

As NHI looms, should medical scheme members be worried?

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DISTURBINGLY, little is known about what the future holds for medical schemes in South Africa. Currently these schemes are a gateway, although a pricey one, for members to access proper healthcare in an environment where general state healthcare can depress the staunchest optimist. Minister of Health Dr Aaron Motsoaledi, indicated that medical schemes will play a role in the transition to the National Health Insurance (NHI), but that appears to be the end of the road to providing South Africans with any kind of comprehensive health cover. The new White Paper, gazetted on June 30 2017, states that once NHI is fully implemented, medical schemes will transform to providing complimentary cover. Economist Elize Rich, from research firm Econex, said the White Paper prescribes that, in the interim, medical schemes must consolidate their benefit options to end up with only one option per scheme. She said that with amendments to the Medical Schemes Act considered a priority during the second phase of implementation (along with the new NHI Bill and amendments to the National Health Act), the government seems to see these changes as imminent.

According to the White Paper individuals will not be allowed to opt out of making the mandatory pre-payment towards NHI, though they may choose not to utilise NHI healthcare services. If government can fulfill the White Paper's promise to "provide access to quality, affordable personal healthcare services for all South Africans based on their health needs, irrespective of their socio-economic status" the loss of medical aid cover should not be worrisome. However, this will require a massive, well-planned and reliable overhaul of the current healthcare system and there is very little practical detail in the White Paper on how this will be achieved. Dr Jonathan Broomberg, CEO of Discovery Health, said that as the precise details of how the NHI will be implemented and the impact on medical schemes are still unclear, and it is too early to comment definitively on the future of medical schemes. As taxpayers, another concern for medical scheme members is how government plans to fund the NHI. The key focus of the NHI reforms is to create a single, publicly-owned and administered strategic purchaser that will actively purchase healthcare services on behalf of the entire population from suitably accredited public and private providers. The cost projections in the recently released White Paper have however not been updated and are the same as set out in the 2015 White Paper, and the initial 2012 Green Paper. According to these projections and under certain assumptions, NHI is expected to cost R256-billion in 2025 (in 2010 prices) with an expected funding shortfall of R108-billion in 2025 (in 2010 prices). Rich said that when these values are adjusted to reflect 2017 prices, the annual cost from 2025 onwards becomes a staggering R369-billion, while the annual shortfall amounts to around R156-billion. How the funds will be accumulated are not very clear. Funding would be

obtained through medical aid tax credits, payroll taxes, a surcharge on taxable income and the possibility of increasing VAT rate. For the funding of immediate healthcare programmes, such as antenatal care and school healthcare, medical scheme members will apparently stand in the gap.

According to the White Paper, the restructuring of the tax rebate and medical schemes tax credit will allow for increased revenue into the NHI fund (which is not yet established). This revenue will be used to purchase services on behalf of the vulnerable groups in the population as identified above. Rich said the withdrawal of the tax credits and government subsidies for state employees could cause medical scheme cover to become unaffordable for many members, especially those government employees that depend on the government's subsidy of their premiums. Government will also identify all the funding for medical scheme contribution subsidies paid to various medical schemes and tax credits and merge these into the NHI fund. The removal of government subsidies will impact the Government Employees' Medical Scheme (Gems), the Police Medical Scheme, Parliamentary Medical Scheme, Municipal Workers' Union Medical Scheme, state-owned entity medical schemes eg Transmed as well as various private medical schemes to which state employees belong. It seems that these medical schemes will be the first ones to be swallowed by the melting pot of a national healthcare system. If keeping to the unchanged 2010 timeline, this should be happening soon as the NHI Fund is supposed to be established in second phase, which is 2017–2022. But Rich said while so many aspects of NHI are still unclear, the implementation is unlikely to meet the tight schedule. She said only time will tell whether any of these radical changes to the medical scheme industry will materialise.

By Letitia Watson: MoneyWeb