

# National Health Insurance

## What is it?

A National Health Insurance system will be introduced in stages to transform South Africa's health system. But how does this scheme work, how is it financed and who benefits?

**Farieda Dollie** explains.

South Africa urgently needs a national health system that guarantees everyone the right to access quality health care. The Constitution guarantees everyone's right to health-care services on an equitable basis and based on the principle of non-discrimination. Cosatu (Congress of South African Trade Unions) and the ANC (African National Congress) have adopted a National Health Insurance (NHI) plan that will guarantee everyone this right.

The NHI system will be free at the point of service and services will be the same at sites across all provinces in the country. This means that *everyone*, including the poor and unemployed, can get quality medical care.

The previous article in *Labour Bulletin* 32.5 introduced the idea of an NHI which was adopted in a resolution taken at the 52nd Congress of the ANC at Polokwane in 2007. The main tenets of Cosatu's position paper on NHI was adopted by the ANC and forms part of the ANC's election manifesto. The ANC's Subcommittee on Education and Health has appointed a Task Team to do further research and refine the proposed model with a view to establishing institutions that will be responsible for implementing the NHI system.

Work on improving and strengthening the current public health system is also underway as this is essential for the provision of quality care.

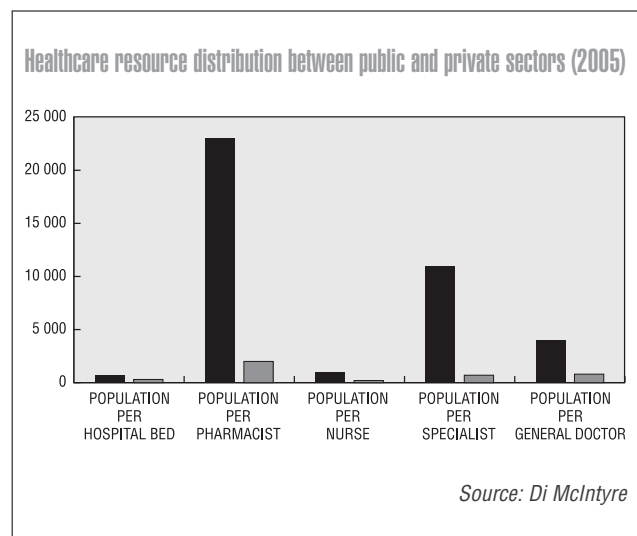
South Africa has a two-tiered system of health care – a public and a private sector resulting in huge inequalities in the provision of health. This is mainly due to the unequal distribution of resources between the private and public sectors, which includes health-care personnel such as specialists, doctors, nurses and other health-care workers; infrastructure such as clinics and hospitals; medical equipment like X-ray machines and CT scanners; and availability of medicines.

The majority of resources are located in the private

sector. Of the 8.5% of GDP (Gross Domestic Product) spent on health, 3.5% is spent in the public sector which serves 85% of the population while 5% of GDP is spent on 15% of the population.

The public sector is inadequately funded having less than 40% of total health-care resources. The private sector, which treats health care as a commodity, consumes more than 60% of total health resources. Human resources in the private sector include more than 60% of doctors, specialists and other health professionals, except for nurses. Clearly this skewed system is wasteful and does not serve the public interest.

*The diagram below illustrates the unequal distribution of health resources.*



Under NHI, this unequal distribution will largely be eliminated since resources in both sectors will be for the benefit of all. All accredited service providers will be remunerated by the state.

**“The pooling of resources from the private and public health sectors will radically improve health-care delivery to all the population. The savings alone from administering medical aid schemes which amounts to billions of rands can be put into a common fund for the common good.”**

#### HOW WILL NHI BENEFIT PEOPLE?

The current two-tiered health system favours a small percentage of the population. The majority have to use poorly resourced public health while a few can afford private health care which is profit based.

High levels of out-of-pocket payments, including user fees, are common, which limits the ability of people to use services. At present, only people who can afford expensive medical aid schemes or are employed in the public sector can afford to pay for health care. But often, these schemes contain exclusion clauses for services that the medical aid scheme will not pay for. This means that members have to bear the additional cost as out-of-pocket expenses.

An NHI system which has free universal coverage will thus benefit workers, the poor and middle income earners. All employed people will make contributions into a common fund – the National Health Fund that will be state administered. Workers will be taxed on a progressive basis and will be guaranteed a comprehensive package of services which they can access at an accredited service provider of their choice.

#### WHO PAYS FOR NHI?

All employed people, including workers and their employers will be required to make contributions to the NHI on a progressive taxation basis. This means that low income workers will pay less than high income earners and will receive the same benefits.

The poor will be subsidised by

the state. The principle of social solidarity, the rich and the young cross subsidising the poor and the elderly will become a reality.

The pooling of resources from the private and public health sectors will radically improve health-care delivery to all the population. The savings alone from administering medical aid schemes which amounts to billions of rands can be put into a common fund for the common good. It is envisaged that private medical aid schemes will operate in the short term and people who want to purchase top-up services will be able to do so.

There is general consensus that health financing systems must be developed to achieve universal coverage. Funds must be raised and pooled in a way that allows cross-subsidisation to different income groups. In this way the financial risks of illness can be shared between the sick and the healthy.

The details of the composition and the role of institutions that will fall under the NHI system are being finalised. These include the National Health Authority; the purchasing of services including that of health-care workers, equipment, drugs and other services; and the accreditation of clinics and hospitals.

Ways of strengthening the public sector to deliver a comprehensive package of quality care are also being planned and implemented. This includes developing a human resource plan to ensure a full complement of staff. Methods of tax collection from the employed by SARS and the registration of NHI card holders is also in the process of being finalised.

The national treasury will continue to allocate funds for health and Cosatu is requesting that government increase the health budget from the present 8.5% of GDP to 15% as agreed upon by the Abuja Declaration (adopted by African heads of state in 2000 on developmental issues). Cosatu has commissioned high level research on costing the NHI system and its results will be presented to the ANC subcommittee task team for consideration.

A single national health system means that anyone can go to their service provider of choice, their family doctor, clinic or hospital, in the public or private sector since all accredited service providers will be contracted to the National Health Insurance System.

#### NHI CAMPAIGN

There will be opposition to a NHI system from certain sectors especially from those who are profiting from providing health care as a commodity. Cosatu will soon launch a country-wide campaign to educate workers and the public. This will ensure that people are aware of the benefits of a uniform, universal health-care system that will be provide a comprehensive package of services to all irrespective of their ability to pay. <sup>LB</sup>

*This is the second article on National Health Insurance by Farieda Dollie, a health specialist in the National Education Health & Allied Workers Union (Nebawu). The first article appeared in SALB 32.5.*