

National Health Insurance

What funding model and legislative changes should be considered?

Overview

- Introduction
- Is there a solution to the current system challenges?
 - Why NHI?
 - Principles
 - Key considerations in moving towards NHI
 - Kutzin framework: institutional arrangements
 - Laying the foundation...
- Alternative funding arrangements
 - Single payer vs. multiple payer systems
 - what does the evidence suggest?
 - The role of private insurance
- Conclusion

What is our target?

Vision

An accessible, caring and high quality health system.

Mission

To improve health status through the prevention of illnesses and promotion of healthy lifestyles and to consistently improve the health care delivery system by focusing on **access, equity, efficiency, quality** and **sustainability**.

Underlying principles

- Universal coverage: non-wavering objective
 - ***“all citizens must have access to adequate and affordable health care, with all unnecessary barriers kept to the minimum”***
- Access to adequate, good quality and affordable health care is important for social security and social protection
 - Financial risk protection is important to avoid poverty and indigence
 - Prepayment mechanisms are the best way to move towards universal cover
 - Protects households (particularly the poor) from catastrophic expenditures
- There is a strong [*and overdue*] need to create a unified national health insurance system
 - Helps to promote cost containment
 - Addresses issues of income and risk cross-subsidisation
 - Expands coverage for all to standard services
 - Promotes social solidarity & financial risk protection

Current systemic challenges I

- Distinct split between the private and public sectors
 - Public sector caters for more than 40m people and spends about R52 billion
 - (About R1,400 per beneficiary)
 - Private sector caters for under 7m people and spends about R66 billion
 - (about R9,500 per beneficiary, but some industry estimates will argue that it is lower at R5,500 if you consider some other factors e.g. VAT, costs of capital, etc)
- Problematic cost escalation in the private sector
 - Specialists services,
 - Private hospitals,
 - Non-health (administration) costs



Current systemic challenges II

- Declining population proportion with health insurance
 - Increasingly fewer people can afford private health care (20% vs. 14.2%)
 - Huge exposure to potential catastrophic expenditures
 - Overburdened public sector → patient experience
- Imbalanced distribution of resources relative to the population served
- Fragmented risk pools and limited cross-subsidies



Public - Private Health Sectors resource dichotomy (2005)

Indicator	Private sector	Public sector
Population per general doctor	(243) 588*	4,193
Population per specialist	470	10,811
Population per nurse	102	616
Population per pharmacist	(765) 1,852*	22,879
Population per hospital bed	194	399

* Data in brackets represents only medical scheme members (14.8% of the population), main estimate assumes that private GPs and pharmacists may be used by up to 35.8% of South Africans.

Source: Data on personnel and bed numbers from Health Systems Trust's South African Health Review, 2005/06.

McIntyre D, Thiede M *et al* (2007) A Critical Analysis Of The Current South African Health System, SHIELD Report.

Is there a solution?

Two common arguments

Option 1:

- *Laissez faire* approach

Option 2:

- Stewardship intervention
 - Legislation and regulatory
 - Reconfigure the key functions of the health system

National Health Insurance

The introduction of a mandatory prepayment-based, national health insurance system will go a long way towards the progressive realisation of ensuring that the South African population have health insurance coverage that allows them access to adequate, good quality and affordable health care within the public and private sectors.

This coverage should be provided regardless of a person's socioeconomic status, geographic location, race/ethnicity, employment status, age, gender identity, disability, and/or occupation.

To achieve efficient, equitable and sustainable universal coverage in SA through promoting risk pooling and sustained greater funding

Principles

Risk equalisation

Cost containment

Mandatory participation

**National Health
Insurance system**

*Equitable healthcare
financing*

Health care coverage for all

Key considerations I

• Funding

- What contribution mechanisms will be used?
 - Progressive or proportional earmarked tax – what rate?
 - How will those in the informal sector contribute?
- Complementary funding or none?
- **Single** or **multi-payer** institutional and organisational arrangements?
- Is there a role for private funders?
- Collecting organisation
 - Separate (semi-)autonomous institution or in-house?

• Pooling

- Risk pooling and cross-subsidisation mechanisms
 - REF
 - **Is the REF still relevant in a single-funder system?**

Key considerations II

- **Purchasing**

- Single purchaser system: monopsony power
- Multi-payer system: power through contracting ability
- Reimbursement mechanisms: ffs, capitation vs. ARMs
 - Cost containment

- **Provision**

- Public and/or private
- How best to draw on the huge resources in the private sector for greater public benefit

Laying the foundation...

- The planned set of reforms will have to cover four key spectrums
 - **Legislation and regulations**
 - **Health services provision**
 - **Complementary reforms**
 - **Funding arrangements**

Legislative and regulatory reforms

- Developing a transparent tariffs negotiations process
 - Important to have an “*active purchaser*” environment
- Amendments to the Medical Schemes Act
 - Introduction of REF among other things
- Clear definition of the BBP
 - Proper consideration of the balance between breadth and depth of services
- Review legislations on the Prescribed Minimum Benefits (PMBs)
 - more comprehensive definitions, can they be used to define the BBP?
- Amendments to tax legislations
 - To eliminate the inequitable tax subsidies related to private health insurance contributions
 - Mandatory earmarked payroll-related contributions

Health service provision and delivery reforms

- Strengthening and improving the quality of services in public health facilities
 - Hospital Revitalisation Programme
 - Hospital Improvement Plan
 - Core standards for health facilities in South Africa
- Strengthening public – private contracting for health care services, especially at the public hospitals level
 - Evaluation of existing DSPNs
- Improvement of the Prescribed Minimum Benefits (PMBs) coverage to ensure continuity of care for the majority of the population and sustainability within the medical schemes industry

Complementary reforms

- Consideration of multi-pronged initiatives that are directed at:
 - Strengthening the public primary health care referral system to ensure timely, cost-effective access to needed services
 - PPPs, PPIs
 - Achieving sustained improvements in the standards and quality of care offered to all citizens
 - Waiting times, queues, patient experience etc

Funding of health services

- Creation of a National Health Fund

This fund will have the responsibility of pooling all revenue from the mandatory earmarked contributions and these funds will be used (in conjunction with general tax revenues) to fund the basic benefits package covered by the NHI. The State will pay-in a universal subsidy to cover for the indigent groups of society.

Alternative funding arrangements: what does the evidence suggest?

Single payer systems

- One organisation – typically government – collects and pools revenues and purchases health services for the entire population. Such systems include all citizens in a single risk pool and have significant monopsony power in purchasing health services
- Key points are:
 - Usually have the advantage of efficient revenue collection, overall cost control and capacity to subsidise health care for low-income groups
 - Since they have single risk pool, there is no need to take measures to counteract adverse selection – this eliminates the need for expensive data requirements under risk equalisation
 - Have the ability to take advantage of being the sole purchaser of services and hence can obtain better prices and exert strict control over the products and services offered through drug formularies & technology assessment

Multiple payer systems

- These are systems in which multiple private and, usually a single, public organisations carry out the roles of collecting and pooling revenues and purchasing of health services for the segment of the population they cover. Such systems have several risk pools at potentially different levels of risk making them susceptible to adverse selection. However, this is usually corrected through risk equalisation, but this can be an expensive initiative.
- Key points
 - Consumers have choice in terms of the health insurer
 - They can limit the amount of government control over revenue collection and are quite effective in countries with weak taxation systems
 - If risk selection is adequately dealt with, such systems have the capacity to offer tailor benefit packages to specific risk groups
 - They have weak purchasing power hence cost control can be difficult to realise
 - The diversity of products and competition among funders for beneficiaries may stimulate innovation in approaches to competition

None is better than the other,
each has its pros and cons and
the context will determine
which is most appropriate...

The role of private insurance

- Private health insurance can co-exist within a universal single-payer environment
- Three alternatives that could be considered
 - **Substitutive**
 - Offered in lieu of the national single-payer insurance option for eligible individuals e.g. income level or employment status [Germany & Netherlands]
 - **Complementary**
 - Provision of additional services not included in the single-payer insurance package/benefits e.g. top-up cover [Canada]
 - **Supplementary**
 - In this instance, private insurance can be used to provide improved coverage of and access to services also covered by the national single-payer insurer e.g. access to private provision without waiting lists for elective surgery [United Kingdom]

We need to engage and consult proactively and constructively to be able to achieve the objective of universal coverage

Conclusion

- A carefully thought-out NHI system will go a long way in addressing the challenges related to
 - Income-cross subsidies, expansion of risk pools, and extension of coverage mainly among the low-income households.
 - It will allow for a greater number of low-income and indigent individuals and households to have access to much needed financial risk protection and a guaranteed, comprehensive set of minimum benefits.
 - It will create appropriate mechanisms and structures that will enable for the effective control of the cost escalation in the private health sector
 - It will go a long way towards progressively realising the Constitutional right to healthcare for all citizens through achieving the principle of universal health care

Thank you