

Economic flip side of national health scheme

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THE National Health Insurance (NHI) scheme is seen by the government as the cure for SA's healthcare woes, on the assumption it will improve quality in the public sector and reduce costs in the private sector — the ultimate solution for achieving universal healthcare in SA.

A Cabinet decision in 2007 identified the need for a consistent assessment of the socioeconomic effect of policy initiatives, legislation and regulations.

This was the result of a study commissioned by the Presidency and the Treasury in response to concerns about the effect of regulations on the economy and failure to understand these.

All draft policies, bills or regulations published after October 1 2015 had to include an impact assessment that has been signed off by a dedicated unit. This was clearly lacking in the NHI policy paper, published in December 2015. The policy promises "free healthcare for all".

The concern, obviously, is that while receiving healthcare might be free, providing it is not — someone has to pay. SA has 5.7-million taxpayers who would need to fund healthcare for about 55-million people including the 8.8-million medical scheme members who are currently self-funding their healthcare.

The NHI white paper postulates that a one-year improvement in a nation's life expectancy can increase GDP per capita by 4% in the long run, and higher productivity can lead to an additional 0.5% increase in GDP growth. Between 2004 and 2015, the average South African life expectancy increased by 9.1 years. The concomitant GDP growth, however, seems to be absent to support this theory in the South African context. The most probable cause is the 38% broad unemployment rate, which remains unconsidered.

The NHI is a socialist system, but it has to be funded by capitalist taxpayers.

According to the South African Revenue Service, 57% of SA's personal income taxes are paid by 480,000 high-earning individuals.

The fact that medical schemes will cease to exist under the NHI and direct access to high-quality private healthcare is not a certainty in this system, must raise serious concerns among this group.

Having their right to access high-quality private healthcare impinged upon could lead these high earners to consider greener pastures.

Emigration is a financial possibility for this group, and a mere 200,000 emigrations could cut SA's personal tax revenue by a quarter.

This would create serious funding issues for the government in all categories of spending including healthcare and social services.

By the government's own admission, every R1 spent on healthcare creates 5c of extra economic activity in the long run. With no provision made for private spend in the NHI white paper, the economic effect of not spending R162bn on private healthcare would reduce GDP by R170bn, a 4.2% reduction.

With the central NHI fund and the minister determining prices for providers, a miscalculation of reimbursement levels could create further concerns for provider numbers available to the system.

The minister is adamant that prices in the private sector must fall, and with current reimbursement rates already not considering individual practice costs, further reductions in this sector could be catastrophic.

Inability to cover practice expenses under the NHI would lead to providers closing shop, and with the public service not seen as a viable employment alternative, further emigrations could follow.

If the NHI fund pays as efficiently as the government-run Compensation Fund, waiting 70 days for payment would not help to keep practices operating either.

Medical schemes and administrators are huge employers of skilled individuals and a large-scale reduction in the number of medical schemes (as is stated in the white paper) would lead to a reduction in the number of scheme administrators and, ultimately, a massive reduction of employment in the industry.

It is clear from the above that the single-payer NHI model is not a suitable universal healthcare model for SA.

Simply doing the required assessment of the socioeconomic impact of the policy would prove it untenable, and the energy and resources being spent on planning for the NHI could be spent on finding a viable alternative.

by Johann Serfontein in Business Day

Dr Serfontein is a member of the Free Market Foundation Health Policy Unit