National Health Insurance will be an unmitigated disaster – Daily Maverick 27 August

Despite its proven incompetence at managing public service organisations, the government is determined to create a vast centralised healthcare system. Instead of failing only some South Africans, as it does now, government healthcare will soon fail all South Africans.

The government keeps proving that it is incapable of running large organisations. South African Airways, Eskom, Transnet, the Post Office, the Passenger Rail Agency of South Africa, Portnet, and a host of other state-owned enterprises are beset with critical problems. They run the gamut, from unaffordable debt levels and precarious credit ratings, to unsustainable operating losses, to lack of maintenance and infrastructure investment, to inflation-driving tariff increases, to excessive wage bills and incompetent management, to large-scale corruption and widespread looting. There is very little of which any of our state-owned enterprises could justifiably claim to be proud.

This reality has not, however, given government officials any pause in forging ahead with a proposed National Health Insurance (NHI) scheme. The National Health Insurance Bill is open for comment until 20 September 2018. It is paired with the Medical Schemes Amendment Bill.

Minister of Health Aaron Motsoaledi is sure the government is capable of running universal healthcare, but the primary government website, www.gov.za, on which these bills are supposed to be available, was down and returning "502: Bad Gateway" errors at the time of writing.

An NHI Fund will be established to act as a "mandatory prepayment healthcare system". It will be the single public purchaser and financier of health services in South Africa.

All South Africans will be expected to register for this new healthcare system. The NHI scheme will offer comprehensive benefits, and will pay for all authorised medical care, pharmaceuticals, equipment, tests, consumables, and everything else related to healthcare. Private medical schemes will be limited to providing benefits that the NHI does not provide, which will put the vast majority out of business and leave very little scope to the rest. Expect doctors, nurses and medical suppliers to leave the country in droves.

The government will determine a list of benefits for which all citizens qualify. It will prescribe treatment protocols from which doctors may only deviate with the consent of a bureaucratic committee. It will prescribe which tests may be conducted under what circumstances, and which medical equipment and technology will be made available. It will prescribe prices for everything from drugs to the fees doctors and pharmacists may charge. Almost no aspect of healthcare will remain outside the centralised control of the NHI Fund.

Its scale and complexity will be simply enormous. This vast new bureaucracy will have power to contract for and procure virtually all medical products and services in the country. Such a bureaucracy will likely employ hundreds of thousands of people, and far from reducing costs, will layer additional costs on top of existing private and public healthcare

spending. It will inevitably be inefficient, as government bureaucracies always are, and will present significant new opportunities for patronage and corruption.

Unspecified new taxes will be raised to pay for the NHI system. Government expects most of the current expenditure on private healthcare – amounting to about R189-billion a year in 2016/17 – to be diverted to the central NHI Fund, along with all government's current spending on public healthcare, amounting to R201-billion in 2018/19.

The NHI will almost certainly cost far more than anticipated. Motsoaledi, who is driving the NHI, has admitted that the cost of the NHI could be as high as R1-trillion a year by it full implementation in 2025, and he doesn't know where the money will come from. "[Finding the money] is the job of the Treasury and Cabinet and government, not [of] the minister," he told *Daily Maverick* .

The existing public healthcare system is already "on the verge of collapse". An investigation by the opposition Democratic Alliance found that hospitals had become a "death-trap for the poor", and public healthcare services were "inhumane and degrading".

The DA discovered extensive and chronic staff shortages at hospitals, lengthy wait times for primary care patients, a shortage or even absence of necessary specialists, equipment breakdowns and lack of even basic devices such as defibrillators, waiting lists of months or longer for cancer scans, lack of infrastructure maintenance, old and broken-down ambulances, and shortages of medicines, vaccines and consumables. At one hospital, 28% of all newborn babies die. Only 15% of public hospitals meet the basic norms and standards that would be required for participation in an NHI system.

These are not problems that can be fixed simply by throwing more money at it. To some extent, such problems occur even in wealthy countries that provide universal healthcare. In the UK, the National Health Service is strapped for cash, and last year warned that people could die as a result. Faced with months-long waiting lists for surgery, growing numbers of patients are opting to self-finance private care instead.

Waiting for treatment has become a defining characteristic of Canadian healthcare, according to the Fraser Institute. Wait times for medically necessary treatement have risen from 9.3 weeks in 1993 to 21.2 weeks in 2017. Wait times to see a specialist have increased from 3.7 weeks to 10.2 weeks over the same 25-year period. Some frustrated Canadians travel to the US for medical treatment.

When goods or services are provided free, they will be overused, of low quality, and in short supply. The effect of price controls is not something that can be wished away. It is a natural law of economics, as inviolable as the law of gravity.

The NHI Bill promises South Africans "quality health services free of charge", "within a reasonable time period". However, the World Bank recently found that the majority of universal healthcare programmes in developing countries were unable to deliver on promised benefits packages. Medical services become both intentionally and unintentionally rationed under any universal coverage scheme.

The report gives several examples:

"Brazilians and Chileans still perceive that quality and access are better in the private sector and are dissatisfied with long waiting times at public providers… In Indonesia, [patients] are known to prefer paying out of pocket to avoid perceived stigmatisation from providers and longer waiting times due to administrative requirements. In the Philippines, the requirement to produce supporting documents for proving eligibility has disproportionately affected poor households, which either do not have such documents or do not know where to get them. In Tunisia, which theoretically has no coverage caps, beneficiaries may be required to buy drugs from private pharmacies, given the shortages at public facilities. Also, shortage of specialists and waiting lists are more generic issues in Tunisia that all users face…"

While constructing its grand centralised healthcare plan, the government is also progressively taking action to make private healthcare unaffordable for most South Africans. Low-cost health insurance schemes have been effectively outlawed, because they do not provide the full bouquet of benefits that government requires of medical schemes.

New laws and regulations leading up to a full implementation of the NHI will make it even harder for medical schemes to keep premiums down and remain in business. They will no longer be allowed to offer different levels of coverage to different clients, which means everyone has to be insured for everything. They will no longer be permitted to charge co-payments, which means clients will have no incentive to use healthcare services prudently and sparingly.

Medical scheme contributions will no longer be dependent on health status, but instead, will depend on income. They will no longer be able to charge a penalty to "late joiners", which means someone who joins once their health starts to deteriorate in middle age will pay no more per month than someone who faithfully paid premiums from a young age. They will no longer be able to discriminate based on health status, or exclude previously existing conditions from coverage.

One could, in principle, join a scheme a few months before an anticipated health expense, have the expense covered, and then leave the scheme again. Or one could join a medical scheme only after being diagnosed with a chronic condition, and be fully covered while paying no more than someone who paid for coverage all along.

All this might sound great for consumers, but medical schemes won't be able to afford it without hiking premiums for everyone, thereby excluding even more people from quality private healthcare.

Motsoaledi claims to want the rich to subsidise the poor, the healthy to subsidise the sick, and the young to subsidise the old. But ultimately, these laws will drive private medical schemes out of business entirely. That would also be just fine by Motsoaledi. Then everyone would be dependent on the state, which is exactly what socialist rulers want for their subjects.

Instead of dismantling private healthcare that works, the government ought to deregulate private health insurance. This would encourage some providers to serve a larger share of the population and compete for lower-income customers.

At the same time, government ought to rehabilitate the country's crumbling public healthcare system, not only to serve the poor who are needlessly dying at the tender mercies of the state, but also to prove that it is at least notionally capable of running a healthcare scheme of large scale and complexity.

Making everyone dependent on the same dysfunctional public healthcare system will harm a lot of people, and won't help anyone. Government-provided healthcare is a socialist pipe dream. Even rich countries struggle to afford and run universal healthcare effectively.

A national health insurance scheme in South Africa is a trillion-rand disaster in the making, which will have grave costs in terms of human lives and welfare. Expecting anything else would be naïvely wishful thinking, or ideologically blinkered.**14**

But the NHI disaster will happen. After all, avoiding disasters hasn't been an ANC priority for a long time now. **DM**