

**OPENING ADDRESS BY THE DEPUTY MINISTER OF HEALTH,
DR. MOLEFI SEFULARO,
AT THE BOARD OF HEALTHCARE FUNDERS (BHF) SOUTHERN
AFRICAN ANNUAL CONFERENCE**

“HEALTHCARE IN SOUTH AFRICA – A NEW DIMENSION”

Sun City, 30 August 2009

Programme Director

Mr Tom Borrill, Chairman of the Board of Healthcare Funders (BHF),
Trustee, FedHealth

All the directors on the BHF Board present

Dr Humphrey Zokufa, Managing Director of BHF

MECs of Health present

Dr Andrew Donaldson, Deputy Director General: National Treasury

Professor Di McIntyre, University of Cape Town

Dr Olive Shisana, CEO HRSC

Professor Gavin Mooney, University of Sydney (via video link)

CEOs of various medical schemes and administrators

Representatives from industry stakeholders

Local, Regional and International Healthcare Executives

Policy Makers and Regulators

Distinguished Guests

Ladies and Gentlemen

Good morning

I am both privileged and grateful to address this distinguished Southern African Annual Conference of the Board of Healthcare Funders (BHF).

I commend you for arranging the video link with Professor Gavin Mooney from University of Sydney to make it possible that we receive his contribution to this conference.

Congratulations to the organizers of this event for having been able to attract, I am told, more than 900 delegates from the healthcare industry. This, I understand, includes local, regional and international healthcare experts, policymakers and regulators.

I also commend the BHF's proactive and constructive approach in its engagements with the National Department of Health through creating internal structures that enable it to effectively analyse regulatory interventions and propose position papers on a number of key public policy issues. I have observed that this has allowed the organization to influence policy through effective lobbying on health policy issues that affect the funding industry.

Your theme of *Health Care in South Africa: A New Dimension* reflects the context in which work is approached in the health sector in this new term of governance. The President of the Republic, Mr JG Zuma, referred to this period as the era of renewal - a new era in the history of our nation, imbued with a resolve to do everything within our means to build a better life for all our people.

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. Solutions to these challenges are expressed in the Health Road map, the Ten Point Plan and the 2009 Health Program of Action.

It is encouraging to note that these challenges and solutions are being confirmed by unrelated scientific research findings such as the Lancet Reports and the reports of the three Ministerial Committees on Maternal, Infant and Child Mortality that have been launched last week. The congruency of this information supports our view that our plans are anchored on facts that are evidence-based.

Let me highlight priorities of the health sector, government, the Ministry and the Department of Health, which have to be implemented in next five years. These priorities are the foundation of our Program of Action (POA), from 2009 to 2014. They are:

- Provision of Strategic Leadership and creation of a Social Compact for better health
- Implementation of the National Health Insurance (NHI)
- Improving the Quality of Health Services
- Overhauling the health system and improve its management

- Improved Human Resources Planning, Development and Management
- Revitalization of infrastructure
- Accelerate implementation of the HIV & AIDS and Sexually Transmitted Infections National Strategic Plan 2007-11 and increase focus on TB and other communicable diseases
- Mass mobilisation for better health for the population
- Review of Drug Policy
- Strengthen Research and Development

The BHF and the entire health sector, private and public, are hereby reminded that our invitation stands that you should avail yourself to be active implementers of this POA. You are requested to study this POA and identify areas where you will be best placed to contribute positively, particularly in the areas of leadership and social compact, the NHI and the overhauling of the health care system.

The detailed Health POA is available on the website of the South African Government Communication and Information System (GCIS) under the heading *2009 Program and Report on Implementation: Human Development Cluster*.

We have made it clear that we are determined to implement our Ten Point Plan and this Health POA with speed. We have also stated clearly that a lot of our work will be implemented within the context of the NHI.

The BHF has recently come out in full support of the implementation of a National Health Insurance that is based on the principle of universal coverage for all South Africans. This is indeed a laudable position that the organization has adopted.

Debates about universal coverage are neither new nor unique to South Africa. We witness daily acrimonious debates in many countries on the same matter of universal coverage and health care reforms. The United Nations has consistently supported the introduction of universal coverage for all citizens of all countries. In South Africa, these debates should produce concrete proposals that will result in the improvement of the health status of all South Africans.

Let us remember that internationally, more than thirty (30) countries had already implemented some form of compulsory national health insurance scheme before the start of the First World War. In South Africa, debates about universal coverage can be traced back to more than seventy (70) years ago. Later, in 1941, a proposed National Health Insurance plan for South Africa was published in the South African Medical Journal by J Collie, the Chairperson of the Committee of Enquiry into the National Health Insurance. This plan was never implemented because of resistance from various quarters.

The National Health Services Commission, headed by the former Minister of Health, Dr Gluckman, was later established. It also made recommendations on a National Health Service. Unfortunately, recommendations contained in the report of the National Health Services Commission were also never implemented.

It is very important for this conference and the private sector to support the introduction of the NHI. It is also imperative for all of us to find the common-ground on the NHI debate. The NHI debate extends beyond the issues of economics and political ideology. It is about us.

While knowing that the concept of universal coverage enjoys the support of most people, I am also aware that finding a model which will suit the South African environment will not be any easy task. We should all be aware of the fact that the policy of government and the ANC, as the ruling party, is that the private sector is an important and treasured component of the South African health sector.

Some people equate the resolve to implement the NHI as a threat to the private health sector. As a result, their arguments against the NHI are reactive and suggest that the present 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 healthcare and the South African Medical Aid industry, in their present form, are likely going to implode because they are not sustainable.

We should embark on activities that are aimed at changing the current health system for the better. The NHI is one of those interventions. It would therefore be helpful for the private sector to come up with helpful proposals on how to make the NHI work in South Africa, how we can make it affordable, and how we can preserve what is good in the current system and discard what is bad.

As you all might know, the NHI is integral to ANC health policy, as stated in the 1994 ANC National Health Plan for South Africa, a document that continues to guide the transformation of the health sector. Debates on the NHI and the Social Health Insurance (SHI) intensified from 2004 to 2008. It was also during this period that discussions intensified around Comprehensive Social Security.

Medical schemes were re-engineered to support broad health policy objectives that of making private health care affordable. In 2002, a Committee of Inquiry into various aspects of the system of social security in South Africa proposed that the country move toward a NHI over time. The resultant system would integrate the public sector and private sector within the context of a universal contributory system.

What caused departure from this approach? The answer will be varied and various. What we do know is that the failure to conclude debates and implement the NHI has led to a situation where healthcare costs continue to increase at a rate that is higher than the Consumer Price Index (CPIX).

Medical aid benefits are shrinking and there is no growth in the membership of medical schemes. We are now faced with a situation where the whole private healthcare sector is unsustainable going forward. The major reason for this is in the healthcare financing model. The NHI therefore seeks to change this model so that the trend that is there now is abated and arrested.

We all have to understand that it will take time. Experience elsewhere has shown that if implemented carefully, the NHI could safeguard social solidarity and universal coverage, as has been the case in many other countries. The NHI would provide benefits for both contributors and non-contributors in a universal system.

We therefore, as government, remain committed to the NHI as a vehicle to better health care. How we get to the NHI is still a subject for debate; a debate that should continue even here at this conference.

South Africa is in the second Decade of Freedom, the time when our public health sector faces considerable challenges in relation to health care financing and expenditure. There are large disparities in the allocation of health care resources between and within provinces, and between the private and public sector, resulting in our inability to deal with our burden of diseases, ill-health and premature death from potentially preventable diseases.

This democracy bestowed on us the responsibility to accelerate programs that improve the quality of life of all the people and to persist with this transformation even against the backdrop of the high cost of health provision. Hence the NHI, which is the second of the health sector and department's ten priorities.

The Constitution guarantees the right of access to health care. The National Health Act is intended, amongst other things, to address the inequities of the past in the distribution of health care and to create a patient-centred national health system.

To ensure adequate provision of funding, we are in the process of consulting colleagues in Cabinet and relevant government departments, as the submission on the NHI moves through various committees towards eventual approval by the National Cabinet. Once approved, the document will be released for public debates and consultations. Current consensus is that the NHI be implemented in a phased manner to allow for consultation, policy making, and legislation review.

Since the NHI documents are not yet ready for public release and debate, I would like to draw your attention to the need for the private sector to constructively engage in dialogue and discussion for rational and equitable distribution of health services in the context of principles already mentioned above.

The legacy of inequality in relation to income distribution and in access to social services is still being felt fifteen years into democracy. A range of studies have detailed major equity challenges facing the public health sector even today. The total amount of resources available to the South African government has a major impact on health care financing.

Although user fees generate some income, the revenue is returned to the provincial treasury and is thus not an adequate source of finance for public health services. The reliance therefore on a single source of finance for the majority of public sector health services constrains the ability of health authorities to restructure health services and respond to the changing and growing needs of the population.

There is no doubt in my mind that there is an urgent need for alternative financing sources if we are to make dramatic and rapid progress towards achieving the goal of universal coverage and access to health services. This we must address as a matter of urgency.

It has already been established that the financing of health care in South Africa is one of the main contributors to the inequity in health services. In the face of the current stagnant medical scheme coverage and a growing population, more people are relying on the public health services for health care. The result has been significant pressure on the public health budget.

While recognising the role of the private sector, we also need to protect the interests of the general public and their right to access health care. We need to ensure that these resources benefit the majority of people who require health care so that we get the best value for each rand we put into health.

I would like to acknowledge that the South African health system faces the challenge of balancing the need to provide universal access to health care services with ensuring affordability and sustainability of the health financing systems. While the international experience has great value and provides important lessons, ultimately we must find a solution that is appropriate for our South African circumstances, bearing in mind that the limitations we face in Africa and developing countries are much more pronounced than those of the developed world. We need a balance between access and efficiency.

It is critical that we have a basic package of care whose cost has been properly defined to an affordable level. This is to ensure that the majority of South Africans have adequate cover that is affordable.

We can reduce inequities in health care financing by improving income and risk-related cross-subsidies, while ensuring access of lower income groups to quality health care. This way, we will be addressing the dual challenges of providing universal access to all, while obtaining payment from all those who have the means to pay.

The Department of Health has the responsibility to deliver on its mandate. Plans are afoot to address the challenges of the public sector by looking at parallel and sequential processes both in the public and private sector to improve the country's healthcare system to the benefit of all the people who live in South Africa.

We acknowledge that the medical aid scheme industry has been providing cover for its members, and administering various aspects of what it offers as benefits. This expertise is required in the NHI environment.

We also do acknowledge that the medical aid scheme industry is aware of the pitfalls, the problematic areas, and challenges that are prevalent in the private healthcare sector. They have developed expertise that is aimed at handling those challenges and pitfalls. This expertise, experience, resources and competence are and will be needed as we implement the NHI.

We will appreciate it if you could therefore come up with proposals on how you are going to make the intellectual, financial and technical resources available so that they add to our efforts to take the NHI forward. Let us know how you see yourselves as part of this process. It is our hope that through this conference, you will gain a more comprehensive understanding of the proposed changes and will be in a better position to play a meaningful role in the new system.

We are also looking forward to receive a report of recommendations from this all important conference.

Together, we can do more! Thank You.