

Op-Ed: S.A's public and private sector healthcare woes can be blamed on government

11 September 2017

The NHI White Paper cites a number of public and private sector failures as reasons to implement NHI. But who is responsible for causing these failures?

The overarching reasons given for the implementation of National Health Insurance in South Africa is based on the National Development Plan, which wishes to improve quality in the public sector and reduce prices in the private sector. The White paper problem statement indicates that costs have been increasing in the private sector and that legislation and other tools have not gone far enough to regulate the private sector. With regulation being a government prerogative, the question arises as to why that is not happening?

The White paper problem statement indicates that costs have been increasing in the private sector and that legislation and other tools have not gone far enough to regulate the private sector. With regulation being a government prerogative, the question arises as to why that is not happening?

Assertions in the White Paper are that the nature of purchasing agreements, non-healthcare costs and lack of economies of scale drive up premium increases in the private sector. It is notable that consideration is apparently not given to provider groups having all received below CPI increases for many years from medical schemes.

Increased utilisation not considered in policy plans

One of the main cost inflation drivers, namely increased utilisation, is not mentioned in the policy document at all. This inflation driver was prominent in presentations to the Health Market inquiry, but yet is not considered by Government in their policy plans. The OECD hospital cost report is also mentioned, to indicate high private hospital fees, despite the report not being used in the Health Market Inquiry due to its questionable content not being verifiable.

Prescribed Minimum Benefits (PMBs) are quoted as another cost driver in the private sector. Low levels of cross-subsidisation, lack of pricing regulation and lack of healthcare technology assessment are specified as reasons for PMBs adding to costs. Government scrapping of the introduction of the Risk-Equalisation fund stopped any cross subsidisation in the industry, while non-consideration of practice cost results by the Department of Health led to the scrapping of reference price lists by the courts in 2010.

A PMB review, which would include technology assessment, has also not happened since 2010, despite it being legislated to happen every two years. Many of the pervasive cost drivers in the private sector can thus be directly linked to failure of government to implement current legislation, while not considering other legislative interventions that could reduce costs.

Mandatory medical scheme membership for all employees could reduce premium costs by 23% for all scheme members, according to Emile Stip, the head of actuarial services at Discovery Health. A reduction in the solvency requirements, which by all accounts is an arbitrary figure, can further reduce premiums by 1-2%.

White Paper blames human resource shortages in public sector

In the public sector, human resource shortages and attrition are blamed by the White Paper on job design; performance management systems; remuneration policies; employment relationships; the hospital work environment; shortages of equipment and tools; workplace culture and human resource practices. Published research shows that amongst providers themselves, dissatisfaction with working conditions and security concerns were the main reasons for leaving public sector employment.

Published research shows that amongst providers themselves, dissatisfaction with working conditions and security concerns were the main reasons for leaving public sector employment. Working conditions fall squarely within the ambit of the Department of Health and could be improved by proper management and creation of a professional work environment, without spending additional funds.

A concerning trend in the public health system is also that while medical doctor numbers have only increased from 15 554 in 1997 to 16 006 in 2006, a 2.9% increase in 10 years, administration and management increased from 28 676 in 1997 to 37 419 in the same period, a 30.4% increase. There was also a 259% increase in managers in the same period (increased from 420 to 1091). This is especially worrying, as while there were 11 700 medical graduates from 2002 to 2010, only 4 403 doctor posts were created in the public sector in that time. Growth in public sector employment is thus focusing on the wrong areas. Despite the increase in managers, management and administration of the system are getting progressively worse.

The department is failing is failing South Africans in both public and private sectors

The Department of Health is failing South Africans, both by failing to provide quality services in the public sector and by failing to implement measures to control prices in the private sector. Their solution to miraculously fix all these problems is the introduction of NHI.

A radical funding overhaul of the system is not going to improve this self-inflicted situation. It will only serve to destroy the private healthcare funding industry while driving healthcare personnel and high-income tax payers from the country. In the gorge that needs to be crossed to improve South African healthcare, one giant NHI leap is just going to have the system end up in tatters on the rocks below. The Department of Health needs to focus on the current crisis and take small, manageable steps to improve the situation. It might initially appear to take us further downwards, but

The Department of Health needs to focus on the current crisis and take small, manageable steps to improve the situation. It might initially appear to take us further downwards, but eventually, we will emerge on the other side, with a system that can work in the South African context.

*By Johann Serfontein in **CNBC Africa***

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