Paying an arm and a leg for health

THERE is no disputing that private healthcare in SA is expensive, or that as a society we spend an awful lot of money on health services and don't get enough in return. According to Health Minister Aaron Motsoaledi, SA spends 8.5 percent of gross domestic product on health each year, well above a World Health Organisation recommendation of five percent and more than all of our Brics (Brazil, Russia, India, China, SA) emerging market peers, with the exception of Brazil. Yet, depending on whether they are using private or public healthcare facilities, South Africans are either paying an arm and a leg for world-class service - in addition to the taxes they pay but receive little benefit from - or are forced to take their lives in their hands by queuing for hours to be treated at free state-run clinics and hospitals where conditions are often far from ideal. The debate over how to fix this problematic state of affairs tends to degenerate into finger-pointing, as it did at the competition law conference held at Wits University last week. Dr Motsoaledi concedes that public sector hospitals are not in good shape but believes the solution is a compulsory National Health Insurance scheme that would largely crowd out private healthcare providers. And he pours scorn over the private sector's claim that the main reason costs have risen is increased demand for quality private medical services - caused in part by the state's failure to run its facilities efficiently and also by the fact that medical scheme members are getting older and needing more expensive treatment. He is convinced the main cause of soaring medical inflation is private sector greed, a lack of effective competition and "uncontrolled commercialism". The latter pushes up the cost of medicines and equipment for everybody, he says, including public sector facilities. Inevitably, free-market economists point out that if the state facilities were clean, well-stocked and efficient, more people would abandon their private medical schemes and attend government clinics, thereby forcing the private sector to become more price competitive. After all, nobody willingly pays for a service they can get free unless they suspect the free healthcare is as likely to kill as it is to cure. This point was reinforced at the Wits conference when competition commissioner Shan Ramburuth asked delegates for a show of hands from those who used public sector healthcare facilities. Not a single one went up. At the same time, SA's private healthcare model is indisputably flawed. Critics talk of distortions, unethical practices, perverse incentives, market concentration and over-servicing of patients to maximise profits. Yet attempts at piecemeal regulation and price control have made matters worse, not better. A case in point was the commission's ruling that the bargaining process traditionally conducted between private healthcare funders and service providers amounted to collusion, a decision the Department of Health now wants reversed because its prohibition led to a free-for-all and even higher prices. Competitive failures are almost certainly part of the problem, but not the entire problem. It is therefore doubtful whether the Competition Commission is the right body to conduct the investigation into the private medical business. For a start, it is clearly not independent and unbiased; as an agent of the state, it will reflect government thinking, which is unambiguously anti-private healthcare. In addition, since being transferred to the Department of Economic Development, the commission has been used as a blunt tool to achieve policy and ideological objectives that go beyond merely enhancing competition. Its own credibility as a regulator could be placed in jeopardy if it becomes just another means of justifying greater state intervention in the affairs of privately owned businesses.

Editorial Comment: Business Day, 11 September 2012