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## NATIONAL HEALTH INSURANCE ACT 20 of 2023 (NHI) - EXPLAINED

### Preamble

Critically, in the short to medium term, the recently enacted NHI Act will not impact members of medical aid schemes. There are still several administrative processes that need to be undertaken before full implementation of the Act. The NHI implementation will take place in phases (2024-2026) i.e. setting up the Fund and establish governance and administration of the Fund, develop the NHI legislation governing the scope and functioning of the Fund and establishing institutions to serve as the foundation of a fully functional Fund, etc. These processes may take six to twelve months – or even much longer. So, changes from the current arrangements are likely to be gradual and **not** imminent. This means that members of medical aid schemes will continue to enjoy the health care services they currently receive for some time to come.

### Purpose

The purpose of the NHI Act is to establish a National Health Insurance Fund to provide affordable universal access to quality healthcare services. The Act seeks to create means for equitable, effective and efficient utilization of the resources of the Fund to meet the health needs of users. The NHI will be funded through a mandatory prepayment system and other forms of taxes collected by SARS. In the main, the NHI will be funded through general revenue allocations, supplemented by (a) **a payroll tax payable by employers and employees**, and (b) **surcharge on individuals' taxable income**. Summarily, the intent of the NHI is to;

- Serve as the single purchaser and single payer of health care services in order to ensure an equitable and fair distribution and use of health care services;
- Ensure the sustainability of funding for health care services within the Republic; and
- Provide for equity and efficiency in funding by pooling funds and strategically purchase health care services, medicines, health goods and health related products from accredited and contracted health care service providers.

Accordingly, the NHI Fund will be used to buy healthcare services for all who live in the country from both public and private sector health care providers. This means that when one feels unwell, one simply visits the nearest General Practitioner (GP) or clinic that is registered with NHI without worrying about the cost of care.

### Application of the Act

The Act will apply to all health establishments, including private hospitals but excluding military health services and establishments. The Act does not in any way amend, change or affect the funding and functions of any organs of state in respect of health care services until such time that legislation has been enacted or amended in respect of the provisioning of such services.

## Membership of the Fund

According to the Act, the following categories of people will all qualify to be members of the Insurance Fund: all South African citizens, permanent residents, refugees, inmates, certain categories or individual foreigners as determined by the Minister of Home Affairs. Asylum seekers or illegal foreigners will only be entitled to emergency medical services and services for notifiable conditions of public health concern. All children of asylum seekers or illegal foreigners will be entitled to basic health care services, in accordance with South Africa's Constitution.

A person who is eligible to receive health care services must register as a user with the Fund at an accredited health care service provider or health care establishment. He or she must also register his or her child as a user with the Fund at an accredited health care service provider or health care establishment. A child born to a user shall be regarded as having been registered automatically at birth.

## Benefits of the NHI

By establishing a single healthcare system for all, government intends to guarantee all users free access to healthcare services. Thus, the benefits of the NHI are as follows:

- **Accessible healthcare services** - Government has an obligation to implement universal health coverage to ensure that all people can access health care when and where they need it without bearing any costs.
- **Improving quality of health services** - Currently the public health care system is overburdened and thus characterised by underservicing, whilst the private sector is characterised by rising costs of care and overservicing with no notable improvement on health outcomes. It is envisaged that the pooling of funds into one pot will improve the quality of health care services and thus improve the health care outcomes.
- **Reducing burden of disease** - Extending health coverage to all South Africans will improve access to care, quality of care and continuity of care. In addition, the NHI will contribute to the country's health care system having a coordinated and well-structured response to the burden of disease.
- **Financial risk protection** - The NHI Fund will protect individuals from financial hardships when accessing health care services. Contributions to the Fund will be through prepayment methods (taxes), patients will not pay at the point of care.
- **Integration of the health care system** - Government intend to fix the fragmented, two-tier system which is characterised by unfair distribution of resources. The NHI will promote equitable access to healthcare, through cross-subsidisation among the population.

## Services Rendered Under the NHI

The NHI guarantees all South Africans comprehensive personal health care service benefits from NHI-contracted public and private health facilities. The following services will be provided under the NHI:

- Primary healthcare services, such as visits to clinics and community health centres.
- Hospital services, covering both outpatient and in-patient visits (referral letter will be required)
- Rehabilitation health services
- Palliative care
- Mental health services
- Emergency medical services
- Medicines and medical devices enlisted under essential medicine and equipment lists
- Diagnostic procedures.

## **Role of Medical Aid Schemes in the NHI**

Currently, there are 71 registered medical aid schemes and 8 million beneficiaries. Undoubtedly, the costs of medical schemes are very high, and the system is characterised by co-payments for costs which the medical aid schemes do not cover. Since the NHI will provide comprehensive health care services to everyone, medical aid schemes will not cover the same benefits. They will only offer extra services which are not covered by the NHI. This suggests that their membership fees and options offered by medical aid schemes will be reduced significantly. However, it is important to note that the reserves of medical aid schemes will **not** be used to fund the NHI.

## **Conclusion**

NATU welcomes the vision of universal access to quality health care services for everyone in the Republic as a right which is enshrined in the Constitution (S. 27(1) (a)). However, we are concerned about the following fundamental issues:

- Poor Administrative and Managerial Capacity of the State. There is a high likelihood that the NHI Fund could collapse due to poor governance, lack of accountability and corruption.
- We fear that as single purchaser of, and payer for, health care services government is likely to impose high payroll tax on workers, while concomitantly increasing the income tax. This will exacerbate the financial burden on the already struggling workers.
- Pushing private medical schemes out of health care services could result in the deterioration of quality health care – thereby making the ideal of ‘open hospitals and health care services for everyone’ only both mythical and a theoretical construct.
- Government's requirement to approve and issue a ‘**certificate of need**’ to allow doctors to set up practice or expand their service to anywhere in the country will further limit the access and universality of health care services. Consequently, many health care providers could emigrate to countries where they can freely set up practices.

**ISSUED BY NATIONAL TEACHERS' UNION  
OFFICE OF THE PRESIDENT**



**Mr. S.V. Malinga**  
**President**