

**The National Council of Provinces: Three Sphere Planning Session of
the Seventh Parliament, under the theme: “Towards an Oversight
Agenda for the Seventh Parliament: Delineating Key Oversight Priorities
for the NCOP in the Seventh Parliament”**

**Input by the National Department of Health on the Interventions and
Response Plans to Operationalize and Implement the NHI, as well as
Budgeting and Funding for the Roll Out of the NHI**

Prof Nicholas Crisp

Deputy Director-General: National Health Insurance (NHI)

27 August 2024

16h15 - 16h30

Honourable Chairperson of the NCOP

Honourable Chairperson and Honourable Members of the Select Committee
on Social Services

Honourable Ministers and Deputy Ministers present

Honourable Members of the NCOP

Distinguished Guests

Ladies and Gentlemen

Good Afternoon

First of all I wish to once again reconvey the apologies of the Minister of Health, Dr Aaron Motsoaledi, as well as that of the Deputy Minister of Health, Dr Joe Phaahla, they are both in Brazzaville, Republic of Congo, on official work. The Minister has therefore delegated me to participate in this very important event on his behalf and on behalf of the National Department of Health. I also do so on behalf of the Director-General of the Department, Dr Sandile Buthelezi.

It is my pleasure to present to you, on behalf of the Hon Minister of Health, Dr Motsoaledi, matters relevant to the National Health Insurance.

His Excellency President Ramaphosa assented to the National Health Insurance Act, 2023 (Act No. 20 of 2023) on 15 May 2024. This marked the culmination of a lengthy legislative process that commenced in 2019 with the tabling of the Bill in Parliament.

After some delays owing to the COVID-19 pandemic the National Assembly passed the amended Bill (B-Bill) on 13 June 2023 and the National Council of Provinces took over the process. Some 60 community consultations were held covering all nine provinces. The NCOP adopted the Bill by a majority of 8 provinces to 1 on 6 December 2023.

Now that we have reached this critical milestone, we are able to gradually phase in the NHI using a progressive and programmatic approach based on financial resource availability, as required in the Act. The NHI must be implemented in two phases, phase 1 from 2023 to 2026 and phase 2 from 2026 to 2028.

Interventions and Response Plans to Operationalize and Implement the NHI

The specific transitional activities that are contained in s57(2)(a) of the NHI Act (and subsequent sub-sections 57(3) and 57(4)) involve five provisions with several specified actions.

1. The department is continuing with the implementation of health system strengthening initiatives, including alignment of human resources with that which may be required by users of the Fund. Two major focus areas are:

- Infrastructure development in the public health system
 - Further strengthening of the Primary Health Care system (PHC)
2. Besides the NHI Act itself there other National Health Insurance legislation developments and there will be amendments to other legislation in due course. The specific activities include:
- Drafting of Regulations pertinent to the sections of the Act that will be the first to be promulgated
 - Ensuring that the necessary preparations are made for the amendments that will be made through Schedule 1 of the Act.
3. Several institutions that must be the foundation for a fully functional Fund must be established. The Act provides for precursor committees and a statutory mandate for other committees which already exist in some form or other. These include:
- National Tertiary Health Services Committee
 - National Governing Body on Training and Development
 - Ministerial Advisory Committee on Health Care Benefits (as a precursor to the statutory committee in main sections of the Act)
 - Ministerial Advisory Committee on Health Technology Assessment (as a precursor to an envisaged separate agency as we see in many countries around the world)

- The Act also provides for migration of central hospitals (there are presently 10 such hospitals designated under the regulations of the National Health Act) so that they are funded, governed and managed nationally as semi-autonomous entities. This will strengthen their national training and highly complex service delivery capabilities where they serve as the major teaching hospitals for the country.
 - There is ongoing work to inspect and certify public and private health establishments by the Office of Health Standards Compliance (OHSC) so that there is a systematic improvement of quality standards.
4. The fourth provision in the transition through phase 1 is the purchasing of personal health care services for vulnerable groups such as children, women, people with disabilities and the elderly. This is elaborated somewhat in Act. The department, together with the nine provincial departments, is testing capitation purchasing for primary health care service benefits. This is the first time that this payment mechanism is being adopted at scale in the country. The benefits in this package of care must include maternity and child health care services, health care services for the aged, people with disabilities, and focussing on rural communities.

The capitation purchasing will be from contracted public and private providers including general practitioners, audiologists, oral health practitioners, optometrists, speech therapists, and other designated providers at a primary health care level.

5. The fifth transitional provision in phase 1 is to prepare for the establishment of the Fund as a Schedule 3A entity, including developing and implementing administrative and personnel related arrangements. It must be recognised that there is no Fund or administration yet. The starting point here is to

promulgate the sections required to establish governance and administration, and to develop and publish regulations that will result in appointment of a competent Board.

Budgeting and Funding for the Roll Out of the NHI

As we have noted, there is no Fund yet. The NHI preparatory activities are being managed within a Branch of the National Department of Health. Provincial departments continue to manage provision of public health services and the private sector continues to provide services through private establishments.

The National Department of Health receives an allocation in the budget to run the NHI Branch but there are also conditional grants that enable the department to support several health systems strengthening programmes such as development of the digital systems, a quality improvement programme, and various infrastructure projects.

From financial year 2025/26 onwards, and as the capacity of the Fund moves from the Branch in the department to the Schedule 3A entity, so functions can be shifted (as outlined in section 32 of the Act) and funds can follow those function shifts through Vote 18 to the Fund to pay for healthcare benefits.

The time horizon for function shifts is multi-year. Statutory changes and budget cycles will dictate the pace to financing reform and fund shifts. The source of funds for NHI are described in the Act and are essentially appropriated funds in the annual budgets adopted by this Parliament. This includes:

- in the first instance from general tax revenue, including the shifting of funds from national government departments and agencies and the provincial equitable share, and conditional grants into the Fund; and
- secondly through reallocation of funding for medical scheme tax credits that are presently granted to beneficiaries of medical schemes towards the funding of National Health Insurance.
- The Act provides for a payroll tax to be contributed to by employers and employees, and for a surcharge on personal income tax. However, the Act also states that should that route be followed, these taxes will need to be introduced through a money Bill by the Minister of Finance and earmarked for use by the Fund.

Honourable Members, while we must embrace the opportunity to address the gross inequity that exists in our health service provision in our country, we need to recognise that reforms of this magnitude must be managed with care over time.

This House will be a critical role-player in the adoption of the budgets that move through the NHI Fund and in the monitoring of the impact of the changes to health care and outcomes as a just health system evolves.

I thanks you.