

NHI could make taxpayers feel sick

THE National Health Insurance plan could slap South Africans with an increase of 24 percent to 35 percent in personal taxes. Social security and health economist Alex van den Heever, of the University of the Witwatersrand, said that if the proposals were taken at face value and applied only to people who earned a salary, they would have a dramatic effect on taxpayers. But he said the lack of any practical reforms meant changes were unlikely to happen soon. Van den Heever said public hospital performance would not improve as there were no meaningful strategies in place to address governance failures. He said the NHI proposals had been kicked so far down the road they had, for all intents and purposes, become irrelevant. Van den Heever said the NHI in its current form would reduce disposable income by between two percent and three percent of GDP, which he said was "equivalent to a 24 percent to 35 percent increase in personal taxes for getting nothing back". He said it did not make sense for a developing country like South Africa to spend more on subsidising healthcare when the amount already allocated by the government was spent so inefficiently. He added that SA was already spending too much on both public and private healthcare and spent it really badly. The emphasis should be on improving efficiency, he said. His concern was that the proposed increased spending could not guarantee improved service delivery or cover at the levels promised. South Africa spends 8.5 percent of its GDP on the health service, but it still compares poorly with similar middle-income countries.

Although there are few details about the NHI plan, 11 pilot projects focusing on improved public healthcare are in their second year. Health Minister Aaron Motsoaledi has said NHI will not work if the public healthcare system is not up to scratch. He also said investment in upgrading public hospitals was needed. Anban Pillay, a deputy director in the Department of Health, said R150-million had been allocated for the NHI pilot projects for the 2012-13 financial year. But the government is not saying how much taxpayers will have to fork out for the new scheme. Finance Minister Pravin Gordhan said earlier this year that it was unlikely that taxes would be hiked in the medium-term to fund NHI, but this was expected to happen over the longer-term. According to the 2013 budget review, the Treasury will work with the Department of Health to determine what funding is required for the NHI. A discussion paper inviting public comment on options is expected later this year. Treasury spokesman Jabulani Sikhakhane said public comment would be sought only once the discussion paper was complete. Clayton Samsodien, managing director of Genesis's employee benefits division, said the private sector was not directly contributing to NHI at this stage. He said that during the past months, employer groups and companies had come to realise that not much was taking place on the NHI front. As a result, his company had focused on developing healthcare strategies for employees without cover

in the private sector. Samsodien said one could argue that this was at a cost to the private sector due to the government's inability to provide a solution for the lowest income earners. He said administrators were not concerned that they would lose members when the NHI came into effect. Indications at this stage were that the scheme would not mean the end of private healthcare. Samsodien said evidence of this was the change in the medical scheme deduction system to a medical scheme fees tax-credit system introduced in March 2012. Specialists in the industry interpret this as a sign that the NHI and private healthcare will co-exist, he said.

Samsodien said the public did not have much confidence in the government's ability to deliver on its promise of quality healthcare and scheme members would rather retain their membership than terminate as a result of NHI. He said this was obviously subject to how the NHI would be funded. In other words, if employees had to make a contribution to the NHI, they might buy down their cover or purchase top-up cover to NHI. Samsodien said another consideration was that the affluent would always purchase private cover in some form, and so would affluent organisations subsidise such cover for their employees. Discovery Health CEO Jonathan Broomberg said the NHI would create greater competition and greater choice for consumers. Medical schemes would need to ensure their products remained highly relevant and affordable, which would stimulate further innovation in product design and services "which will again benefit consumers". Melanie da Costa, director of strategy and health policy at listed hospital group Netcare, said private collaboration was still limited, but did expect that once, the business plans had gained traction, the doors would be opened to more private participation. Mediclinic said it was not involved in the NHI pilot projects, but had participated in policy engagements on the proposed system. Okore Okorafor, Mediclinic's health economist, said achieving universal access to healthcare was a worthy goal, but there needed to be more clarity on issues such as sources of funding and the role of private healthcare institutions.

Adele Shevel: The Sunday Times, 21 April 2013