MEDICLINIC

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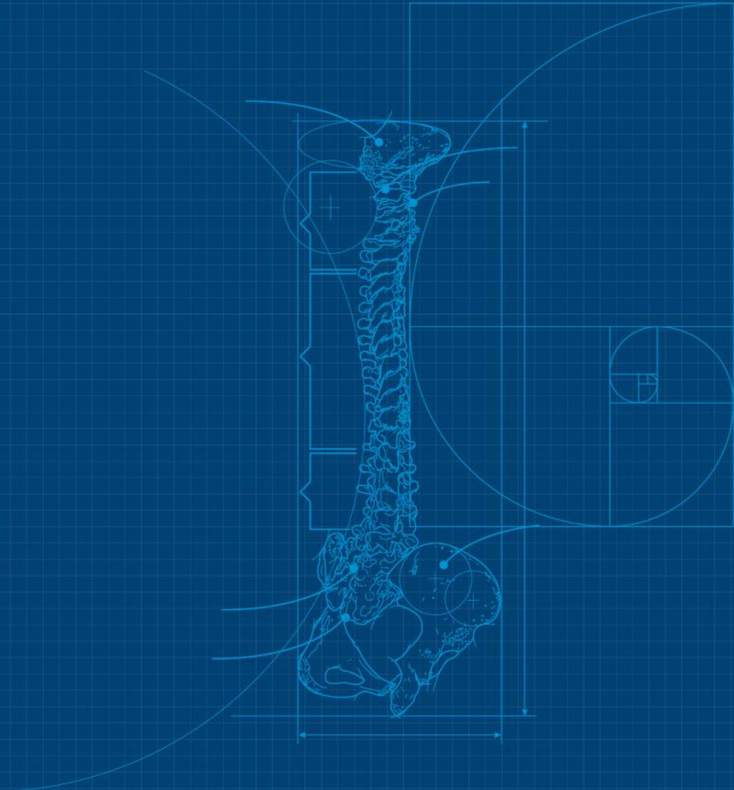
NATIONAL HEALTH INSURANCE BILL

MEDICLINIC SOUTHERN AFRICA

PRESENTATION TO THE PARLIAMENTARY PORTFOLIO COMMITTEE ON HEALTH

26 JANUARY 2022



MEDICLINIC SOUTHERN AFRICA
AGENDA

MEDICLINIC

1	Executive Summary
2	Introduction to Mediclinic
3	Mediclinic's Position on Universal Health Coverage
4	Concerns with the NHI Bill
5	Summary of Key Concerns and Proposals
6	Concluding Remarks

MEDICLINIC SOUTHERN AFRICA
EXECUTIVE SUMMARY

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UNIVERSAL HEALTH COVERAGE IS AN IMPERATIVE WHICH MUST BE IMPLEMENTED CONSTITUTIONALLY

IMPORTANT PROPOSALS IN THE BILL

- Strategic purchasing
- Purchaser-provider split
- Primary healthcare-centered package

CONSTITUTIONAL CONCERNS

- Breach of the right of access to health care services
- Lack of reasonable certainty on the nature and scope of the NHI scheme
- Non-compliance with the standards governing public procurement

KEY THREATS TO ACCESS

- Inadequate resources for effective implementation
- Role and viability of private sector hospital providers
- Erosion of medical cover due to the limited role of medical schemes

MEASURES TO ADDRESS CONCERNS AND THREATS

- Set measurable milestones to stagger implementation based on benefit costing, financial and human resource estimates
- Expand the role of private hospital sector
- Remove the limitations on medical scheme cover
- Amend relevant sections to ensure reasonable certainty for users, providers and medical schemes
- Establish a fair and transparent methodology for reviewing the scope of services covered by the NHI scheme
- Provide for a fair, equitable, transparent, competitive and cost-effective procurement model
- Establish an independent body to determine appropriate reimbursement models and scientifically calculated tariffs

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MEDICLINIC INTERNATIONAL
OVERVIEW

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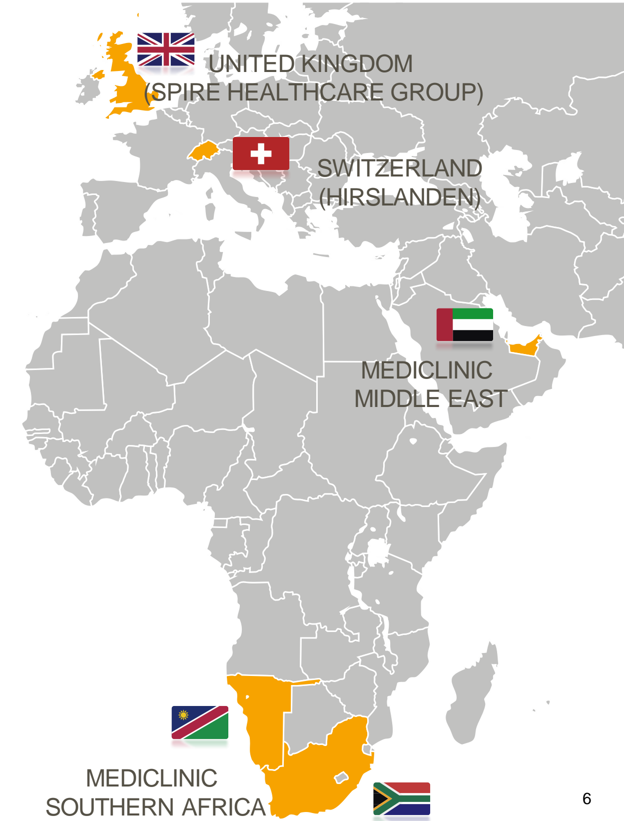
- Mediclinic Southern Africa is the South African and Namibian division of Mediclinic International, a diversified international private health care services group
- Focused on providing specialist-orientated, multi-disciplinary services across the continuum of care
- Experience in operating within a range of health care systems with varying economic and regulatory dynamics
- Purpose
    - To enhance the quality of life
- Vision
    - To be the partner of choice that people trust for all their health care needs



MEDICLINIC SOUTHERN AFRICA
OVERVIEW

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SOUTHERN AFRICA OPERATIONAL OVERVIEW

ACUTE HOSPITALS
50[1]

DAY CLINICS
13[2]

SUB-ACUTE HOSPITALS
5[3]

MENTAL HEALTH FACILITIES
2

BEDS
8,600
THEATRES
303

ADMITTING DOCTORS
2,860

EMPLOYEES
15,049

SOUTHERN AFRICA SUBSIDIARIES

Notes:
[1] Includes Intercare Medfem Fertility Hospital and Mediclinic Winelands Orthopaedic Hospital
[2] Includes 9 Mediclinic and 4 Intercare day case clinics
[3] Includes 1 Mediclinic and 4 Intercare sub-acute hospitals

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MEDICLINIC SOUTHERN AFRICA
POSITION ON UNIVERSAL HEALTH COVERAGE

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UNIVERSAL HEALTH COVERAGE IS A CRITICAL OBJECTIVE

- Universal access to quality health care for all South Africans is an imperative to which Mediclinic is fully committed.
- *“There is no single way”… “All countries must make choices and trade offs”.* (World Health Organisation)
- How Universal Health Coverage (UHC) is achieved should be informed by the South African context.
- The NHI Bill lays down some of the essential components of UHC:
    - Strategic purchasing principles
    - A purchaser-provider split
    - A primary healthcare-centered package

MEDICLINIC SOUTHERN AFRICA
COVID-19 COLLABORATION

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LESSONS FOR NHI

- Covid-19 enabled various public and private sector stakeholders across various industries to collaborate.
- The private hospital sector participated in Business-4-South Africa work streams.
- Public and private sectors engaged in developing agreements around processes and fees for the admission of public sector Covid-19 patients at private facilities.
- Collaboration in the roll-out of Covid-19 vaccinations created opportunities for public sector users to receive vaccinations at private sector sites.
- We would welcome further engagement with public sector stakeholders to develop the components of a sustainable health care system that will be required under NHI.

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NHI BILL CONCERNS
CONSTITUTIONAL STANDARDS

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THE BILL IS POTENTIALLY UNCONSTITUTIONAL

- This Committee must be satisfied that the Bill is capable of achieving its objectives in a constitutionally compliant manner.
- If not, the resulting legislation or parts of it may be set aside by the Constitutional Court.
- There are three main grounds on which the Bill may infringe the Constitution:
  1. Breach of the right of access to health care services
  2. Lack of reasonable certainty on the nature and scope of the NHI scheme
  3. Non-compliance with the standards governing public procurement

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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ACCESS TO HEALTH CARE SERVICES

- Section 27 of the Constitution protects everyone's right to have access to health care services. It imposes two kinds of obligations on the State:
  - A positive obligation to protect and progressively realise this right within the State's available resources
  - A negative obligation not to take steps which are retrogressive
- If the Bill cannot achieve its objectives, the State would fail in its positive obligation.
- If the Bill results in reduced access to health care services, the State would fail in its negative obligation.
- The NHI is a "*substantial policy shift that will necessitate massive reorganisation of the current healthcare system*". (NHI White Paper)
- The risks posed by such a far-reaching upheaval are enormous.

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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THREATS TO ACCESS TO HEALTH CARE SERVICES

There are three key threats to access to health care services:

1. Inadequate resources for effective implementation of the NHI scheme
2. Role and viability of private sector hospital providers
3. Erosion of medical scheme cover

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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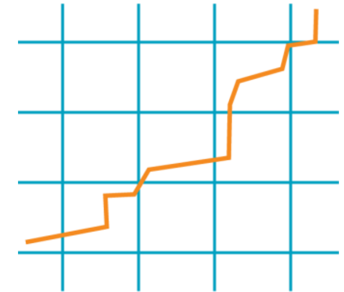
THREAT 1:
INADEQUATE RESOURCES FOR EFFECTIVE IMPLEMENTATION

- There are legitimate concerns regarding the availability of the financial and human resources required to implement the NHI scheme effectively.
    - Financial Resources
        - "…*the proposed NHI, in its current format, is unlikely to be sustainable unless there is sustained economic growth*." (Davis Tax Committee Report, 2017)
    - Human Resources
        - South Africa's doctor- and nurse-to-population ratios are low compared to peer countries.[1] Specialist-to-population ratios are currently 10% of OECD average. [2]
        - Extreme deficits exist in the projected number of specialists by 2040 when accounting for disease burden.[2]
- Everyone's right of access to health care services would be threatened if the existing health care delivery system is uprooted and the NHI scheme envisaged in the Bill cannot be effectively implemented.



Source: 1. OECD Data. https://data.oecd.org/. 2. Percept 2019. The supply of and need for medical specialists in South Africa.

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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THREAT 2:
ROLE AND VIABILITY OF PRIVATE SECTOR HOSPITAL PROVIDERS

The resources in the private hospital sector are an integral part of the health care system:

- Private facilities and beds
  - 534 facilities with 40,514 licensed beds[1]
  - 30% of total hospital beds in the country[2]
- Private nurse training
  - More than 50% of output from nurse training programmes in the country is from private institutions[3]
  - Between 4,300 and 4,500 nursing students were enrolled in training programmes offered by private hospital groups during 2014 and 2015[1]

The private sector also makes a significant contribution to the economy

Private hospital groups in 2016/2017 [1]

- contributed R55.5 billion to the national economy (1.3% of GDP)
- employed 53,500 people directly and supported 248,504 jobs (1.57% of national employment)
- contributed R16.4 billion in tax (1.5% of total tax revenues)

Source: 1. Econex (2017). The economic footprint of private hospital groups in South Africa: A multiplier study.
2. Competition Commission HMI 2018; Econex 2017.
3. SANC data 2009 to 2018

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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THREAT 2:
ROLE AND VIABILITY OF PRIVATE SECTOR HOSPITAL PROVIDERS

Key components of the Bill threaten the viability and role of the private hospital sector:

- Contracting and reimbursement frameworks do not accommodate private hospital participation
  - Referral networks and service delivery models are based on public provider classifications
  - Criteria for provider accreditation do not take account of the structural features of private health care provision
  - No reasonable certainty of a commercially viable level of reimbursement
- The exemption of the NHI Fund from the Competition Act exposes providers to risks of:
  - The Fund using its dominant power or monopsony power to force prices for health care services below the competitive level
  - The Fund concluding exclusive dealing agreements with particular providers
- The Bill limits medical scheme cover to “complementary cover”

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

THREAT 3:
EROSION OF MEDICAL SCHEME COVER

- Approximately 9 million South Africans currently belong to medical schemes:
  - Cover concentrated in economically active segments of the population
  - Guaranteed cover for Prescribed Minimum Benefits
    - 270+ medical conditions
    - 25 chronic conditions

- Section 8(2) allows for medical scheme cover where there is divergence from the referral pathway or formulary.
- Sections 6(o) and 33 of the Bill limit the role of medical schemes to “complementary cover” only.

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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THREAT 3:
EROSION OF MEDICAL SCHEME COVER

- What does "complementary cover" mean?

NHI Services

Category A		Category B
Category A1	Category A2	
Covered Paid Services	Covered Unpaid Services	Precluded Services

- How will patients access
  - Covered unpaid services?
  - Precluded services?

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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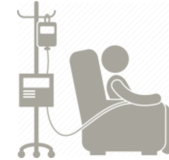
THREAT 3:
EROSION OF MEDICAL SCHEME COVER

Consider Patient A with chronic renal failure, previously receiving life-sustaining haemodialysis treatment currently covered by a medical scheme:

NHI is implemented and covers treatment in principle



1. As an expensive treatment, the NHI Fund may not be able to provide cover to all patients who need it.
2. Patient A cannot access haemodialysis due to rationing and finds themself on a long waiting list.

3. Existing access to life-saving treatment has been removed.

- Court decisions illustrating possible constitutional challenges to the Bill:
  - Infringement of rights if a patient is limited to the public sector where required specialised care is only available in the private sector - *Law Society of South Africa v Minister of Transport*
  - Right to life and security will be infringed where prohibited from purchasing private medical insurance and the public health system is not able to provide adequate care within a reasonable time – *Chaoulli v Attorney General Quebec*

NHI BILL CONCERNS

FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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THREAT 3:
EROSION OF MEDICAL SCHEME COVER

Almost all countries in pursuit of Universal Health Coverage make use of hybrid financing models.

- Hybrid Universal Health Coverage funding models:
  - have varying degrees of duplication between public and private insurance coverage;
  - facilitate explicit income cross-subsidies and introduce a degree of competition to the system.
- No low- or middle-income country has successfully implemented a single-payer model that provides comprehensive coverage for the whole population, free at point of care.
- The prohibition or material limitation of the role of voluntary private health care insurance is not required to achieve Universal Health Coverage.
- There is limited evidence that a single payer model is effective in controlling health care expenditure and ensuring coverage.

Source:
Insight Actuaries and Consultants. A Transitional Framework for Achieving UHC in South Africa. A research report for Business Unity South Africa. November 2019.
R Murphy Da Silva and S Besesar (2016) Health Care Reform in South Africa: Towards Universal Health Coverage. Actuarial Society 2016 Convention, Cape Town, 23–24 November 2016.

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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THREAT 3:
EROSION OF MEDICAL SCHEME COVER

HYBRID FINANCING

Upper middle-income countries such as Russia, China, Romania, Bulgaria and Malaysia allow a **combination of supplementary (duplicative) and complementary** private insurance.

Almost every country in Europe allows for supplementary **private insurance coverage sold in combination** with some form of complementary cover.

Financing models in France, Thailand and Chile, where **distinct pools cater for specific populations**, may be efficient while responsive to local population needs.

SINGLE PAYER

Canada's total **health care expenditure increased** from 8.7% to 10.5% of GDP between 2000 and 2015, with 15% of spend paid out of pocket ("OOP").

High OOP spend in lower income countries like Brazil and Ghana (27% and 38% of total health care spend, respectively), both initially embarking on a single-payer model, raises questions around the degree of progressivity of this model in terms of financing and financial protection.

Source:
Insight Actuaries and Consultants. A Transitional Framework for Achieving UHC in South Africa. A research report for Business Unity South Africa. November 2019.
Insight Actuaries and Consultants. The many faces of universal health coverage. HASA conference 2019
R Murphy Da Silva and S Besesar (2016) Health Care Reform in South Africa: Towards Universal Health Coverage. Actuarial Society 2016 Convention, Cape Town, 23–24 November 2016.

NHI BILL CONCERNS
FIRST CONSTITUTIONAL GROUND: ACCESS TO HEALTH CARE

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REQUIRED MEASURES

The Bill should

- Provide for **staggered implementation** based on benefit costing, financial and human resource estimates, with **measurable milestones** to be reached before key aspects of the NHI scheme are implemented.
- **Remove the limitations** on medical scheme cover and ensure a comprehensive and **sustainable role for private providers** in the NHI scheme:
  - Provide for sustainable existence of medical schemes and private providers which allows for cross-subsidisation of lower costs to the public sector
  - Concurrently optimise the capacity of the medical schemes environment to cover as many individuals as possible, for example:
    - Low Cost Benefit Option (LCBO) framework to provide insurance for lower income households
    - Prescribed Minimum Benefit (PMB) review
    - A risk equalisation mechanism incentivising schemes to compete on value to members rather than attracting younger/healthier members

NHI BILL CONCERNS
SECOND CONSTITUTIONAL GROUND

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LACK OF REASONABLE CERTAINTY

The Bill fails to provide reasonable certainty on:

- the nature and scope of health care services that will generally be available **under the NHI scheme**;
- the nature and scope of the health care services which will be available **outside the NHI scheme**;
- how registered users of the NHI scheme may **access health care services within or outside** of the NHI scheme;
- the nature and scope of the **role of private health care providers in the NHI scheme**; and
- the permissible **scope of medical scheme cover.**

NHI BILL CONCERNS
SECOND CONSTITUTIONAL GROUND

MEDICLINIC

REQUIRED MEASURES

The Bill should provide for a fair and transparent methodology for reviewing the scope of services covered by the NHI scheme, including:

- a transparent process of determining the benefit package taking into account access, quality and affordability;
- representation of all health care provider groups on the Benefits Advisory Committee;
- review of treatment guidelines by an **independent committee** of academic and private sector specialists.

NHI BILL CONCERNS
THIRD CONSTITUTIONAL GROUND

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PUBLIC PROCUREMENT STANDARDS

- Section 217 of the Constitution requires that when an organ of state contracts for goods or services, it must do so in accordance with a system which is **fair, equitable, transparent, competitive and cost-effective.**
- However, the following sections of the Bill do not allow for a fair, equitable, transparent, competitive and cost-effective procurement framework:
    - The Fund must **determine** payment rates annually (s 10(1)(g)).
    - The Health Care Benefits Pricing Committee must **recommend the prices** of health service benefits (i.e. the prices of specific health services) to the Fund (s 26(3)).
    - The Fund, in consultation with the Minister, must determine the nature of 'provider payment mechanisms' (s 41(1)).
- In addition, the Bill gives the Minister of Health authority over both the NHI Fund (purchasing) and the provision of services in the public sector which undermines the purchaser-provider split and creates a conflict of interest.

NHI BILL CONCERNS
THIRD CONSTITUTIONAL GROUND

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REQUIRED MEASURES

- Review existing legislation which governs how an organ of state contracts for goods and services to ensure that the Bill provides for a lawful procurement framework.

- The Bill should provide for a **fair, equitable, transparent, competitive and cost-effective** procurement model with the following key components:

    - Decision-making by a **neutral, independent** body
    - Reimbursement of public and private providers in accordance with the different actual average input costs of public and private providers respectively
    - Any tariff evaluation to be conducted in accordance with appropriate coding, comprehensive costing data, and annual inflation

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SUMMARY OF KEY CONCERNS AND PROPOSALS

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KEY CONCERNS	PROPOSALS
Breach of the right of access to health care services • Inadequate resources for effective implementation of the NHI scheme • Limited role for private sector providers • Erosion of medical scheme cover	• Stagger implementation based on costing and human resource estimates, with measurable milestones to be reached before key aspects of the NHI scheme are implemented • Ensure a comprehensive and sustainable role for private hospital providers in the NHI scheme • Remove the limitations on medical scheme cover
Lack of reasonable certainty on the nature and scope of the NHI scheme	Amend relevant sections of the Bill to provide clarity on • Nature and scope of services available under and outside of the NHI • How users access services under and outside of the NHI • Role of private providers and medical schemes Provide for a fair and transparent methodology for reviewing the scope of services covered by the NHI scheme, including • A transparent process of determining the benefit package • Representation of all health care provider groups • Independent review of treatment guidelines
Non-compliance with the standards governing public procurement	• Provide for a fair, equitable, transparent, competitive and cost-effective procurement model. • Establish an independent body to determine appropriate reimbursement models and scientifically calculated tariffs.

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MEDICLINIC SOUTHERN AFRICA
CONCLUDING REMARKS

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- Universal access to quality health care for all South Africans is an imperative which Mediclinic fully supports.
- In its current form, the Bill is subject to the risk of not meeting its objectives.
- The future of health care for this country and all who live in it will be determined by this Bill.
- It is a golden opportunity to harness the resources of all role players in all health care sectors and to provide clarity and certainty to all.
- Mediclinic remains fully committed to being party to the development and delivery of South Africa's future UHC dispensation.

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THANK YOU