Innovative Medicines South Africa

Executive Summary of NHI Policy Brief 14

Comparison of NHI Proposals

This policy brief deals with the evolution of the National Health Insurance (NHI) proposals since December 2007 and contrasts the most recent proposals ("the African National Congress (ANC) 2010 proposals") with those envisaged from 1994 to 2005. The features of the ANC 2010 NHI proposals released in September 2010 are summarised and evaluated, and the contradictions discussed.

The dissemination of a report in the public domain is welcome after two years of work by the ANC Task Team formed in July 2008. However, the 2010 NHI proposals remain little more than a wish-list and there remains much technical work to be done to describe a viable and implementable system.

Coverage and registration is intended for all South African citizens and legal residents, with the extravagant promise that all South Africans can choose which primary care provider to register with. This, however, is before any negotiations with private providers have begun or the extent of the lack of health professionals is known. The ambitious primary care approach is conceptually set out but detailed integration of this model with the existing health system has not been dealt with.

The benefit package still has not been defined and the required rationing remains at a broad conceptual level. This has implications for the costing and negotiations with providers as these are critically dependent on the package to be offered.

The proposal for a new institution to handle pooling and additional purchasing from private providers seems wasteful, given that SARS is expected to collect the revenue, the National Department of Health is to continue to provide the services, and existing provincial Departments of Health can purchase services from private providers as needed. There is also a lack of clarity on pooling, adding to the concern about why an organisation like the NHI Fund is needed at all.

The ANC 2010 proposals use an unrealistic estimate of the cost of administration, given the administrative functions listed and the sophisticated technology intended to be used. Looking to other countries, 3% is taken as the potential cost of the NHI Fund in South Africa without further analysis.

It is not yet clear what mix of tax funding and mandatory contributions will be required. The suggested highly progressive mandatory contribution scale (from 1% to 8% of income) is not linked in any way to the amount needed to be raised and preliminary tests suggest it may need to be eight times higher (8%-64%) to meet the shortfall in existing tax allocation. The proposal contradicts itself in saying that contributions should not exceed what workers currently pay for medical schemes, but simultaneously acknowledging an increase in contributions from 5.5% of income to 7-8% for high income earners.

New reimbursement systems will require much research, negotiation and technical expertise and the preliminary work needed for casemix-adjusted global budgets and risk-adjusted capitation is substantial. There seems to be confusion as to how contracting will occur, with claims that the payment amount is uniform regardless of public or private ownership, but later describing the amount as risk-adjusted with the need for local negotiation with providers. Nor is it clear whether primary care providers will be fund-holders for diagnostic, specialist and hospital payments or whether these will need separate contracts.

The most recent ANC 2010 document uses the 2005 figures for the public-private distribution of health workers and ignores research in 2009 showing these numbers to be incorrect. The updated 2010 estimate for the number of doctors, published after the release of the ANC proposals, shows that the distribution of the population between GPs in the public and private sectors are almost equal and the imbalance in specialists is less than previously thought (see Table 1 overleaf).

Work by other researchers has also contradicted the arguments on the extent of the lack of income cross-subsidies presented in the ANC proposal. To allow for reasonable and practical solutions to be found, it is critical for all stakeholders in this debate to agree on what the best-available evidence is.

There is no implementation plan as yet, only some suggestions which conflict with the timing of implementation. Delivery in the most underserved areas is envisaged to begin in 2012 but it is not clear how this date fits with other statements nor how financing will be phased in to achieve this. Reforms needed in private health insurance, like the introduction of the Risk Equalisation Fund, are critical and cannot be delayed with the excuse of these not being necessary once NHI is fully implemented 14 years from now. It is incumbent on all stakeholders in healthcare in South Africa to work together to find a viable vision of the immediate future of the South African health system.

Table 1: Revised Public and Private Practitioners Relative to Population in 2008 and 2010

Delivery of healthcare in 2008 unless otherwise specified	**Private Health Insurance**	**Some Private + Public**	**Public Sector**	**Total Population**
	Private primary care and private hospitals	Private primary care and public hospitals	Public primary care and public hospitals	
Population covered	7.9 million	10.2 million	30.8 million	48.9 million
Proportion of population	**16.1%**	**20.9%**	**63.0%**	**100.0%**
Per capita expenditure per beneficiary per annum	R11,300	R2,500	R1,900	
Per capita Government expenditure per beneficiary per annum	Limited to tax break on medical schemes	R1,900	R1,900	
Per capita Government expenditure (2010) [2] per beneficiary per annum	R1,730	R2,500	R2,500	R2,374
Proportion of total expenditure	**51.4%**	**14.7%**	**33.8%**	**100.0%**
Population per primary care practitioner	(1,138)*	2,612	3,838	3,270
Population per primary care practitioner (2010) [1]	2,723		2,861	2,812
Population per pharmacist	(1,567)*	3,594	16,626	7,105
Population per specialist (2008)	1,521	10,184		5,311
Population per specialist (2010) [1]	1,767	9,581		5,198
Population per nurse	197	394		339
Population per hospital bed	303	482		440
Proportion of population using Traditional Medicine	72.0%			72.0%
Population per Traditional Medicine practitioner	190			190

* estimates in brackets are if only used by private health insurance

1. Econex Health Reform Note 7: Updated GP and Specialist Numbers for SA, October 2010
2. Hein Van Eck, Health-e News, 13 October 2010

Number of pharmacists working in private sector is not known with accuracy and is derived from the SA Pharmaceutical Council, adjusted for possible double counting of those who have died, are no longer practicing, or who have immigrated.

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Further resources on the IMSA NHI web-site

http://www.innovativemedicines.co.za/national_health_insurance.html

- The full policy brief and a copy of the ANC proposals.

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