

COMMENTS BY THE MEMBERS OF PPS ON THE GREEN PAPER ON NATIONAL HEALTH INSURANCE (NHI)

As a mutual organisation, The Professional Provident Society of South Africa (PPS) is effectively owned by its members, all of whom are graduate professionals. Out of a total membership of over 200 000 graduate professionals, which include over 38 000 healthcare practitioners, PPS has a vital interest in ensuring that any proposed changes to the present health system in South Africa do not impact negatively on the very important role they play relative to the well-being of individuals and the economy as a whole. We welcome the opportunity of responding to the Department of Health's Green Paper, in the hope that our comments will facilitate further robust and constructive debate on the issues it raises.

PPS has engaged its membership to obtain their views about the Green Paper by way of PPS Policy Forums held in Johannesburg, Cape Town and Durban in October and November 2011. The views set out below reflect the views expressed at these sessions.

1. At the outset, whilst we acknowledge that the healthcare industry in South Africa faces numerous challenges, and that reform is necessary in certain areas, we are concerned that the private sector, in which the majority of our members operate, is portrayed by the Green Paper in a negative light, without adequate substantiation. As a general comment therefore, we would like to state firmly our belief that an efficient private sector is an essential component of the healthcare system as a whole, and we would strongly oppose any dilution of its role, particularly in the absence of a sound business case.
2. Despite the bias explicitly and implicitly shown against the private sector in the Green Paper, it is significant that no specific reforms are actually put forward, with the emphasis instead being on making substantial and fundamental changes to the public sector, but without consideration being given to possible improvements to ensure that it functions more efficiently in its present form. It is also spurious to suggest that the much-needed reforms in the public sector are dependent on the introduction of NHI, nor is a compelling case put forward to substantiate that the envisaged model is the best way of addressing the existing concerns regarding access to healthcare in South Africa. The lack of detail relative to various critical proposals moreover, gives the unfortunate impression that the Government is actually asking for a blank cheque for what appears

to be a politically-motivated document, rather than one based on sound economic principles.

3. In making this submission on behalf of its members, PPS has not undertaken a detailed analysis of the Green Paper, but we have focused on a number of important shortcomings that point to the document being fundamentally flawed and in need of re-evaluation:

3.1 To ensure that a 'one tier' system of healthcare is workable, any restructuring of the public sector must enhance its efficiency, and to offset the proposed tax increase of 3% of GDP, there must be a substantial transfer of coverage from medical schemes to that sector. If this does not take place – and no specific evidence is advanced to suggest that it will – the tax increase would translate into a net reduction of disposal income for taxpayers with severe consequential and undesirable macroeconomic effects. Without meaningful economic data to support the introduction of NHI on this basis, it is doubtful that the model as envisaged is affordable.

3.2 Certain assumptions are made in the reform proposals that are factually incorrect. For example, the Green Paper posits that 'over the past decade, private hospital costs have increased by 121%'; 'over the same period specialist costs have increased by 120%'; and 'contribution rates per medical scheme beneficiary have doubled over a seven-year period'. If actual figures from the Council for Medical Schemes 2011 Annual Report are used however, hospital costs have shown only an increase of 72%, specialists 46.2%-- substantially less than the figures in the Green Paper – and its research demonstrates that since 2002, medical scheme contributions have actually been in line with inflation.

3.3 What is of most concern however, is that even with the criticisms leveled at the private sector, no specific proposals are made for any reforms, which suggests that substantive arguments are lacking. We reiterate our opinion that not only does the private sector play a vital role in providing healthcare to a great many South Africans – a recent household survey by the Department of Statistics showed that 98% of respondents were satisfied with private care – but also that for a healthcare system to work efficiently, it is essential that the private and public systems complement one another. In fact, a case can be made for expanding the role of the private sector in a reformed system, which would enable private practitioners to service public sector patients, and also get involved in healthcare training.

3.4 Turning to the public sector, no explanation is given for the fact that the system is in fact failing, despite the resources at the disposal of the Government, nor as to how countries spending considerably reforms proposed lack logic. A central fund and a district health authority system which would 'purchase' services are to be set up, central academic hospitals are to be run by national government instead of at provincial level, and there is no mention of any role to be played by the provinces. Placing the entire health function under the control of central government reduces political accountability and increases the opportunity for corruption, already an unfortunate element in the public sector. Whilst acknowledging that the establishment of district health authorities is needed, the system should ideally fall under the supervision of the provinces and not central government, with the provinces held accountable for their performance, which is not the case at present. Unfortunately, no specific proposals are contained in the Green Paper relative as to how a district system would operate.

- 3.5 To take this point further, we are of the opinion that there is nothing inherently wrong with the provincial model of health service delivery, but because it is breaking down almost completely at the moment through corruption and lack of accountability, it is clear that Government has failed in its duty to legislate national norms and standards to be implemented in all provinces. This would greatly enhance resource allocation within the public health system and lead to a deepening of accountability within the public sector, instead of it being diminished.
- 3.6 Another general area of concern is that the Green Paper appears to seek validation for the introduction of NHI from the 2008 Report of the World Health Organisation (WHO), by paraphrasing 'three worrisome trends' <that undermine the improvement of healthcare worldwide> and using them to conclude (in Paragraph 12 on Page 6) that the South African two-tier healthcare system is 'unsustainable, destructive, very costly and highly curative or hospi-centric.' In fact, the position of the WHO has always been that the two sectors need to co-exist and evolve over time before any system of universal coverage can be considered.
- 3.7 Consistent with the stance of the WHO, we are in agreement with their views that the private system in South Africa must be properly regulated, which would include strengthening risk pooling within schemes and addressing important gaps in the social protection offered by them. These would involve, for example, setting a complete set of prescribed minimum benefits focusing on catastrophic cover, removing parallel insurance where it undermines risk pooling, introducing central bargaining for fee-for-service tariffs, reforming medical scheme governance and removing conflicts of interest in the broker market.
- 3.8 A small but important error of fact is also to be found in Paragraph 33 on Page 11 of the Green Paper, where it is stated that many medical schemes, having failed to boost their financial viability by increasing premiums, 'resorted to decreasing members' benefits <which> led to an increasing number of members exhausting their benefits midyear or towards the end of the year.' In fact, no study in any form can be found to support any such trend, or its effect on public health.
4. It follows from the above that we believe that it is extremely unlikely that a National Health Insurance Scheme in its proposed form will achieve its stated aim of making health care more affordable to all South Africans, and it is strongly recommended therefore, that the Green Paper be substantially re-drafted and then re-exposed to all interested parties for comment, with a view to achieving a 'best case scenario' in this vitally important area.

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