

NHI rattles medical schemes - and stocks: *Business Times, 18 August 2019*

AFTER a week of its share price taking a beating, Discovery said that the National Health Insurance Bill's plan to curtail the role of medical aid schemes would undermine the NHI's objectives. In an announcement on the JSE's news service, Discovery, which owns SA's largest medical scheme, said its 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". Discovery said preventing people who can afford medical aid schemes from using their cover would increase the burden on NHI and drain the resources that should be used for those most in need, something that would be detrimental to all South Africans. The share prices of private healthcare companies plunged after the bill was tabled in Parliament recently. By Friday, Discovery's share price had shed 4.17 percent. AfroCentric, whose subsidiary Medscheme administers 16 medical schemes, tumbled 16.29 percent and Momentum's shares lost 2.62 percent. The losses for shareholders were about R5-billion.

Centre stage

Medical aid schemes have taken centre stage since the tabling of the bill, with questions about the future of their business as well as what kind of cover they are expected to provide under the NHI. This is because the bill is unclear about their role, stating that once NHI is fully implemented in 2026, medical schemes can offer only complementary cover not provided under NHI. But the definitions of primary care that will be provided through NHI and complementary cover that private medical aids can offer have not yet been provided. Discovery said it was seeking clarity on the potential impact of the bill regarding the future role of private healthcare and medical schemes, including medical schemes' role as complementary cover providers, and what the bill means by saying it will not reimburse patients who do not follow the referral pathways it sets out.

Additional opportunities

Despite the potentially negative implications for medical aids, Discovery Health CEO Jonathan Broomberg said that once it was fully implemented "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". Karl Leinberger, chief investment officer at Coronation, a Discovery shareholder, said that "while his company supports the goal of delivering better healthcare for all, the question is whether more couldn't be done to improve government service delivery without a massive restructuring of the private healthcare system. He said given the questions raised about the constitutionality of this bill, as well as the patently obvious inability of the fiscus to fund this project, we run the risk of losing more scarce skills, especially in the healthcare field, in advance of a proposal which will ultimately fail to come to fruition. Paula Armstrong, a senior consultant at FTI Consulting, said the bill had created uncertainty over the long-term role of medical schemes. She said restricting their cover would result in people opting out of schemes, meaning the membership pool would shrink, resulting in premiums rising. Herman Bosman, CEO of RMI Investments, which has a 25 percent stake in Discovery, said that though the bill had created uncertainty, "share price reaction to this uncertainty is overdone". Private hospital group Mediclinic says it supports the government's plan of

providing universal health coverage but has stressed that more clarity is needed regarding the legislation. Mediclinic said the implementation of the system will require changes to a range of existing pieces of legislation, as outlined in the NHI Bill. It also raised concern that there was “some ambiguity regarding the scope of contracting for private provider services” with the NHI fund. The company said it would “continue to collaborate and contribute in this process towards attaining greater clarity and certainty”.