

# the NHI bill unpacked

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**South Africa's long-awaited National Health Insurance (NHI) Bill was tabled in parliament on Thursday 8 August 2019. The Bill will now be discussed by the Health Portfolio Committee before being published for public comment.**

Arising from concerns raised by various interest groups and the official opposition party, the Democratic Alliance, that elements of the NHI Bill are unconstitutional, the Health Portfolio Committee is likely to seek advice on the Bill's constitutionality from the State Attorney prior to publication.

## What is the NHI?

The NHI is the ANC-led government's plan for changing South Africa's healthcare system to one which merges the current two-tier system (public and private) into a single one and provides universal healthcare coverage, free at the point of care for all eligible users.

Users are defined as South African citizens, permanent residents, refugees, correctional inmates and certain categories of foreigners as determined by the Minister. Asylum seekers and illegal foreigners will receive limited benefits.

## How will the NHI work?

A central NHI Fund will be set up that is publically administered and is overseen by the Minister of Health, essentially making it a public entity or state-owned enterprise. The Fund will serve as the single purchaser and single payer of healthcare services for the entire population.

The Fund will accredit all providers, both public and private health professionals (nurses, doctors, specialists) and facilities (clinics and hospitals) and will determine the payment rates for all services rendered.

Eligible persons will be registered as users of the Fund at an accredited healthcare centre nearest their home or work.

## What healthcare services will be provided under the NHI?

The basket of services available under the NHI is not

defined in the Bill. A Benefits Advisory Committee appointed by the Minister of Health will determine the services to be offered. Over time, these will be expanded on using certified and accredited public and private sector health facilities.

The basket of services will be founded on primary health care (including health promotion, disease prevention and rehabilitation), emergency medical services and hospital services. Registered users will first access healthcare services at a primary care level and will need to comply with prescribed "referral pathways" to get access to higher levels of care.

## What will the NHI cost?

The NHI Bill makes no reference to the likely cost of the NHI once fully implemented. A costing document is expected to be published soon by the National Treasury.

The last available figures published in the 2017 NHI White Paper were updated from the 2011 NHI Green Paper. At that time the National Treasury forecasted it would cost R256 bn (in 2010 prices) in 2025. This projection assumed the economy would grow at an annual rate of 3.5%. If economic growth weakened to only 2.0% a year, the funding shortfall projection was estimated at R108 bn by 2025/26.

The latest forecast by the International Monetary Fund (IMF) projects economic growth of just 1.2% in 2019 and rising to 1.5% for 2020, an indication that the projected funding shortfall is likely to be significantly higher.



### How will the NHI be funded?

All South Africans will be expected to contribute to the NHI Fund, according to their means, whether they are members of registered private medical schemes or not.

A number of sources of funding are identified in the NHI Bill and these include a combination of the following:

- General tax revenue, including the transfer of funds from provincial health budgets and conditional grants, to the NHI Fund
- Taxpayers' medical scheme tax credits reallocated to the NHI Fund (effectively increasing personal tax revenue to the fiscus by approx. R17 bn)
- A surcharge on personal income tax, and
- A small payroll tax (employer and employee)

While it seems quite certain that medical scheme tax credits will be repealed, which for a family of four currently provides relief of ZAR 12,456 per year, the Bill mentions that the additional tax options of a surcharge on personal tax and a payroll tax will only be evaluated as part of the sixth and final stage of the first phase of implementation, sometime after 2022, and only "in a favourable economic environment".

### What role will private medical schemes have under the NHI?

According to the NHI Bill, once NHI is fully implemented, private medical schemes will only be allowed to offer "complementary cover" for service benefits not reimbursable by the Fund.

While it appears that private medical schemes may cease to exist or at best could fundamentally change, it is unlikely that there will be any material change to the services covered by medical schemes for the foreseeable future. The reasons for this are three-fold.

1. There is no clear definition in the Bill of the NHI basket of services to be covered, and it appears that the services offered and the geographic access points available will be expanded on as funding allows.
2. While the Bill states that medical schemes cannot cover services "reimbursable" by the NHI, it also clearly states that to obtain reimbursement, patients will have to follow prescribed "referral pathways" enforced by contracted providers. If patients decline to use a contracted provider or to follow a referral pathway, their care will not be reimbursable by the NHI. This would imply that medical schemes will be able to fund uncontracted services that are not

reimbursable by the NHI as these services would be deemed "complementary".

3. The constitutionality of the implied limitation on the rights of citizens to purchase additional health insurance at their own cost, even after they have contributed to the NHI, is likely to be tested.

### How long will it take to roll out the NHI?

The NHI Bill explains that the reforms will be implemented in two phases over a nine year period using a progressive approach based on "financial resource availability". Phase One is for a period of five years from 2017 to 2022 and is already underway. Phase Two will run for a further period of four years from 2022 to 2026.

The Bill gives a high level breakdown of the implementation of reforms in Phase One which will take place in six stages. Details are expected in a series of implementation plans to be released by the Department of Health at a later date.

### Final comment

Eight years since the release of the first NHI Green Paper, the 2019 NHI Bill in its current form is still too vague and ambiguous on many key elements including:

- Governance arrangements of the Fund which vest considerable power and authority in the Minister of Health
- Centralisation of health services, currently the second largest function of the provinces, and the implications for provinces
- The basket of services to be provided
- Funding of the NHI and the impact on tax payers, and
- The future role of medical schemes.

Whilst few would question the rationale for a restructured healthcare system that extends affordable, quality healthcare to all South Africans, it is incumbent on the government to act with speed and intent to bring clarity to these and other crucial aspects of the NHI Bill.

This is essential to protect our professional healthcare community and build up private sector confidence and trust in the NHI process.

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