Submission on the National Health Insurance (NHI)

Portfolio Committee on Health | Wednesday, 8 December 2021

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About the PSAM

- The Public Service Accountability Monitor (PSAM) was established in 1999 and is based at the School of Journalism and Media Studies of Rhodes University.
- We work across six African countries; South Africa, Zimbabwe, Tanzania, Zambia, Malawi and Mozambique.
- Our aim is to contribute to addressing particular societal problems originating from systemic public resource management (PRM) failures. We acknowledge the complexity of societal problems and that they often interrelate and impact upon the realization of human rights. We also acknowledge the importance of broader institutional and systemic reforms.
- PSAM's activities include research, monitoring, advocacy and capacity building. PSAM generates and shares knowledge about social accountability and the monitoring and advocacy tools that can build more open, participatory and accountable government.

Governance and Organisational Structures

(Refer to pages 3 - 9 of the written submission)

- NHI must be implemented in a manner that promotes accountability
- Should allow for increased transparency and responsiveness
- Support more effective, efficient, equitable, and inclusive access to health services
- Draft Bill: insufficient consideration to existing systemic governance failures; some aspects are likely to replicate weaknesses or fail due to existing dysfunctional/weak governance mechanisms
- Strengthened health system management is vital
- Decision making processes that are introduced through the NHI Bill must be clearly framed; enhance meaningful implementation that improves governance and health outcomes.
- We endorse other CSOs' concerns that the bill provides the Minister too much power and that the Board of the Fund are not sufficiently independent

Access to Information

(Refer to pages 9 - 11 of the written submission)

- Section 32 of Constitution recognises everyone's right of access to information held by the state
- Good governance and accountability are supported by increased levels of transparency
- Corruption and maladministration thrive where access to information is restricted.
- Timely access to info also valuable; increasing meaningful participation participate and provide feedback regarding the services offered
- The PSAM encourage the drafters and reformers of the current NHI Bill to take guidance from the Global Initiative for Fiscal Transparency (GIFT) Principles of Public Participation especially when considering access to information and before enacting this proposed legislation
- Focussed on fiscal policy but applicable in context of NHI and Fund

Why Procurement Matters

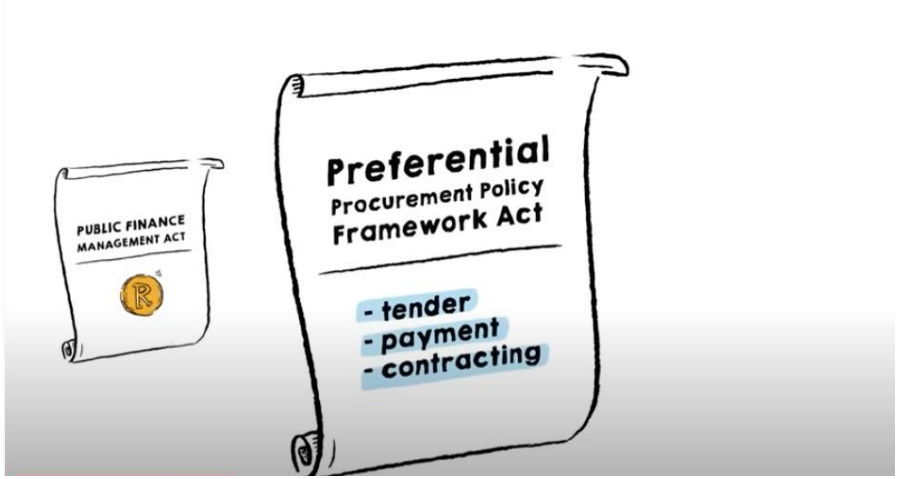
- South Africans are entitled to fair, equitable and efficient public procurement processes
- Vital:responsible stewardship of public finances and expenditure, and diligent delivery of rights-based public services.
- Public procurement is a necessary strategic development instrument to promote good governance
- Procurement should embed the effective and efficient use of public resources, which ultimately results in higher levels of service delivery
- Given the ever-increasing focus on sustainable development, the role and focus of public procurement has evolved from a predominantly technical and administrative process to a series of processes built around efficiency, transparency and accountability in using public resources
- In pursuit of better development outcomes and economic growth, sound public procurement and management of contracts is essential
- Establishing a transparent, fair, prudent and efficient health sector procurement system is vital

…..Procurement matters

- An estimated R27 billion (equal to more than one-third of the 2021/22 health budget) is lost to corruption annually

- In September 2021, the SIU reported that R14.8 billion of COVID-19 spending from April 2020 to June was being investigated for procurement irregularities

- We encourage the Committee to consider aspect of the Draft Procurement Bill in as far as broader reform questions are concerned and consider parallels between the proposal for NHI and structures proposed in the Procurement Bill



Procurement

(Refer to page 12 of the written submission)

Relevant section of the NHI Bill	Questions, concerns and proposed amendments
Section 27	4.1. A notable assumption made in the contracting structures is that the districts and departments will have the requisite technical/human resource capacity to fulfil the supply chain management demands that the Fund will introduce. 4.2. The PSAM proposes the inclusion of supply chain management experts within the Stakeholder Advisory Committee to provide critical guidance - particularly during the Fund's inception stages. 4.3. The PSAM proposes that section 27 read as follows (as proposed by the CSO, SECTION27): - "The Minister must, after consultation with the Board and by notice in the Gazette, appoint a Stakeholder Advisory Committee as one of the advisory committees of the Fund. The committee shall comprise of representatives from the statutory health professions councils, health public entities, supply chain management experts, organised labour, civil society organisations, associations of health professionals and providers, as well as patient advocacy groups in such a manner as may be prescribed."

Procurement

(Refer to page 13 of the written submission)

Section 38	4.4. The PSAM appreciate that centralising procurement *can* have significant benefits including substantial cost savings. The National Treasury outlines a range of benefits of centralisation such as; • eliminating unnecessary duplication, • reducing leakage and ensuring better utilisation of scarce procurement skills; • reducing the administrative burden for suppliers, resulting in policy consistency; • providing an opportunity for long term supplier relationships and certainty in the marketplace; • reducing the administrative burden government has with repetitive quotes which could have been directed towards contracts; and • allowing government to refocus on contract management.[8] 4.5. The PSAM are concerned, however, that these benefits are only likely to be reaped under specific conditions - not all of which are currently met by the health administration. 4.3. Firstly - the Bill envisions centralised control at the national level - with the assistance of District Health Management Office's (though still controlled at the national level as per Section 36). This limits administrators at the local level of control and creates a distance between the site of implementation and SCM decision-making. In a context in which communication and administrative integration between national, provincial and district entities has been notoriously weak - this may have the effect of increasing inefficiencies within the system, increasing delays and ultimately cost and procurement backlogs.

Procurement

(Refer to page 14 of the written submission)

4.4. Secondly - the Bill currently provides for multiple structures with overlapping and often un-delineated responsibilities, risking duplication of duties and increased human resource management and governance challenges.

4.5 While legislation to delineate roles and responsibilities is contemplated (see section 31(2) of the NHI Bill) concerns have been raised earlier in this submission relating to the challenges that the NHI Bill in its current form are likely to create or exacerbate.

4.6. In terms of Section 22a of the Medicines Act, the Health Minister has gazetted a list of scheduled substances. The Minister is also required to formulate regulations on the introduction of a pricing system that is transparent and includes a single exit price which must be "*…the only price at which manufacturers shall sell medicines and scheduled substances to any person other than the State*".[9]

4.7. We note the fact that even though sales of medicines or scheduled substances to private purchasers must be at the single entry price, the same is not true for sales to public entities. This price is open to negotiation and is unregulated. The Bill envisions that the single exit price at which medicines are to be sold will be prescribed by the Office of Health Product Procurement as per section 38.

4.8. This would mean that the prices of medicines to which the single exit price did not previously apply will now be included. Taking into account the requirements of the PFMA, Treasury Regulations and Procurement Regulations for openness, fairness and transparency - it is not clear how the arrangements within the Fund will meet these where the price of medicines will not be open to negotiation, being fixed at the single exit price.

Procurement

(Refer to page 15 of the written submission)

	4.8. It is especially concerning that it is not clear what impact this may have on competitive bidding processes as well on the tender adjudication and evaluation processes. Clarity on the pricing mechanism is required in addition to the precise tendering procedures the Fund will follow. 4.9. Proposed: 4.9.1. Increase oversight and monitoring by involving more non-government actors within the procurement processes. 4.9.2. Research indicates that maladministration and fraud within SCM processes could be limited through the involvement of stakeholders such as civil society organisations. Presently - the procurement system requires the establishment of three bid committees. Ambe and Badenhorst-Weiss (2019) recommend that non-government stakeholders should be involved in two of the three committees; evaluation and adjudication. This will ensure and support more open governance practices and increased public monitoring. 4.9.3. Implement more e-government and open data platforms to support health procurement. 4.9.4. South Africa is a founding member of the Open Government Partnership (OGP). The NHI Bill should seek to respond to South Africa's OGP commitments as outlined in its National Action Plan. 4.9.5. Align tender data with the Office of the Chief Procurement Officer's e-tender portals and central supplier databases to ensure access and centralisation of data using uniform open data standards.

Procurement

(Refer to page 16 of the written submission)

	4.9.6. The inclusion of the following under section 38(3): "(j) Provide the public with online access to all contracts concluded by the Office of Health Products Procurement, provided that such Office redacts or sever those portions of contracts that are subject to protection afforded by the Promotion of Access to Information Act and the Protection of Personal Information Act." 4.9.7. There needs to be an adjustment to the transitional arrangements, in particular, phase 1 which seeks to ensure that between 2017-2022 there is a process for the accreditation of healthcare providers, which must require that health establishments are inspected and certified by the Office of Health Standards Compliance.

Exclusions

(Refer to page 16 - 22 of the written submission)

Thank you

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