

Dear Client,

There has been considerable media coverage in relation to the National Health Insurance Bill (“NHI”). Aon agrees with the objectives and principles of NHI and the right of all citizens to have access to quality and affordable healthcare. There are aspects contained in the revised bill which require clarification and/or reconsideration. A detailed analysis can only be conducted upon finalization of amendments to specific pieces of legislation affected by the Bill, more especially amendments to the Medical Schemes Act.

The biggest point of contention arising from this Bill, is an individual's right to purchase private medical insurance in instances where the services are covered via the NHI or not.

The National Health Insurance Bill which is a strategy to achieve universal access to quality health care services in accordance with section 27 of the Constitution. The overarching principles of the bill is universal coverage and social solidarity. In terms of universality, all citizens will have access to the same essential health care benefits regardless of their financial means; and Social solidarity which is based on income cross-subsidies between the affluent and the impoverished and risk cross-subsidies between the healthy and the sick, will guarantee that all citizens benefit from a national system of health care.

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NHI Bill

The revised Bill is more detailed, although clauses, reporting and sections relating to timelines have been removed, there are new sections which have been added and some sections or sentences removed from the Bill which was released in 2018, certain sections are more comprehensive, and certain sections should have remained as they had strong emphasis on timelines and focused strongly on reporting and deliverables.

The NHI Bill lays out the duties and functions of the Fund, which are primarily to strategically purchase health care services based on the principles of social solidarity. All permanent residents and citizens will be eligible as beneficiaries of the “Fund” as it is referred to; and, temporary residents and foreigners will have access to emergency medical treatment and access to other health services as determined through a mandatory travel insurance.

The Bill states that eligible beneficiaries will be able to access health services through registering as a user of the “Fund”. Each member will have a number that is unique to them and their dependents. The Fund will then reimburse health care providers directly for services rendered, provided they have met the accreditation requirements. It is envisaged that comprehensive health services benefits must be made available and these services will be determined by the Benefits Advisory Committee.

The Bill also refers to the Establishment of the “Board of the Fund”, and the remuneration and reimbursement of the members of the Board which will be determined by the Minister of Health in consultation with the Minister of Finance.

There are various other functions of the Fund for which further administrative departments will need to be set up to address planning, benefits design, price determination, accreditation, purchasing and contracting, payments, procurements, performance monitoring and a Risk and Fraud prevention unit.

*The Goal of NHI

Ensuring the entire population, and not just particular groups are entitled to benefit from needed high quality care;

- Extending over time the range of services to which the population is entitled
- Reducing the extent to which the population has to make direct out of pocket payments for health services

*The Objectives of NHI

- Universal protection against risk
- Equitable distribution of the burden of funding the universal health system
- Equitable and fair provision and use of health services
- Efficiency in service provision and administration
- Quality in service delivery
- Good governance and stewardship

*Chief Source of Income for NHI

- General Tax Revenue – including the shifting of funds from the provincial equitable share and conditional grants into the fund
- Reallocation of funding for medical tax credits paid to various medical schemes. (currently no medical tax credits are paid to medical schemes, however members of a medical scheme receive a tax credit which effectively reduces their tax payable, it is envisioned that this tax credit will be removed)
- Payroll tax (Employer- employee)
- Surcharge on personal tax

The National Health Insurance fund will be implemented gradually over a period of ten years. The implementation of the Act is now going to be rolled out in two phases instead of three phases as it was previously promulgated. This will be done using a progressive and pragmatic approach based on financial resource availability.

Below is the initial 3 Phases, extract of communication previously sent by Aon (this has now been rolled into 2 Phases under the new amended Bill)

Time Line	Objectives to be achieved
Phase One 2012 - 2016	<p>Policy development</p> <p>Health System Strengthening Initiatives including:-</p> <p>Contracting of practitioners into public health facilities</p> <p>Implementation of Centralized Chronic Medication Dispensing and Distribution program</p> <p>Establishment of Hospital and Clinic Governance structures</p> <p>Creation of a Project Team to oversee all phases of the NHI</p> <p>The following institutions to be established:-</p> <p>The Office of Health Standards Compliance</p> <p>District Health Management Offices</p>
Phase Two 2017 - 2022	<p>In line with the 2017 Budget Speech, additional revenue of R2-3 billion to be raised to establish the NHI Fund.</p> <p>Contracting of providers at the Primary Health Care level</p> <p>Medical Schemes Act to be amended – medical schemes to provide complementary cover only for South African citizens</p> <p>Medical Schemes to evolve – one option per scheme</p> <p>Schemes covering State employees will be consolidated into one scheme – GEMS.</p> <p>Review of tax credits to medical schemes. These subsidies to be reallocated into the NHI Fund.</p> <p>National Health Commission to be established</p> <p>The following Institutions to be established: -</p> <p>National Tertiary Health Services Committee</p> <p>National Governing Body on Training and Development</p> <p>Contracting Unit for Primary Healthcare Services</p> <p>Other interim structures</p> <p>Ministerial Advisory Committee</p> <p>National Health Service Pricing Advisory Committee</p> <p>National Advisory Committee on Consolidation of Financing Arrangements</p> <p>Ministerial Advisory Committee on Health Technology Assessment for NHI</p> <p>Health Patient Registration Process - all South Africans will have to be registered and issued with an NHI Card, linked to the Department of Home Affairs smart identification cards. The encrypted information on the NHI Card will grant access to services at all the different levels of the health system.</p> <p>Accreditation of Healthcare Providers.</p> <p>Development of Provider Payment Mechanisms</p> <p>Phased implementation of Purchasing of NHI Service Benefits</p> <p>Legislative reforms</p> <p>Establishment of Governance Structures</p> <p>Contracting of accredited private healthcare providers – Hospital and specialist services.</p>
Phase Three 2022 - 2025	<p>Introduction of mandatory prepayment for the NHI (via taxes)</p>

*National Health Insurance Bill (As introduced in the National Assembly (proposed section 76); Explanatory summary of Bill and prior notice of its introduction published in Government Gazette No. 42598 of 26 July

The two phases are as follows: (New Bill July 2019)

*Phase 1

Is envisaged to last for a period of five years from 2017 to 2022, and entails the following;

- continuing with the implementation health system strengthening initiatives, including the alignment of human resources with that which will be required under the Fund;
- include the development of National Health Insurance legislation and amendments to other legislation;
- include the undertaking of Initiatives which are aimed at establishing institutions that will be the foundation for a fully functional Fund; and
- will include the purchasing of personal healthcare services for vulnerable groups such as children, women, people with mental health disorders, people with disability and the elderly.

*Phase 2

Is envisaged to last for a period of five years from 2022 to 2026, and entails the following;

- will include the continuation of Health Systems. The intention of the NHI Bill is to create the funding mechanism for the purchasing of Healthcare services for all South Africans, and the Medical Schemes Bill proposes a raft of reforms to the exiting Medical Schemes Act.;
- the mobilisation of additional resources as approved by Cabinet; and
- the selective contracting of healthcare services from private providers.
- In accordance with phase one of the National Health Insurance implementation process, the Minister of Health has signed The National Health Insurance Bill, and the bill was adopted by Cabinet on the 26th July 2019.

Impact of National Health Insurance of Medical Scheme Industry, Members and Employers

- Once NHI is implemented, all citizens who are users of the fund will not be able to access or purchase a basket of health services from a medical scheme/insurance covered by the fund. The Bill states that the fund will cover Primary Healthcare services but does not list the basket of services that will be covered.
- Members of the NHI will only be able to access specialists on referral from a General practitioner
- Medical Schemes will be allowed to provide any relevant health care service (complementary voluntary health services) that is not covered by the provisions of the National Health Insurance fund, through medical insurance schemes registered in terms of Medical Schemes Act.
- Amendment of certain sections of the Medical Schemes Act to align with National Health Insurance Act
- Users will be forced to use NHI pathways in terms of acquiring the health services, failure to follow the stipulated pathways will not be reimbursed by the fund.
- In case of a dispute between Medical Schemes Act and National Health Act, the latter will prevail.
- Members will no longer get a tax incentive through tax credits.

We have noted inconsistencies in the certain sections of the Bill. The bill states Medical Schemes will be allowed to provide any relevant health care service which is not covered by the fund. Users who do not follow the health services pathway in terms of referral system of the fund will not be reimbursed.

This may result in users placing different interpretation to the two sections read together which may result in appeals if not clarified.

The Bill will further develop and expand in terms of its functionality through regulations which are still to be determined.

There are currently ten other Acts which will also need to be amended so that they are aligned with the NHI objections and these include:

- National Health Act
- Mental Health Care Act
- Occupational Diseases in Mines and Works Act
- Health Professions Act
- Traditional Health Practitioners Act
- Allied Health Professions Act
- Dental Technicians Act
- Medical Schemes Act
- Medicines and Related Substances Act
- Nursing Act
- And other various Provincial Health Acts.

The major points of concern are:

- Shortages of specialists, doctors, nursing staff and other healthcare workers;
- Financial management of the NHI;
- Purchasing and distribution of medicines and equipment; and
- Maintenance of infrastructure and equipment.
- State of the current Public-sector hospitals and services
- Current economic climate
- The pressure on government to address and prioritise challenges in state enterprises
- OHSC (Office of Health Standards Compliance) - One needs to look at their responsibility and whether their commitments and objectives have been met since 2015.

In summary, this Bill is the roadmap to NHI but many other pieces of legislation will have to be amended, and a crucial element is currently still missing which is the cost of NHI and what the basket of services will be.

Aon has been and will remain, actively involved in providing feedback and opinion on the draft NHI Bill. We will advise you of further developments timeously. We assure you, that Aon will be by your side through the NHI finalization process.

There remain various aspects which must be agreed to and finalized prior to the Bill becoming enacted into Law. As such, we believe medical schemes may not be affected by such proposed changes within the next five years.

Employee Benefits Team

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