4.2bn for NHI through lower medical tax credit hikes

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Although its funding remains uncertain, the National Health Insurance (NHI) plan first put forward by the government some years ago is still very much on the agenda.

A proposed way of partially funding NHI is to remove the medical tax credits you receive to subsidise your medical scheme contributions and healthcare expenses, and it was widely expected that the scrapping of these credits would be announced in Wednesday's Budget.

But it did not come to pass: medical tax credits remain, slightly up from last year, but not in line with inflation. The medical tax credit for the first two beneficiaries will rise from R303 to R313 a month, and for the remaining beneficiaries it will rise from R204 to R209 a month.

NHI will be allocated an additional R4.2 billion over the medium term.

Lebo Motsumi, an associate at law firm Bowmans, says it is anticipated that NHI will be implemented in 2025. In the interim, he says, its design needs to be finalised and funding, of between R75bn and R108bn a year, must be found.

He says that the final Davis Tax Committee report on NHI, published in November last year, was clear that "the phasing-out of the medical tax credits can happen only once the NHI is fully operational. In addition, the needs of people with disabilities and the aged, and the financial implications for such taxpayers, would require special attention."

Motsumi says that instead of removing the medical tax credits, the government's plan is, where a number of people in a family contribute to belong to the same scheme, to split out the medical tax credits to the individual taxpayers, and to impose below-inflation increases over the next three years.

He says this year's Budget did not provide any further details about the longer-term funding of NHI.

The revised White Paper on NHI included funding proposals, which looked at combinations of a payroll tax, a surcharge on taxable income, and VAT increases.

Motsumi says these would effectively mean that personal tax rates would shift by 4%. In fact, the Davis Tax Committee report suggests that this figure is inadequate – it would need to be in excess of 6%.

He says adequate engagement with the public is essential to prevent later resistance during implementation, as happened with e-tolls in Gauteng.

Graham Anderson, the chief executive of Profmed medical scheme, says everyone believes there should be universal health care, but NHI is not the only model, and it will be expensive and is unlikely to work.

He says the current medical tax credits may be small compared with people's medical expenses, but two million beneficiaries will not be able to afford medical scheme cover if they are removed.

Anderson says the additional R4.2bn for NHI is to cover "priorities" that are essentially primary healthcare services that should be available through state hospitals and should come out of the total health bill.