

# These universal health coverage scenarios provide viable ways to reach goals

Anja Smith, Jodi Wishnia, Shivani Ranchod & Daryl Swanepoel:

BusinessLIVE, 2 November 2020 • Swanepoel is CEO of the Inclusive Society Institute. Ranchod, Dr Smith and Wishnia lead the institute's NHI research project. This is an extract from the institute's recently released report

## **'Reimagined pathways for UHC in SA: a critical policy assessment of NHI choices'**

THERE are several reasons to revisit the National Health Insurance (NHI) reform pathway. We find ourselves in changed circumstances, entering a period of austerity worsened by the Covid-19 pandemic. The reform, as conceptualised, requires substantial reorganisation of a fragile system in a short time. This big-bang approach poses several risks, the biggest being that the system is never reformed. Incremental reform processes with realistic milestones are better suited to building trust. The starting point is one of an ailing public sector, a more resource-intensive but also fragile private sector, fragmented financing, inequities within and between the public and private sectors, weak accountability and a trust deficit. There have been many false starts for universal health coverage, as well as missed opportunities to showcase the public sector's strengths and stabilise the private sector. Due to the wounds from state capture and the failure of numerous large state institutions, reform processes relying on centralised institutions are unlikely to be favoured over those that are more participatory.

Reform of universal health coverage seeks to achieve the following objectives:

- equity;
- containing escalating costs;
- efficiency;
- access to quality health care; and,
- improved governance and stewardship.

The starting point for reform is one of the most contentious areas. Does the implementation of a single purchaser (the NHI Fund) require strengthened service delivery in the public sector? Or is the only way to strengthen service delivery by creating a single purchaser? There is consensus that irrespective of the exact route taken, the private sector cannot continue to function as is. And regardless of the reform pathway, there will be a role for the private sector in the system. The details on revenue collection to fund the NHI Fund are limited. The primary objective being pursued through pooling in the form of a single fund is equity.

This could be achieved in the following ways:

- income cross-subsidisation at the premium collection stage;
- virtual pooling in the form of risk equalisation or reinsurance;
- further risk-sensitisation of the provincial equitable share through better use of data; and,
- fast-tracking of medical scheme prescribed minimum benefit reform.

It is foreseen that the NHI Fund will act as the single purchaser of health care by entering into contracts directly with accredited public and private health-care providers on the basis of a basic benefit package. It is assumed this approach will help achieve the objectives pursued through universal health coverage. Yet the same objectives could be achieved through alternative approaches: creating a multifunder environment and allowing patients to choose providers; ensuring top-down and greater bottom-up accountability; and increasing the public sector's contracting with the private sector. In terms of service delivery, it is planned that under NHI, accreditation will be used to guarantee minimum quality levels and some services will be purchased from the private sector. It is anticipated that these reforms will help achieve the important universal health coverage objectives. But other approaches are available to achieve the same objectives. Procurement legislation could be made more flexible to allow for private provision of care and a combination of reimbursement approaches could incentivise improved service delivery. We have developed four universal health coverage scenarios for SA, which present a reimagining of the "how" for NHI and will enable the achievement of the critical universal health coverage objectives: Status quo gold standard The crux for the patient would be better service delivery through improvements in quality of care and system hardware.

The system would benefit through better data quality and transparency to facilitate evidence for decision-making. Universal health coverage policy objectives would be achieved by:

- Bringing about equity, in the public sector, but not between sectors;
- Strengthening sustainability of the public sector, though costs are likely to continue to spiral in the private sector;
- Improving public sector efficiency through better data and decision-making; and,
- Raising minimum quality standards.

#### Rejigged NHI

This approach will bring about better regulation of the private sector that will reduce high costs. It will also ensure improved quality of care in the public sector. The crux for the system would be an earlier development of the basic benefit package, and the development of a transitional central risk equalisation fund across sectors to lay the foundation for the envisaged NHI Fund. Universal health coverage policy objectives will be achieved by:

- Greater equity within each sector, and improved equity between sectors;
- Improved governance in both sectors;
- Improved sustainability in both sectors;
- Efficiency gains due to shifts in incentives in the private sector; and,
- Minimum quality standard rising as equity improves.

#### Power to the people

The patient will be given a choice of insurer by allowing for multiple purchasers, but with a centralised risk equalisation fund to ensure equity across funds. This should ensure the administration of funds is more responsive to client needs (smaller bureaucracies). The system

would benefit by more competition between insurers to encourage better administration of funds. The government will be able to hold insurers to account because they do not solely rely on them.

Universal health coverage policy objectives will be achieved by:

- Greater equity across the system as a whole;
- Governance being strengthened through bottom-up accountability;
- Sustainability driven through strategic purchasing and competition between purchasers;
- Competing insurers incentivised to drive efficiency; and,
- Quality driven through greater participation.

Reorienting towards value

This approach would focus on better quality and affordability of care for the patient through wholesystem re-engineering towards value-based care. The system would become more cost-effective, there would be improved equity between sectors, and better data quality to compare and measure providers. Universal health coverage policy objectives will be achieved by:

- Equity achieved over time through alignment across sectors;
- Governance strengthened through bottom-up accountability; • Sustainability achieved through orientation towards value;
- Efficiency driven through bottom-up reorganisation of service delivery; and,
- Quality becoming the key focus. These scenarios may help the government and the various universal health coverage stakeholders continue furthering the important universal health coverage agenda, without risking the public purse or service continuity as it does so.