ACTUARIAL SOCIETY OF SOUTH AFRICA

Quantifying Risk, Enabling Opportunity.

Commentary on the NHI Bill

Presentation to the Health Portfolio Committee

23 June 2021

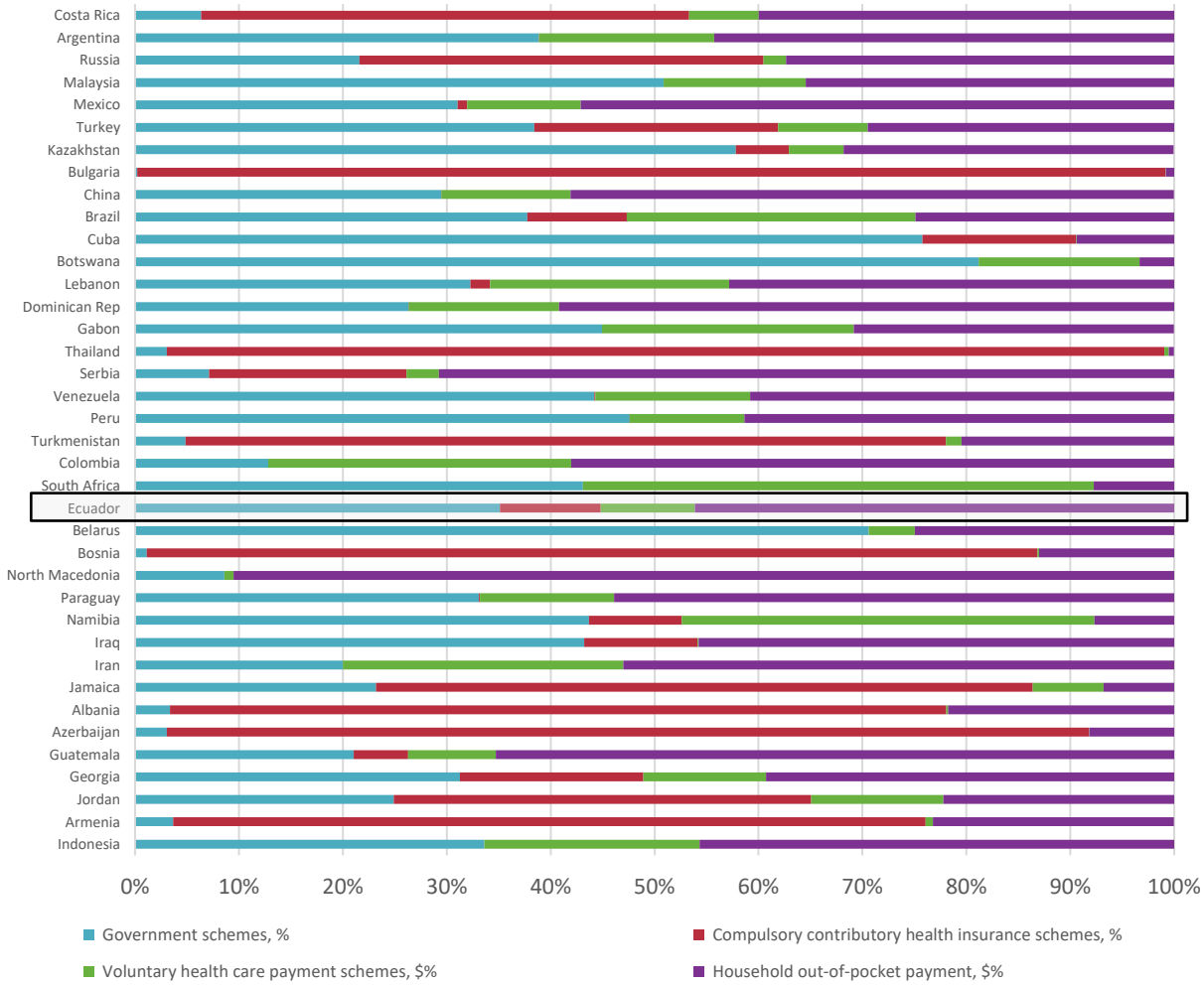
Opening comments

Actuaries are professionally bound to act in the public interest.

ASSA supports the objectives of Universal Health Coverage to move towards a more equitable and effective health system for South Africa.

We suggest that a system that combines the NHI, private health cover and some targeted cost sharing mechanisms will optimise the limited resources available.

We have a combinations of skills that are useful for matters pertaining to understanding risk, budgeting and financing, and analysis. The Society expresses it willingness to contribute to policy development and supporting research as we have done in the past.



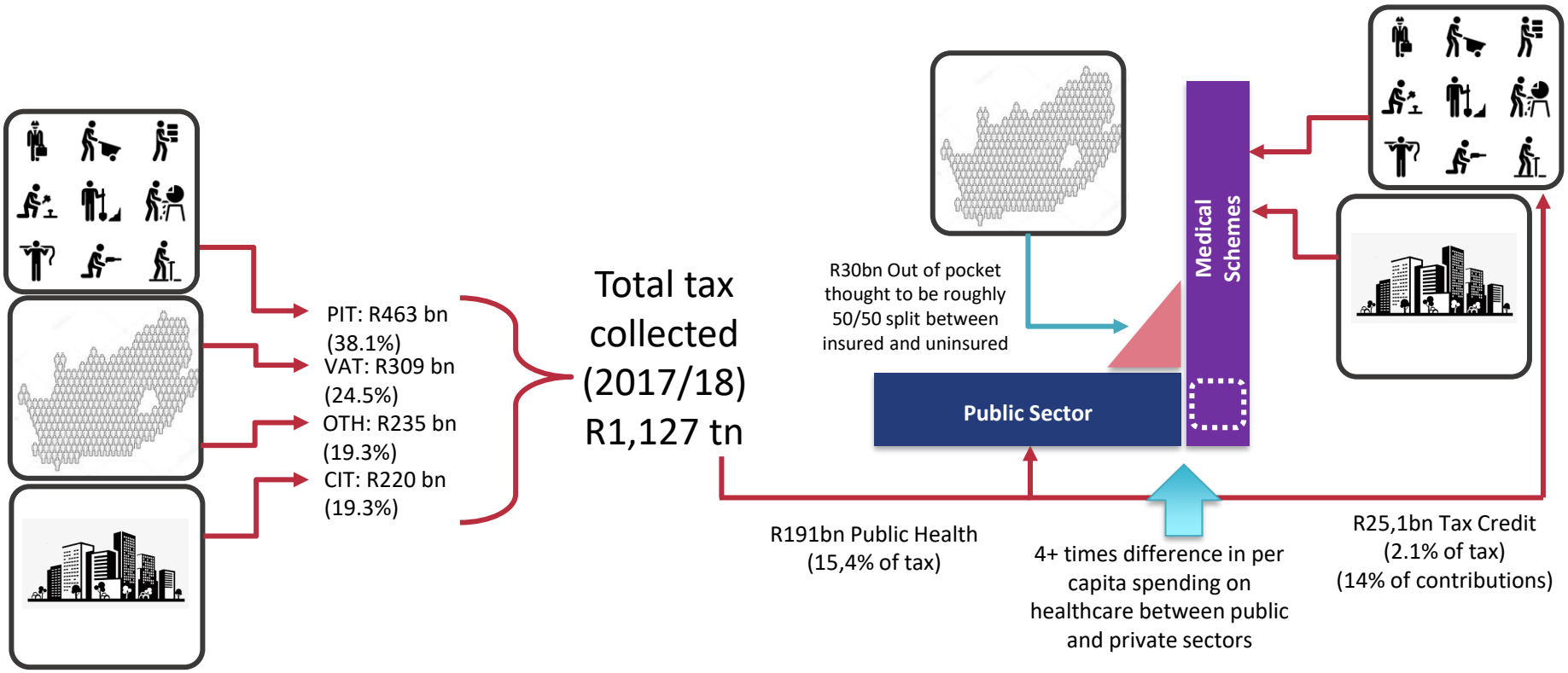
South Africa is unusual in having very low out of pocket payments for healthcare (8% vs an average of 35% for all upper-middle income countries).

This is partly due to high poverty levels and risk pooling via medical schemes among the employed (49% of healthcare funding is pooled largely through medical schemes versus 12% for all upper-middle income countries). Although not legally compulsory many employers mandate membership of a medical scheme.

Government's share of healthcare spending is higher than other upper-middle income countries (43% versus 30% on average)

Source: World Bank and WHO, 2018
Upper middle income countries with over 2m population

Current healthcare funding synopsis



Access to Care

NHI Bill Reform	ASSA Submission
Referral pathways and protocols	Agree these are crucial to ensure sustainability. Recommend that these should be clearly defined to apply equitably, should be evidence-based and subject to regular updating
Purchaser-provider split	Establishment of the Fund facilitates the purchaser provider split. This enables Strategic Purchasing and accountability of purchaser and provider. Responsiveness is key. Consequences for good or poor performance should be followed through.
Licensing requirements for facilities and providers	Recommend phased implementation as facilities with higher standards become available, rather than setting hard timelines
Inclusion of pricing in contracting	Pricing should not be included as part of accreditation. Value Based Care should allow higher quality of care to be rewarded

Benefit entitlements

NHI Bill Reform	ASSA Submission
Complimentary nature of NHI and medical schemes	Significant clarity is required regarding precisely what benefits medical schemes can provide. For example, may a medical scheme reimburse where a benefit is not available at a provider of choice or referrals protocols not adhered to? There is a significant *risk of increased Out of Pocket payments* if medical schemes do not fund services out of NHI protocols. Many countries allow complimentary cover to adapt to NHI benefits rather than being too prescriptive. We suggest the definition of complementary cover be loosened so that benefits can adapt rather than be prescribed.
Demarcation of medical scheme coverage	Medical schemes are conflated with other private healthcare coverage, not recognizing their social solidarity basis – this will adversely affect medical schemes particularly if they play a role while the NHI benefit package is limited
NHI benefits determined taking account of funds available	This is supported given current fiscal conditions. We urge a cautious approach to new taxes given their impact on the economy. Care would need to be taken given variability of tax revenue

Benefit entitlements cont…

NHI Bill Reform	ASSA Submission
Ministerial advisory committee	We note the committee and recommend adding an actuary – the benefits advisory and pricing committees are technical and should include appropriate expertise, including actuarial expertise
Free services at point of care	Appreciate the rationale, but urge caution due to demand-side consequences – fair cost sharing (for examples, means based fees for certain elective services) can help manage benefits and costs for all
Comprehensive set of benefits	We note the comprehensive set of benefits and look forward to contribute to discussions on their development, including considerations of the tradeoffs between comprehensiveness of benefits and funds available.

Healthcare Providers

NHI Bill Reform	ASSA Submission
Payment based on value of services	This is supported and gives appropriate incentives. This will require objective assessment supported by data collection, monitoring and research
Purchasing from public and private institutions	Supported as a means to improve access and equity. The proposed accreditation appears to require providers to contact entirely or not at all which may limit access
Primary care capitation and DRG-based payment for hospital services	These payment methods promote active and strategic purchasing but require monitoring risks of volumes and costs, including underservicing. DRGs require clinical and costing data for all facilities. Capitation can be complex to implement and requires data and statistical modelling to ensure fair payment. Suggest reimbursement models refer to value-based contracting rather than specifying reimbursement mechanisms at this early stage and that a piloting process determines a feasible framework and transition. Such a process should involve actuarial input and analysis

Healthcare Providers cont…

NHI Bill Reform	ASSA Submission
Determination of prices	Should balance affordability, access and effectiveness. Prices that are too low may stifle innovation and quality, and limit access. Support the need for analysis of healthcare delivery costs and considerations of efficient delivery models such as multidisciplinary teams
Primary care contracting units	Limited detail provided on the structure – should be done on community needs but balanced with consistency in delivery and accountability
Human Resources for Health	While not directly dealt with in the NHI Bill, significant attention is required to improve South Africa's human resources for health in order to improve service delivery

Collection and use of data

NHI Bill Reform	ASSA Submission
Mandate for data collection from beneficiaries and providers	Actuaries attest to many positive uses for such data and can offer assistance with model development to assist with planning, budgeting, cost monitoring and other outputs Data are highly sensitive and require robust systems for collection, protection, analysis and transmission

Actuarial Expertise

NHI Bill Reform	ASSA Submission
Benefit Pricing Committee	Actuarial involvement is welcomed - actuaries have skills in pricing, benefit design, risk management and analytics
Long-term cost estimates	The Bill points out that models of the future rely on assumptions. However future planning can be improved if assumptions are set reasonably – this is important for benefit promises to be sustainable and fiscally responsible. Actuarial modelling can also assist with planning for human resource and infrastructure requirements to ensure consistent access to benefits
Actuarial costing model	We support the actuarial costing model in the Bill and the statement that this will be adapted to find a set of priority interventions. We encourage further use of actuarial modelling to assess best interventions, options for implementation and risks
Risk Management	A Risk committee to consider Enterprise Risks faced by the Fund should include appropriate actuarial competence

Timing and process

NHI Bill Reform	ASSA Submission
Sequencing of reforms	Significant reforms come with risk of harm to the public and private health systems if not done in the optimal order – actuaries have expertise in modelling effects of sequences of reforms
Implementation timeline	Concern that the proposed timing for full implantation aims for 2026. We suggest phases based on milestone achievements rather than calendar dates to ensure responsible progression
Structure	Caution against single minded focus on one structural form for UHC / NHI. Each country's health system is a unique result of its context, history, trajectory and social aims, which can adapt over time

Governance and public trust

NHI Bill Reform	ASSA Submission
Governance structure	Need for a strong governance structure for the Fund given the scale and fiscal impact – imperative to gain public trust. Important to get the right mix of central oversight but local decentralized local decision making, with effective monitoring.
Integrated public and private framework	The Health Market Inquiry identified recommendations for improving private sector delivery to benefit the system. These could benefit access to cover without costs to the fiscus and could allow a more rapid integration of public and private systems

Closing comments

The Actuarial Society supports improvements in healthcare equity in South Africa.

NHI reform will require a long road of coherent well planned and executed policy changes. In the interim it is vital that sufficient policy attention be paid to the medical scheme and health insurance environment to preserve current healthcare capacity in South Africa.

The extensive work of the Health Market Inquiry should be given its proper attention. Addressing the recommendations in the HMI report could lead to a more rapid achievement of UHC that incorporates both public and private sectors effectively.

We suggest implementing the NHI in a phased approach, supported by ongoing analysis and modelling will yield the most efficient pathway to UHC.