Discovery
Health Medical Scheme

DISCOVERY HEALTH (PTY) LTD AND DISCOVERY HEALTH MEDICAL SCHEME SUBMISSION TO THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON THE NHI BILL

DISCOVERY HEALTH MEDICAL SCHEME
15 September 2023

Executive Summary

1.1 Introduction

- This submission presents comments by Discovery Health Medical Scheme and Discovery Health (Pty) Ltd, hereafter collectively referred to as "Discovery". Discovery appreciates the opportunity to provide input to the Select Committee on Health and Social Services.
- Discovery strongly supports the objectives of transforming the national health system to achieve the key principles and objectives of universal health coverage ("UHC") in South Africa as set out in the National Health Insurance ("NHI") B 11B-2019 ("the Bill") as amended by the National Assembly.
- We note that it is a key economic and social necessity that all South Africans have access to quality healthcare services without financial hardship.
- We support the establishment of the NHI Fund as part of an integrated model towards achieving UHC in South Africa.
- There are many countries worldwide that are reforming their health systems towards achieving UHC. Experience shows that each UHC reform involves several health systems components and careful policy choices. The quality of implementation of the individual components contributes significantly to the performance of the system.
- We have demonstrated that global best practice is that health system reform should pivot off existing infrastructure and that the optimal path of the reform to achieve UHC would be to leverage off the existing public and private healthcare sectors in a collaborative manner.
- South Africa's public health spending as a percentage of GDP is already the highest in Africa and the highest among the BRICS countries. It is critical that we make more efficient use of existing resources by enhancing collaboration between the public and private sectors to deliver and fund health care.
- The legislative limitation of the role of the private sector as proposed in the NHI Bill, and the associated negative and damaging rhetoric towards the private sector are entirely unnecessary for achieving the policy objectives. We have fundamental concerns regarding the inclusion of Section 33 of the Bill which limits the role of medical schemes.
- We highlight our key concerns with the Bill, and respectfully offer recommendations that address these concerns. We have also provided detailed commentary on the Bill, including recommendations for amendments where we believe these will strengthen or improve the Bill.

1.2 Misperceptions underpinning the restriction of the role of medical schemes

- Section 33 of the Bill states that once NHI has been fully implemented medical schemes may only offer "complementary cover" to services "not reimbursable" by the Fund. It is not clear what metrics will be used to determine "fully implemented" and what services will be included under "not reimbursable". This lack of clarity has been highly damaging to the private health sector which provides care to 9 million medical scheme members and where an additional 40% of South African households purchase care on an out-of-pocket basis.
- The legislated restriction on the role of private insurance is globally unprecedented and there is no clear policy rationale that has been put forward to justify this extreme and destructive intervention in the role of medical schemes. We also note that this provision is not consistent with the prior version of the NHI Bill published during 2018.
- The motivations for the limitation on the role of medical schemes appear to be based on flawed assumptions and is not substantiated by factually accurate evidence. We have included a detailed explanation of how medical schemes operate to clarify the apparent misperceptions. In particular:
  - Medical schemes are not for profit entities that operate under a stringent social solidarity regulatory framework. This is different to voluntary health insurance in other countries which may operate on a for-profit basis and apply risk-rating and benefit exclusions to manage risk. South African medical schemes are already operating on a basis of pooling funds for healthcare services on the basis of cross subsidies from the healthy to the sick and from high income earners to low-income earners. Medical schemes are therefore ideally suited to operate on an integrated basis with the NHI Fund which will mean a more rapid and less catastrophic trajectory towards UHC.
  - The demographic profile of medical schemes reflects the working population of South Africa, and the majority of medical scheme members are Black. Over 50% of medical scheme beneficiaries are from households earning less than R30 000 per month.
  - Medical scheme members do not run out of prescribed minimum benefits (PMBs) as well as cover for pre-approved hospital admissions. Medical schemes benefit options are required by law to cover a comprehensive package of prescribed minimum benefits without limits or co-payments. Medical scheme members are required to use referral pathways for accessing these benefits in the same way as proposed for in the NHI Fund.
  - Medical scheme members do not face catastrophic out of pocket payments. Statistics from the World Health Organisation shows that South Africa has one of the lowest rates of out-of-pocket payments in the world, even lower than countries with well-established UHC systems such as the United Kingdom and Japan. Medical scheme members tend to face out of pocket payments largely for not following referral pathways or for discretionary services such as advanced dentistry, spectacles, and other allied services, which are also highly unlikely to fall within the NHI benefit package.

- Data shows that cost of healthcare services in the private sector is globally competitive. However, the cost of medical scheme cover has been increasing in excess of inflation. A key contributor to this is the incomplete regulatory framework which exposes medical schemes to unstainable rates of anti-selection. Implementing the 2019 regulatory recommendations of the Health Market Inquiry (HMI) would significantly reduce the cost of medical scheme cover and yet the National Department of Health (NDoH) has failed to act on these.

- The consequences of limiting the role of medical schemes do not appear to have been properly assessed. This is a key requirement for a rational approach to health reform as well as for the Bill to be constitutionally sound.
- The Bill also contains significant ambiguities and contradictions between Section 33 and other sections of the Bill (notably Sections 6 and 8), making it very difficult to understand the ultimate impact of the Bill on the role of medical schemes, on health professionals and facilities, and most importantly, on citizens who wish to purchase medical scheme coverage alongside their contribution to the NHI. This uncertainty is damaging and unnecessary.
- The private healthcare system is an asset to South Africa. While the cost of prescribed minimum benefits means that medical scheme coverage is unaffordable for many South Africans, data analysis shows that medical schemes deliver care at internationally competitive costs.

1.3 The NHI Bill does not address the shortage of health professional resources

- The provisions included in the NHI Bill will not rectify the shortage of health professionals in the public sector.
- South Africa has an overall chronic shortage of health professionals with the doctor to population ratios well below those of other countries on a combined public and private basis.
- The skewed distribution of human resources between the public and private sectors can be attributed to poor working conditions, lack of funding and unfilled posts in the public sector, and not to the existence and operation of medical schemes.
- The existence of the private sector, in fact assists in retaining healthcare professionals in the country, by allowing healthcare professionals to supplement their public sector salaries with higher medical scheme reimbursement.
- The NHI Bill is not a requirement to initiate public-private partnerships which will harness private sector health resources to deliver care to public sector patients. Such proposals have already been made but not taken up by the National Department of Health. However, the NHI Fund will be a valuable vehicle for such partnerships and Discovery is in support of its establishment.

1.4 Increasing taxes to fund NHI is not feasible in the current economic climate

- Limiting the role of medical schemes will not redirect current medical scheme contributions to the NHI. Increasing the funds available for NHI will require significant increases in tax rates, which is unviable in our current economic climate.
- The removal or reduction of medical scheme tax credits will increase the tax burden for medical scheme members and may impact on their ability to afford private cover thereby increasing the burden on the public sector. This is particular to lower income medical scheme members.
- Eliminating the medical scheme tax credit will not result in an automatic increase in the public health budget. This will result in increase revenue at the fiscus level, and National Treasury will have to then redirect this increased revenue to the NHI Fund.
- Amendments to taxes require a Money Bill which is the ambit of National Treasury and this requires an impact analysis on the social and economic effects. The proposals in Section 49 of the Bill are factually inaccurate and do not appear to be consistent with these principles.

1.5 Limiting the role of medical schemes will reduce access to healthcare

- The social solidarity framework underpinning medical schemes can be the basis for an integrated national model.
- The introduction of Low-Cost Benefit Options (LCBOs) can increase access to healthcare in a financially sustainable manner, while improving access to healthcare for all citizens. The LCBO benefit package which is intended to prioritise primary care is in line with the UHC objectives and can be used as a basis to for the NHI benefit package.
- Limiting the role of medical schemes will increase the burden on public funding as the NHI will need to provide benefits for 9 million people who are currently self-funding while reducing the money flowing to the healthcare system. This will result in 17% increase in NHI funding requirement.
- Limiting the role of medical schemes will unnecessarily cause extensive damage to the private health system with negative consequences for access to healthcare services for all South Africans.
- The Health Market Inquiry has identified feasible recommendations to improve efficiency of the private health system, allowing for the existence of a private sector alongside a public payer to increase healthcare accessibility to South Africans. The Presidential Health Compact has identified several interventions to improve efficiency within the public sector. Implementation of both these sets of policy reforms will progressively move the country closer UHC in a financially sustainable manner.
- The publication of the intended limitation on the role of medical schemes has already caused significant damage to local and international investor confidence which is essential for promoting economic growth and associated job creation.

- This has also had an adverse effect on the ability to attract and retain healthcare professionals who are critical for the health system to be functional.
- Low and middle-income countries across the world are finding that an efficient dual healthcare system where private sector coverage is allowed to evolve based on the extent of public sector coverage is a better way to ensure access to care. In these systems, voluntary private health insurance organically adapts as the publicly financed system expands and improves. This type of approach is far more suitable for South Africa than an attempt to drastically reduce the role of medical schemes through regulation.
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1.6 The single fund model poses significant risks to the NHI

- There are significant political, financial and operational risks associated with a single purchaser/fund model, which is why many countries have adopted a hybrid approach for addressing population healthcare needs, particularly in middle-income countries.
- A single fund model means that there is a reliance on public (tax) funding for the healthcare needs of the whole population. Experience in countries with a single funder with similar economic constraints to South Africa such as Indonesia, Ghana and Croatia demonstrate that there is a real risk of annual deficits and consequently a need for bail outs.
- The consequential need for rationing then drives catastrophic out-of-pocket expenditure as is evident in other middle-income countries where single fund models have been implemented.
- South Africa is characterised by high unemployment rates and a very skewed income distribution. As evident in similar middle-income countries, this leads to a demand for private healthcare as the State is unlikely to provide sufficient healthcare to meet the healthcare needs of the entire population within constrained fiscal resources.
- The monopsony purchasing does not result in a sustainable or competitive market for health services and therefore deters investment in the health sector specifically and investment generally within the economy of South Africa.
- As a single purchaser, it may also drive the flight of skills and impact the training pipeline of health professionals.
- The lack of a viable private healthcare market will affect access to innovations in health care delivery.
- Access to healthcare is a key driver of economic growth and prosperity and so the concentrated risks associated with a single fund can have dire consequences for the country as a whole.
- An integrated approach to NHI which allows higher income earners to purchase cover while also contributing to a social solidarity pool for a common benefit package is a more sustainable approach to addressing inequality in the healthcare system.

1.7 Constitutional challenges arising from Section 33 and other provisions of the Bill

- There are several grounds on which the Bill, including Section 33, will be open to constitutional challenge.
- Section 36 of the Constitution requires that any limitation of rights arising from Section 27 of the Constitution are only justifiable if the derogation of rights is essential to achieve the new rights being offered, and if no reasonable alternative approaches exist.
- The extensive limitation on the rights of citizens to purchase private health insurance, even after they have contributed to the NHI, is not necessary for the implementation of NHI.
- There is no evidence that the derogation of the rights of medical scheme members is necessary for the implementation of the NHI framework and several alternative, less invasive models for achieving the policy objectives are available.
- The Bill is a substantial policy change affecting a significant portion of government funding and expenditure as well as the GDP of the country. A policy change of this magnitude requires a detailed and comprehensive Socio-Economic Impact Assessment System (SEIAS) report with full modelling of costs and economic and social impacts. This has not been done in the current SEIAS reports (which are now outdated) and it is therefore not possible for Parliament to fully understand the range of potential impacts of the Bill. On these grounds alone, there has been no rational justification for the major change to the role of medical schemes as envisaged in Section 33 of the NHI Bill.
- We also note that at the time of submission of these comments, the National Treasury has yet to publish a document outlining the potential costs of the NHI, and how these costs will be funded. It is difficult to provide comprehensive comments on the Bill in the absence of details on the nature of the service benefit package and the pace at which it will be implemented as well as the likely costs and funding options for the NHI benefits as they are rolled out. In our view, the Bill should not be finalised prior to the publication of the National Treasury document on how the NHI will be financed, thus allowing the Select Committee on Health and Social Services and the public to understand the financial implications of the Bill.
- It is critical to note that there are several alternative models that could achieve the objectives of UHC, and support the successful development of an NHI, without violating constitutional rights as Section 33 of the NHI Bill will do. Hence the objection to the provisions of Section 33 of the Bill does not impede the implementation of NHI policy towards achieving UHC.

1.8 Additional concerns regarding the NHI Bill

1.8.1 Legislative changes

- The changes to legislation set out in Section 58 of the Bill are premature and require thorough legislative processes. Section 31 of the Bill indicates that the Minister will consider the need for changes as the implementation of NHI proceeds however Section 58 of the Bill enacts these changes with immediate effect.
- The proposed amendments to the National Health Act have the effect of shifting the majority of health functions currently allocated to the Provincial departments of health to the National Department of Health which will have severe consequences for provincial funding.
- There needs to be a thorough planning and change management process associated with these changes to ensure that there are no interruptions to service delivery and that personnel movements are properly planned.

1.8.2 Phased Implementation

- The phased implementation approach is prudent and welcomed, although current economic and system performance constraints suggest that the current timetable may be too ambitious. The requirement for health system strengthening is clear but the timeframes included in Section 57 of the Bill, although they have been updated in the 2023 version of the Bill, are still unrealistic.
- It is inappropriate for the phases set out in the Bill to be defined according to fixed dates rather than based on the achievement of clearly defined, transparent and measurable milestones. The latter approach is consistent with an approach where there is accountability to the citizens of South Africa for delivery of promised services.
- The reference to dates rather than milestones that need to be achieved is inappropriate and misleading and suggests an underestimation of the scale of changes required. The dates included in Section 57 of the Bill are also inconsistent with public pronouncements on the implementation of NHI and are thus misleading.
- There is no clarity on the content of the NHI benefit package or how the benefit package will be defined. This impedes the ability of stakeholders to evaluate and comment constructively on the feasibility and impacts of Section 33, as well as of the Bill more broadly. This undermines the rationality of the Bill, posing an additional risk of constitutional challenge.
- A clear and transparent prioritisation framework should be applied in order to optimise the use of limited resources. There is no indication in the Bill of the rationing tools that will be applied, nor how urgent cases will be dealt with outside the NHI capacity, nor how more general demand and supply side utilisation pressures will be managed. There is an opportunity to harness the private sector experience to contribute in this regard.

1.8.3 Financing of the NHI

- We note that at the time of submission of these comments, the National Treasury has yet to publish a document defining the potential costs of the NHI, and how these costs will be funded. It is difficult to provide comprehensive comments on the Bill in the absence of these costing proposals which are necessary to indicate the extent of the service benefit package, the pace at which it will be implemented and the likely costs and funding options for the NHI benefits as they are rolled out.
- The Bill should not be finalised prior to the publication of the National Treasury document on how the NHI will be financed, thus allowing the Committee and the public to understand the financial implications of the Bill.

1.8.4 Governance and accountability concerns of the NHI Fund

- We are concerned that there is no clear process for the appointments for key positions of the NHI institutions to ensure that appointments are made with reference to the requisite skills, experience and capacity.
  The Bill vests significant authority in the Minister of Health in this regard with limited oversight.
- We recommend that a more accountable process is considered for both the appointment and removal of key positions.

1.9 Recommendations

The following recommendations are respectfully submitted:

- Sections 6 of the Bill should be amended to in order to preserve the rights of citizens to purchase medical scheme cover in parallel to the NHI.
- Section 33 of the Bill should be amended to reflect that having made their contribution to the NHI, citizens are free to choose to purchase medical scheme membership and that medical schemes should remain able to cover services that are provided for and reimbursed by the NHI Fund. This will allow for a sustainable multi-payer model enabling competition and innovation in the system, while improving access to care. This model will also eliminate the significant risks associated with the single-payer model.
- The Parliamentary process should not be completed until there has been an opportunity for public commentary on the National Treasury paper and its implications.

- Improved governance of NHI structures in line with international and local best practice should be incorporated, particularly with how appointments are made.
- In order to improve transparency and enhance progression of NHI implementation, we recommend that each Phase be defined on the basis of a set of clearly defined, detailed and measurable objectives and that there is a process of independent verification that these key milestones have been met before the next stage is initiated.
- The proposed amendments to the Medical Schemes Act (and other Acts) should be removed from the NHI Bill. The requirement for changes to the Medical Schemes Act can be deliberated at a later stage as part of the Medical Schemes Amendment Bill process.

1.10 Concluding remarks

Discovery firmly supports the policy objectives of addressing inequality in access to quality healthcare services in South Africa and the need to progress towards Universal Health Coverage. We also support numerous other elements of the Bill, as we have noted in our submission. However, the Bill as drafted currently has some serious flaws which must be addressed to prevent significant damage to our national healthcare system and to our economy as a whole. We support the establishment of the NHI Fund as a vehicle to drive a collaborative approach between the public and private sectors to meet the healthcare needs of all South Africans and we note that the South African context means that private sector support is necessary for this initiative.

This submission is accompanied by the following Annexures:

- Annexure 1: Comments on specific sections of the National Health Insurance Bill (NHI Version11B-2019.pdf)
- Annexure 2: Discovery Comments on the Memorandum of the Objects of the National Health Insurance Bill, 2019
- Annexure 3: Discovery comments on the Socio-Economic Impact Assessment System (SEIAS) on the National Health Insurance Bill, 2019

These Annexures are an updated version of Annexures appended to Discovery's submission made to the Portfolio Committee of Health on the NHI Bill in November 2019. For Sections of the Bill that have not been revised in the B-Bill or not addressed in Annexure 1, our comments from Annexure 1 of the 2019 submission are still relevant.

Contact us

Tel (members): 0860 99 88 77, Tel (health partners): 0860 44 55 66
Go to www.discovery.co.za to Get Help or ask a question on WhatsApp. Save this number 0860 756 756 on your phone and say "Hi" to start chatting with us 24/7.
PO Box 784262, Sandton, 2146. 1 Discovery Place, Sandton, 2196.

Complaints process

Discovery Health Medical Scheme is committed to providing you with the highest standard of service and your feedback is important to us. The following channels are available for your complaints and we encourage you to follow the process:

STEP 1 – TO TAKE YOUR QUERY FURTHER:

If you have already contacted the Discovery Health Medical Scheme and feel that your query has still not been resolved, please complete our online complaints form on www.discovery.co.za. We would also love to hear from you if we have exceeded your expectations.

STEP 2 – TO CONTACT THE PRINCIPAL OFFICER:

If you are still not satisfied with the resolution of your complaint after following the process in Step 1 you are able to escalate your complaint to the Principal Officer of the Discovery Health Medical Scheme. You may lodge a query or complaint with Discovery Health Medical Scheme by completing the online form on www.discovery.co.za or by emailing principalofficer@discovery.co.za.

STEP 3 – TO LODGE A DISPUTE:

If you have received a final decision from Discovery Health Medical Scheme and want to challenge it, you may lodge a formal dispute. You can find more information of the Scheme's dispute process on the website.

STEP 4 – TO CONTACT THE COUNCIL FOR MEDICAL SCHEMES:

Discovery Health Medical Scheme is regulated by the Council for Medical Schemes. You may contact the Council at any stage of the complaints process, but we encourage you to first follow the steps above to resolve your complaint before contacting the Council. Contact details for the Council for Medical Schemes: Council for Medical Schemes Complaints Unit, Block A, Eco Glades 2 Office Park, 420 Witch-Hazel Avenue, Eco Park, Centurion 0157 | complaints@medicalschemes.co.za | 0861 123 267 | www.medicalschemes.co.za.