

## **BRONWYN NORTJE: Red card for Motsoaledi over his stand on medical aid tax credits**

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### **Latest version of white paper on National Health Insurance a shockingly poor piece of policy**

Filing in a tax return is more of a bitter pill in 2017 than usual. I know it's been written about to death, but the scale of corruption President Jacob Zuma, the Gupta family and those associated with them are involved in has made me truly angry.

Money that should have been spent on building schools, houses and hospitals, providing clean water and reliable electricity and improving the lives of all South Africans has been stolen to enrich a select few whose disdain for this country and her people beggars belief.

So when my tax consultant phoned me this week to ask whether I wanted to submit any medical claims over and above the tax credit I receive from belonging to a medical-aid scheme, my answer was an enthusiastic: "Hell, yes!".

It might be a laborious process to dig up all the paperwork for the additional medical expenses I paid during the year, but I am determined to pay as little tax as possible. As my dear Dad used to say, "Remember, Bron, tax evasion is illegal; tax avoidance is perfectly legal."

My anger at the tax man and his allies had already been strengthened the previous week by the release of the new white paper on National Health Insurance (NHI).

The latest incarnation of the document is a shockingly poor piece of policy, but it was Health Minister Aaron Motsoaledi's accompanying comments that my medical-aid tax credits would be used to fund it that made me see red. In his own words, the minister said these tax credits constituted "the worst form of social injustice committed in the name of the cream of the South African society with our full participation". Minister, I beg to differ.

I must point out that the South African Revenue Service pays out about R20bn in tax credits to members of medical schemes. The minister argues that many of those who qualify for these credits are very wealthy and would probably still belong to a medical aid if they were removed, but I can tell you that the majority are not.

For example, about 45% of local government workers do not belong to a medical aid despite the fact that they receive a 60% subsidy on their membership fees from the government. The simple reason is that even that 40% is too expensive for them.

The problem is that medical costs have been rising steeply, and so, in turn, have medical-aid contributions. It has been widely publicised — and felt in the pocket of the likes of you and me — that medical-aid contributions have been increasing at an annual rate of 8%-12% over the past five years — way in excess of inflation.

Coupled with worsening economic conditions, the result is that medical aid membership has decreased steadily.

Only about 8.8-million people, or 16% of the population, belong to a scheme, with the remaining 46.7-million people relying on an increasingly overburdened public health sector.

In this context, surely those who belong to a medical aid reduce the burden on the public health system because most of them use private-sector hospitals, doctors and pharmacies?

The minister would have you think otherwise.

Even putting aside my privileged middle-class concerns, the new white paper is an astoundingly poorly thought-out document. One of JP Morgan's local equity research teams didn't mince words when they said the white paper "remains admirable in its ambition to provide higher-quality healthcare for all

South Africans, but in our view it would probably still be easier for SA to put a man on the moon than achieve this lofty aim by 2026".

The paper's biggest issues are that the estimated funding requirements are grossly inadequate, the funding mechanisms are vague and insufficient and the timeline is greatly unrealistic. Other issues include the fact that the paper is based on severely outdated growth figures, is unconstitutional and would require substantive healthcare legislation changes.

Mike Settas, MD at Xelus Specialised Risk Solutions, says it doesn't make sense for the NHI to argue the state will benefit from bulk-purchasing power to drive down the price of healthcare services, but at the same time set the prices at which accredited medical service providers can sell their services to the NHI.

"The paper specifically states that it will deploy a 'uniform reimbursement strategy' and that accredited service providers will not be allowed to deviate from that, so why do they need bargaining power?"

The white paper also declares medical schemes will not function in parallel to the NHI but will be permitted only to offer "complementary services" for nonessential services that are not available under the NHI.

What this means, in effect, is that most specialists will be forced to contract to the NHI if they want to remain in business and it will be extremely difficult for them to maintain any sort of private practice.

I shouldn't have to point out the consequences on medical professionals of an almost wholesale gutting of the private medical sector. To be blunt — they'll be filling out visa applications to Canada faster than you can say, "Scalpel, please nurse." To be very clear, I have no issue with the minister wanting to provide better access and better healthcare to those who depend on the public-health sector. Millions of South Africans have no access to basic healthcare, let alone the level of care experienced by those who can afford it in private hospitals.

My issue is that targeting low-hanging fruit such as medical tax credits in the name of an ill-conceived and poorly planned utopian ideal will do more harm than good.

I have previously given the minister the benefit of the doubt when he said he was committed to providing "an acceptable level of care" for all South Africans, but I struggle to believe he genuinely thinks the NHI as outlined in the white paper will be able to deliver anything close to "an acceptable level of care" for the majority. If the minister is sincere in his quest to look for the "worst forms of social injustice" committed against the poor, he will be better served looking somewhere other than medical-aid tax credits.

He can start by looking at the president he serves.

*By- BRONWYN NORTJE*