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Medical schemes seek to play a role in new national health system

National health insurance (NHI) is likely to have a humble beginning and could be forced to co-exist with medical schemes to provide you with comprehensive private health care - at least initially.

A medical schemes conference was cautioned this week to be aware that the national budget is not only constrained but that competing demands are being made on it.

And despite the ruling party's view that there will be no need for medical schemes in the NHI system, the Board of Healthcare Funders (BHF), the body that represents schemes, says it will argue not only for medical schemes' place in the new system but also for them to play an integral role in it.

At the BHF conference at Sun City this week, Dr Olive Shisana, the chief executive of the Human Sciences Research Council and the head of the African National Congress's task team on NHI, outlined the ANC's proposals for the new health system.

In line with a document from her task team that was leaked earlier this year, Shisana said NHI will be funded through general taxes and a dedicated payroll tax for all those who are employed. Half the payroll tax will be paid by the employer and half by the employee.

NHI will provide a package of basic benefits through healthcare providers in the public and private sectors that would have to obtain accreditation and agree to provide NHI services at the government's negotiated tariff. These services will be free when you access them.

Shisana said it would be wrong to say how much NHI will cost, as this will be finalised only after consultations about the ANC's NHI proposals were completed.

Doing the sums

Yesterday, in an article in Business Day, economics professor Servaas van der Berg and healthcare actuary Heather McLeod cited a cost of R176 billion for a package of benefits based on the current minimum benefits plus some primary health care. This, they said, would be unaffordable at the existing level of economic development.

At the BHF conference Andrew Donaldson, the deputy director-general of public finance at the National Treasury, warned delegates that the economic environment does not allow for the creation of a healthcare service that is backed by a large budget.

Donaldson cautioned against "fiscal illusion", saying resource constraints are real. An expanded, improved healthcare system has to be part of a growing, more productive economy.

In terms of annual average income per person, South Africa, at US\$5 800 in 2007, is way behind the United States at US\$46 000, the United Kingdom at US\$43 000, South Korea at US\$19 700 and even Mexico at US\$8 300.

Both Donaldson and consulting actuary Barry Childs told delegates that spending on healthcare services is not the only way to improve the health care of a nation.

Both said public expenditure on other services - such as household income support, nutrition, housing, sanitation, education and welfare - has a big role to play.

Childs said there is a weak correlation, for example, between the amount spent on health care and the life expectancy of a population.

The government has been focusing on strengthening income

transfers to households, which also improves health outcomes, he said, and a top priority has been job creation.

There are difficult trade-offs between what South Africa spends on services versus job creation, Donaldson said.

Basic benefits

A source in the Department of Health told Personal Finance it is likely, in view of the budgetary constraints, that NHI will begin with a package of primary healthcare benefits, which will be available to everyone through both the public and private healthcare systems.

The more expensive in-hospital benefits will initially be offered only in public hospitals. This could leave medical schemes free to offer top-up private hospital cover to those who can afford it.

Shisana acknowledged that, in terms of the ANC's NHI proposals, schemes will be able to offer top-up cover beyond the NHI package.

Dr Molefi Sefularo, the Deputy Minister of Health, said the Department of Health is in the process of consulting the cabinet and relevant government departments on its NHI proposals. Once the cabinet has approved these proposals, a document will be released for public debate and consultation.

He said there is likely to be both a green and a white paper, and that a multi-disciplinary committee may be set up in Parliament to deal with consultation on the papers.

Sefularo said the ANC has given government a mandate on NHI and the party has a position on NHI, but there will still be time for consultation and the starting gun for consultation has not yet gone off.

The ANC will defend its position on NHI, he said.

But Sefularo also invited the private sector to contribute its expertise, and said the government would listen very carefully to what the private sector has to say.

Despite promising that there will be time for consultation, Sefularo said the government hoped to have legislation and a budget in place by April next year that will pave the way for the implementation of NHI.

USING ONLY ONE ENTITY TO PAY FOR HEALTH SERVICES IS CHEAPER, ANC SAYS

One of the hot debates about how the future NHI system should evolve will centre on whether healthcare services should be paid for by a single entity or by multiple ones, as is the case in the private healthcare sector, where there are 110 medical schemes.

The ANC, in its proposals on NHI, says there is no room for medical schemes in NHI, although they may have a role in providing top-up cover for health services not offered under NHI.

But Humphrey Zokufa, the managing director of the Board of Healthcare Funders (BHF), said rather than just stepping aside into the role of providing top-up cover to NHI, schemes need to protect their members' rights by becoming the basic building blocks of

NHI.

The BHF is seeking a role for schemes that will see them integrate seamlessly into NHI, Zokufa said.

Dr Clarence Mini, a director of the BHF and the corporate affairs executive of Thebe Ya Bophelo Healthcare Administrators, told the BHF conference this week that BHF-member medical schemes plan to work actively towards the success of the NHI system, because it will benefit scheme members.

He said schemes will play a consumer advocacy role on behalf of their members. Schemes could benefit the NHI system with public-private partnerships, managed care initiatives, information management, and monitoring and controlling quality.

The BHF, Mini said, is proposing that schemes be allowed to collect NHI contributions from the NHI Authority (which will be set up to implement NHI) and then to offer the NHI benefits as determined by the NHI Authority and at the tariff negotiated by the government.

Such a system is referred to as a multi-payer one, as more than one entity becomes responsible for paying for healthcare services.

Shisana said single-payer systems have control over all the costs, and literature on health systems internationally indicates that such a system is better.

With a single-payer system, she said, there would be no need to introduce the risk equalisation fund (REF). The REF was proposed to equalise the cost of providing certain minimum benefits across schemes.

One of the main arguments put forward by those who argue for a multi-payer system is that it allows competition between funders and avoids the bureaucracy that is inevitable with a single payer.

Shisana suggested that an NHI system where benefits are set and healthcare providers are paid by a single agency could result in savings from reduced administration of 22 percent of hospital costs and 36 percent of doctors' costs.

Shisana said other savings would accrue from introducing capitated fees rather than fees for services for healthcare providers. For example, doctors would not be paid per patient but by way of a global fee for the number of patients they serve.

Mini said if schemes were allowed to provide NHI services, members would enjoy seamless health financing and a smooth transition into NHI.

Members would not have to terminate their medical scheme membership and be forced into a system that would be unknown initially.

The reserves that schemes hold would also be protected and retained within schemes, he said.

Boards of trustees would be able to play a strong advocacy role on behalf of consumers. Blum Khan, the chief executive officer of the Metropolitan Health Group, said it is likely that a single-payer system would be introduced but that medical schemes would be

allowed to provide top-up cover.

In order to fulfil this role, Khan said, schemes will have to consolidate further, which will be good for the industry, and they will have to simplify the benefits they offer.

Khan said it is likely that when a package of NHI benefits is introduced, employers will think long and hard about paying for anything more than the NHI offered. Employers would probably only offer to pay for top-up benefits for more sought-after employees, he said.

Both Shisana and Sefularo spoke about a phased implementation of NHI, suggesting that if medical schemes are excluded from providing NHI services, their role could be phased out as NHI is phased in.

PRIVATE HEALTHCARE SYSTEM 'NOT SUSTAINABLE'

The amount spent on private healthcare is inequitable and unsustainable, the BHF conference heard from numerous speakers.

Professor Di McIntyre, of the Health Economics Unit at the School of Public Health and Family Medicine at the University of Cape Town, told the conference that while it was a given that the public healthcare sector faces enormous challenges, the private sector has to acknowledge that it too is part of the healthcare problem.

McIntyre looked at medical scheme contributions as a percentage of income and found that in the early 1980s contributions were seven percent of average income earned (that is for all income earners and not just medical scheme members).

By the 1990s, this had risen to 14 percent, and early in the 21st century it was 20 percent. In 2007, despite a levelling-off in annual increases, contributions had reached 30 percent of income.

McIntyre said this raises questions about the possibility of extending medical scheme cover - particularly to lower-income earners. Although low-income earners are likely to choose packages that cost less than the average, they also often do not include all their dependants. McIntyre said it is fair therefore to say that if medical scheme cover was extended to all formal sector workers and their dependants, it would cost the employed 30 percent of their income.

McIntyre said the question is not just about whether or not national health insurance is affordable but whether the current system is affordable.

She and other speakers spoke of the need for alternative ways of paying for healthcare services, such as on a capitation basis. Capitation means healthcare providers would be paid a negotiated fee for the number of patients they service rather than for each service actually rendered.

Sefularo said some people argue that the private sector health system is perfect, acceptable, affordable and sustainable. "We all do know that this is not true. A number of recent research reports state that private health care and the South African medical aid industry, in their present form, are likely going to implode because they are not sustainable."

Only one speaker, Barry Childs of Lighthouse Actuarial Consulting, said there is hope for private health care. But he said there needs to be a paradigm shift in the way it is delivered.

Despite the cries about the lack of affordability of private health care, Childs said there have not been any mass moves to buy cheaper medical scheme options. If this were done, it could save

an amount estimated to be 30 percent of what is spent now.

Laura du Preez, *Personal Finance* – 5 September 2009

NHI plans to be ready for public comment by year-end

The Green and White Papers on the National Health Insurance (NHI) system could be ready for public comment and consultation by the end of the year, the Health Ministry has announced.

The legislation could be expected by the beginning of the next financial year in April, it said in a statement on Wednesday.

"We are busy preparing a submission on the NHI in consultation with our colleagues in the Cabinet and relevant government departments towards eventual approval by the national Cabinet," Deputy Health Minister Dr Molefi Sefularo told a conference marking the 10th anniversary of the Board of Healthcare Funders in North West this week.

"Once approved, the document will be released for public debates and consultations."

He said the consensus so far was that the NHI be implemented in a phased manner to allow for consultation, policy-making and legislation review.

Acknowledging that implementation of the NHI system would be a complex and demanding process, he said it represented a watershed moment for the future of the national health system.

"We all have to understand that it will take time. The NHI could safeguard social solidarity and universal coverage as has been the case in many other countries.

"How we get to the NHI is still a subject for debate ..."

Sefularo said the country faced a time of renewal for the healthcare system.

The failure in the past to get the NHI off the ground had resulted in a spiralling of health costs, which had called into question the sustainability of the private healthcare sector.

"... We have sufficient evidence to change the course. We should embark on activities that are aimed at changing the current health system for the better. The NHI is one of those interventions," he said.

"We are committed to provide space for all stakeholders and role-players to contribute meaningfully to the project of strengthening the national health system."

Sefularo told the conference that most of the country's health funding should flow through the NHI to ensure more equal access to healthcare.

"It is within this context that the present dominant role of medical schemes in healthcare funding needs to be reviewed," he said in a speech presented on his behalf at the Board of Healthcare Funders conference in Sun City.

"The current concentration of healthcare resources in one sector that benefits the few is not what we envisage," he said.

The proposed model for the NHI suggested adjustments to revenue collection, the pooling of funds, the purchasing of services and the provision of these services to the general public.

"The intention is that the National Health Insurance will be funded from two sources of revenue, namely general tax revenue and an earmarked mandatory contribution."

All employed individuals would have to make a mandatory contribution into a national health insurance fund, which would be publicly administered and managed.

Ways to ensure that this led to the provision of quality healthcare were being considered.

Sapa, Mail & Guardian Online – 2 September 2009

Parliament to grill private schemes over exclusivity

Private health care service providers would be hauled before Parliament to explain why their system had only favoured the rich, Bevan Goqwana, the chairman of the portfolio committee on health, said yesterday.

Goqwana said Parliament had failed the country's poor over the last 15 years by only checking on the public health care sector and ignoring the private medical sector.

"From now on we will be vigilant about what is going on in the private sector," said Goqwana. "No one can improve the health system unless we have one system. We need a system that will encompass all."

Goqwana said the committee would take the positive aspects of the private system and implement them in the public sector.

Practices in the private health care sector were once again brought under the microscope this week as the debate about the introduction of the National Health Insurance (NHI) raged on at the 10th Board of Healthcare Funders annual conference.

The government wants universal cover for every citizen as an effort to eliminate the inequities in the way that health care is provided in the country.

Some commentators have questioned whether the country would be able to afford medical insurance coverage for all 49 million citizens and provide a service that would not require a fee upfront.

Di McIntyre, the health economist at UCT, said the private sector industry had the power to make health care affordable.

She said the health reform debate should first question whether the current system was affordable before questioning whether the new proposal would be affordable.

"The message always seems to be that the public sector is the problem and that there is nothing wrong with the private sector. We all agree that the public sector is a problem but the private sector is also a problem.

"The private sector can't be part of the solution unless it acknowledges that it is part of the problem," said McIntyre.

She added: "We need something akin to a Truth and Reconciliation Commission in the health system."

McIntyre said that since 1981, contributions for medical aid schemes had increased far more than general inflation.

"Most of the very rapid increases happened over the last 10 years," she said.

McIntyre said the medical aid contribution was 30 percent of the average salary or wage of employees in the formal sector in 2007, rising from 7 percent in 1981. When the private sector industry attempted to create lower-income medical schemes, the benefits were not adequate.

Other role players were not really coming to the party but were rather more interested in increasing their volumes.

Nkaki Matlala, the chairperson of the SA Hospital Association, said the association supported the spirit of universal access as private hospitals had experience in hospital management, which they could contribute.

However, Matlala raised concerns about using a single-payer funding model, saying experiences with such models in the country were not successful.

"Look at the Compensation for Injury on Duty Fund and Road Accident Fund, those are single-payer examples. If we depended on these for business, we would have long gone out of business," said Matlala.

Medi-Clinic spokesperson Biren Valodia said: "We need to see a marriage between ideology and the development of a sustainable, pragmatic solution given our current realities of low employment, low tax base and lack of health resources."

Slindile Khanyile, Business report – 2 September 2009

Opposing opinion will add quality to NHI debate

They gave various reasons why the NHI was imperative.

Molefi Sefularo, the Deputy Minister of Health, reassured the private sector that it was important and that it had a role to play.

Olive Shisana, the chairwoman of the ANC's NHI task team, said that the team's proposals included contracting the private sector suppliers.

Andrew Donaldson, the deputy director-general for public finance at the Treasury, left many people stunned after his presentation. His message was that detail about the NHI was important in order to fully understand what and how much would be required to provide for the NHI.

But he also highlighted that there was more that the Treasury had to cater for than the NHI and health in general. He also said the country's medical aid industry was well-established and there should be efforts to expand on that capacity.

This message certainly did not go down well with some people, particularly those in the ANC, who were not sure if he was saying the NHI proposal should be dropped and alternatives sought.

It would be wise to analyse what he was saying because the reality is that the money will be important to the system. The country should be careful not to promise more than it can afford.

The reason the country has experienced what have come to be known as service delivery protests is because promises have not been kept.

Officials like Donaldson have to be taken seriously even if what they say makes some people uncomfortable.

Slindile Khanyile, *Business report* – 2 September 2009

NHI Needs Combined Private, Public Efforts

North West — Realising the National Health Insurance (NHI) principles of universal coverage can be made easier by combined efforts of the private and public sectors, says Deputy Minister for Health Dr Molefi Sefularo.

Addressing a Board of HealthCare Funders Conference on Wednesday, the deputy minister said there needed to be a sharing of experiences and technical expertise from both the private and public sectors.

"It is only through working together that we can create a health system that is truly world-class, offers our people adequate and reliable financial risk protection and access to affordable, acceptable and equitable health services through an integrated network of public and private providers and facilities that offer good quality care to all," Dr Sefularo said.

He said the government was convinced that the private sector had an essential role of sharing their experiences with government on their achievements and challenges in the management and administration of private health insurance schemes.

"This is necessary to ensure that the publicly administered and managed NHI fund is appropriately poised to gain from the experiences of the past and to learn how to best address the challenges that it may encounter, especially with regards to controlling costs escalation, managing and preventing fraud among other things," he said.

Dr Sefularo said it was time for government to take a leadership role in the functioning of the national health system through the creation of social safety net.

He said this "net" would ensure that people have financial risk protection from catastrophic healthcare expenditures and enjoy access to good quality and affordable health services when they need it.

"This is what forms the basis of the proposal to implement a NHI in the country," he said.

The deputy minister reiterated that the broad objective of pursuing a NHI was to ensure that the majority of the country's health funds flow through the NHI, which will enable all South Africans to access quality and comprehensive health services, which will be free at the point of service.

"It is within this context that the present dominant role of medical schemes in health care funding needs to be reviewed, the current concentration of health care resources in one sector that benefits the few is not what we envisage.

"The proposed NHI model calls for key adjustments that have to be made in the national health system in relation to four equally important areas, namely the revenue collection and pooling of funds, purchasing of services and the provision of these services to the general public," said Dr Sefularo.

He further explained that National Treasury and the South African Revenue Services would take a lead in advising the government on the best funding mechanism.

"Innovative mechanisms are being considered with regards to the processes of quality assurance and quality improvement systems to ensure that these two core elements become inculcated as routine processes that will help ensure sustained quality improvement and assurance in both the public and private health facilities," Dr Sefularo said.

Buaneews Online - 2 September 2009

NHI will rely on income tax to succeed

The National Health Insurance (NHI) is to take a bite off both employee income and VAT for its financial sustenance as the government utilises the SA Revenue Services (Sars) as a collection vehicle and model.

"Our vision is that the NHI will be as efficient as Sars, caring, delivering quality health care and making sure that South Africans can access health care when they need it," Olive Shisana, the chief executive of the Human Sciences Research Council (HSRC), said yesterday.

Shisana said the country had a good basis to introduce the NHI because tax revenue collection was efficient, the government was already buying in bulk for the majority of the population, there were enough private hospitals and 95 percent of South Africans were within a 5km radius of primary health care facilities.

No estimates have been made of the percentage of income tax and VAT that would be allocated to the NHI, but employed people would contribute to the fund through their income tax, while the unemployed would make the contribution through VAT.

Andrew Donaldson, the deputy director-general for public finance at the Treasury, said it was important to get beyond the principle of the NHI and talk about the details.

"We need to be careful because we may promise more than we can afford," he said.

Donaldson said the current medical scheme industry was well established and it had the capacity to grow.

"We are already doing that through the Government Employee Medical Scheme, which is the fastest-growing scheme in the country," he said.

Donaldson added that it was important to remember that the Treasury was responsible for more than just health and could not concentrate resources in just one sector.

"Building a unified health system in an environment with a high unemployment rate and income inequalities will be a huge challenge. Twenty-five percent of the population is without work and for me job creation is a high priority."

Donaldson said the country faced a substantial upward demand for health care, adding that by 2020 the country was expected to spend R20 billion on HIV/Aids alone.

Deputy Health Minister Molefi Sefularo said that the legislation and budget for the scheme were expected to be in place by the beginning of the next financial year.

Shisana and her committee have completed their work and submitted it to the Department of Health, which is looking into it to formulate a green paper to be considered by the cabinet, and then a white paper, which will be released for public comment.

Shisana said the NHI would use a single-payer system, which would be one agency to collect revenue and procure services.

Employers and employees would contribute 50 percent each to the fund and the government would increase funding for the health budget as well, she said.

"The contribution will be linked to the ability of an individual to pay, but the service will be provided according to the individual's need for care," said Shisana.

The NHI was first mooted in 1994, but a resolution to implement it was taken only after the ANC Polokwane conference two years ago, which concluded that the inequalities in the way that health care was provided were growing.

Shisana said the private sector spent R65bn on 15 percent of the population in 2007, while the public sector used R62bn. She added that no country could sustain this and it would lead to bankruptcies.

The costing would be finalised once all the consultation had been completed, she added. The negotiations still have to take place with various health providers.

Facilities that will provide services to the NHI would have to be accredited both by the public and the private sector. There will be criteria with at least 37 conditions that will have to be met for a facility to be granted an accreditation.

She said some of the facilities would be able to qualify immediately because of the quality of their services, meaning the NHI could begin as early as next year.

However, five years have been set aside to fully implement the NHI, although Shisana conceded that this did not mean that all 49 million citizens would be covered by the NHI within five years.

Slindile Khanyile, *Business report* – 1 September 2009

Private healthcare 'likely to implode'

DEPUTY Health Minister Molefi Sefularo extended a reconciliatory hand to the private healthcare sector yesterday, saying that the government would welcome its assistance in implementing the National Health Insurance (NHI) scheme, but warned it would go ahead regardless.

Sefularo told the annual conference of the Board of Healthcare Funders (BHF) at Sun City that the NHI was integral to the African National Congress's health policy and was consequently one of the department's priorities along with overhauling the health system and improving its management and revitalisation of infrastructure.

"We have made it clear that we are determined to implement our 10-point plan and this health plan of action with speed," he said, adding that the NHI was a big part of that plan. He acknowledged the medical aid schemes' knowledge of the private healthcare sector, saying their expertise and experience would be needed for

the implementation of NHI.

He warned, however, that private healthcare and the South African medical aid industry in their present form were "likely to implode because they are not sustainable".

Sefularo said it would be appreciated if BHF members came up with proposals of how they were going to "make the intellectual, financial and technical resources available" to assist the implementation of the NHI.

He said the new health system would be implemented in a phased manner to allow for consultation, policy making and legislation review. Discussions around adequate provision of funding would also be debated.

Prof Di McIntyre, of the health economics unit at the University of Cape Town, who also addressed delegates yesterday, was critical of private healthcare sector complacency. She said previous proposals by the private sector to extend medical scheme cover to more low-income workers was "fiddling at the edges" and that the private sector must suggest changes that really addressed healthcare problems.

The BHF proposals, presented by Dr Clarence Mini, included suggestions that medical schemes offer top-up cover for shortfalls in the NHI package and that medical scheme administrators collect patients' contributions for NHI benefits from the central NHI agency, and pay service providers.

"It protects scheme reserves, but at the same time makes it possible for individual schemes to take decisions concerning public private partnerships that benefit scheme members while strengthening the public health sector facilities," Mini said.

McIntyre was not impressed by BHF's proposal. "I do not think (BHF members) are thinking innovatively enough."

McIntyre said that for the NHI to work, administrative efficiency needed to be addressed urgently in the public sector, led by someone like Pravin Gordham, former head of South African Revenue Services, who overhauled departments there.

She supports a single purchaser model to bring down medical costs.

Chantelle Benjamin, *Business Day* - 1 September 2009

National health plan a priority

Implementing the National Health Insurance (NHI) is one of the department's priorities between 2009 and 2014, deputy Health Minister Dr Molefi Sefularo says.

He was addressing the annual conference of the Board of Healthcare Funders (BHF) at Sun City on Sunday night.

"We have, since December 2007, consulted broadly on matters of health, as the resolutions of the ruling party direct government to make health a priority.

"The result of these consultations, research and popular campaigns is that we have been able to identify critical challenges of the public and private health sector," Sefularo said in a statement.

Among the other priorities was the provision of strategic leadership, reviewing the drug policy, strengthening research and development, improving the quality of health services, human resources, and planning.

"We have made it clear that we are determined to implement our Ten Point Plan and this health plan of action with speed.

"We have also stated clearly that a lot of our work will be implemented within the context of the NHI," he said.

The BHF supported the NHI which is based on the principle of "universal coverage" for all South Africans.

"Debates about universal coverage are neither new nor unique to South Africa," Sefularo said.

"...these debates should produce concrete proposals that will result in the improvement of the health status of all South Africans."

Sapa - 31 August 2009

Healthcare funders support NHI

Johannesburg - The Board of Healthcare Funders (BHF) supports the introduction of National Health Insurance (NHI) and wants to be involved in setting it up, said Clarence Mini, chairman of the board's regulatory and policy committee, on Friday.

"We think we will be able to play a very meaningful role," said Mini at a media conference ahead of a meeting next week of board members to discuss NHI.

Although the details of how the NHI would work were not yet clear, the board said it had decided it was best to be involved in the process.

Mini said the NHI could also provide additional business opportunities for medical schemes to extend their reach beyond the current more than seven million people they service, to the pool of the estimated 49 million people living in South Africa.

Said Humphrey Zokufa, the board's managing director: "We support the NHI and are going a step further to make proposals on it.

"Next week we will consult our full membership... we want to make sure the NHI does not cause much turbulence in South Africa."

A draft bill on the NHI, which will combine the public and private health sectors, is expected in Parliament in December.

The BHF represents most medical schemes in southern Africa.

Sapa, Business Report – 31 July 2009

A Quick Fix

Government's ambitious plan to write South Africa's first comprehensive National Health Insurance (NHI) policy into law by April next year is as noble as it is unworkable. The current disparity between the public and private health sectors is politically unpalatable and Government is pushing hard to institute the most

radical overhaul ever of the South African health system. Though it wants it done almost immediately, the issue is fraught with complexity and a speedy resolution is unlikely.

For starters, countries with successful NHI systems have common traits. They have developed economies in which citizens have high levels of personal income, low unemployment and a solid base of taxpayers in an environment in which there's a large degree of income equality. In that way, the system is able to fund a minority of people who are unable to contribute to funding the system.

South Africa is at the opposite end of that spectrum.

Do the sums. There are about 50m people living in South Africa. Approximately 17m of them are employed. Of those, about 5m earn enough to pay income tax. Of course in the region of 1,6m companies pay tax and contribute significantly to the fiscus, as do other sources such as VAT and excise duties.

The burden on a well-heeled class of people who already pay a heavy price for Government's social spending priorities is clear. So get used to the idea. NHI is coming. Government has made big promises to its electorate. One of the biggest has been access to free healthcare for all. "We can achieve more by all working together," is the Zuma government's new mantra and gives some indication of the State's willingness to find a co-operative solution to a problem that's plaguing lawmakers worldwide.

But the reality is that no single individual knows what the NHI will look like in its final form, nor how it will be funded and how it will operate alongside current private medical schemes. The Department of Health plans to have a White Paper outlining the policy published by year-end, raising private sector concerns that it plans to bulldoze its plan through the legislative process without proper consultation or consideration of the implications of its current proposals. Opposition politicians have described the timeline as "artificial" due to the nature and complexity of the debates concerning the future of healthcare - globally one of the more complex and contentious areas of public policy.

The performance of the South African health system is among the worst in the world. Despite the fact that it ranks 32nd in terms of the amount of money it spends as a percentage of GDP on healthcare - a substantial 8,5%. According to the World Health Organisation (WHO) South Africa's health system is ranked 175 out of 191 countries in terms of its performance. The WHO measures expenditure relative to the clinical outcome of patients. It implies significant inefficiencies in the system rather than just a problem of underfunding. The system is not going to improve without a radical intervention, but simply throwing more money at the problem is tantamount to putting lipstick on a bulldog. Any reform needs to address issues around and administration of scarce health resources as much as it's about securing additional funding to alleviate the burden on the health system.

Plans for an NHI have formed part of ANC strategy since 1994 and a version was even considered by the Smuts government as far back as 1941. That was scuppered due to political opposition and financial constraints. The Zuma government, however, has strongly driven its message of equitable free healthcare for all South Africans being a key priority. It's a big promise that's going to be tough to deliver within its self-imposed deadline. Deputy Health Minister Dr Molefi Sefularo told delegates at the recent BHF conference at Sun City that NHI would "have to be implemented in the next five years" but he acknowledged that finding an appropriate model would be no easy task.

"There's no question that we need healthcare reform, and that an

NHI approach is workable. The issue here is over the right design of the NHI, and over what period of time do we get to full universal coverage of a comprehensive package of services," says Dr Jonathan Broomberg, deputy CEO of Discovery Health, who points to the fact that it took South Korea over 20 years from initiating reforms aimed at universal coverage to reach a point where its entire population could benefit from its insurance system. During this period, it had the added advantage of growing its economy and employment rates during the boom of the so-called Asian miracle. "We must get started on reforming the system, and all stakeholders need to work together to ensure that we get to our goals as soon as feasible, within the constraints of our economy," adds Broomberg.

The ideological basis of the NHI is that all South Africans should have equal access to quality healthcare in a State-funded system - the practical reality may turn out to be somewhat different. Despite the rhetoric, disparities are likely to remain. Government's own proposals indicate a willingness to retain private top-up insurance for those who can afford it as it would alleviate the inevitable pressure that the public system will experience.

"I strongly believe that major health-system change will take time and it's important to do it right," says Professor Di McIntyre of the UCT Health Economics Unit. "There are many concerns that we could end up making things worse - there's no sense in implementing change if we end up with more problems than we currently have."

Government knows it needs a way to adequately fund an overburdened public sector without compromising on the levels of care available in the private sector while ensuring there's sufficient incentive for medical professionals to remain in this country. Independent research and quotes by Government suggest as many as 67% of nurses who trained in South Africa between 1997 and 2005 do not appear on the South African Nursing Council Register. Reasons for emigration of medical professionals include: crime, worsening public education, better pay, and worsening work conditions in the public sector.

"We are concerned that over-hasty or ill-considered implementation could threaten our already vulnerable shortages of doctors, specialists and nurses. Many doctors in the private sector balk at the idea of the capitation-based remuneration, which is a key feature of National Health Insurance," warns National Hospital Network CEO Otto Wypkema who argues that policy makers need to balance the challenges of protecting the expertise and capacity in the private sector while also delivering on election promises.

Users of the private system will often argue that wholesale privatisation of the health system using public money to fund it would be more efficient. However, Government is concerned about medical inflation and puts many of the pressures at the door of the private sector, whose specialists, research shows, are most likely to use the private hospital system for patients who have sufficient insurance cover. Government researchers are wary of being seen to condone any form of profiteering at the expense of equitable healthcare.

McIntyre is highly critical of the current private-sector funding model, which she says is unsustainable. Her calculations put the cost of private medical schemes at an average of 30% of the formal sector workers' wages. "Over time medical scheme contributions have not only increased far more rapidly than inflation, they have increased much more rapidly than the rate of increase in average wages and salaries," argues McIntyre, who's a strong proponent of a sustainable NHI. "We cannot afford to delude ourselves into believing that the public and private health systems are completely disconnected - what happens in one sector impacts the other.

"Government wants a new health system. It wants it quickly and based on the current wish list, implies significant funding will be required from the fiscus with the associated additional burden on taxpayers. The National Health Insurance Proposal process - led by HSRC CEO Olive Shisana - recommends a range of likely funding sources for NHI but does not give any indication as to what it might cost.

The report recommends:

- * A mandatory contribution from all taxpayers funded by payrolls.
- * Additional funding from sources like the Road Accident Fund and other sources.
- * Government to make additional contributions from general tax revenue on behalf of the unemployed, poor and those below the tax threshold.

Government spends about 11% of its annual Budget on healthcare - a figure that's not nearly sufficient, says the Government study. Around R62bn is budgeted for in the current financial year. Despite a relatively high level of healthcare expenditure as a percentage of GDP, SA's public health system is crumbling and is reaching breaking point. Critics who point to mismanagement of the public health system as the primary reason for its failings, run the risk of oversimplifying the problem and ignoring the growing burden brought about by rising incidences of HIV and Aids, one of the highest rates of TB globally and a growing incidence of violent crime that all put pressure on a system that's already overstretched.

The report concedes that Government expenditure on health declined consistently in real terms from the mid-Nineties to 2002 and only returned to 1996 levels by 2005. Public sector funding has shrunk while the private sector funded by member contributions to medical schemes has grown significantly. Government wants to apply some of the principles of the private sector to the Government healthcare sector in an effort to raise standards and ensure equitable care.

"Inequities in the public-private healthcare mix have increased," reads the report submitted to the ANC's National Executive Committee (NEC)."

The report recommends that the new policy will require "a considerable increase in public funding of health services through an appropriate mix of general tax allocations and progressive mandatory contributions."

Detractors argue NHI in South Africa cannot be delivered, as the economics do not make sense. However, proponents insist South Africa has no choice with a failing public sector and an increasingly difficult-to-afford private funding model becoming more and more stretched. The private sector - initially resistant to many of the complex issues surrounding NHI - has started to come round to the idea that its own survival depends on its support of a feasible system and has taken heart from comments both from within Government and the ANC that it will be crucial to the implementation of any new system.

According to the BHF, which represents the vast majority of medical aids, the private sector has one pharmacist for every 1 000 patients compared to the public sector where the ratio is 1:17 000, while one GP serves 540 patients in the private sector, those dependent on Government funding have a ratio close to 1: 4 000. Other alarming statistics include: South African men have a life expectancy of 52. In Brazil it's 68, in Mexico 72 and Chile 75. Infant mortality rates in South Africa are almost three times higher

than the millennium development goal of 24 per 1000 births. A total of 69 babies born in South Africa die in infancy compared with 35 in Mexico, 20 in Brazil and nine in Chile. Of the 15 countries with the world's highest incidence of TB, nine are in southern Africa.

Sefularo was at pains to point out to delegates at the BHF conference that the NHI would be phased in over time and that there would not be a "big bang" approach to its implementation.

The structure of any plan is going to be crucial. Currently it appears likely that Government prefers a single-purchaser model where it's the central player, accessing funds through SA Revenue Service tax collections and buying a range of contracted services from both private and public institutions and suppliers. This would give it pricing power and the ability to monitor expenditure and efficiencies across the system. The BHF promotes the role of medical schemes inside an NHI environment. While it's highly unlikely that anyone will be able to "opt out" of paying for NHI from their payroll, the idea is that they are able to buy additional cover if they so wish.

"We should guard against unrealistic optimism that the NHI will be the panacea for all healthcare problems," cautions Joe Seoloane, curator of the Pro Sano Medical Scheme. He advocates collaboration between the public and private sector.

Private health sector players are positioning themselves carefully ahead of any policy announcement. Comments are carefully chosen and co-operation is the watchword. Following results from Aspen Pharmacare last week, CEO Stephen Saad was guarded in his remarks about NHI, saying his group had several recommendations to make at the appropriate time. Makers of generic drugs are likely to be beneficiaries in an environment where the State is a central buying body for the health system. Private hospitals may feel vulnerable to change and are actively engaging the public health system through a series of partnerships that are receiving a positive response. Medical Aids are also treading cautiously. They see a role for themselves in a future health system but are wary that any additional tax burden on their clients to fund public health could impact consumers' affordability levels.

However, there's the very real fear that wealthier South Africans will face a greater tax burden. Barry Childs, a consulting actuary to Lighthouse Actuarial Consulting, warned the BHF conference that in societies with an unequal distribution of income, it would not be possible to fund a comprehensive healthcare system for the benefit of the poor without increasing taxation on the rich. It's a thorny topic in a country where the wealthy already feel put upon to fund the increasing burden of social spending.

"Some people equate the resolve to implement the NHI as a threat to the private healthcare sector. As a result, their arguments against NHI are reactive and suggest that the present private sector health system is perfect, acceptable, affordable and sustainable. We all do know this is not true," Sefularo told the same gathering.

"Our aim is to work with Government in its pursuit of healthcare reform and the implementation of a National Health Insurance System (NHI) to the benefit of all South Africans," Discovery CEO Adrian Gore said at his recent results presentation.

If only it were that simple. The health sector is notoriously fractious. South Africans have also seen this movie before. Government proposed the speedy implementation of a national social security scheme in 2007. The idea is still very much on the drawing board. Redesigning the health system is considerably

more ambitious. Healthcare, like crime and education, are highly emotive subjects.

Gore and others in the private sector warn South Africans should not anticipate that this country will get a local version of Britain's NHS which has been running for more than 50 years. Our economy is simply not big enough. To run a system equivalent to that supplied by the NHS would consume a third of our GDP. Gore is cautious too about the impact on medical aids if any additional tax to fund NHI is so high that it will force members off private schemes. That in turn will simply place a big burden on the public system.

Bruce Whitfield, *Fin Week* – 17 September 2009