

LETTER: NHI unlikely to come to fruition without a technical assessment

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SA's medical schemes are prohibitively expensive, suitable only for high-income countries with low levels of unemployment, writes Michael Settas

Finance Minister Pravin Gordhan announced in his budget speech that the contentious National Health Insurance (NHI) fund is to be established this tax year, with an initial injection of R5bn.

Besides the legal and political hurdles the NHI faces in coming to fruition, it is entirely imprudent to even contemplate this gargantuan project without first undertaking an exhaustive technical assessment. There are four basic pillars to any healthcare system: how much it costs; who is going to pay; what the benefits are; and who is going to deliver them.

The white paper released in December 2015 contained precious little detail on these aspects, other than it will be expected of taxpayers to do the paying part.

The 10 NHI pilot sites operating since 2011 have been unable to contract even one-fifth of the providers needed to operate effectively. The reason? The tendered reimbursement rates were so low that private sector doctors considered them derisory! Yet Treasury's chief director for health and social development, Mark Blecher, was quoted last week as saying that the NHI package would be offered through public and private sector providers.

SA has a private healthcare sector that currently operates in parallel to the public sector — perfectly capable of delivering basic healthcare services, right now, at a reasonable cost. Yet just prior to the budget speech, Gordhan gazetted the Demarcation Regulations that deny insurers the right to offer private healthcare insurance to anyone willing to purchase them. The reason quoted for this? NHI is coming — and it is important to protect the medical schemes industry from harm (that is, protect them from competition).

The average monthly contribution to a medical scheme is now more than R1,700 per beneficiary, costing a family of four nearly R7,000 a month. Medical schemes are prohibitively expensive, partly because they operate within an outdated social rights framework that is only suitable for high-income countries with low levels of poverty and unemployment.

Every progressive and rational government the world over does its best to enable the provision of healthcare within both its private and public sectors. Besides this being a constitutional responsibility, the rationale is simple: citizens of all means are willing to purchase private healthcare at a level they can afford. This is done voluntarily by such citizens and has the significant advantage of alleviating pressure on state healthcare resources, which will always be restricted by the level of taxes it can raise.

Gordhan is very much at the end of the line in terms of the amount he can tax the country's citizens. The appropriate approach now would be to enable affordable private sector cover as much as possible, and from there it will be a whole lot easier to deliver NHI.

Michael Settas