



# The journey

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## *The road to National Health Insurance*

Views on National Health Insurance (NHI) in the highly polarised South African healthcare sector may differ considerably. However, one thing most agree on is the need for reform and the establishment of a far more inclusive health sector. As the journey continues, we unpack the reasons for NHI and explore issues around its implementation. Employers are encouraged to understand how NHI could impact their business and employees and start preparing, sooner rather than later.

### Why National Health Insurance?

Understanding the current medical schemes industry sheds light on the need for a National Health Insurance fund. The table below offers a snapshot of the medical scheme landscape.

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Principal members and beneficiaries	3,992,102 members 8,878,081 beneficiaries	4,012,722 members 8,872,036 beneficiaries	4,035,360 members 8,902,813 beneficiaries
Population coverage	15.9%	15.7%	15.4%
Average age of beneficiaries	32.5 years	33.2 years	33.5 years
Pensioner ratio	7.9%	8.4%	8.7%
Number of medical schemes	83 of which 23 open and 60 closed	80 of which 21 open and 59 closed	78 of which 20 open and 58 closed
Average solvency levels	31.6%	33.2%	32.6%

It is clear from this table that only a small percentage (15.4% in 2018) of the population is covered by medical schemes. This could be for various reasons such as affordability of medical scheme cover. It further indicates that the medical schemes' population is ageing, as reflected in the annual increase in the pensioner ratio (8.7% in 2018). This contributes to reducing scheme solvency and increasing medical scheme contributions. Consolidation is evident with the number of medical schemes reducing to 78 in 2018 and further consolidation expected.

The medical scheme industry has not been immune to irregular conduct. The Special Investigating Unit is currently investigating all three of the regulatory bodies - the Council for Medical Schemes, the Health Professions Council SA and the National Health Laboratory Services - for maladministration and unlawful conduct.

Initiated by the former Minister of Health, the Health Market Inquiry considered:

- Reasons for the increases in health expenditure
- How increases were determined
- How consumers accessed and assessed information
- Regulatory deficiencies.

The final report was released on 30 September 2019.

### **NHI and the way forward**

*“Spending too much time sharpening your spear instead of being at war  
– you will be considered a coward.”  
Dr Anban Pillay – Deputy Director General for NHI at the Department of  
Health*

The NHI Bill entered the public domain in August 2019 when Health Minister Zweli Mkhizi tabled the Bill in parliament. The period for sending public comment on the Bill to the Portfolio Committee on Health recently closed. Once the Bill is finalised by the Portfolio Committee, it will be submitted to the Council of Provinces. It is expected that it will take at least another year, if not longer, before parliament adopts the Bill, which proposes full implementation by 2026. This date is probably optimistic given the legislative process that must be followed.

Collaboration between the public and private sectors is key for the successful implementation of NHI. Public services and infrastructure must be strengthened while concerns around corruption and the ineffective spending of South Africa’s growing healthcare budget must be addressed.

The Bill identifies the following beneficiary categories:

- South African Citizens
- Permanent residents of South Africa
- Refugees in South Africa
- Inmates in South Africa
- Categories or individual foreigners, as determined by the Minister of Home Affairs after consultation with the Ministers of Health and Finance.

Furthermore, asylum seekers and illegal foreigners in South Africa will qualify for emergency medical services. Benefit categories such as Military Health, National Defense Force and State Security will be excluded from the Bill. This means that there will be a large group of beneficiaries in the Fund that will be subsidised by a small group of taxpayers.

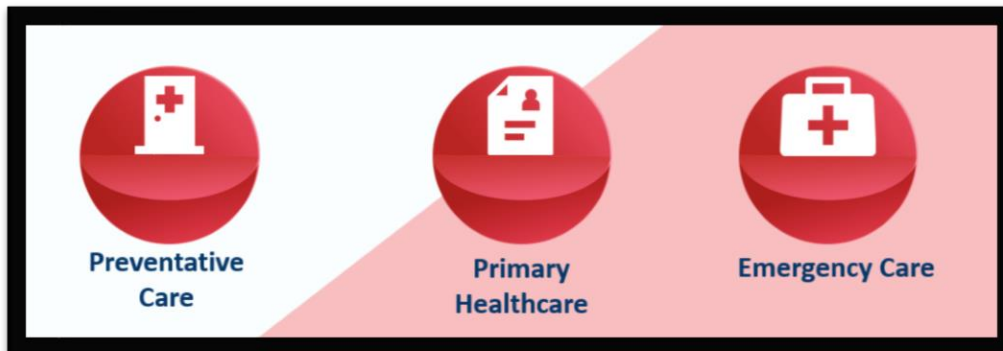
The following ministerial advisory committees will be created:

- Benefits Advisory Committee. The main function of this committee will be to determine the benefits to be covered by the NHI fund.
- Health Benefits Pricing Committee. This committee will recommend prices for NHI benefits.
- Stakeholder Advisory Committee. This committee will include representatives from the Health Professions Council, public health entities, organized labour etc.

To promote good governance, the NHI will be overseen by a Board appointed by and accountable to the Minister of Health. The Board will consist of eleven Board Members and a CEO appointed by the Health Minister. The Board's term of office will be five years, renewable once only.

The source of funding for NHI is still unclear. It is however expected that the main source of money will be appropriated by parliament. It is further expected that the current medical tax credits will fall away and that the value of these credits be reallocated to the Fund. It is also envisaged that payroll employer and employee tax will be introduced for all individuals formally employed. In addition, a surcharge on personal income tax may be added to individual tax.

While the benefit structure of the Fund still must be finalised, it is envisaged that it will provide "comprehensive care" which includes the following:



Electronic patient records are critical for the success of NHI. The administration of 56 million patient records will be a formidable challenge, particularly when considering the Protection of Personal Protection Act. The required technology will have to provide for the registration of each user and will have to be fraud proof.

It is currently envisaged that once NHI is fully implemented, medical schemes and private health insurance schemes will only be able to offer complementary cover i.e. benefits not covered under NHI.

### **What should employers do in the meantime?**

Employers do not have to wait for NHI to provide cover for their low-income earners who are currently not members of a medical scheme. They can start introducing basic benefit packages for these employees. The impact of NHI will vary from business to business. Employers should develop a good understanding of how NHI could impact on their business and employees.

If you would like to discuss how NHI will impact you and your employees, please talk to your Momentum Consultants and Actuaries' Consultant or contact us at [mca@momentum.co.za](mailto:mca@momentum.co.za).

**Issued by Lizette Groenewald,  
on behalf of Momentum Consultants & Actuaries  
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