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## Econex Comment on NHI Policy Paper

The National Health Insurance (NHI) Green Paper that was released for public comment on Friday, 12 August 2011, is an important step forward after the drawn out process over the past couple of years. We welcome this first official document from government on the proposed NHI, as well as the opportunity for public comment.

In general it seems that government is making an effort towards finding a pragmatic solution to the proven need for improved healthcare delivery in South Africa. Government is cognisant of the urgent need to dramatically improve the capacity and quality of the public sector as a prerequisite to a successful implementation of the NHI. It is encouraging to note that the first five years of implementation will be devoted to pilot projects which will test the suggested service delivery model, payment systems, management structures and contract negotiations. Hopefully the results and ex-

perience from these pilots will be used to improve on the current plan as and where needed.

While most of the important issues are mentioned in the document, and more information has been provided regarding certain topics such as the benefit package, the role of the private sector and expected costs, the finer details regarding many aspects of the proposed NHI have still not been clarified. We were hoping that a document of this nature, having gone through a lengthy governmental process, would contain more details and certainty with respect to pertinent issues such as the funding model, for instance.

Many of the key components are addressed at a high level only, making any in-depth analysis impossible. For example, even though the process is moving forward with decisions being taken on provider payment mechanisms at various levels, it is not sufficient to simply say that there will be a risk-adjusted capitation system at

the primary care level and global budgets at the hospital level.

Another example is the referral system. The document only states that the referral system will be “clearly defined”, but no further details are provided. In order to accurately assess the impact and feasibility of the proposed NHI model we need government to present the public with more than just headlines on each issue. The overall economic impact cannot be analysed without more information on the different aspects that will each form an integral part of a well-designed and well-functioning NHI system.

In relation to public-private collaboration, we are pleased to see that references to private sector players, both providers and funders, are somewhat less critical than before; with a noted effort to finding ways of incorporating the private sector as part of the solution. This is encouraging, as the growth in the private sector was strongly influenced by the decline in

the public sector during previous periods. It would be inefficient to ignore or diminish the contribution and future possibilities of this sector in the delivery of health services in South Africa. The issue of high and increasingly higher prices is emphasised, but the plan lacks any specific proposals to address the problem.

Probably the most important concern is the total cost of overhauling the health system and establishing the NHI. It is estimated that R125 billion is needed in 2012, increasing to R255 billion by 2025 (real 2010 values). While this figure falls roughly within our, and other, estimates previously generated, it will require massive increases in national spending on health.

The Green Paper states that “the ultimate level of spending on a

universal health system relative to GDP (of 6.2%) is less than current spending by government and via medical schemes (of 8.5%).” This statement is misleading since many people may choose to continue paying for private medical insurance (to buy top-up cover, for instance, or ensure access to faster, higher quality care) and there will also be co-payments in some instances, as confirmed in the document. In other words, the total healthcare spending in South Africa may well be more than the current 8.5% of GDP when the NHI is finally implemented and operational.

Related to the costs and funding model, is the fact that a multi-payer system will be explored as an alternative to the current single-payer model that is on the table – an important change from previous docu-

ments on the NHI. Very few countries in the world that have universal health coverage have single-payer models. A multi-payer system may also enhance monitoring and accountability which is another key aspect of managing a fund and/or a system of this magnitude; also an area that is not dealt with sufficiently in the policy paper.

In sum, the NHI Green Paper seems to be a move in the right direction, but many essential features are not addressed properly. The timeframe of 14 years is somewhat optimistic given the nature of the investments and massive increases required to physical and human capital. Overall, the approach tends to be more pragmatic and we believe that the pilot projects during the first 5 years will be most important in the final design of the NHI.

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As a result of our work in competition analysis we also have invaluable experience in some of the sectors of the South African economy where regulation continues to play a role, e.g. the telecommunications, health and energy sectors. We use economic knowledge of these sectors to analyse specific problems for some of the larger telecommunications, health and energy companies.