

## **NHI fund to start operating this year**

23 February 2017

*Maternal health services among the first benefits scheme will offer*

The government plans to set up a National Health Insurance (NHI) fund this year that may be partially financed by a reduction in the tax subsidy currently given to medical scheme members, Finance Minister Pravin Gordhan has announced.

This is the first strong signal of progress on the NHI from Treasury since last year's budget when Gordhan said it would soon issue a financing proposal for the policy, which promises sweeping reforms to SA's healthcare system. That proposal has yet to materialise, partly because work is still under way to refine the NHI White Paper put out by Health Minister Aaron Motsoaledi in 2015.

The Treasury said the proposed NHI fund would start with maternal health services, improved psychiatric care and services for the elderly and disabled. It will also provide hearing aids and glasses through the school health programme.

These were priority areas identified by Motsoaledi, said Treasury chief director for health and social development Mark Blecher. "It reflects an agreement between the ministers (of health and finance) to move ahead with NHI, even if it's relatively modest to begin with. It is likely a small amount of money, about R5bn per annum, will be taken from the medical scheme tax subsidy to begin with," he said.

The proposed NHI fund would require enabling legislation and a revised White Paper, Blecher said.

Further details would be provided in the October adjustment budget, Gordhan said in his budget speech on Wednesday.

Treasury said the package would be offered through public and private sector providers and would be gradually expanded.

Consolidated health expenditure is set to rise by 8.3% over the medium-term expenditure framework, making it the fastest growing category of government spending after debt servicing and post-school education.

Health expenditure will grow from R170.9bn in 2016-2017 to R187.5bn in 2017-2018, and then rise to R201.4bn in 2018-2019 and R217.1bn in the outer year.

Treasury said the increase in expenditure was mainly driven by the expansion of free anti-retroviral treatment for people living with HIV, highlighting the government's commitment to tackling SA's massive HIV/AIDS epidemic. An extra R885m has been added to the baseline for improving access to HIV treatment, which now reaches an estimated 3.5-million patients.

The comprehensive HIV/ AIDS grant is the fastest growing segment of health expenditure and is projected to increase by an average of 13% per year over the medium term. It is due to rise from R15.29bn in 2016-2017 to R22.04bn in 2019-2020.

Treasury emphasised the pressure facing the health budget as a result of increased personnel costs, higher spending on ARVs and currency depreciation. "Although centralised procurement of medicine has resulted in estimated savings of R1.6bn per year, these savings have largely been offset by the weaker rand which drives up the cost of imported medicines," the Treasury said in the budget review.

Blecher said R1bn had been added to the provincial equitable share in 2019-2020 to protect provincial health departments from future currency depreciation. Treasury has also added R600m to the baseline for the Nelson Mandela Children's Hospital in Johannesburg.

The South African Health Products Regulatory Agency, which is due to replace the Medicines Control Council in the coming financial year, is allocated R397.6m over the medium term. It will be a public entity and will retain the revenue it collects from the pharmaceutical industry when it registers their products.

*By Tamar Kahn – Business Day*