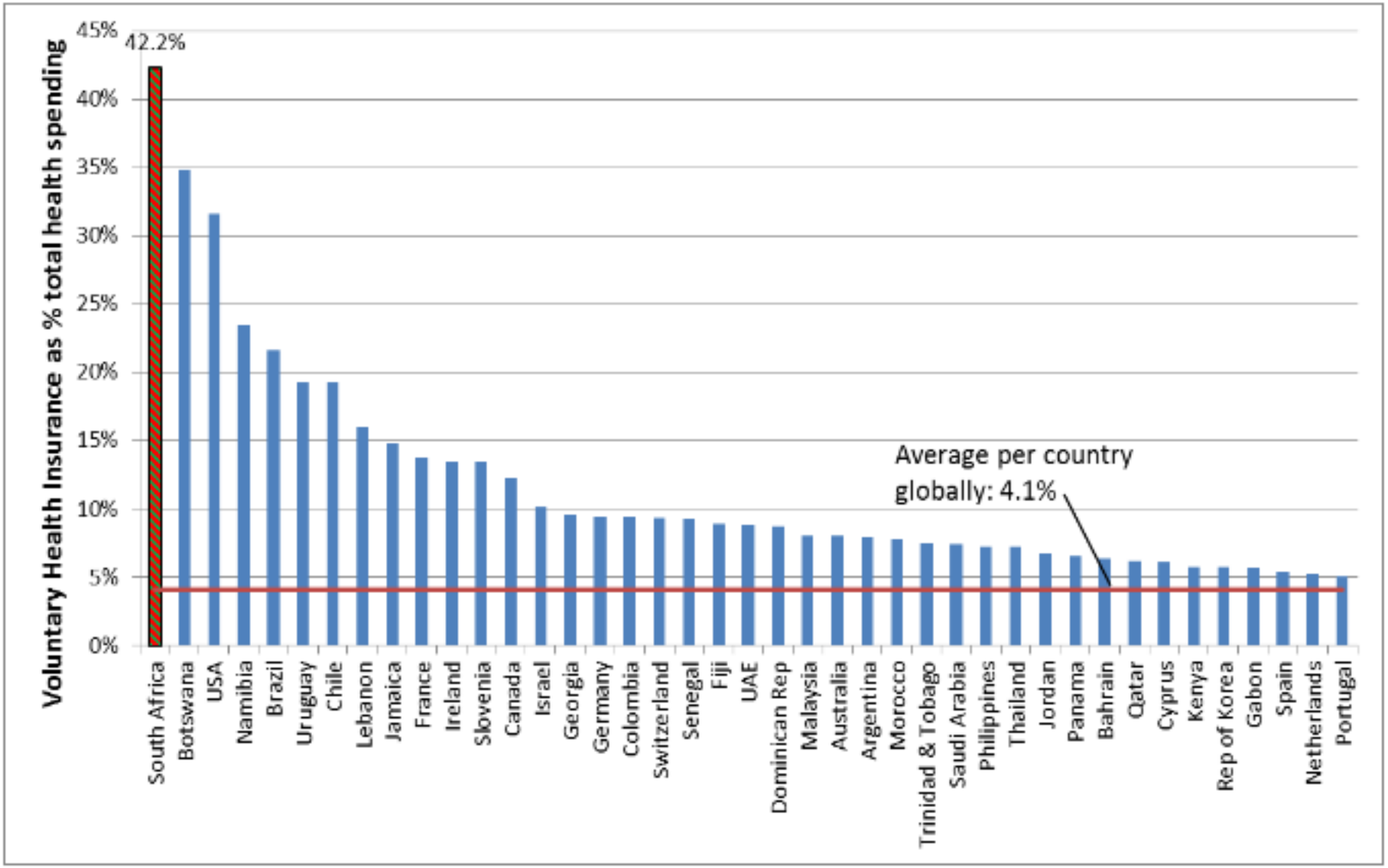
- Private sector events adversely affect the public sector and hence itis not possible to separate the two and solve theirproblems individually.



HOW DOES SA COMPARETO THE REST OF THE WORLD?

- This state of affairs as outlined above, led South Africa to be completelyout of sync with the rest of the world, as proven following slide which is very alarming

South Africa is an outlier: world's largest shareof spending from VHI



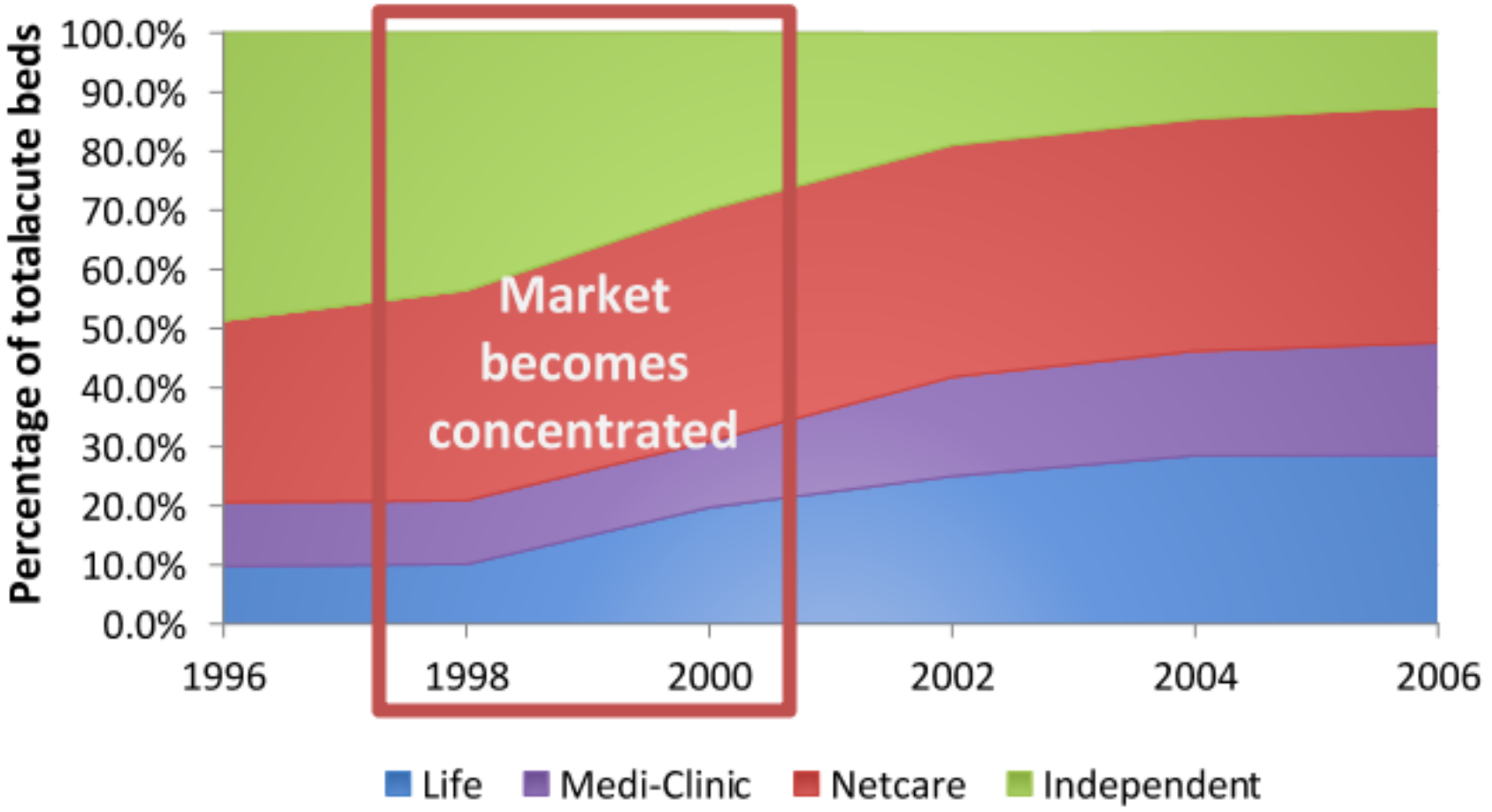
Source: WHO estimates for 2012, countries with population >600,000

WHO/OECD view on South African private health expenditure

- The previous slide indicates why the WHO and the OECD,have contended thatSouth Africa is the only country inthe wholeworld, where so much money is spenton the health of sofew people. (presentation to the Health Market Inquiry)

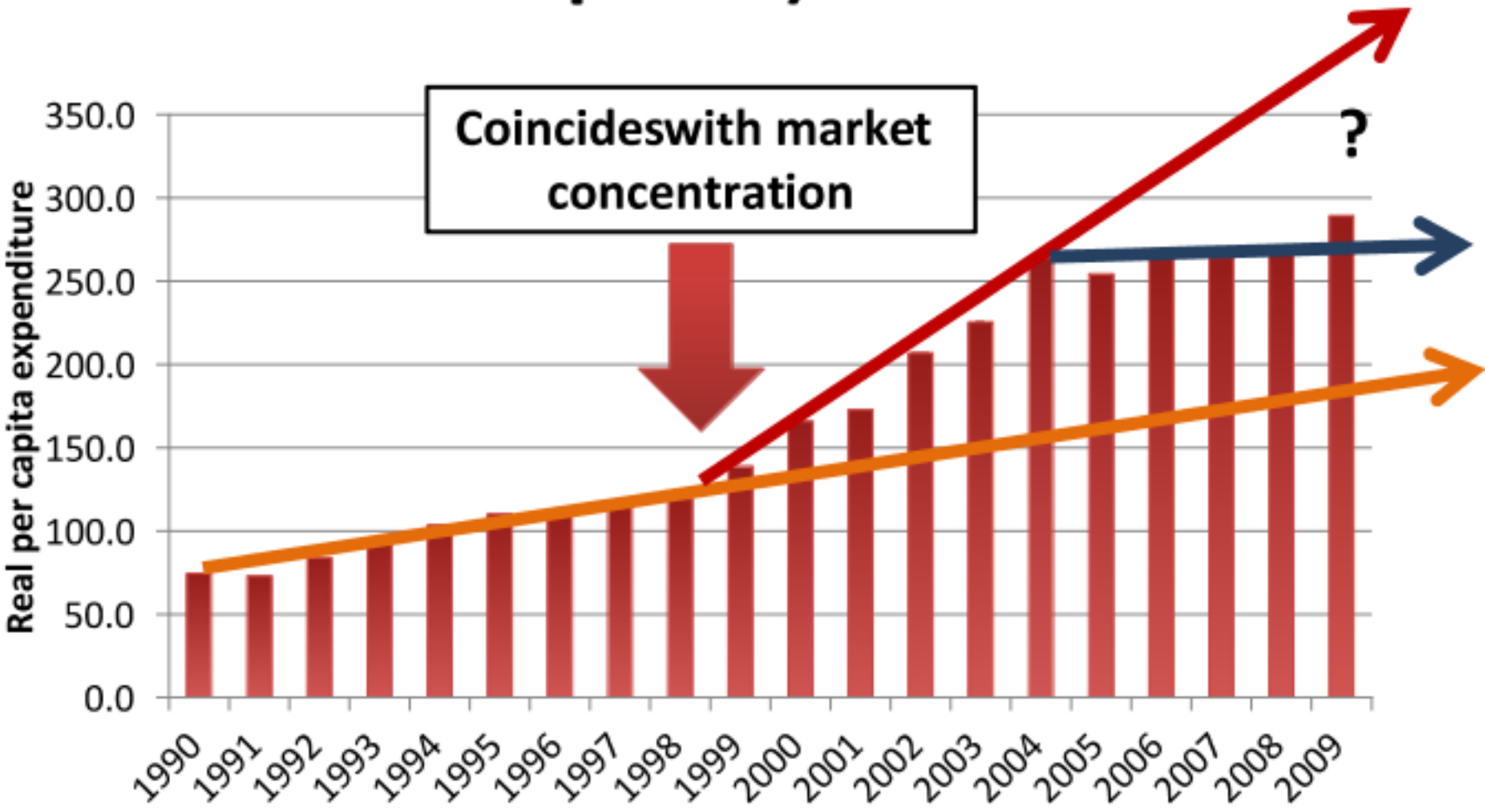
HEALTH MARKET INQUIRY (What didwe know?)

The private hospital market in metropolitan areas(50%+ of medical scheme population) was concentrated by 1999..

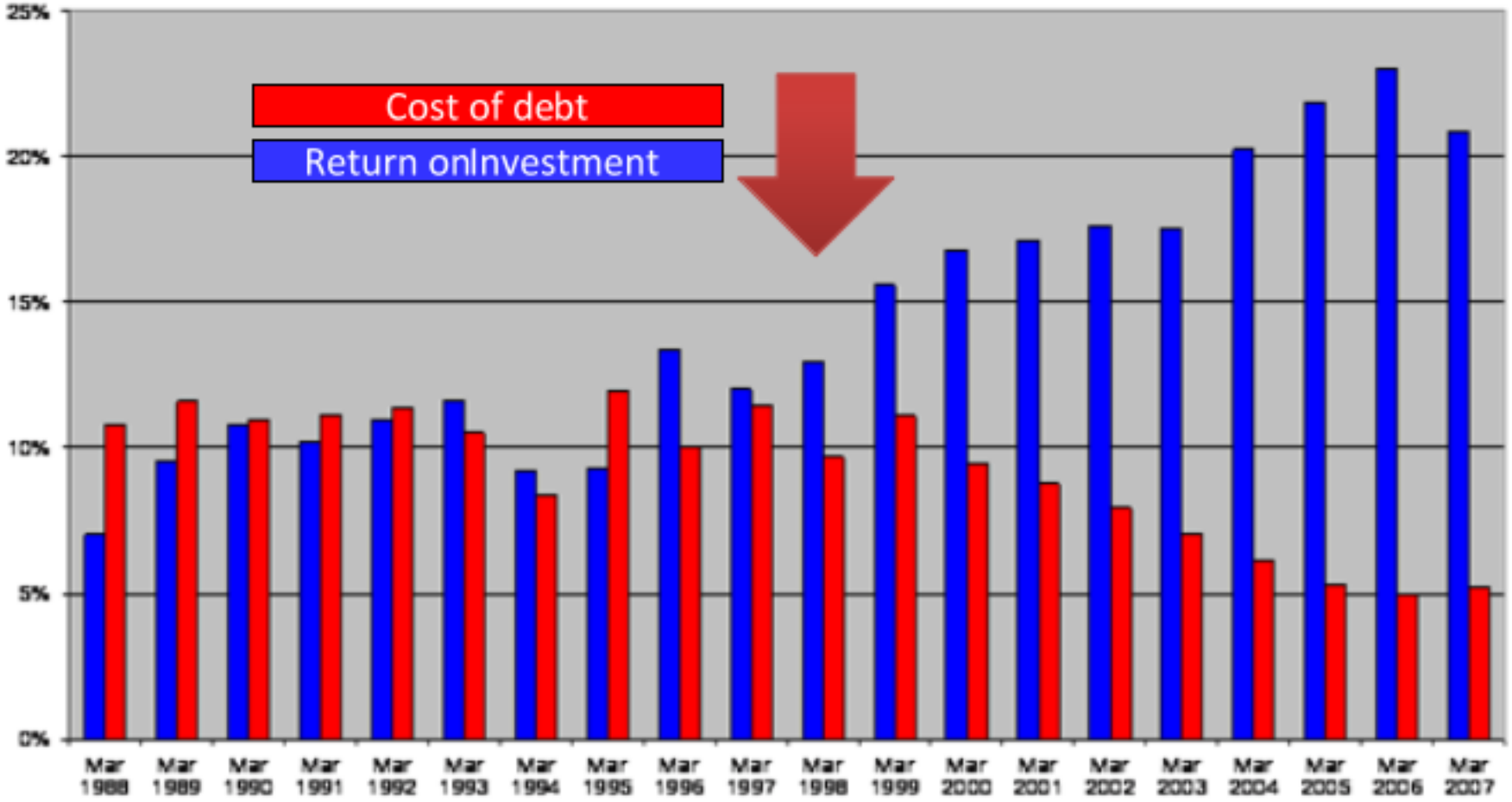


Only 12.3% of private hospital beds were outside three mainhospital groups by 2006…

Private hospital real cost trends (2009 prices)



…hospitals demonstrated a large growth in their return on investment…



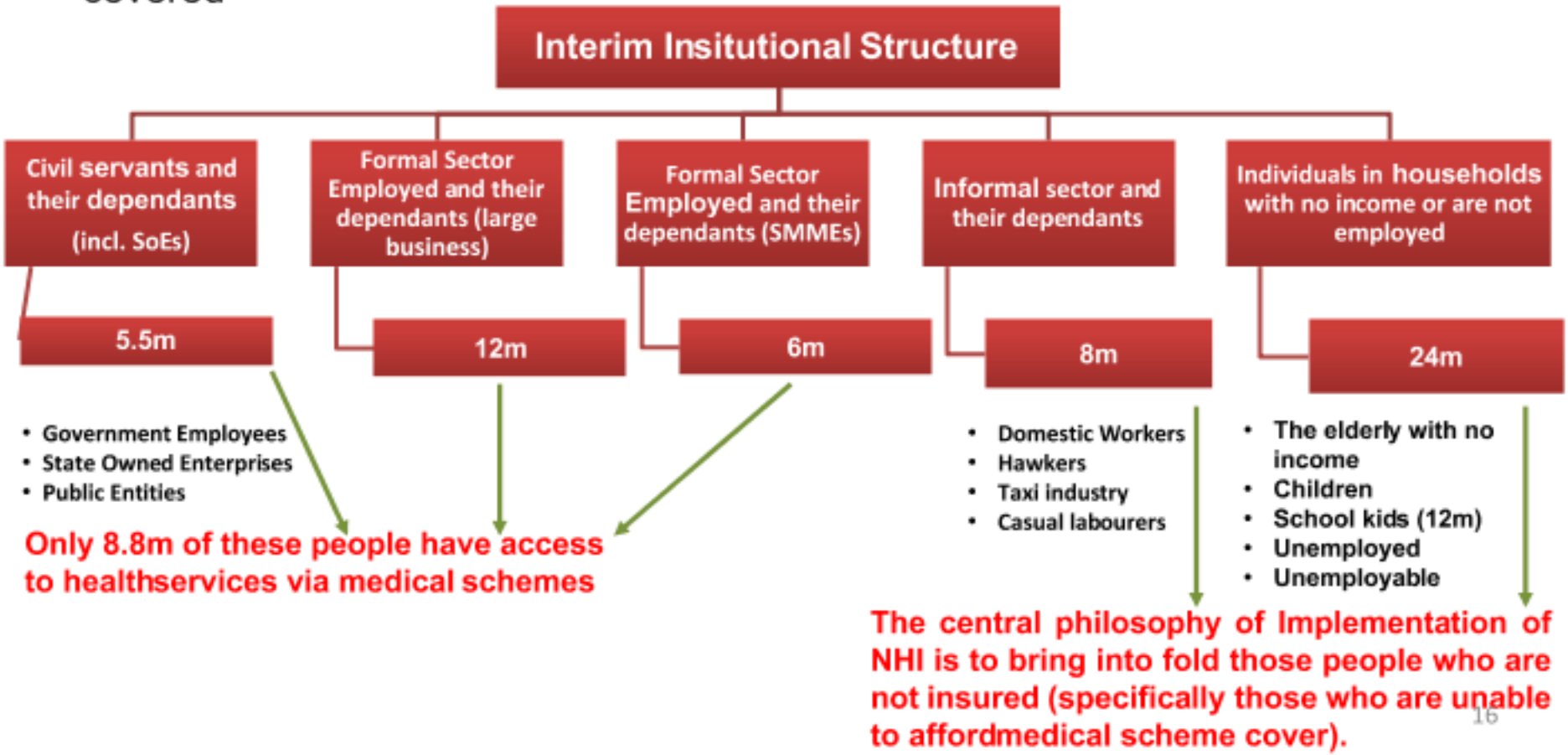
Competition Commission Ruling (2005)

1. Price negotiation as price fixing
2. Health asmarket commodity
3. Patient supposed tonegotiatedirectly with their doctors
4. Minister of Health supposed to be a neutral arbiter

NHI AND RESULTS OF HEALTH MARKET INQUIRY - WHAT DOWE DO?

Consolidation of Financing Streams

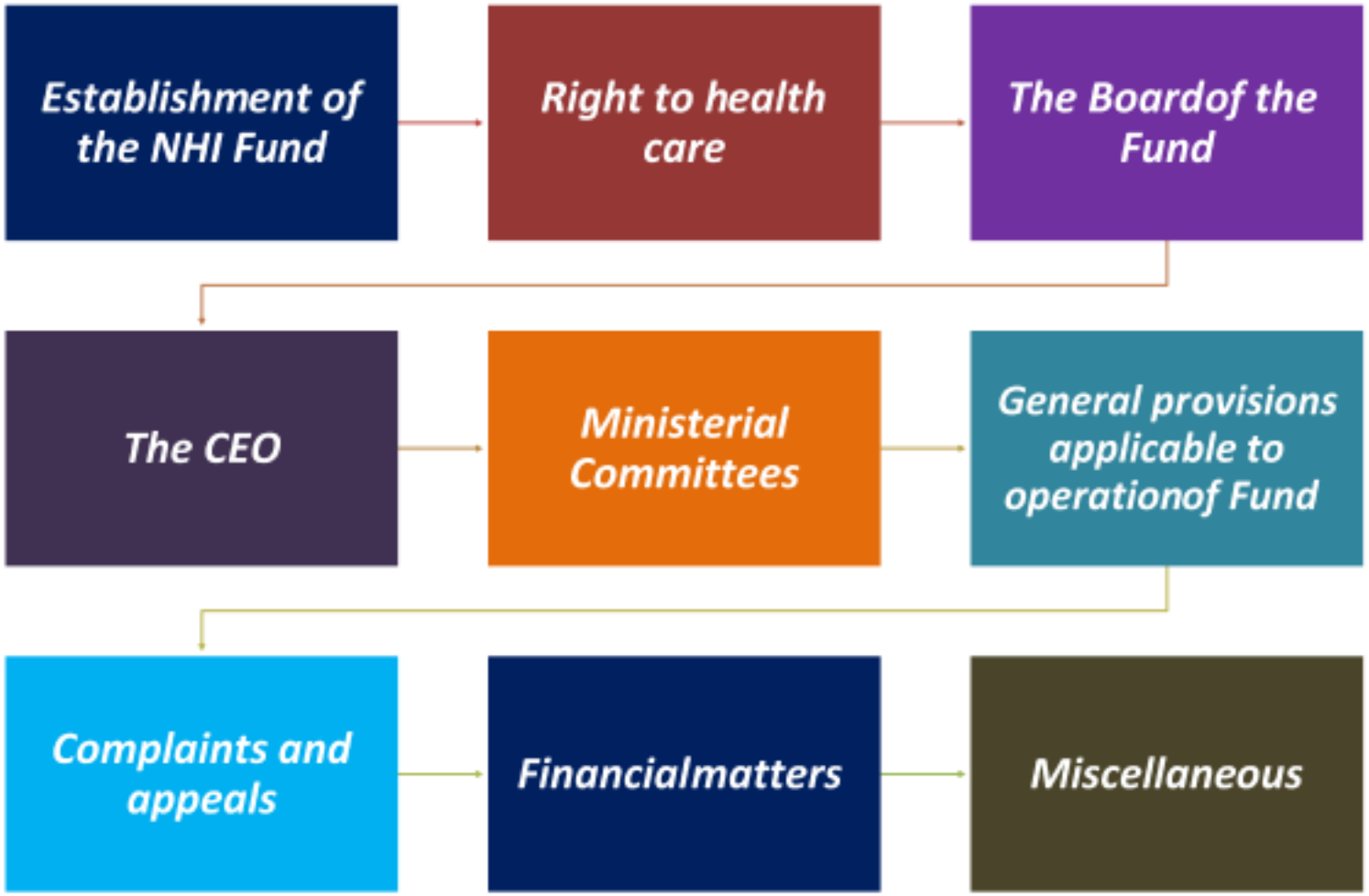
- Presently, according to STATSSA, this is how the SA population is divided in terms of income, employment and hence, indirectlymedical scheme coverage
- In reorganising the population, cognisance will be taken of these various categories, i.e. when we implement NHI, we have to start with those who are not covered



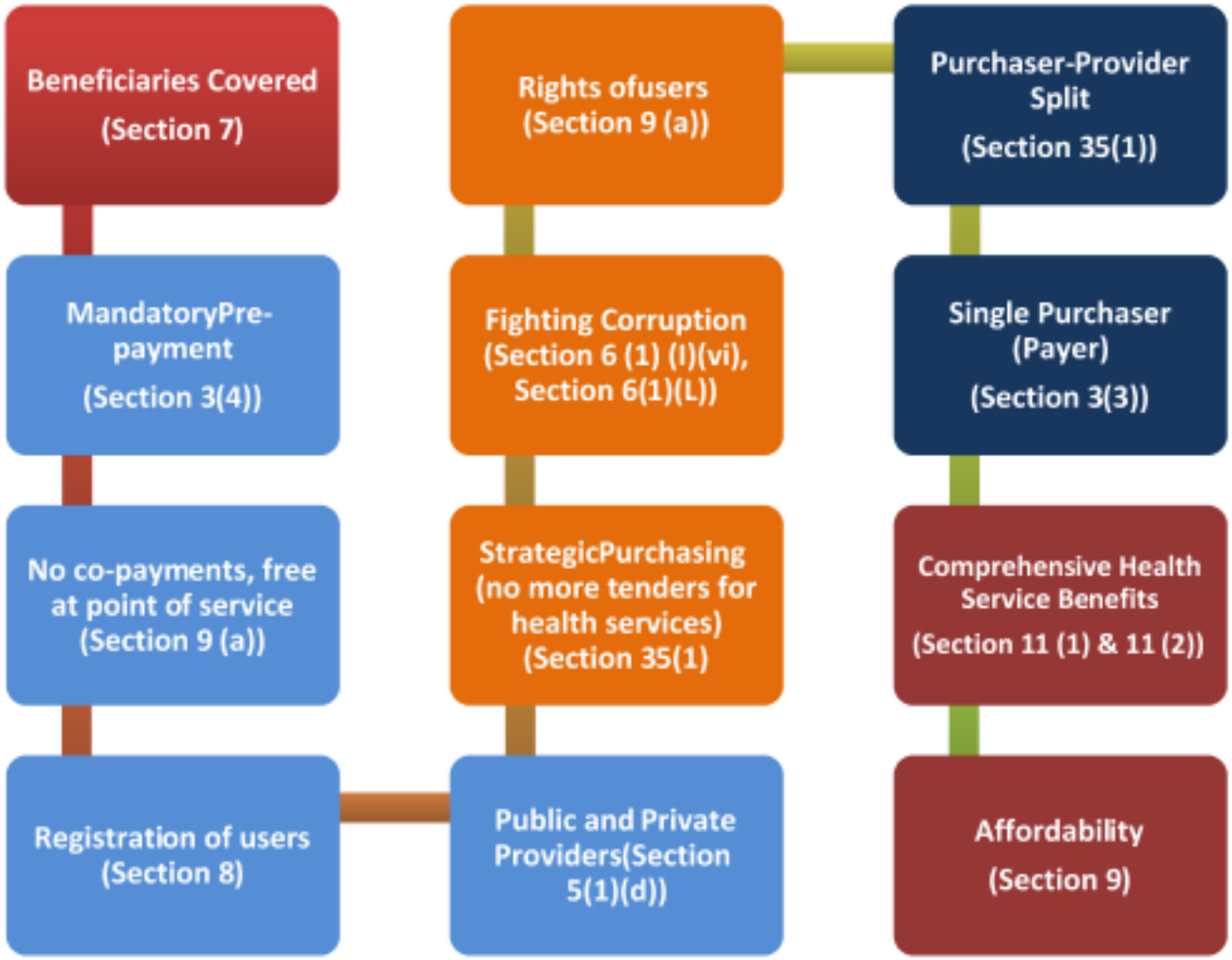
The NHI Bill

- This cannot be achieved without creating a singlecommon fund, which in itself will directly contribute towards:
  - a unifiedhealth system by improving equity in financing,
  - reducing fragmentation in funding poolsacross both the public and private sectors, and
  - making health care delivery more affordable and accessible for the population
- The NHI Bill is a crucial step in creating the common Fund.

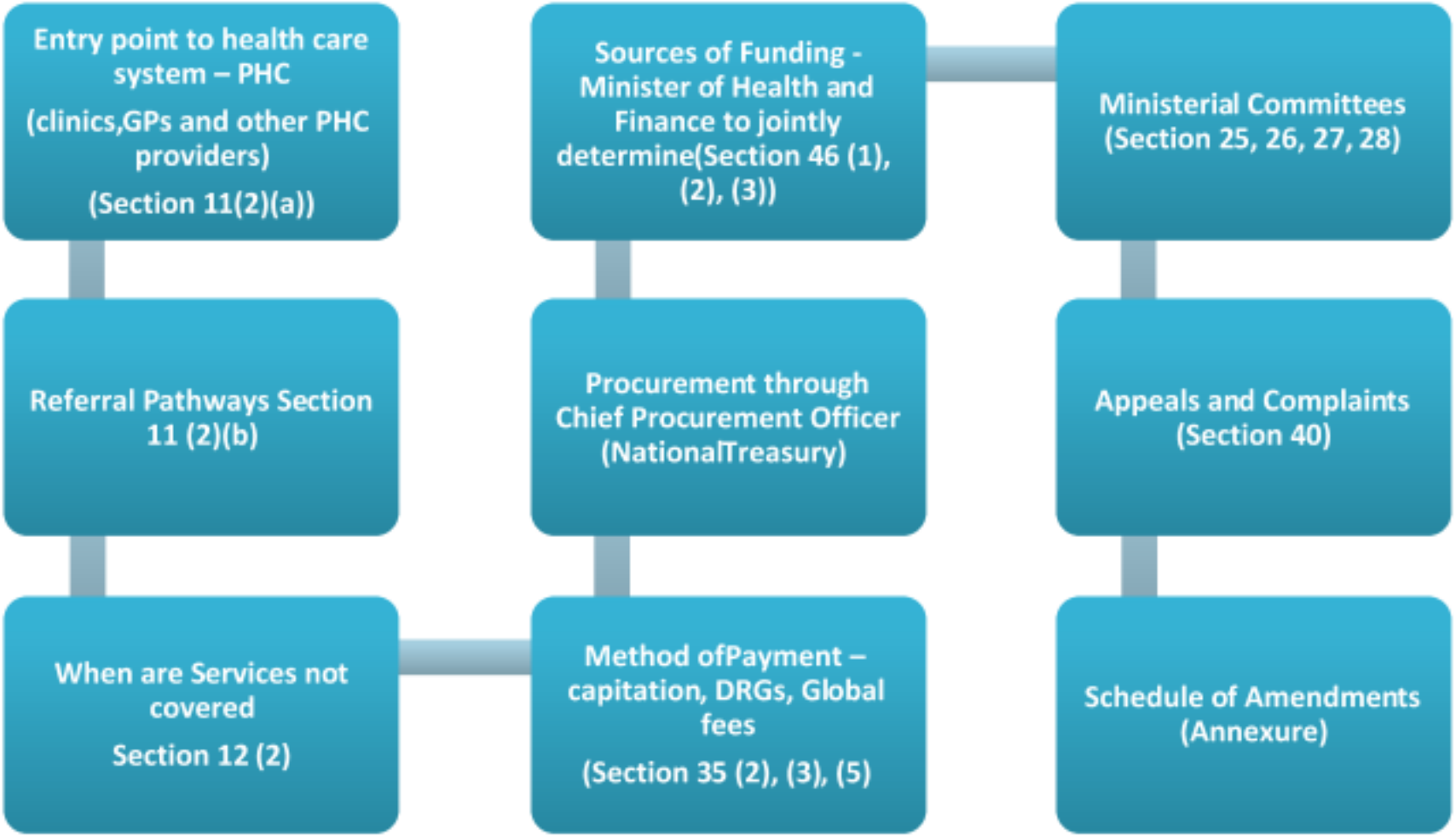
Parts of the NHI Bill



Features of the Bill (not exhaustive)



Key Features of theBill (contd.)



Transitional Arrangements

- Describedin section 54 of the bill.
- Specifiesthe structures, andprocess of implementation
- Phase 1 was from 2012 to 2017.
- Phase 2 will be fora period of five years from 2017 to 2022 and will—

i. continue with the implementation healthsystem strengthening initiatives, includingthe alignment of human resources with that which will be required under theFund;

ii. include the development of National Health Insurance legislation and amendments to otherlegislation;

iii. include the undertaking of Initiatives which are aimed at establishing institutions that will be thefoundation for a fully functional Fund;and

iv. will include the interim purchasing of personal healthcare services for vulnerable groups such as children, women, peoplewith mental health disorders, people with disability and the elderly.

Transitional Arrangements (contd)

Phase 3 will be fora period of four years from 2022 to 2026 and will include—

i. the continuation ofHealth systems strengthening activities on an ongoing basis;
ii. the mobilisation ofadditional resources as approved by Cabinet; and
iii. the selective contracting of healthcare services from private providers.

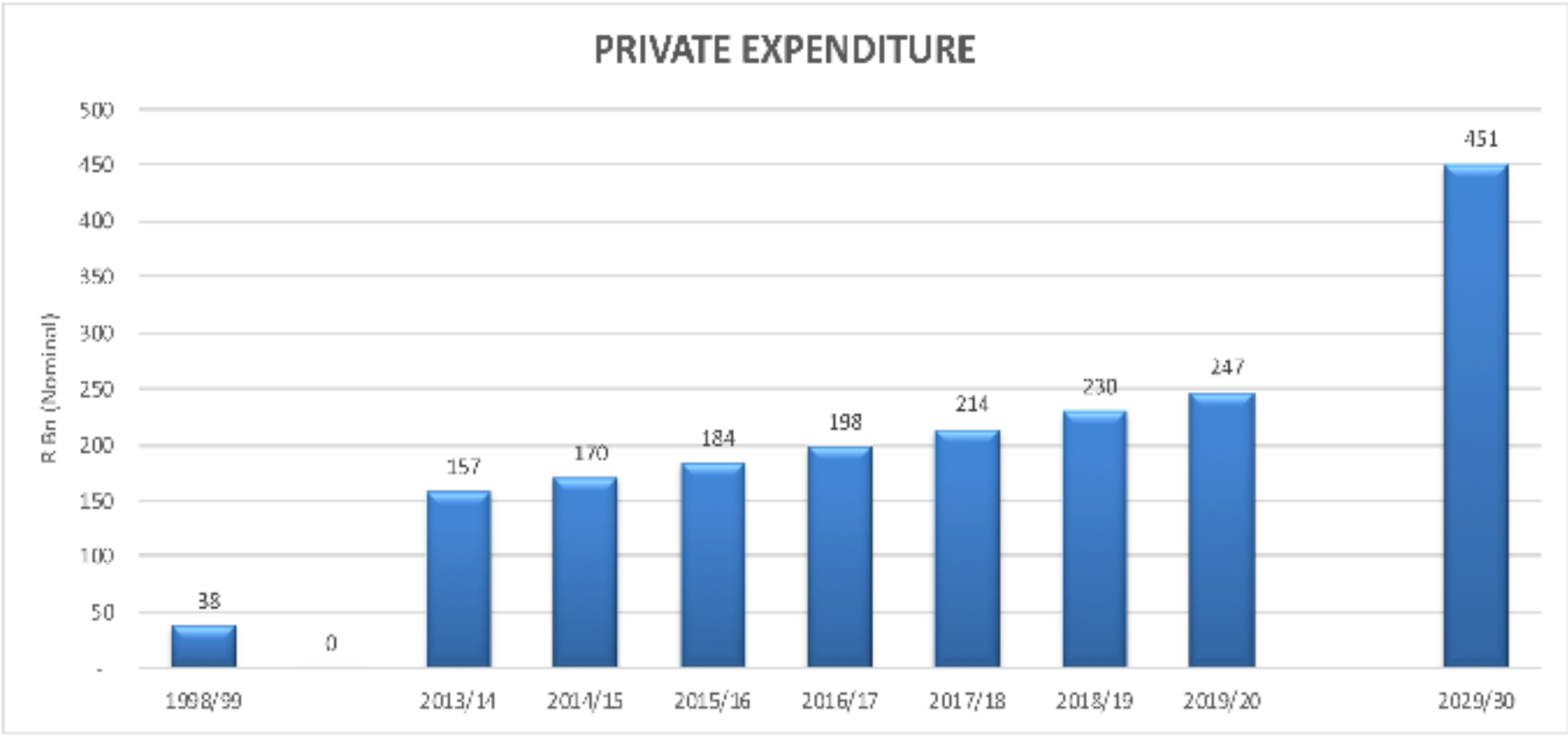
COMMONLY ASKED QUESTIONS, CONCERNS AND OUTRIGHT MYTHS

MYTH/CONCERN NUMBER1

NHI IS GOING TO BE UNAFFORDABLE?

What is unaffordable is this

- Private sector events adversely affect the publicsector and henceit is notpossible to separate the two and solve their problems individually.



POOLING OF FUNDS ISWHAT IS AFFORDABLE

VACCINE	PUBLIC SECTOR PRICE	PRIVATE SECTOR	SAVINGS
Pneumo (pcv13)	R266	R794	R1,584,300,000
Rota virus vaccine	R105	R364	R544,152,000
Hpv	R139	R730	R532,017,000
Sub-dermal implant	R115	R2 394	R1,823,200,000
Bedaquiline	$400 (reduced from $750)		R36,000,000
Viral load tests	SA volumes used to reduce global prices from $15 per test to $9.40 (SA volumes are 5m tests per year giving us further negotiating power for even lower prices)		
EstimatedTotal Savings			R4,483,669,000

MYTH/CONCERN NUMBER2

- People are going tobe required to pay more under NHI, burdening the black middle class even more;
- The poor are going to suffer because the middle class is going to fight for space with them in the alreadycongestedpublic sector

PEOPLE ARE PAYING MORE AS IT IS NOW

- E.g, an average household that earns R20 000 a month currently contributes R3 800 per month towards their medical aid. This is 19% of the family's income. At the current rate of medical aid increase, in 2030, that family will pay 28% of their disposable income;
- The scenario adopted is that NHI will be predominantly be funded through general taxrevenue allocations, supplemented by –
  - a payroll tax payable by employers and employees (total 2%). This funding approach has been developed by the National Treasury with a maximum payroll tax of 4% that will be used to fund NHI. This is also much lower than what poor and rich households pay as their contributions to medical scheme premiums. Therefore, the impact on households currently contributing to medical schemes will be much more positive under NHIFund; and
  - a surcharge on individuals' taxable income (2%) to support the social solidarity principle of NHI.

INITIAL STEPS IN THE IMPLEMENTATION OF NHI

- The 2017 budget speech refersto the establishment of the NHI Fund.
  - **The service package financed by the NHI Fund will be progressively expanded. In setting up the Fund, we will look at various funding options, including possible adjustments to the tax credit on medical scheme contributions. Further details will be provided in the Adjustments Budget in October this year, and in the course of the legislative process.**
- The manner in which the NHI will be implemented will be informed by, among others:
  - Our Primary Health Care Approach (PHC is the heartbeat of the health care system)
  - Lessons learnt during the NHIpilot phase
  - The White Paper on NHI (Priority will be given to the population that is in greatest need, including vulnerable groups, and must include those experiencing the greatest difficulty inobtainingcare.)
  - Nelson Mandela's Elders position paper on Universal Health Coverage (which prioritises women, children, adolescents)

INITIAL STEPS IN THE IMPLEMENTATION OF NHI (contd.)

- Within the uninsured population implementation will be prioritised in the following order:
  a) Learners (School Health)
  b) Maternal and woman's health (ANC, contraceptivesand Family Planning, aswell as screening and treatment for breast and cervicalcancer)
  c) Mental illness (Screening, referral andcare)
  d) Elderly (cataract, hip, knee surgery and the provision of assistivedevices such as wheelchairs, hearing aids, glasses)
  e) People with disabilities (provision of assistive devices such as wheelchairs, hearing aids, glasses)

Scale Up Phases Total Cost for Implementation

Programme	Year 1	Year 2	Year 3	Year 4
Mother and Women - Normal + High risk pregnancy	1 007 622	1 012 660	1 017 723	1 022 812
Mother and Women - Screened for Cancer	3 278 435	7 953 044	10 710 088	19 075 119
Mother and Women - Cervical Cancer	6 007	7 056	7 591	8 005
Mother and Women - Breast Cancer	8 203	8 916	9 657	10 375
Paediatric Cancer	4 737	5 324	5 749	6 127
School health	1 174 594	2 103 680	4 118 882	5 293 476
Elderly - Cataract surgery	70 000	100 000	100 000	120 000
Elderly - Hip and Knee arthroplasty	4 450	4 472	4 495	4 517
Disabled + Rehabilitation	9 500	18 000	25 000	30 000
Mental Health Users - Screening +Treatment + Care	500 000	750 000	1 000 000	1 200 000

TOTAL COST FOR IMPLEMENTATIONOF PRIORITY PROGRAMMES

Programme	Year 1	Year 2	Year 3	Year 4	Total
Mother and Women - Normal + High risk pregnancy	5 668 836 884	5 697 181 069	5 725 666 974	5 754 295 309	22 845 980 236
Mother and Women - Breast Cancer	4 845 749 609	5 854 456 429	6 888 155 297	7 017 520 185	24 605 881 519
Mother and Women - Cervical Cancer	987 576 714	1 211 375 324	1 334 205 349	1 423 655 945	4 956 813 332
School health	658 263 779	920 533 542	1 737 393 319	1 737 393 319	5 053 583 960
Elderly - Hip and Knee arthroplasty	136 116 450	136 797 032	137 481 017	138 168 422	548 562 921
Elderly - Cataract surgery	318 182 400	198 864 000	198 864 000	218 864 000	934 774 400
Mental Heath Users - Screening +Treatment + Care	801 893 939	1 202 840 909	1 603 787 879	1 924 545 455	5 533 068 182
Disability - Rehabilitation	42 000 000	105 000 000	262 500 000	656 250 000	1 065 750 000
Childhood cancer	778 728 434	875 288 568	945 215 203	1 007 250 431	3 606 482 635
Total cost	14 237 348 209	16 202 336 873	18 833 269 037	19 877 943 066	69 150 897 185

THE END