Beating about the bush

FINANCE Minister Pravin Gordhan was short on detail when it came to how the National Health Insurance (NHI) scheme will be funded. But the 2012 Budget Review does say treasury has allocated R1bn to fund the proposed five-year NHI pilot project in the run-up to the planned provision of universal healthcare. The NHI is to be rolled out over 14 years. The initial programme over three years will focus on 10 districts. It has been estimated that full NHI funding will be R256bn by 2025, the year proposed for full implementation. On that budget, health spending will need to increase from the current four percent to six percent of GDP by 2025. Grant Thornton head of tax AJ Jansen van Nieuwenhuizen says he expected more from Gordhan's speech. He said that t least there was now an estimated number of R6bn additional funding needed by 2015, but the budget still did not provide a solid view that could be assessed and he would have liked a definitive position. Gordhan managed to dodge the big question of where the proposed funds for the NHI will come from. In his budget speech he said: "We will find the money and there is money available in the system." He said funding options for the NHI included increasing the value added tax rate, payroll taxes on employers and employees, and a surcharge on the taxable income of individuals, or a combination of all these. He said it was expected that an additional revenue source of about R6bn would be needed in 2014/2015, which was not currently provided for in the medium-term expenditure framework. Gordhan said that achieving an appropriate balance in the funding of NHI was necessary to ensure that the tax structure remained supportive of economic growth, job creation, and savings. The Minister is clearly aware that whichever option treasury eventually chooses, it is likely to be unpopular, especially to taxpayers who already feel overburdened, and see little benefit from their taxes.

Tax benefit changes affecting private healthcare users might also leave a bitter taste. But Treasury's changes to the tax treatment of medical expenses could be read as another attempt to clamp down on uneven tax benefits for SA's 8m-plus medical aid scheme users. From next month, tax de
ductible contributions to medical schemes will be converted to medical tax credit contributions. Income tax deductions for medical scheme contributions for taxpayers under the age of 65 - apart from those with disabilities - will transfer into monthly tax credits. This credit will be R216-R230 for the first two beneficiaries and from R144 to R154 for each additional beneficiary. Where medical scheme contributions in excess of four times the total allowable tax credits, plus out-of-pocket medical expenses, together exceed 7,5 percent of taxable income, they can be claimed as a deduction against taxable income.

Economists want more detail on health funding. Frost & Sullivan healthcare analyst Ryan Lobban said Treasury's vague comments indicated there might still be internal government debate on how to balance funding for the NHI with economic growth and job creation goals. He said the NHI had arrived at a particularly economically volatile time and within government, there were a lot of competing agendas and it would want to balance implementing the NHI without burdening the taxpayer. Lobban said that hopefully in April there might be more clarity, but this was the same hope that was expected from the NHI green paper release last year. Wits university adjunct professor and health economist Alex van den Heever says it was not only in the area of NHI funding that treasury was failing to provide enough information. He says it did not fully address accountability and corruption concerns in the public healthcare system, such as the problems in Gauteng and Limpopo. Van den Heever said there were mainly general statements made on crucial public health sector issues; the budget was silent on what was going on and what would be done. He said corruption was an indicator of poor efficiency in services of public health.

Xolile Bhengu: The Financial Mail, 24 February 2012