

Pensioners 'likely to benefit most from NHI'

PENSIONERS who spend a large portion of their retirement income on medical bills may be better off under the proposed National Health Insurance (NHI) system, according to experts. Olabode Olajumoke, an employee benefits actuary at Aon Hewitt South Africa, said the need for comprehensive health cover was more critical for the elderly as their medical needs increased as they grew older. They often found medical scheme contributions and related healthcare expenses a major burden. He said the introduction of the NHI initiative has been comprehensively examined as to the impact it will have for those who do not currently have any medical cover, yet one of the overlooked areas is the fact that it will also help to alleviate a major cost burden for those in retirement. Olajumoke said a reduction of medical scheme benefits offered to members had the greatest impact on pensioners. He said because companies were increasingly choosing to reduce the benefits offered to staff and adopting a cost-to-company approach, fewer companies continued subsidising contributions after retirement. He said the introduction of the NHI could mean that all pensioners would be better off in retirement, depending on their level of income, with middle-income earners likely to be the biggest beneficiaries. Olajumoke said the lower-income bracket would most likely not have paid for private medical care previously, so they would not be financially better off. They would not be worse off either. What was important was that they would benefit from a better quality of life. He said the higher-income bracket, might also benefit financially, however, it was also possible that they would choose to continue funding their healthcare privately. Mariné Erasmus, a senior healthcare economist at Econex, said although the idea of NHI was for pensioners to get better cover, it would depend on what was implemented. She said that at the moment, no one was sure of the funding arrangements or if pensioners would be required to pay tax if they receive income above the threshold. She said those pensioners who were unable to access medical aid benefits at the moment, would be the biggest beneficiaries if high quality services were provided. Auditing firm KPMG said while questions around the NHI funding mechanism remained unanswered, research conducted by the firm on the nature of a tax increase to fund the NHI through raising VAT or personal income tax, showed that increasing VAT might have a slightly less distorting nature. If it happened, it should be carefully considered. KPMG said another less common alternative was raising sin taxes. Lullu Krugel, an associate director and senior economist at KPMG, said it made sense to use sin taxes as a potential source of funding for public health policy initiatives. But, she said, since tax revenue in South Africa went into one pool, the policy stance was unlikely to change with the introduction of the NHI.