

## **Discovery says NHI bill's restriction of medical schemes 'counterproductive' – Business Day 15 August 2019**

### **Group says medical schemes will probably continue operating alongside National Health Insurance**

Discovery, whose share price has been knocked by the advancement of the controversial National Health Insurance (NHI) Bill, says while the legislation's restriction of SA's medical schemes would be counterproductive, it would not be a death knell for the industry.

Discovery's valuation has declined by almost a third over the past two months, partly on concerns about what the NHI will mean for private healthcare operators once fully implemented.

The bill, tabled in parliament earlier in August, paves the way for the establishment of a central NHI fund that will purchase services on behalf of the entire population. Medical schemes will ultimately be limited to offering cover for benefits not provided by the fund.

The government has said the fund would be publicly administered, and the state does not intend to outsource this function to the private sector.

Discovery's shares have slumped 16% since the bill was tabled on August 8, and 31.8% since June 20. The company's shares are at their worst level since late 2014.

“Our view is that substantially limiting the role of medical schemes would be counterproductive to the NHI because there are simply insufficient resources to meet the needs of all South Africans — this is an unavoidable reality,” the group said on Friday.

“Crucially, by preventing those who can afford it from using their medical scheme cover, the burden on the NHI will be increased and will drain the very resources that must be used for people in most need ... This would be detrimental to all South Africans, and would undermine the objectives of the NHI as we understand it.”

Discovery said it understood that where patients chose not to follow the “referral pathways” envisaged under the bill, the NHI would not reimburse their care, and they would be able to claim from private health insurance.

As such, it saw “a continued and important role for medical schemes” in the future.

“We will engage actively and constructively to make these points and to ensure an ongoing critical role for medical schemes and for private health-care providers as the process goes forward.”

The group, led by CEO Adrian Gore, said it would make submissions “on a wide range of issues” raised in the bill.

But it said it did not expect “any material impact on the medical scheme administration business of Discovery Health for the foreseeable future”.

The roll-out of the NHI was expected to be gradual, and would be constrained by the state’s weak financial position.

Further, “the bill remains open to interpretation” regarding its impact on medical schemes, Discovery said, adding that medical schemes would probably continue operating alongside the NHI.

“We also think that once fully emerged, the NHI will create additional opportunities for medical schemes to innovate in their products and for the development of new health insurance products outside of the medical scheme environment.”

***Update:** An earlier version of this story reported Discovery as saying that NHI was counterproductive. Discovery, in fact, says it is the bill's restrictions on medical schemes that will be counterproductive.*

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