

A National Health System- Opportunities and Challenges for South Africa
Presented by the CEO of the HSRC

Enshrined in the South African Constitution, is that every person has the right to achieve optimal health. It is the responsibility of the government to provide the conditions to achieve this. Some might contend that this right is presently not equally enjoyed by all, that it is limited to what economist John Kenneth Galbraith has called “The Affluent Society”. Much like Galbraith’s interrogation of American society in the aftermath of World War II, South Africans have been looking at ways to undo some of the Apartheid system’s hangovers post 1994. The health system has not been immune to Apartheid’s infections and 13 years down the line we are still witnessing how the private sector is becoming wealthier whilst the public health sector remains stagnated, largely lacking the necessary human and financial resources to provide good quality care to those who seek its services.

Granted, considerable progress has been made since 1994. This principally speaks to the establishment of a National Health System, as called for in a number policy documents: (ANC Health Plan and Reconstruction and Development Programme). We have also noted the lingering legacy of the past as featured at the South African Human Rights Commission *Public Enquiry into the Right to Have Access to Health Care Services* hearings warning of the ever eroding Constitutional requirement of access to health for all.

The agenda for post-Apartheid South Africa’s health policy is outlined in the 1994 ANC National Health Plan, in which the need for a National Health System is expressed and clearly articulated. Moves towards the establishment of a National Health System commenced in 1994 with an overhaul of the entire system, looking at both the provision and funding of health care.

Since then, as part of the health systems reform agenda, various committees were set up to investigate proposals on a future health system that would inform policy direction to ensure “Access to Health for All.” Government’s initial proposal for a National Health Insurance drew criticisms, mainly from National Treasury and Health Professionals for being too costly and rigid. The 1994 Committee of Inquiry into the National Health Insurance (NHI) and the follow-up 1997 Committee to further investigate improved access to health care were established. The former argued strongly for a National Health Insurance System and some of its recommendations were implemented by prioritizing primary health care and instituting reforms to the medical schemes environment as a vehicle towards a future national health system.

However, the 1994 Committee of Inquiry’s recommendations fell short of promoting a system of “Access to Health for All.”. Therefore, these were revised by the 1997 committee, which argued for a phased approach towards ensuring “Access to Health for All” by means of Social Health Insurance (SHI) with the NHI seen as a second step.

Unfortunately, the results of these policies, devoid of a consensus approach to addressing the health system challenges further exacerbated inequities; more people who had medical aid have since lost it. Consequently, more people than before now rely on the public health system or are forced to use the public sector because they cannot afford the cost of medical aid. Premature exhaustion of benefits results in them either foregoing private health care or using the public health sector. There is therefore an urgent need to correct these unintended policy consequences.

Even though medical schemes are regulated, cost escalations particularly in recent years have been significant. This points to the inadequacy of legislation in this regard as well as the industry’s inability to contain costs. This is partly the result of the fee for service environment in which the private health sector operates. Then Cabinet appointed a Committee of Enquiry into a Comprehensive System of Social Security for South Africa in 2002, which investigated how to secure and enhance social protection (the social protection concept being broader than the narrow focus on social security) for all South

Africans. However, the implementation of the recommendations of this committee as related to health has been patchy. As they evolved, these policy debates were accompanied by quite a bit of background and history which ought to be taken into account as you deliberate on these policy issues.

Conventional wisdom holds that any health system pursuing “Access to Health for All” should conform as a minimum, to the following guiding principles: Right to Health; Social Solidarity; Universality; Vertical Equity; and Universal Access to Health Care and Efficiency in Resource use. These principles can be defined as follows:

1. Every person has the *right to achieve optimal health*, and it is the responsibility of the state to provide the conditions to achieve this.
2. Social Solidarity: The principle of “*social solidarity*” in this context implies broader risk pooling and equitable benefits in exchange for contributions from those able to make payment with the government contributing on behalf of the indigent. This should not exclude supplementary health insurance.
3. Universality: Compulsory membership is essential as not to undermine the principle of Social Solidarity
4. Vertical Equity (unequal treatment for unequal need): Acknowledges that “*unnecessary*” or “*avoidable*” gaps in health and health care service delivery between groups with different levels of social privilege should be eliminated.
5. Universal Access to Health Care and Related Resources: This principle secures equality in access to a defined package of health care irrespective of whether it is publicly or privately funded. This principle calls for access to basic health as articulated in the ANC Health Plan and expressed in the Reconstruction and Development Programme.

6. Efficiency: Pooling public and private resources (money, human resources, physical infrastructure, equipment, medicine) together to ensure sustainability.

Using these principles as a checklist: What should be the role of the state with regards to meeting these principles? How do we ensure broader risk pooling and equitable benefits in exchange for contributions from those able to pay with the government contributing on behalf of the indigent? Is there a place and role for a supplementary health insurance?

A National Health System premised on the above mentioned principles is in line with constitutional provisions; reduces disparities in access to good quality healthcare; helps contain cost of health care in the public and private sectors; addresses the unsustainability of the current system; eliminates subsidies for special interest; improves efficiency of the system; reduces social polarization and ultimately improves the quality of life of all South Africans.

We are proposing that this colloquium consider and debate these principles and support their utilization in guiding health policy debates in the context of a Comprehensive System of Social Security.

The ANC National Policy Conference, held at Gallagher Estate from 27-30 June 2007 affirmed the need for the implementation of the National Health Insurance System. Clearly, this is a prudent option to explore, amongst others, given the current inequitable distribution of resources for health and extreme challenges to accessing good quality services by the majority. Therefore, the real challenge is the establishment of a National Health Insurance System in which every South African, irrespective of socio-economic class, has an equal opportunity to be attended to in time of need.

A National Health Insurance System presents itself as an ideal mechanism for providing equitable access to quality health services in South Africa. Firstly, because it satisfies the fundamental principles of a unitary health system as defined earlier which are also enshrined in our Constitution. Secondly, because it promotes redistribution and sharing of

health care resources between the public and private sectors and hence it meets our transformation agenda. Thirdly, because evidence from research suggests that South Africans are generally willing to contribute to a financing system that caters for them and those unable to contribute.

How is such a system to be established? In our view, this is achievable through a model national health insurance plan that draws in private and public health sector funds, and human and physical resources to ensure that all South Africans receive the constitutional entitlement of access to health care free at the point of service. The financial contribution would come from employers, employees, and the self-employed with the government providing for the indigent. The contribution would be progressive thus promoting vertical equity and the idea of a one risk pool allows for cross-subsidization between the poor and the rich, the healthy and the unhealthy. This could also include funds currently paid to medical aid schemes by government or public entities. Compulsory or mandatory contribution would ensure that the entire population is covered. The cover would be comprehensive in that people would have access to comprehensive health care services regardless of employment status. The services would continue to be provided by both public and private providers as currently the case but the health funds would be administered through a single agency, such as the South African Social Security Agency (SASSA). The Fund's administration costs could be set by Parliament.

A *single-payer model* is likely to result in significantly lower administrative and transactions costs and significant cross-subsidization. The general world trend in purchasing functions reforms in health seem to be a movement away from fragmented and competitive environments. However, single-payer models require other mechanisms of ensuring that the single purchaser is accountable to the contributors because enrollees cannot vote with their feet. Admittedly, such structural and organizational reforms in health need to be supported by robust legislative changes that will make *contribution mandatory* for both formal and informal employees and employers, and govern the activities and conduct of both public and private providers.

A national Health Insurance Plan would include all South under one roof. Clinics, community hospitals, regional hospitals, specialized and tertiary hospitals would be organized in such a way that the package of services provided would clearly be defined through national norms and standards in terms of quality and quantity and people could use both the private and public sector facilities. Those who seek additional insurance cover can subscribe to a medical scheme, which would still exist under this plan, but only after they have contributed to a national effort. Such an arrangement would provide opportunities for the rich who might want to have more than the prescribed basic package services, cosmetic surgery for example.

All medical practitioners under this scheme would be contracted to the NHI authority but could still supplement income by serving those who have “top-up” insurance. All GPs would be contracted to provide services to a defined number of patients in a defined area within the boundaries of the districts (through capitation contracts). This means that the responsibility for the health of the population in a defined community would be that of medical or primary care practitioners. Under this proposal, GPs would practice community health rather than just individualized medicine and could be given incentives to locate in previously disadvantaged areas. Further, more GPs would be able to effectively act as gatekeepers to the health care system and therefore improve allocative efficiency and reduce health care cost escalation due to over-use and self-referrals at inappropriate levels of the health care system.

Clearly, a national health insurance system would enable South Africa to ensure that the constitutional right of access to health care is attained, help contain the cost of health care (in both the public and private health sectors); reduce disparities and inequities in access to health care and improve quality of life of many. The question that arises then is what structures and processes do need to ensure that ANC resolution on national health insurance or a variant thereof is taken forward.

Our proposition is that the a high level implementation team be established at this colloquium to review previous recommendations and proposals over the past ten years

regarding health care financing reforms and to develop a practical implementation plan for a favoured option, with clear time-frames and deliverables. A political process as well as a technical process are vital in taking this initiative forward. As the HSRC and MOST, our job is to examine policy options using a scientific lens.

I sincerely hope that the deliberations of this colloquium will not only enrich our understanding of health systems reforms but come up with concrete suggestion for achieving universal access to quality health services for all South Africans.

With these words I would like to declare this meeting open.

Thank you for your attention.

Acknowledgements: The Policy Analysis Unit (Drs Charles Hongoro, Claire Botha and Temba Masilela) for preparing this document and Dr Dan Ncayiyana, for editing it.