

## **South Africa prepares for next phase of the NHI – which includes ‘mandatory pre-payment BusinessTech (4 May 2021)’**

Staff Writer 4 May 2021

The Council for Medical Schemes (CMS) says that the government’s planned National Health Insurance is in full development, with plans to move to phase 3 of the programme from next year.

In its 2021/2022 annual performance plan, the CMS said that phase 3 will include mandatory pre-payment of the new scheme, contracting for accredited private hospital and specialist services, and finalisation and implementation of the NHI Act.

The NHI Bill was presented to and approved by cabinet in July 2019, and has been presented to parliament’s health portfolio committee.

It has since been subjected to an extensive public consultation process through committee roadshows, and is scheduled for further parliamentary debates before it is presented to the president for promulgation.

“This (current) period coincides with the beginning of the second phase of the implementation of the NHI,” the CMS said. “The CMS sees its role as playing both a supportive and a direct role in the delivery of all the activities according to the Act that should occur in the private sector.”

The CMS said the planned rollout of the NHI is split into three stages, as follows:

---

**Phase 1 (2012-2017):** included the piloting of and the development of systems and processes for the effective functioning of the health system.

---

**Phase 2 (2017-2022):** will entail the development of systems and processes to ensure effective functioning and administration of the NHI Fund.

These reforms are categorised into four items:

- Financing;
- Health service provision;
- Governance;
- Regulatory.

<p><b>Financing</b></p> <p><b>Public Sector</b></p> <ul style="list-style-type: none"> <li>- Restructuring Equitable share</li> <li>- Hospitals (i) Establish cost-based budget for hospitals, (ii) introduce case-mix based budget</li> <li>- PHC (i) Establish Clinic Budget, (ii) Introduce capitation contracting</li> </ul> <p><b>Private Sector</b></p> <ul style="list-style-type: none"> <li>- High price for health services</li> <li>- Price regulation for the all services included in the NHI comprehensive benefit framework</li> <li>- Removal of Differential pricing of services based on diagnosis</li> <li>- Co-Payments and Balanced billing</li> </ul>	<p><b>Provision</b></p> <p><b>Public Sector</b></p> <ul style="list-style-type: none"> <li>- School Health, Maternal and woman's health</li> <li>- Mental Illness, Elderly, Disability and Rehabilitation</li> <li>- Expansion of Service Benefits, and Implementation PHC services through 1<sup>st</sup> 1000 clinics</li> </ul> <p><b>Private Sector</b></p> <ul style="list-style-type: none"> <li>- Introduction of Single Service Benefits Framework</li> <li>- Reduce the number of options per scheme</li> <li>- Reform of PMBs and alignment to NHI services benefits, including common protocols/care pathways</li> </ul>
<p><b>Governance</b></p> <p><b>Public Sector</b></p> <ul style="list-style-type: none"> <li>- Established Central Hospital as Semi-autonomous structure</li> <li>- Strengthen Governance and delegations of Hospitals</li> <li>- Strengthen Governance and delegation of Districts</li> </ul> <p><b>Private Sector</b></p> <ul style="list-style-type: none"> <li>- Governance and non-health care</li> <li>- Reserves and solvency</li> </ul> <p><b>Interim Institutional Structure</b></p> <ul style="list-style-type: none"> <li>- Establishment of NHI Transitional Structures</li> <li>- Establishment of Health System Reform Structures</li> <li>- Interim NHI Fund</li> </ul>	<p><b>Regulatory</b></p> <p><b>Public Sector</b></p> <ul style="list-style-type: none"> <li>- Legislation to create NHI Fund – the NHI Bill introduction</li> <li>- Legislation Amendments: (i) National Health Act; (ii) The Health Professions Act and (iii) General Health Legislation Amendment</li> </ul> <p><b>Private Sector</b></p> <ul style="list-style-type: none"> <li>- Medical Schemes Act and regulations Reform</li> <li>- Consolidation: (i) Consolidate GEMS and other state medical schemes into single structure; (ii) Reduce the number of Medical Schemes and (iii) Reduce the number of options in Medical Schemes</li> <li>- Licensing of health establishments</li> </ul>

---

**Phase 3 (2021-2025):** will be the introduction of mandatory prepayment for the NHI, contracting for accredited private hospital and specialist services, finalisation and implementation of the Medical Schemes Act and finalisation and implementation of the NHI Act, in addition to the specific activities that the CMS will be carrying out in phase 2.

---

### How the NHI will be funded

While the bill is still light on some specifics around funding for the NHI, it is clear that South African taxpayers will be paying for a portion of the service.

The bill states that funding for the NHI will be collected ‘in accordance with social solidarity’ through a number of direct and indirect taxes.

These taxes include:

- **General tax revenue**, including the shifting funds from the provincial equitable share and conditional grants into the Fund;

- Reallocation of funding for **medical scheme tax credits** paid to various medical schemes towards the funding of National Health Insurance;
- **Payroll tax** (employer and employee);
- A surcharge on **personal income tax**, introduced through a money Bill by the Minister of Finance and earmarked for use by the NHI fund.

“Once appropriated, the revenue allocated to the fund must be paid through a budget vote to the fund as determined by agreement between the fund and the minister and subject to the provisions of the Constitution and the Public Finance Management Act,” the bill states.

---

### **New database planned**

The CMS said that it also cannot continue to fulfil its regulatory mandate effectively without a properly functioning medical scheme member database.

The council said that the membership database, also called the Central Beneficiary Registry (CBR), will enable it to deliver focussed services to medical scheme members.

It will further improve our ability to conduct meaningful research in aid of national health priorities such as the establishment of the NHI Fund. To this end, all efforts will be directed to operationalise the CBR over the next two years, it said.

Despite the bullish approach to the NHI, the CMS acknowledged that the country’s current financial situation and the impact of the lockdown will make the rollout of the new NHI more difficult.

“In terms of scenario planning, it appears as if we are moving into a scenario of a difficult economic recovery coupled with significant challenges to the implementation of the National Health Insurance.

“This scenario emanates from an analysis based on the economic recovery and NHI implementation as key uncertainties in the CMS environment over the next five years,” it said.

In its presentation to parliament, the council also warned that a lack of funding may impact its NHI rollout plans.