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National Health Insurance in South Africa Policy Paper

COSATU

CONGRESS OF SOUTH AFRICAN TRADE UNIONS

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COSATU SUBMISSION TO NHI GREEN PAPER

1. Introduction

Seventeen years into democracy, South African health care system is still flawed by the imbalances of the past which it was architecture to cater for the population based on racial and class lines. The infrastructural make of the health care institutions was designed to service the minority at the expense of the majority. These had led two the two tier health system. Health is the basic human right and we need to protect this right.

In 2000, the COSATU 7th National Congress adopted a resolution that reaffirmed its fight for a National Health Insurance (NHI) programme. COSATU also objected to Social Health Insurance (SHI) implementation, as the policy would make the poor working class pay for the poorest in society whilst the redistributive principles of social solidarity and cross-subsidization were not taken into consideration when SHI was developed.

COSATU welcome the long waited NHI Green paper. This is in line with the mandate of the Polokwane 52nd ANC Congress. The ANC 2007 Polokwane Conference Resolution on Health reaffirms the implementation of NHI and states: *"To reaffirm the implementation of the National Health Insurance System by further strengthening the public health care system and ensuring adequate provision of funding".*

We believe the NHI will go the long way to rectification injustice of the past, addressing the current reality of poverty, unemployment and inequalities. Every person has the right to achieve optimal health, and it is the responsibility of the state to provide the conditions towards achieving this. The country needs a healthcare system that all people, regardless of class or status can depend on, and not just based on what you can afford to pay to access healthcare.

The creation of the NHI and the broader transformation of the health system in terms of the 10-point plan of government must be prioritised as one of the 5 priorities of the manifesto.

COSATU welcomes the unambiguous reaffirmation of the cornerstone and essence of the NHI as providing access to health care as a human right and based on the principles of universal coverage for all citizens of South Africa. It is encouraging to see the inclusion of a strong focus on primary health care and the designation of hospitals in the Green Paper.

This document provides an assessment of key issues in the Green Paper.

1. Re-engineered Primary Health Care System

The stated emphasis on primary health care as an essential element to a transformed health care system as well as the three strategies (Municipal ward-based primary health care teams, District Clinical Specialists and School-based Primary Health Care) is to be welcomed. Interventions at primary care level are always more cost effective than those at other levels as they contribute more effectively to health promotion and prevention avoiding expensive curative interventions at a later stage. They are also likely to have a greater impact on improving the MDGs.

2. Principles of National Health Insurance

Whilst COSATU is in agreement with the principles as they have been stated in the NHI document, it seems that there has been an omission of a key principle – that of public administration. This links to the comment in the document in section 132 in which it is stated that a multi payer system will "be explored as an alternative to the preferred single provider". This matter will be dealt with in more detail later in the document. Suffice to say at this point that the possibility of a multi payer system flies in the face of this key principle of any national health insurances – public administration.

A further point to mention is that facilitating transport to health services, particularly for rural communities, is an essential requirement to establish a health system based on universal coverage and to address one of the barriers to accessing health care services.

3. Health care benefits under NHI / Services to be covered under NHI

The benefit package must be clearly outlined in line with the original draft from the ANC NEC health and education subcommittee as adopted at the 2010 NGC

The Green Paper discusses the benefit package in very general terms indicating the intention to make the benefit package comprehensive and rational.

The ANC policy document is more specific about a benefit package indicating that "the NHI Fund will provide an evidenced-based comprehensive package of health services, which includes all levels of care namely: primary, secondary, and tertiary. …. The services to be provided to the public cannot be less than what they are currently receiving."

Further clarification in the ANC policy document indicates that the package should include:

- ★ Primary care and preventive service
- ★ Inpatient care
- ★ Outpatient care
- ★ Emergency care
- ★ Prescription drugs
- ★ Appropriate technologies for diagnosis and treatment
- ★ Rehabilitation
- ★ Mental health services

- ★ Full scope of dental services (other than cosmetic dentistry
- ★ Substance abuse treatment services.

It is recommended that the benefit package be spelt out in the same terms as in the ANC policy document and that it is clearly stated that the same benefit package will apply for both public and private sectors.

The underlying principle is that the nature of the services covered must be appropriate, comprehensive and incorporate preventive and promotive health strategies. It should also include services delivered by a wide range of health care workers, professionals and community health care workers (CHWs), and not only concentrate on curative services currently delivered by doctors and other professionals.

It is gratifying to note that in Section 11.2 which deals with the delivery of primary health care services through private providers there is a requirement that the full range of primary care services must either be available in one facility or through arrangements which do not disadvantage the patient in any way.

4. Accreditation of providers of health care services

Legislation (National Health Amendment Bill) establishing the Office of Health Standards Compliance (OHSC) has already been published and but has not been promulgated. The legislation indicates that there will be three units in the OHSC – inspection, norms and standards and the office of the ombudsperson. It further indicates that all health establishment that “wish to be considered for rendering health services to the population will have to meet standards of quality”.

However, the ANC policy document indicates that the Office of Standards Compliance will need to accredit and contract all public and private facilities to receive funding from the NHI. The Green Paper and the published legislation does not refer to these functions. It is important that the responsibilities of this office should be extended to account for these functions to ensure the efficient implementation of the NHI.

It is suggested that this office should report directly to the Minister and be established independent of the Health Department in the same manner as the National Health Insurance Fund. The legislation should include a role for civil society to allow for the monitoring of the accreditation process to ensure that there is no tendency to consider private or urban based public hospitals as being of sufficient quality and accredited, while hospitals and clinics in rural and poor urban communities will struggle to meet these standards and run the risk of not being accredited.

Information from the audit of public health facilities should be made public and resources should be targeted at facilities which fail their audits. Assistance should be provided for those public facilities that do not initially reach the required standards.

Many general practitioners in rural and urban communities provide a health service where the public sector is failing. It will be necessary to bring these practitioners into the NHI system in order to successfully implement primary health care strategies until public sector facilities are available. These GP's should be brought in on a capitation basis as is already stated in the green paper. GP practices should, however, also be multidisciplinary and upgraded to deliver a comprehensive primary health care service, including the full spectrum of preventive, promotive, curative and rehabilitative services.

5. Funding

The NHI must be funded via general revenue, payroll linked progressive contribution tax and contribution by employers. No additional levies must be made through VAT to fund the NHI.

The NHI should not only be about spending more money but should change the way in which money is spent so as to make it more efficient.

The current reality, relating particularly to the skewing of resources towards the private sector, requires a move towards providing far greater funding to strengthen the public sector services.

Removal of tax subsidy

Tax subsidies that are meant to encourage employees to enroll in medical schemes must be abolished.

The estimated revenue that would be generated by removing this tax was R10 – 15 billion for 2009 – 2010, or approximately 20% of the public health sector budget - billions of rands diverted to subsidise the small minority of the population. What we often overlook is that the private sector is in fact indirectly subsidised by the public sector through tax incentives and there is a massive loss of public revenue through this channel.

This subsidy of the private sector is inconsistent with the principles of access, efficiencies and equity and has not contributed to increased access by low income earners in medical scheme membership nor improved the rising costs of the industry. Those in the high income tax brackets continue to benefit more from the subsidy than the middle and low income groups. Furthermore, the workers, including the informal workers, not covered by medical schemes, do not benefit from the tax subsidy at all. Even if low income earners get a tax subsidy, they would still not be able to afford adequate coverage, leaving them with modest benefits and high cost sharing (out of pocket expenses) that will often make health care unaffordable. The subsidy also promotes over-consumption of health care resources amongst high-income earners by offering a significant tax deduction for high-end scheme membership and out-of-pocket expenses.

A recent document by national treasury, titled Conversion of Medical Deductions into Medical Credits, has a different view. Although it recognises that the current tax subsidy is inefficient and does not promote universal coverage and equity, it suggests that by providing all members of medical aids equal subsidy ('credits'), irrespective of their income, the problem will be solved. This treasury discussion document diverts from the ANC position, even though it purports to contribute to NHI. The only possible role for tax credits might be during the implementation phase when NHI will not be universally in place throughout the country.

Co-payment

The Green Paper has also not done enough to problematise out-of-pocket expenses as 'the most primitive form of financing health care', to quote the Minister of Health.

For universal access to be thoroughly implemented services should be free at the point of care. To implement this policy requires that there be no co-payment for services provided in all NHI accredited and contracted public and private facilities. Co-payments are not payments for services outside of the NHI health package, such as for cosmetic surgery or expensive spectacle frames, but are additional payments for services within the package of care. Co-payment in the Green Paper means a payment made by a member of NHI at the time of service to offset the cost of care. This co-payment is not necessary because individuals have prepaid for health care through progressive taxation.

Even more worrying is the mention of co-payments within NHI under certain circumstances. While there is a statement that co-payments are discouraged, a loophole is left in Paragraph 116 of the Green Paper that seems to encourage co-payments in certain circumstances and this must be addressed. It could mean that the NHI Fund will only pay a portion of health care and the rest is paid by the patient as currently is the case in the private sector and to a limited extent in the public sector.

Co-payments have been used extensively in other NHI systems in the world where they have resulted in limiting access to care. They undermine the core principle of universal coverage and must therefore be opposed. In any event, the distinction between user fees and co-payments may well be immaterial in the way such measures are implemented. Accordingly, we are opposed to both forms of payment.

Cost of NHI

There is considerable controversy regarding the cost of NHI with economists representing different class interest groups pushing different figures. Real costs are difficult to estimate, and certain doomsayers, predicting the collapse of the South African economy, have vested interests in making NHI look totally unfeasible. The Green Paper estimates that NHI will cost R255 billion by 2025. The 2011/12 budget for health was R125 billion. Superficially this appears to be a massive increase but real

annual increase in health expenditure at current trends would have reached approximately R180 billion by 2025.

It must be noted that as the fund will be a single payer this will effect substantial savings. These are indicating in the section dealing with the fund.

In April 2001 African Union countries met in Abuja, Nigeria, and pledged to increase government funding for health to at least 15% of the national budget. Thus if the South African government implements the Abuja Declaration and increases health expenditure from 12% to 15% of the national budget, health expenditure would then be estimated to be over R200 billion in 2025. Also, the 2010 total private and public sector spend on health is R227 billion. This would indicate that while there is clearly a need to generate additional resources, the gap may be smaller than portrayed in the media. In fact, for a real change in the health system to take place, appropriate strategies must be adopted, and resources must shift from the private to the public sector.

Sources of Funds

The NHI must be funded via general revenue, payroll linked progressive contribution tax and contribution by employers. No additional levies must be made through VAT to fund the NHI.

As general tax revenue is collected by the government from all the taxes and levies such as PAYE and SITE, duties which are charged on imported goods and fuel levy **a**ll South Africans contribute in different degrees to the tax base and thereby to the funding of our health care system.

The state will finance health care under NHI through three mechanisms (a) general revenue, which will provide bulk of funding and (b) mandatory progressive contribution for anyone who pays personal income tax; and (c) employers. The goal should be that approximately 50% of the additional revenue should come from the surcharge on taxable personal income and about 50% from the payroll-based tax on employers. The amount which will be paid by middle-income earners should not be more than current contributions to a medical scheme for similar benefits.

The Green paper indicates in Paragraph 130 ‘Treasury will allocate general tax revenue for personal health care services and payroll-linked mandatory contribution to National Health Insurance Fund in consultation with the Minister of Health and the National Health Insurance’. However in Paragraph 114 the same Green Paper is also non-committal stating: “The precise combination of these sources is the subject of continuing technical work and will be further clarified in the next six months…”.

We would argue strongly that any taxation should be progressive in nature, and contribute to narrowing the gap between rich and poor. This is particularly critical in South Africa given the extent of current income inequalities – where the richest 10% of the population have 51% of the income and the poorest 10% have 0.2% of the income. An increase in VAT with its current structure, while harnessing funds in the informal

sector, is inherently regressive. All residents in South Africa pay VAT at the same rate, regardless of income. Unless VAT is significantly restructured, a highly unlikely short term prospect, using VAT will merely increase the burden on the poor and must be opposed.

COSATU will continue to call for the zero rating of foodstuffs as, amongst other reasons; nutrition is a key driver for improvement in health status.

SARS should be mandated to collect the funds and allocate them via Treasury as ring-fenced funds for NHI.

6. The Fund

There must be no outsourcing of administration. There should be no further investigation of a multi payer system as it is not going to lead to universal access to health insurance.

COSATU is firmly in agreement that the Fund must operate as a single public purchaser / single public payer, be a national publicly administered fund established by law through Parliament and should be directly accountable to the Minister autonomous of the National Department of Health. It should be the only body responsible for purchasing services for the people and for paying accredited facilities for these services. We believe that as a single fund it will be used to purchase services, pay providers and work towards redistributing health resources more equitably amongst the population.

In addition, the creation of a single fund will protect people financially from costs of care throughout the year preventing any “out of pocket” payments. There will always be sufficient funds for health promotion and prevention as well as high cost care that will be defined as benefits provided by the fund. It follows on from this that no payment must be expected when receiving services at primary care level either at the clinic or general practitioner practice, or at secondary and tertiary level hospitals.

As the NHI fund would be a single public fund the administration fees are expected to be in the region of 3% which will allow more money to be available for services rather than wasted on high administration costs. In addition, public administration will help to take the profit motive out of health care further helping to keep prices down.

Central control for purchasing of medicines, consumables and equipment will allow for far greater savings as the fund can then negotiate bulk prices.

In addition, checks and balances built into more efficient payment systems that will lessen the possibility of corruption and encourage better quality of care.

A single line under section 16 of the green paper however, completely contradicts this by stating that “a multi-payer system in a National Health Insurance will also be explored as an alternative…” A multipayer system would mean the involvement of currently existing medical schemes in paying health providers. This has been used in

other NHI systems with disastrous results. A multipayer system maintains a role for the already powerful private medical insurance industry and completely undermines the principles of the NHI. We believe there should be absolutely no place for a multipayer system in the future NHI.

The driving factor in the governance of the fund is the health of the population. It is therefore important that civil society and other representative structures should be strengthened to contribute to the governance.

7. State-owned pharmaceutical company

The government must expedite the process of establishing a state-owned pharmaceutical company.

The removal of profit margins in a state-owned pharmaceutical company will further drive down prices of medicines. In addition, establishing the fund as a single purchase / single payer will allow for efficient distribution services to prevent stock outs.

8. Medical schemes

All medical schemes must be dissolved into the NHI Fund.

As membership of the NHI will be compulsory it is probable that the general public will not contribute to two systems of health cover. Of significance to the public sector is that state contributions to retain GEMS will not continue as the state will be providing benefits under the NHI which will in all likelihood exceed those provided by GEMS particularly in the cheaper categories.

9. Building of flagship hospitals with PPP's

There must be no public private partnerships in the delivery of health care in the public sector.

Part of the NHI implementation plan is the building of six flagship academic hospitals. Many of the hospitals named already exist so it must be assumed that a significant renovation and revitalisation of these facilities is envisaged. The concern is that the Green Paper implies in Table 1 (page 42) that financing this will be done through private public partnerships without providing any further details in this regard. It is not clear whether this will be with the private health industry or other private financers and what the final ownership and management structure will be. Using the private health industry is fraught with danger if the facilities are then partly privately owned or even privately managed. The building of public hospitals should not be a source of profit for private companies and they should remain wholly owned and managed by the public sector.

10. Implementation

Implementation phases at the end of the green paper are reassuringly focussed on strengthening the public sector and on building primary health care. This must be supported. The opening of posts for district specialists, ward based primary health care agents and school based services as well as the planned opening of nursing colleges are part of the 2011 – 2012 plan, if achieved, will be a great boost to the public sector.

It is also intended that a Conditional Grant will be used to establish pilot projects in 10 health districts. We support these steps as being in line with the need to first build and capacitate the public sector especially at district level and below. However we would caution that the current trajectory of using consultants to drive the implementation of the 10 project sites could well block the development of the expertise within the public sector to ensure the sustainability of the project.

As the funds for upgrading of infrastructure are public funds, they should be used to upgrade and accredit public facilities first so as to build the public sector as the only reliable and sustainable way to deliver health care to the nation and give effect to the progressive realisation of the right of access to health care. It is therefore important to avoid the NHI strengthening the private health industry which, according to indications, is in itself in financial crisis.

11. Human resources

We believe that South Africa has previously produced a large number of qualified healthcare professionals and as such should be enticed to come back and serve their Country. Government must implement the recently-launched Human Resources Strategy which must not be affected by the attempts by Treasury to reduce the public service wage bill.

The release of a Human Resource for Health Strategy document provides detail for the transformation of this sector of the health system. However reference to specific strategies which are fundamental to the implementation of the NHI should have been included in the Green Paper as they were in the ANC NHI Policy document.

Two of the major barriers to the implementation of an NHI are the lack of professional and support personnel and the conditions under which they work.

There are many vacancies in the public sector. As an example, according to the personnel administration [PERSAL] system, in 2008, for example:

- ★ 34.9% medical practitioner positions remained vacant in the public sector
- ★ 40.3% of professional nurse positions were vacant.

COSATU argues that a number of measures will have to be introduced to ensure that the public sector can become the provider of choice for South Africans.

11.1 Vacant posts / staff retention

The two central requirements for retaining staff are appropriate pay scales and working conditions. The poor condition of many of the facilities – in large part due to the reduced budgets for health from 1998 to 2006 – is often cited as one of the reasons for the inappropriate attitudes of health workers. Infrastructure and amenities should be upgraded, maintained and replaced.

The extent of the vacant and unfunded posts for professional categories and for support staff has a major impact on the morale of staff and the quality of service delivery. The latter is essential as it releases nurses from admin work allowing them to concentrate on nursing duties.

The impact of vacancies is particularly significant in rural areas. The understaffing over all categories of health worker including mid-level workers could be improved through measures such as:

- Upgrading of overall infrastructure and amenities, including accommodation for rural health workers
- Application of a rural quota for student intake – not only a racial quota
- Bursaries could be provided for students from rural areas on condition that they return to these areas once studies are completed
- Management support for health professionals working in rural areas
- Information and support provided around logistical issues such as accommodation, schools for children

11.2 Restructuring health teams

Good work has been undertaken by the Department of Health with the re-engineering at primary care level which posits the introduction of family health teams and the formalisation of the role of community health workers.

However the following bears emphasis - strong community participation in health and development (including addressing social determinants) is essential for empowering people to take care of their health. CHWs and other community based health workers can play a key role in this, provided that they are recognised as change agents and given the necessary training, support and affirmation. Their role is therefore not merely a transitional role, but they should become a permanent part of human resource planning and community health work seen as a key employment opportunity for women, especially those from poor communities.

Of concern is that if the National Department does not take the lead and provide the strategy for the full integration of CHWs into the public service, we could end up with 9 different variations. Already two provinces (KwaZulu Natal and Gauteng) have begun to take responsibility for the payment of stipends to CHWs and are using different mechanisms with other provinces in the throes of discussion.

12. Outsourcing

Outsourcing and PPPs within the public health care system must be reversed

Outsourcing of services has had a negative impact, for example on cleaning, laundry, catering and security services. Outsourcing does affect the quality of the service delivery itself as the quality of the work of outsourced workers is never the same as people who get to know patients and who work consistently in a committed team with other staff. Infection control in health facilities has been compromised through lack of commitment of cleaning and catering workers from outsourced companies.

The use of labour brokers, particularly as it relates to moonlighting of nurses should be banned.

The conclusion of the roll out and the implementation of the Occupation Specific Dispensation for nurses will obviate the need of nursing agencies in the public sector and put an end to moonlighting of public sector nurses in the private sector which in turns often means that these nurses are then unable to perform their duty in the public service adequately

13. Conclusion

COSATU believes that there is an urgent need to deal with the numerous and severe challenges facing the transformation of the health system in South Africa. COSATU therefore welcomes this bold move from the Department of Health in releasing the Green Paper on National Health Insurance and also in acknowledging that this is but one of the strategies contained in the medium-term framework for the Department as encompassed in the 10 point plan.

COSATU also commends the Department in extending the consultation period on the NHI until 31 December 2011 as well as the extensive consultation process which has been undertaken by the Department. This does give out a strong message that the needs of all of the people in South Africa must be taken into account in development far-reaching strategies of this nature. The caution from mass-based organisations is that the private sector invariably has access to funding and resources far in excess of those to which communities and civil society has access – and this must be balanced with the strong voices which are invariably raised from the private sector.

COSATU would like to emphasis the following points

- The National Health Insurance Fund must be a single payer and must be publicly administered. There must be no outsourcing of administration.
- There must be no public private partnerships in the delivery of health care in the public sector.
- Tax subsidies that are meant to encourage employees to enrol in medical schemes must be abolished.
- The NHI must be funded via general revenue, payroll linked progressive contribution tax and contribution by employers. No additional levies must be made through VAT to fund the NHI.

- There should be no further investigation of a multi payer system as it is not going to lead to universal access to health insurance.
- The creation of the NHI and the broader transformation of the health system in terms of the 10-point plan of government must be prioritised as one of the 5 priorities of the manifesto.
- Community Health Workers must be formally integrated into posts within the public health system. Their role, training and regulation should be formalised and standardised.
- Outsourcing and PPPs within the public health care system must be reversed.
- The use of labour brokers, particularly as it relates to moonlighting of nurses should be banned.
- The benefit package must be clearly outlined in line with the original draft from the ANC NEC health and education subcommittee as adopted at the 2010 NGC.
- The government must expedite the process of establishing a state-owned pharmaceutical company.
- Traditional healers play a very central role in the health sector. The participation of traditional healers in National Health Insurance is important. There is a need that traditional healers be accommodated like any other service providers to NHI.
- In pursuit of accountability, transparency and cost efficiency that the NHI Administration operate under the auspices of the National Department of Health, as a not for profit organisation, in pursuit of service excellence in the management of the NHI