Do state-based medical schemes have a future after NHI?

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THE proposal in the government's white paper on National Health Insurance (NHI) that medical schemes should be allowed to exist only to supplement the services offered through NHI is open for debate, Health Minister Dr Aaron Motsoaledi, recently told the Competition Commission's Health Market Inquiry. Motsoaledi denied he had distanced himself from this proposal in the white paper. He told the commission that NHI would be introduced over a period of 14 years and when all the structures had been set up he could see no justification for medical schemes like Parmed (the Parliamentary Medical Scheme), Gems (the Government Employees' Medical Scheme) and Polmed (the scheme for members of the South African Police) to exist.

Motsoaledi said when it came to schemes that were not subsidised by the state, there might be a debate by people who believe that if NHI is mandatory, they can still join a medical scheme. The panel of commissioners questioned the Minister on whether or not there was sufficient funding for existing statutory bodies, but he was not questioned on the levels of financing available for NHI. The NHI White Paper proposes a new health system in South Africa with the central role being played by the state, and private funders being allowed only to fund services that the NHI does not provide. It provides no details on how the system will be financed, but mentions options that include implementing payroll taxes, a surcharge on taxable income, an increase in value-added tax and "other sources of revenue".

Another source of income mentioned in the paper was "mobilising" current employer and state subsidies paid to medical schemes for government employees' as an employee benefit. Documents from National Treasury estimate the current value of the total subsidy paid to retired and current "government and affiliated" employees to be about R18.6-billion. The government provides a further R16-billion in tax credits to all tax-paying members of medical schemes. The proposal to remove state employees' subsidies, if accepted, would affect nearly a million state employees, including Members of Parliament, teachers, nurses, members of the South African Police Services and employees of state-owned enterprises, of which the biggest are Telkom, Eskom, Denel and Transnet. Affected schemes would include Gems, Polmed, Parmed, the South African Municipal Workers' Medical Scheme (Samwumed), state-owned-entity medical schemes, such as Transmed, as well as a number of open schemes. Employees of some state-owned enterprises, such as Eskom and Telkom, do not have a default, restricted, or employer-managed medical scheme; they are simply given a choice of open schemes to belong to in terms of their employment contracts.

The Congress of South African Trade Unions (Cosatu) made a submission to the inquiry panel in the first week of proceedings. The Cosatu delegation was led by Sydney Kgara from the National Education, Health and Allied Workers' Union. He said that many Cosatu members were not members of medical schemes, and that many of those who were, "were on the receiving end of price-gorging and rand-seeking that is prevalent across the value chain of the private health industry". However, other unions are more in favour of medical schemes. Asked to comment on plans to use current medical subsidies paid to government employees to fund NHI, Basil Manuel, the chairman of the Independent Labour Caucus, which represents 45 percent of public service employees, said that his union had fought long and hard to protect its members, including those who have subsidised medical scheme membership, and "we are not going roll over and play dead". He said his organisation will not stand by and see these benefits reduced. However, it is also sensitive to its members who are not medical scheme members and are dependent on state health facilities. There is a possibility that, for them, and for the country as a whole, the concept of NHI could be positive. However, Manuel said, ongoing Department of Health failure to meet their own deadlines, including the hospital revitalisation programme, nursing colleges and so on, and the lack of tangible improvement in state health facilities in recent years is not hopeful. The principal officer of Gems, Dr Guni Goolab, said that, during the course of 2014, unions negotiated a 28-percent increase in the medical scheme subsidy available to government employees who were members of Gems. This meant that about 60 percent of Gems contributions were received via subsidies, with the balance of 40 percent contributed by members. Most members of the entry-level option of Gems, the Sapphire option, were “virtually fully funded”. Some of the restricted schemes to which “government and affiliated” employees belong are considered among the more sustainable schemes. The Alexander Forbes Sustainability Index is an annual survey undertaken by employee benefits company Alexander Forbes. The index does not rate the quality or range of benefits available to members. The company released the 2015/16 index late last year and ranked the three most sustainable schemes as Polmed, Samwumed and LA Health. All these three restricted schemes provide cover to state employees. Discovery Health was ranked fourth overall. Restricted schemes have the edge on open schemes for two reasons. Typically, members of restricted schemes receive medical scheme subsidies from their employers, unlike individual members, who pay the full premium and are therefore arguably more vulnerable to economic downturns.

Second, many restricted schemes have a younger age profile owing to compulsory membership. The schemes are therefore less exposed to the higher medical costs associated with ageing. Commenting on the issue of “mobilising subsidies” away from government employees, Neil Kirby, the director and head of the healthcare and life sciences practice at Werksmans Attorneys, said that little in the way of detail was provided in the [NHI] policy document for either the basis for such a reallocation or how much would be reallocated. In fact, he said the White Paper is quite flippant about such a reallocation. Kirby said the effect of the removal of the payment of subsidies from the employment relationship between the government and its employees would need to be determined with reference to prevailing labour laws. He said that in applying current labour law to such a scenario, the government would have to amend any contractual provisions for payment of subsidies in respect of private healthcare and negotiate such an amendment with the employees concerned.

By Liz Still: Personal Finance