

What changes to intergovernmental fiscal framework are required to implement the NHI in South Africa?

NHI COLLOQUIUM HOSTED BY FFC AND DNA ECONOMICS |
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national treasury

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Introduction

- Need for universal access to quality health care is clear and a desirable end for a country such as ours
- National Health Insurance system has been under development in South Africa since 2012

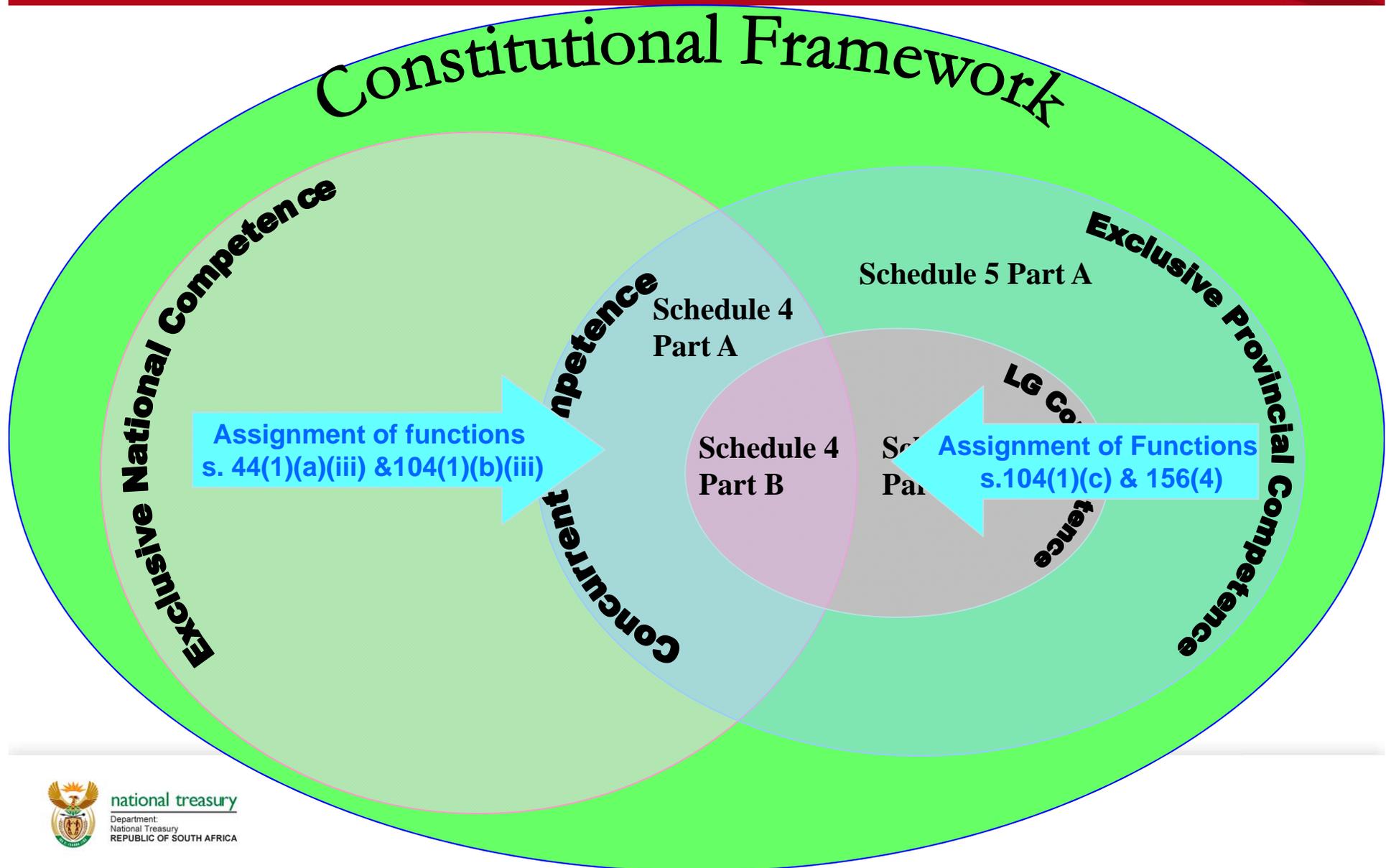
But

- Overhaul of the health care system requires:
 - Financing, health care management reforms, human resources, improved quality of health care, revitalisation of health facilities and infrastructure
- Primary Health Care in South Africa is provided at the provincial level through:
 - 9 Provincial health departments and 314 400 people (2012)
 - Public health services accounted for 13.7 per cent of consolidated government non-interest expenditure (2012)

South Africa's Intergovernmental system...

- South Africa has an Intergovernmental system based on principle of cooperation between the three spheres of government (National, Provincial and Local Government)
 - *National*
 - *Provincial (9 provinces)*
 - *Local government (257 municipalities post 2016 municipal elections)*
- The South African Constitution describes these spheres as distinctive, interdependent and interrelated
- The elements and principles underpinning the South African intergovernmental system
 - *Accountability and Autonomy*
 - *Transparency and good governance*
 - *Redistribution*
 - *Vertical division*
 - *Revenue-sharing*
 - *Broadened access to services*
 - *Responsibility over budgets*

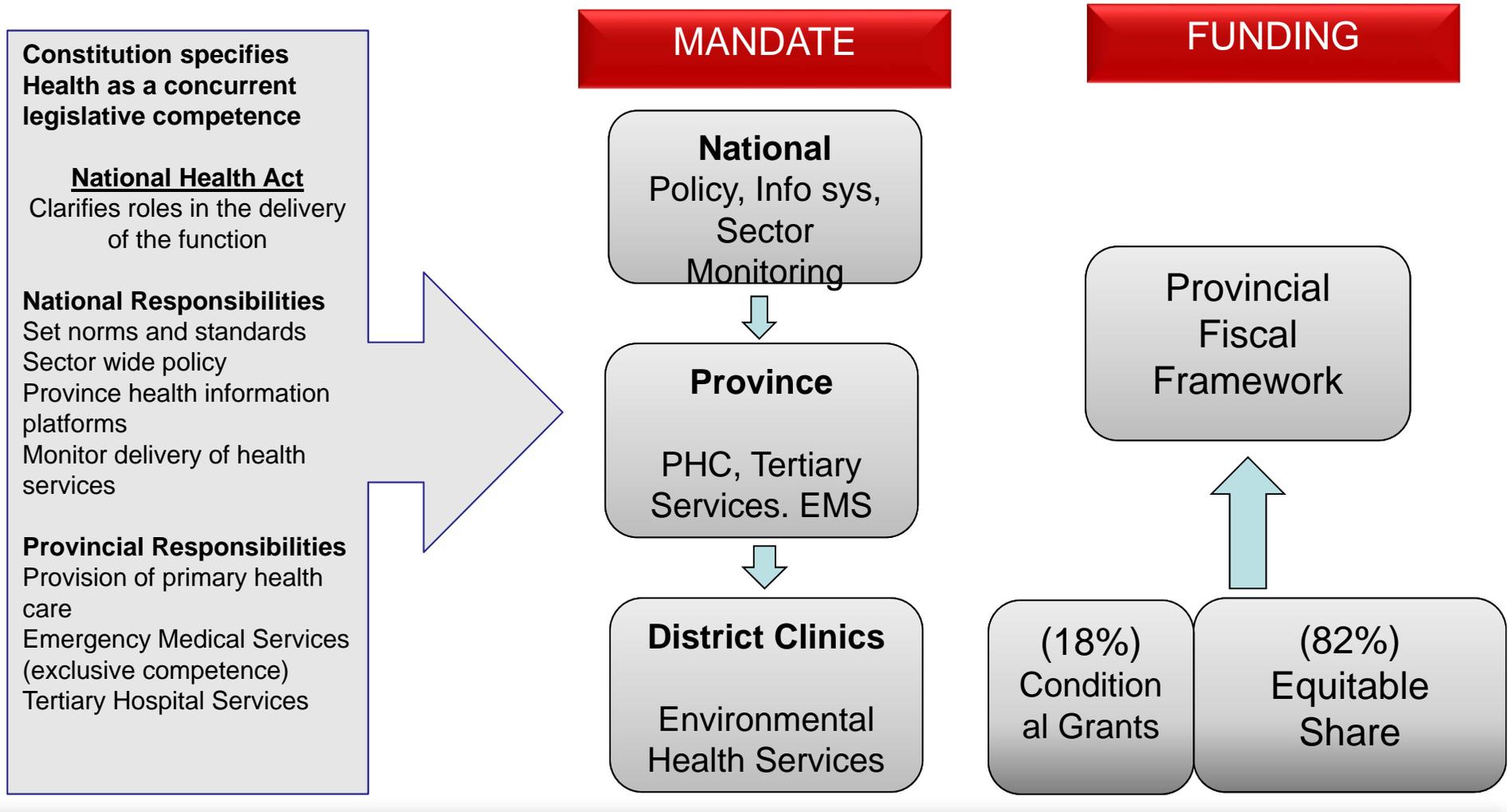
Allocation of functions to the different spheres of government



Health and the Constitution

- **Key constitutional considerations for NHI**
 - **Defining the health function**
 - Constitution dictates that Health is a legislative competence between National and Provincial Sphere (and also local government)
 - Only ambulance services is exclusively a provincial competence
 - » Norms and standards directive still comes from National
 - An Act of Parliament is necessary to spell out specifics of function delivery
 - » This is done through the National Health Act (but could require change to facilitate NHI implementation)
 - **Defining health financing at the provincial sphere**
 - **Section 227(1)(a)**: Provinces are entitled to equitable share of revenue raised nationally to enable provision of basic services and allocated functions (such as those in the National Health Act)
 - **Section 214(1)**: An Act of Parliament must provide for – (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government; (b) the determination of each province's equitable share of the provincial share of that revenue; and (c) any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be

Health in an intergovernmental space : Current function and funding arrangements



(and also provincial
own revenues)

Provincial Fiscal Framework

Provincial Fiscal Framework (2015/16 Financial Year)				
R million		Education	Health	Other
Provincial Fiscal Framework				
PES	85,485			
Conditional Grants	382,673			
Rand Total	468,159	199,540	135,180	133,439
CG		3.4%	6.8%	8.1%
PES		39.2%	22.1%	20.4%
Total		42.6%	28.9%	28.5%

The Provincial Fiscal Framework has two components:

- Conditional grants (18%)
+ Provincial Equitable Shares (82%)
- Total PFF in 2015/16 was R468.2 billion

PES allocations formula uses

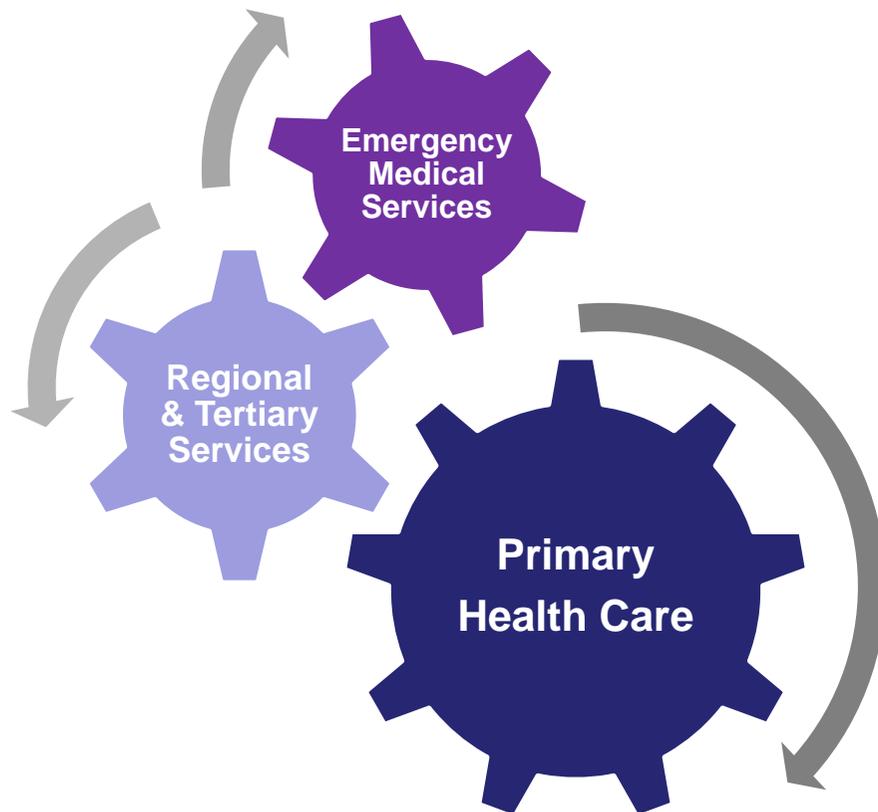
- 48% is for education, 27% for health and 25% for other

From total Provincial Fiscal framework

- Education: 42.6%
- Health : 28.9%
- Other: 28.5%

Components of the NHI: proposed functional changes

3 Major Components of NHI System



- NHI proposes the following:
 - Health Care systems will be re-organised into three elements
 - Primary Health Care (PHC) services => heartbeat of NHI
 - Public, Private and District Hospital using a strong referral system
 - Central Hospitals and Specialised Services
 - For both public and private hospitals
 - Public hospitals will be semi-autonomous
 - Supports the PHC core
 - Emergency Medical Services
 - Interfaces with referral system

What are the functional “parameters” for change?

- Various mechanisms for “allocation” of NHI functional responsibilities
 - Full functional assignment to national government (if possible to do so within the current constitutional framework). Provincial departments of health will become regional national offices
 - Partial functional assignment, where some functions are performed by national government and others by provinces. Provincial allocation of functions can be done through:
 - **Legislative assignment** - This is the current practise and done through the National Health Act, where all provinces are responsible for rendering of functions/services assigned to them in the Act in line with prescribed national norms and standards
 - **Executive assignment** - Similar to legislative assignment (not necessarily applicable to all)
 - **Delegation** - National government remains responsible and accountable for function but delegates delivery of service to province. A delegation to a province may be at any time be amended or revoked by national
 - **Agency** – Agency agreement determines parameters. Province must act within mandate determined by national
 - **Mixed** – Both national and provinces share responsibilities for same function(s)?
 - Different mechanisms can be applied for different “sub” functions of NHI, such as primary health care, central hospitals, etc.
 - NHI implementation will require cooperation between spheres – continued (and improved) service delivery needed whilst reforms are taking place
 - Some countries have applied a “graduation approach” when implementing NHI, where functions were devolved as capacities were built at lower spheres

What are the “fiscal” parameters for change?

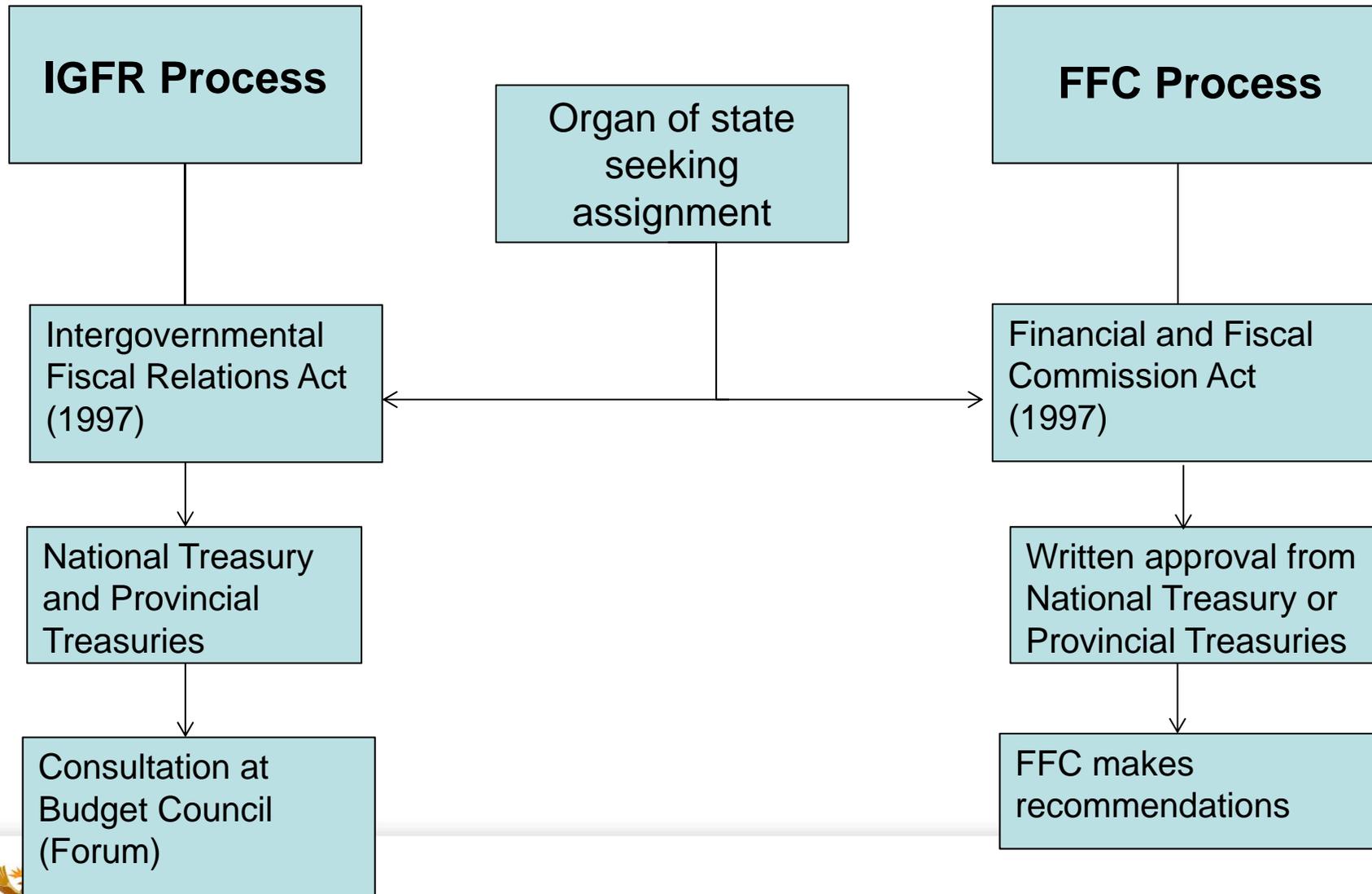
- The intergovernmental fiscal arrangements will be informed by the choice(s) of how the functional responsibility (ies) are allocated
- Funds follow function (and not the other way around)
- Centralisation of the function
 - All staff, assets and liabilities, and funding linked to the current provincial provision of health/NHI that are to be assigned to national will need to be shifted from provinces to national government
 - e.g. White Paper on NHI indicates this for central hospitals
- Assignment (legislation and executive) of specific functions to provinces
 - Provinces will be entitled to an equitable share (section 227) for those functions assigned to them
 - Provinces could also receive other transfers (conditional/unconditional – section 214)
 - What are the implications of this for purchaser/provider split and the NHI Fund?
- Delegation
 - Funds with national (NHI Fund) and will then be distributed to provinces (provincial facilities) in terms of conditions of NHI Fund
 - Supports purchaser/provider split - Provincial facilities will need to meet accreditation conditions and reimbursement for services will be done in terms of fund (e.g. capitation, fee-for-service, etc)
- Agency
 - Funding prescribed in Agency Agreement
- Mixed
 - This option splits the roles of provinces and national by giving clear responsibilities to both spheres as well as funding, e.g. province can develop and maintain health facilities by providing the supply side while National could fund the demand side of this health provision by paying for the actual services provided at the facilities. This option is administratively burdensome and messy but some conditional grants could be candidates to move the NHI pool

How to ensure success of NHI in SA

Clarity on the system that will underpin a successful NHI

- Compare current system vs envisioned NHI landscape and how this relates to :
 - Function Definition
 - Proper definition & breakdown of functions between national, provincial and local government
 - Implications for legislative framework (Constitution, National Health Act)
 - Funding Identification
 - Sources of funds available have to understood and pooled a way that supports function allocation
 - NHI funds, PES, Prov. Conditional Grants, Own revenues
 - Consultation Requirements
 - FFC, Budget Council , Budget Forum, Provinces, Cabinet, FOSAD, and depending on reforms possibly labour

Legal and institutional process of assignment



Financial and Fiscal Commission Act 99 of 1997

Section 3(2A) of FFC Act sets the process where:

- (a) An organ of state in one sphere of government which seeks to assign a power or function to an organ of state in another sphere of government in terms of the law must first–
 - (i) Notify the FFC of the fiscal and financial implications of such assignment on:-
 - (aa) the future division of revenue between the 3 spheres of government;
 - (bb) in the case of an assignment to provincial or local government, the fiscal power, fiscal capacity and efficiency of the relevant province or municipality; and
 - (cc) any transfer of employees, assets and liabilities, if any; and
 - (ii) Request the recommendation or advice of the Commission regarding the assignment
- (b) The Commission must, make a recommendation or give such advice within 180 days
- (c) An assignment **has no legal force unless the Commission's recommendation or advice has been considered**
- (d) The organ of state assigning any power or function must indicate to the Commission, the province or municipality, the National Treasury and any other functionary responsible for authorising such assignment, the extent to which it has considered the Commission's recommendation or advice.

... Thank you

Any questions?