



## NHI ACT FAQs 2024

### FREQUENTLY ASKED QUESTIONS ABOUT NATIONAL HEALTH INSURANCE (NHI), AND ANSWERS THERETO

Following the recent signing of the National Health Insurance Bill (NHI Bill) into law (NHI Act) on 15 May 2024 by President Cyril Ramaphosa, we have become aware of many questions and comments from medical scheme members and the public in general. Below is an evolving compilation of frequently asked questions about NHI, and answers assembled by Bankmed and its trusted service partners.

#### 1. Q: There's been a lot of reporting in the media about NHI - but what exactly is it?

A: The National Health Insurance Act (NHI Act) provides for a National Health Insurance Fund (NHI, or the fund) to be established in South Africa. The NHI Act has been passed by the National Assembly and the National Council of Provinces, and was subsequently signed into law by President Cyril Ramaphosa on 15 May 2024.

The objective of the NHI is to improve access to healthcare for all South Africans. With this in mind, the NHI will pay for a set of pre-determined healthcare and treatments so that registered users of the fund will not need to pay when they access care. Healthcare services will be accessed according to a defined treatment pathway.

It is not yet known which treatments and medicines will be paid for by the fund, and which will not be. The NHI will specify which hospitals and doctors can be accessed, and patients will need to use the specified referral pathways in order to obtain cover for their treatment. Where a person chooses not to follow the NHI pathways, and chooses to use their own doctor or hospital, they will not be able to claim from the NHI.

#### 2. Q: Your previous communication also referred to "Universal Health Coverage (UHC)" - what is that?

A: As far back as 2012, the United Nations General Assembly unanimously endorsed universal health coverage (UHC) as a pillar of sustainable development and global security. Progressive nations of the world, including South Africa, subscribe to this and other sustainable development goals (SDGs). The principle behind UHC is that no one should fall into poverty because they get sick and need healthcare. UHC is a goal that every person, everywhere, has access to quality healthcare without suffering financial hardship as a result. It is therefore an overarching objective that all progressive nations aspire to, and different countries seek to pursue this through different vehicles or healthcare financing mechanisms. The South African government chose what has come to be known as National Health Insurance (NHI) to pursue UHC.

In summary, UHC is a global overarching goal that progressive nations, including South Africa, seek to pursue, and NHI is a healthcare financing mechanism or vehicle through which the South African government seeks to achieve the objectives of UHC.





### 3. Q: What is Bankmed's position on NHI and/or UHC?

A: Bankmed is supportive of the pursuit of UHC as an overarching objective. The inequalities in access to quality healthcare services for all citizens is a major concern for all South Africans; the objectives of UHC are therefore absolutely desirable. Bankmed's stance is strongly informed by the interests of its members specifically, and fellow South Africans in general. Amongst the issues of concern about the NHI Act in its current form is the provision that states that when NHI is fully implemented, medical schemes will not be able to provide cover for services that are paid for by NHI. This is part of the challenge that Bankmed has with the Act because we strongly believe that UHC can best be achieved in collaboration with medical schemes. Bankmed, although very much in support of the pursuit of the objectives of UHC, is opposed (amongst other things) to the diminished role of medical schemes (confined to "complementary cover") as envisaged in the NHI Act, because this also presents a threat to the very sustainability of NHI.

### 4. Q: What will be the role of medical schemes once the NHI system is implemented?

A: As alluded to above, a central issue arising from the NHI Act is the future role of private healthcare and medical schemes once the NHI is implemented. The NHI Act states that when the NHI is "fully implemented", medical schemes will not be able to provide cover for services that are paid for by the NHI. Bankmed is strongly opposed to this, and believes that UHC can best be achieved by medical schemes being allowed to continue to exist, and allow for those who choose to stay with medical schemes to enjoy full medical aid cover if they so wish, alongside NHI – even when NHI is fully implemented.

### 5. Q: Have you engaged with government about the NHI and the impact on medical schemes?

A: Yes. We have done so diligently from the beginning, via the industry association that we belong to, which operates as the Health Funders Association (HFA). The HFA is in turn also a member of Business Unity South Africa (BUSA). It serves us better to deal with this matter through these industry bodies as a collective.

### 6. Q: Should I cancel my medical scheme membership?

A: No. Not at all. The NHI will take many years to be established, and it will be a long time before the NHI will be funded; consequently, it will take a long time before it will be known what services NHI will reimburse. It is important to bear in mind that healthcare needs are often unexpected and can involve very large expenses, and so cancelling your medical scheme is a serious risk to you and your family's physical and financial wellbeing.

Even the Minister of Health himself, Dr Joe Phaahla, at the signing of the Bill ceremony on 15 May 2024, is quoted saying "please don't cancel your medical aid".

### 7. Q: Can the Government use some of the funds sitting in private medical schemes to fund the NHI?

A: No. The funds in medical schemes are contributed voluntarily by members mostly from their after tax earnings. The money therefore belongs to the members and there is no mechanism to use these funds because they are well protected by law. The funds are protected and managed by the medical schemes who are governed by Trustees elected by medical scheme members (and appointed by employer groups) to manage these funds on behalf of the members.

### 8. Q: Will taxes increase now that the NHI Act has been signed into law?

A: No, not automatically. The NHI Act does not affect the level of any taxes. Only National Treasury can introduce legislation that changes taxes and no Money Bill has been proposed as yet. This would need to go through the full legislative process before there would be tax changes.

The NHI will have no immediate impact on taxes. The mechanism for funding for the NHI is not defined in the NHI Act and substantial work is still required to determine how the NHI will be funded. Additionally, once the Money Bill has been defined, this would need to go through the full legislative process before it can be implemented.

### 9. Q: Is the tax credit going to be removed now that the NHI Act has been signed into law?

A: No, not necessarily or immediately. Only National Treasury can amend or remove the medical scheme tax credits and this is not expected to happen in the short term.

Medical scheme tax credits reduce the amount of tax payable by individual medical scheme members. If you are a member of a medical scheme, you are able to recover the tax credit by reducing the amount of tax you pay by a fixed amount. The removal or reduction of medical scheme tax credits would therefore 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.

The proposal to abolish the medical scheme tax credits has been a long-standing request from the National Department of Health. However, medical scheme tax credits represent a progressive mechanism of funding healthcare that has been preferred by the National Treasury for some time. The tax credits were deliberately restructured in 2012 by the National Treasury to be more beneficial to lower income earners, and they have been effective in making medical schemes more accessible for lower income earners. Removing or adjusting the tax credits will, therefore, lead to many lower income earners dropping off medical scheme cover due to affordability constraints, further exacerbating the pressure on public sector facilities.





#### **10. Q: What does NHI mean for my medical scheme membership?**

A: According to the NHI Act, medical schemes will continue to exist alongside the NHI, and will provide funding for treatments and medicines that the NHI does not pay for, providing what the Act refers to as “complementary cover to services not reimbursable by the fund”. This arrangement will only come into effect once NHI is fully implemented, as determined by the Minister of Health through regulations in the Gazette.

This means that for the foreseeable future, medical schemes will continue as they currently do. It is expected that the role of medical schemes will evolve incrementally as NHI is rolled out. This view is also supported by Section 57 of the Act which, amongst other things, states that National Health Insurance will be gradually phased-in using a progressive and programmatic approach based on financial resource availability (Section 57 1 (b), NHI Act).

We believe that implementation of the NHI will take several years – likely decades. We therefore do not expect any material impact on medical schemes in the near future. In other countries with a national health system, it is common that private healthcare operates alongside state-funded healthcare. This is seen as the preferable way of establishing healthcare funding, as the State provides the services it can afford, while allowing individual freedom of choice in funding additional healthcare on a private basis.

#### **11. Q: Will medical schemes be required to change their benefits now that the NHI Act has been passed and signed by the President into law?**

A: No. The NHI Act will not have an immediate effect on medical scheme benefits. Medical schemes will only be required to change their benefits once the NHI is fully implemented. As the implementation of the NHI will take several years – likely a decade or more – there will be no impact on medical schemes for the foreseeable future.

#### **12. Q: What will happen to private hospitals and healthcare professionals?**

A: The Act envisages that the NHI Fund will contract on a voluntary basis with private hospitals and professionals and other medical service providers to supplement the current public sector delivery system. For the foreseeable future, we expect that the NHI will contract with some General Practitioners to supplement its public primary care services, and that it will contract for certain high priority services to address specific gaps in public sector provision e.g., oncology, renal dialysis etc. If this is achieved, it will already be a significant step forward. Beyond that, we expect that the vast majority of NHI services will continue to be delivered by public sector clinics and hospitals, and that private hospitals, specialists and other providers will continue to be funded by medical schemes.

#### **13. Q: Will the NHI mean that everyone can go to private hospitals and doctors even if you don't have medical scheme cover?**

A: We are still very far from that scenario. If you go to private hospitals and doctors without medical scheme cover you will have to pay out of pocket. It is currently not clear what services will be included in the NHI package and whether this will include hospitals and specialists. The extent of the NHI benefits and access to health facilities (public and private) will be subject to the level of funding available to the NHI. Given the uncertainty of the level of funding available to the NHI, it is not clear what services will be included in the NHI package and whether this will include hospitals and specialists.

#### **14. Q: Will all doctors in South Africa be forced to contract with the NHI?**

A: No. South Africa's constitution protects the rights of individuals to determine who they want to contract with and the terms will need to be sustainable. The level and extent of the NHI package also remains very uncertain, as well as the extent of the funding that will be required and how this will be raised in a sustainable way. In light of this uncertainty regarding the funding available for the NHI and the benefits that will be covered under the NHI, it is unclear whether contracting with the NHI will be commercially viable for doctors.

#### **15. Q: What happens next in terms of the Act?**

We understand that the NHI will be rolled out in phases, and the first phase will focus on infrastructure and other foundational elements. Given the level of uncertainty about how long the different phases will take, let it suffice for us to reiterate that the implementation of NHI will take many years. Even Dr Nicholas Crisp, Deputy Director-General in the health department responsible for NHI, is quoted saying, “the NHI could take decades to be implemented at full scale”. Many stakeholders and experts also suggest that it can take up to 15 years to achieve, if not more. Purely from a legislative point of view, there are many pieces of legislation that will need to be amended to align with NHI objectives, and this will be an onerous process.

**Bankmed will continue to be fully engaged and keep you updated as and when that is considered necessary. At this stage, there is absolutely no need to panic at all. Our partnership in health and wellness remains intact.**

