

**Presentation to the Parliamentary Portfolio Committee on Health.  
GEMS submission on the National Health Insurance Bill.**

**Board Chairperson:** Dr Sebayitseng Millicent Hlatshwayo  
**Principal Officer:** Dr Stan Moloabi



# GEMS founding mandate



**In 2002 the cabinet approved a framework policy on a restricted (closed) medical scheme for public service employees.**

**The GEMS Mandate: The state as an employer sought to ensure that there is adequate provisioning of healthcare coverage to public service employees that is efficient, cost-effective and equitable.**

Prior to the registration and commencement of GEMS there was a significant gap in the healthcare funding industry:

- Government, who subsidised public service employees' scheme contributions had no opportunity to participate in the oversight of the medical schemes which these employees belonged to.
- With GEMS, 50% of the Board is appointed by the employer (Government) and 50% by the employees (members of GEMS).
- With Board oversight, GEMS has been successful in increasing coverage, posted 14 consecutive unqualified audits since inception and in 2021 achieved and AA rating by the Credit Rating Agency.

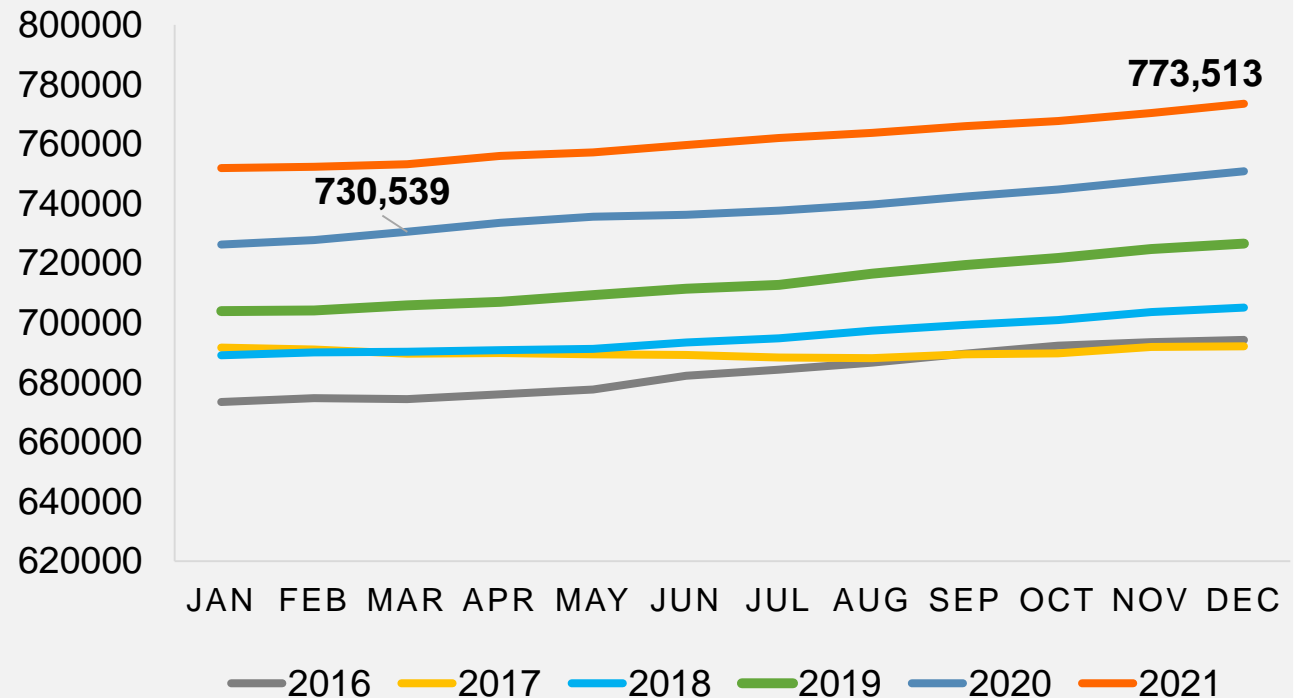
# GEMS at a Glance

Good governance has ensured that GEMS is financially stable covering 22% the medically insured population. 50% of GEMS claims are paid to healthcare providers based in rural areas.



Indicators	2021*
Principal members*	773 513
Beneficiaries*	2 036 103
Annual net contributions*	R46bn
Claims paid*	R42bn
Net surplus*	R4bn
Reserve ratio*	R22.7bn (46.10%)
Non-healthcare expenditure#	4.5% vs 8.6% industry average

GEMS membership has consistently grown over the years and recently despite the adverse economic consequences of the pandemic and the slight decline in membership in the industry.



Note: \* Values are preliminary unaudited results  
# Based on 2020 GEMS results and industry reports

# Legislative Process



1. On the 10<sup>th</sup> July 2019, Cabinet of the 6<sup>th</sup> Administration approved that the National Health Insurance (NHI) Bill should be presented to Parliament for public consultation.
2. The National Department of Health obtained final Cabinet approval for the NHI Bill to be tabled in Parliament on the 10<sup>th</sup> July 2019.
3. On the 26<sup>th</sup> July 2019 the Speaker of Parliament was requested to table the Bill in Parliament and the Bill was published by Parliament on the 8<sup>th</sup> August 2019 for public consultation.

**GEMS supports and is honored to be part of making inputs into the legislative process**

# National Health Insurance - Defined



- 1) NHI is a **strategy to move South Africa towards Universal Health Coverage** (UHC).
- 2) It is a health financing mechanism that pools funds to provide access to quality health services for all South Africans based on their health needs and irrespective of their socio-economic status.
- 3) NHI is intended to ensure that the use of health services does not result in financial hardships for individuals and their families.
- 4) NHI represents a substantial policy shift that will necessitate a **massive reorganisation of the current health system, both public and private.**
- 5) NHI is aimed at transforming the fragmented two-tiered health system, the public and private, into a unified health system as envisaged by the **1997 White Paper on the Transformation of the Health System in South Africa.**

# Addressing barriers to access



1. There is a need to reform both health care financing and service delivery systems so that all South Africans have access to affordable, quality personal health care services regardless of their socio-economic status within the context of the burden of disease.
2. Need address fragmentation of health care fund pools in the South African health system to create an integrated pool in order to achieve UHC by establishing a purchaser provider split with the NHIF being the single-payer for comprehensive health care services.

**GEMS supports the NHIF to address the barriers to access resulting from the current two tier healthcare system**

**Universal health coverage for the entire population can be achieved through a health system founded on social solidarity, which allows for:**

- Pooling of resources;
- Income cross-subsidies whereby everyone contributes to funding the health system on the basis of their ability-to-pay;
- Risk cross-subsidies whereby everyone benefits from health services according to their need for care;
- NHI is the vehicle to achieve Universal Health Coverage in South Africa;
- Countries that have achieved UHC using similar model include the UK; and
- GEMS believes this effective-risk pooling is a means to reduce gaps in health disparities amongst South Africans.

**GEMS supports the establishment of the NHIF as means to achieve UHC**

1. Successful implementation of NHI cannot be achieved without creating a single common fund, which in itself will directly contribute towards:
  - a) a unified health system by improving equity in financing;**
  - b) reducing fragmentation in funding pools across both the public and private sectors; and**
  - c) making health care delivery more affordable and accessible for the population.**
2. The NHI Bill is a crucial step in creating the common Fund.
3. The NHI Fund will therefore be established as an autonomous public entity.



**The approved and published White Paper on NHI (2017) has outlined the following:** Moving towards UHC can be achieved through a health system founded on the principles of **social solidarity and equity**, which allows for:

1. Universal access
2. Mandatory prepayment of health care
3. Comprehensive Services
4. Financial risk protection
  - income cross-subsidies whereby everyone that is eligible contributes to funding the health system on the basis of their ability-to-pay; and
  - risk cross-subsidies whereby everyone benefits from health services according to their need for care.
5. Single fund
6. Strategic purchaser
7. Single-payer

# The constitutional rights linked to NHI

## The draft Bill seeks to bring to fulfilment the provisions of section 27 of the Constitution:

*“Everyone has the right to have access to health care services... The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights.”*

- In terms of **section 27(2)** of the Constitution the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of the right of access to health care services.
- In terms of **section 27(3)** of the Constitution no one may be refused emergency medical treatment.
- **Section 28(l)(c)** of the Constitution provides that every child has the right to basic health care services.
- The **rights to equality and human dignity** are enshrined in the **Constitution in sections 9 and 10** respectively.
- The **right to bodily and psychological integrity** is entrenched in **section 12(2) of the Constitution.**

# International conventions linked to NHI



1. **Article 12 of the United Nations Covenant on Economic, Social and Cultural Rights, 1966** provides for the "right of everyone to the enjoyment of the highest attainable standard of health"
2. **Article 16 of the African Charter on Human and People's Rights, 1981** provides for "the right to enjoy the best attainable state of physical and mental health, and requires States Parties to take the necessary measures to protect the health of their people and to ensure that they receive medical attention when they are sick."

# Principles of NHI

1. **Right to access health care**
2. **Social solidarity**
3. **Equity**
4. **Health care as a Public Good**
5. **Affordability**
6. **Efficiency**
7. **Effectiveness**
8. **Appropriateness**

**The features and principles of NHI as expressed in the Bill support Constitutional rights and International conventions which are fully supported by GEMS**

# Purpose of the Bill



1. The Bill establishes NHI Fund as a legally defined organ of the state.
2. The Bill seeks to establish the National Health Insurance Fund of South Africa (NHI Fund), its Functions, Powers and Duties.
3. It further provides for the control of NHI Fund by the Board:
  - **the composition of Board;**
  - **the appointment of Members of Board;**
  - **the appointment of Chairperson and Vice-Chairperson of Board;**
  - **the meetings of the Board; and**
  - **the appointment of Committees of the Board and the disqualification from membership of Board and vacation of office.**
4. The Bill seeks to define beneficiaries of services covered by the NHI Fund, including population registration.
5. The Bill also provides for the contracting of accredited providers of personal health care services and allows for the Minister to determine criteria for accreditation and reimbursement of Health care providers.
6. The Bill provides for the Minister to determine health care benefits that will be reimbursed through the NHI Fund, as well as the service coverage and cost measurement provisions.
7. The section on Schedules amends other legislations to enable the full implementation of NHI.

## Purpose of Act

- Establish and maintain a national health insurance fund in the republic funded through mandatory prepayment that aims to achieve sustainable and affordable universal access to quality health care services. The Fund will:
  1. Be single purchaser and single payer of health care services.
  2. Pool funds and strategic purchasing of healthcare services and goods from accredited and contracted health care service providers.

# Purpose and application of the Act



## Application of Act

- **Applies to all health establishments, excluding military health services and SSA**
- The Act does not affect the funding and functions of any organs of state in respect of health care services until relevant legislation has been enacted or amended.
- Where there is conflict with other legislation this Act will prevail except the Constitution and PFMA
- **Competition Act does not apply to NHI Fund.**

## Population coverage

- The fund will purchase services on behalf of SA citizens; permanent residents; refugees; inmates and specific categories of foreign nationals.
- Asylum seeker or illegal migrants – emergency medical care , notifiable conditions;
- Children of undocumented migrants and asylum seekers - basic health services
- Foreign nationals will use travel insurance



**This Act enables the Fund in consultation with the Minister to purchase comprehensive health care services as determined by the Benefits Advisory Committee of the Fund to Act on behalf of:**

- South African citizens as defined in the South African Citizenship Act, 1995;
- persons who are permanently resident in the Republic as defined in the Immigration Act and documented in the population register by the Department of Home Affairs; and
- all prisoners as provided for in section 12 of the Correctional Services Act 111 of 1998
- All children are entitled to health care services as provided for in section 28 of the Constitution.
- Refugees as defined in the Refugees Act, Section 27 (g)
- Asylum seekers and undocumented migrants are entitled to:
  - emergency health care services;
  - services for notifiable conditions of public health concern

## Registration as users

- Eligible person must register (including children) with accredited healthcare provider/establishment
- New-borns - automatic registered at birth registration
- Supervising adult must register children in a child headed household
- Department of Home Affairs identification including Biometrics and such other prescribed information to be used for registration

**GEMS supports registration of users with the fund as per outline in the bill**

8. (1). A person who is eligible to receive health care services as provided for in section (7) must register as a user with the fund at a facility accredited in terms of section 39.
- (2). A supervising adult designated as such by a children's court as contemplated in section 137(2)(a) of the Children's Act must register on behalf of a child living in a child-headed household after producing the necessary court order when registering, provided that where no adult has been designated, any adult employee of the accredited facility contemplated in section 39, must assist the child to be registered.
- 3 (1) When applying for registration as a user, persons contemplated in Section 7(1) must provide his or her biometrics, and any other relevant information including fingerprints, photographs and habitual place of residence, and
- An identity card as defined in the Identification Act 68 1997;
  - An original birth certificate; or
  - A refugee identity card issued in terms of the Refugee Act 130 of 1998.
- (2) The Minister of Health in consultation with the Minister of Home Affairs may prescribe any further requirements for registration of foreign nationals contemplated in Section 7(1)(e)
- (3) Persons who are entitled to health services as contemplated in Section 7(2) must provide biometric, and any other relevant information including fingerprints, photographs, habitual place of residence, and where possible, passports.
- (4) A public health care facility accredited by the Fund in terms of section 39 of this Act and identified by the Minister in the Gazette must on behalf of the Fund –
- Maintain and keep up to date a register of all users with their relevant details as prescribed.
- (5) A user must present proof of registration when seeking health care services purchased for his or benefit by the Fund.

## Rights of Users of healthcare services:

- Quality health care services free at the point of care
- Information relating to the Fund, service benefits and personal info
- Not refused access on unreasonable grounds
- Access to care within a reasonable timeframe
- Reasonable decisions about his or her health care
- Can submit a complaint
- Receiving written reason for decisions of the Fund
- To purchase health care services that are not covered by the Fund, medical scheme will have a complementary role in a regulated environment

**This section adequately protects user rights. When benefits are clearly defined members will be empowered to complain**

## Healthcare services coverage

- The fund must purchase services on behalf of all beneficiaries.
- Where provider or establishment unable to provide a registered service then facility or provider must transfer the user to another provider/establishment.
- User must enter at the PHC level, and follow referral pathways as condition of entitlement.
- Minister must designate central hospitals as semi-autonomous - government components.
- Treatment will not be funded if – no medical necessity, not cost-effective or not included on the formulary.
- If the fund declines a benefit – provide reasons and allow for appeal process.

## GEMS support

- Determination of Health services by Benefits advisory Committee consultation with the Board and the Minister.
- Building a high quality and effective PHC service delivery platform is the foundation upon which the health system will be based under NHI.
- The PHC service delivery platform, inclusive of private and public sector, and located within the District Health Management Offices (DHMOs).
- Delivery of services in a comprehensive and integrated way.
- Our experience as GEMS we work with Minister and we are free of corruption in terms of good governance.
- We support Minister play his executive role in the NHI because that doesn't undermine good governance.

## **Affordability and sustainability will be achieved by:**

- Placing increased emphasis on health promotion and preventive services and outline how this will be achieved;
- Establishing high quality primary healthcare services as the foundation of the health system, to ensure that the majority of health problems can be diagnosed and treated at this level;
- Introducing a 'gatekeeping' function using a Primary Healthcare approach where patients are only able to access higher level services on the basis of referral; and
- Improving health facility and district health management and governance.

# Establishment of fund as a section 3A public entity



## Functions of Fund

- Actively purchase services and enter into procurement contracts for goods
- Timely reimbursement
- Determine payment rates annually in a prescribed manner
- Appropriate funding for healthcare services at various levels
- Monitoring the quality and standard of health care services
- Performance profile of all service providers – pay for performance
- Monitor the impact of the fund in addressing healthcare needs
- Liaise and exchange information between DOH, entities and statutory councils
- Maintain a national database of population – demographic and epidemiological
- Perform functions in the most cost-effective and efficient manner
- Funding aligned to health policies approved by the minister
- Responsibility to contribute to the protection, promotion, improvement and maintenance the health of the population



# Powers of the NHI fund



1. Employ personnel and purchase or acquire goods, equipment, land, buildings and related assets.
2. Draw, draft, accept, endorse, discount, sign and issue promissory notes, bills and other negotiable or transferable instruments.
3. Insure itself against any loss, damage, risk or liability.
4. Investigate complaints against the Fund, providers, establishments or suppliers.
5. The implementation of best practices in terms of purchasing of services, procurement of goods, efficient delivery of healthcare services, data collation and analysis, fraud prevention.
6. Research relating to improving UHC.
7. Exchange information with organs of state.
8. Institute or defend legal proceedings.
9. Negotiate lowest possible price for services and goods.

1. **Establishment of Board- governance board accountable to the Minister**
2. Constitution and composition of Board.
  - 11 members appointed by the Minister. Expertise in health care service financing, health economics, public health planning, monitoring and evaluation, law, actuarial sciences, information technology and communication.
    - *5-year term – renewable once.*
    - *Exclusions linked to conflict of interest.*
  - Minister appoint ad hoc panel – interview candidates – recommend a short list to Minister for appointment.
  - Minister may remove a Board member – specified conditions.
  - Minister may dissolve the Board - specified conditions. Then appoint acting Board for 3 months.
3. Chairperson and Deputy Chair – Minister appoints Chair and Board selects Deputy.

1. Functions and powers of Board
  - fulfil the functions of an accounting authority as required by the PFMA
  - Meet at least 4 times a year
  - Advise the Minister on matters relating to the Fund incl. financing, administration, pricing, etc.
  - Board will define type of reports required from the executive management
2. Conduct and disclosure of interests
  - Any paid employment that will conflict with the work of the Fund
  - Declaration of interests
3. Procedures – Board will determine its own procedures
4. Remuneration and reimbursement - rates determined between MOH and MOF
5. Any role, institutions and functions that are not covered will be provided for in the regulations

# Chief Executive Officer



## 1. Appointment

- Technical competence and experience.
- Board interview candidates – recommend to the MOH.
- Term of 5 years, renewable once.
- Board may recommend removal of CEO.

## 2. Responsibilities

- Accounts to the Board.
- Functions designated by the Board.
- Run an efficient administration including human resources, investigative unit, complaints of fraud, corruption.
- Appoint of staff to the Fund.
- Liaise with DHMO.
- Establish the following units planning, benefit, provider rates and payments, accreditation, purchasing, contracting, payment administration, performance monitoring, risk and fraud.
- Annual report.
- Meet with MOH, DG, OHSC at least 4 times a year to discuss matters affecting the Fund.

## 1. Committees of Board

- Board will determine its governance committees including audit and finance committee.
- Meet four times a year.

## 2. Technical committees

- Board may establish these committees.
- Persons participating must have relevant expertise, fit and proper, conflict of interest, abuse of position.

# Advisory committees to be established by Minister



## 1. Benefits Advisory Committee

- Expertise in medicine, public health, health economics, epidemiology, the rights of patients. MOH appoints Chair
- Five- year term – renewable once
- Determine service benefits by level of care
- Cost-effective treatment guidelines
- Regulations to detail terms of reference

## 2. Healthcare Benefits Pricing Committee

- Recommend prices for health service benefits
- Minister appoints Chair
- 16 persons - expertise in actuarial science, medicines, epidemiology, health management, health economics, health financing, labour and rights of patients and one member must represent the Minister

# Advisory committees to be established by Minister



- **Stakeholder Advisory Committee** - representatives from the health professions councils, health entities, labour, civil society organisations, professional associations, and advocacy groups.
- Disclosure of interests – disclosure of personal and financial interest.
- Procedures and remuneration – determined by MOH in consultation with MOF.
- We support the provision enriched in the constitution relates to the Benefits Pricing Committee and the Benefits Advisory Committee as per section 7(1) and 21(1) of the bill which support unreservedly.

# General provisions applicable to operation of fund



## 1. Role of Minister

- Governance and stewardship of the national health system and the NHIF.
- Minister must delineate the role and responsibilities of Fund, National and Provincial Departments taking into account Constitution, National Health Act, to prevent duplication, ensure equitable provision and financing.

## 2. Role of Department (NHA and Constitution)

- Guidelines for norms and standards.
- Human resource planning, development, production and management.
- Co-ordination of health services.
- Planning development of public/private health establishments.
- Integration of Annual Health Plans.
- **Subject to S57, Minister may introduce NHA amendments to delegate functions to provinces, designate categories of hospitals autonomous legal entities, establish DHMO as government component.**



# Governance Features as contained in the Bill



Executive Authority	Governance controls provided for in Bill
<p>National Health is the responsibility of the Minister of Health hence he will have overall Executive Authority however the establishment of the board and various advisory committees is consistent with good governance.</p> <p>GEMS takes comfort that corruption should be kept in check because section 20(2)(e) will establish an investigating unit within the national office of the NHI fund for the purpose of investigating fraud, corruption and other criminal activities.</p>	<p>The narrative that state owned enterprises are always run badly is not entirely true because GEMS is example of a well run state institution where the employer represented by the Minister of Public Service and Administration appoints half of the Board. In a similar way, this is provided for in section 13(9)(a) of the Bill and further makes provision for the minister to consider representation from the board appointed in terms of section 13(5)(b), 13(5)(e) and 13(8)(b).</p> <p>In its quest for good governance GEMS Board members are affiliated with Institute of Board of Directors of SA (IoDSA) informed by King IV.</p>

# General provisions applicable to operation of fund



## **SECTION 33 - ROLE OF MEDICAL SCHEMES:**

**Once NHI has been fully implemented as determined by the Minister of Health through regulation in a Government Gazette, medical schemes shall only offer complementary cover for service not covered by the Fund.**

Chapter 2, section 8(2) of the bill, adequately addressed the role of medical aid as per section 33, 48 and 49 of the NHI Bill (we don't see any confusion) and we believe in public administered scheme rather than by private sector.

### **Meaning**

Once NHI is fully implemented, the Minister will introduce regulations which will cover any other roles and functions not covered in the NHI.

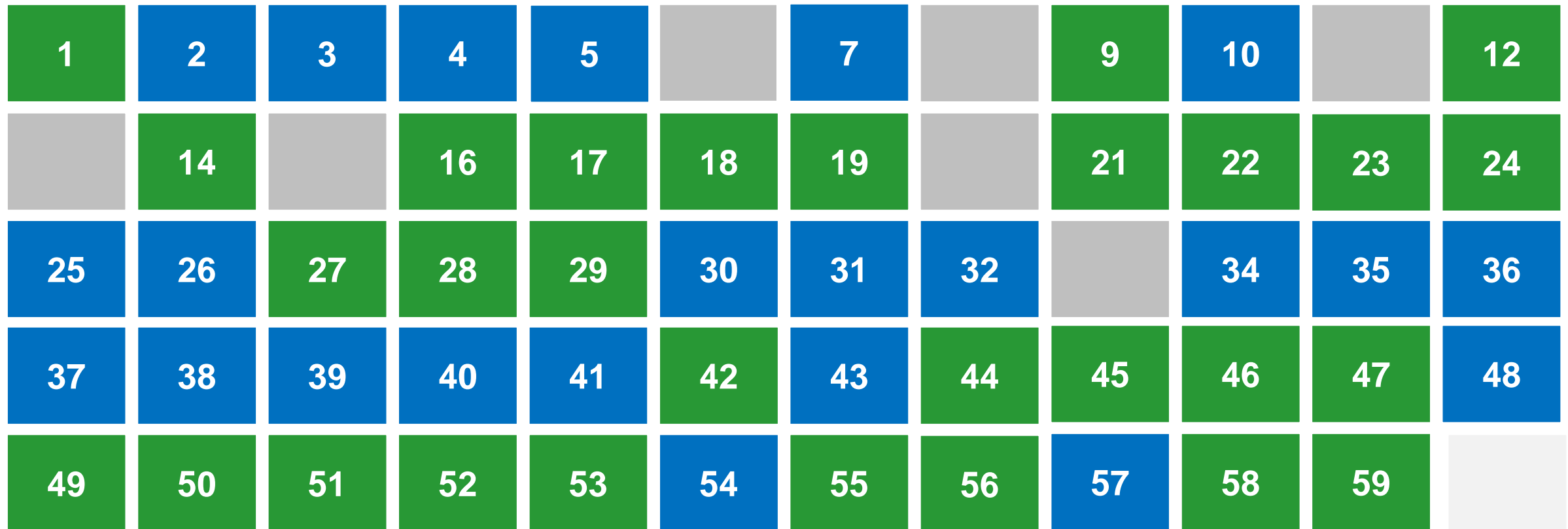
# Transitional Arrangements

- **Phase 1 was from 2012 to 2017**
- **Phase 2 will be for a period of five years from 2017 to 2022 and will:**
  - i. continue with the implementation health system strengthening initiatives, including the alignment of human resources with that which will be required under the Fund;
  - ii. include the development of National Health Insurance legislation and amendments to other legislation;
  - iii. include the undertaking of Initiatives which are aimed at establishing institutions that will be the foundation for a fully functional Fund; and
  - iv. will include the interim purchasing of personal healthcare services for vulnerable groups such as children, women, people with mental health disorders, people with disability and the elderly.

- **Phase 3 will be for a period of four years from 2022 to 2026 and will include:**
  - i. the continuation of Health systems strengthening activities on an ongoing basis;
  - ii. the mobilisation of additional resources as approved by Cabinet; and
  - iii. the selective contracting of healthcare services from private providers.

# Overview of GEMS' position on the 59 Sections of the NHI Bill

GEMS fully supports the majority of the 59 sections of the NHI Bill.



Legend ■ Supported: no comments ■ Supported with comments

# Conclusion



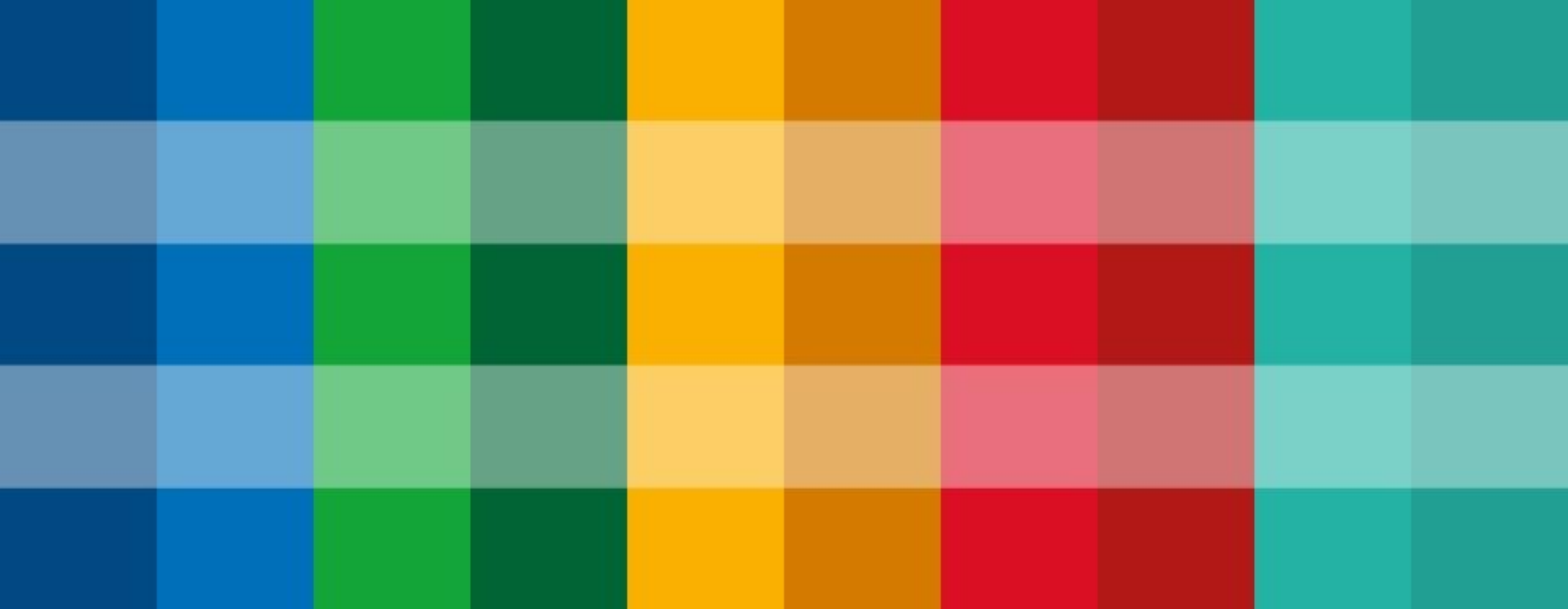
The implementation of the NHIF will strengthen the attainment of UHC. |

GEMS supports NHI principles and embraces principles of **social solidarity and equity**. These are some of the pillars of distributive justice.

**GEMS unequivocally supports the NHI Bill, every aspect of our presentation covered the content aligned with key and central aspects of the Bill. We fully agree with the content and spirit of our Chairperson's opening remarks in supporting the NHI Bill.**

# GEMS accolades





THANK YOU



Working towards a healthier you