

Health department should focus on internal efficiency rather than NHI

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THE government's release of the long-awaited white paper on National Health Insurance (NHI) was eagerly anticipated, but the event was largely overshadowed by the condemnation of President Jacob Zuma's axing of Nhlanhla Nene as Finance Minister in the same week. Subsequent to the hasty reappointment of Pravin Gordhan as Finance Minister in a bid to stem the rand's horrifying free fall, the rand has remained weaker than it was before, share values are also still lower and international ratings agencies have been moved to put out negative ratings watches on SA. So, whatever hopes Health Minister Aaron Motsoaledi had of receiving scarce fiscal funding for his ambitious NHI plan lay immediately in serious doubt. The white paper's projected expenditure on NHI has not materially changed from the optimistic 2011 green paper - it is still at a projected R256bn by 2025-26 (in 2010 prices). Looking at state figures from 2010-11, tax revenue was R740bn, the public health budget was R107bn and the country's gross domestic product (GDP) was about R3-trillion. This means state healthcare constituted 3.6 percent of GDP, but under NHI it is looking to consume 8.5 percent of GDP by 2025-26.

The shortfall between the existing state budget and the NHI scheme is therefore R149bn (still in 2010 prices) and a rough calculation puts that at R200bn for 2015. Potential sources for this revenue shortfall identified in the white paper are:

- Removal of medical scheme tax credits and state employee subsidies for medical schemes;
- Redirecting Road Accident Fund and Compensation for Occupational Injuries and Diseases Act funds that relate to the funding of medical services;
- An increase in taxes, which is where the vast majority of additional funding will come from.

The white paper is loosely hanging onto this - the private sector currently spends 4.1 percent of GDP on healthcare and so does the public sector. So throw these two together into one pot (the NHI) and the state can deliver good-quality healthcare for all citizens. At face value this appears laudable, but there are a few palpable problems with that assumption:

- First, private sector spend on medical schemes is voluntary. These monies are not owned by the state and the tax relief offered now only equals about 10 percent of the amount spent annually on medical schemes.
- Second, does Dr Motsoaledi expect the private sector to believe that the same quality of care will be available from the public sector, given the deleterious state of his department?
- Third, what level of private care will still need to be purchased outside the NHI (is the NHI just another stealth tax)?

The NHI proposes three possible tax sources - VAT, a payroll tax on all formally employed citizens, and a surcharge on taxpayers. For political reasons, an increase in VAT seems the most unlikely. A payroll tax will also invoke the ire of the labour unions, so again this route seems unlikely. That leaves extracting more from the existing 7-million taxpayers. The white paper outlines an additional tax surcharge of four percent by 2025-26. However, this will only raise about R80bn (using 2015-16 budget figures), so the White Paper numbers do not tally. However, the real problem is tax prioritisation by government. SA's current budget problems include:

- A downgrade to junk status, which would increase the costs of servicing debt;
- The rising public wage bill;
- Rising interest rates from the weaker rand;
- The drought, which will require government support;
- State-owned enterprises requiring bailouts; and,
- Low economic growth.

In simple terms, the government is running out of money and as the budget deficit continues to grow over the next few years, it will need to turn to taxpayers to balance the books. Given the rapid and embarrassing reversal by President Zuma, Gordhan is now politically untouchable. He has historically rejected expensive government ambitions, so it seems certain that he will balk at NHI's massive price tag. This might be justified, though, because critics of the NHI plan have long pointed out that SA's per capita public health spend is higher than many of our peers, yet we have some of the worst health outcomes.

The Health Department has consistently recorded the poorest audit record of all state departments from the auditor-general, and last year the provision for medical malpractice lawsuits breached the R25bn mark. In short, the health department's wastage is staggeringly high. Reflecting on these glaring governance and delivery problems, one has to ask the question: Why has the Health Department instead not sought internal efficiencies and improvements in quality of care? The tone of the white paper in its opening chapters focuses on a lack of funding being the primary barrier to adequate-quality healthcare for all citizens, and that the "private sector creates financing schemes for a privileged few that punish the poor".

This tells us is that the NHI scheme is more of a political invention to support election campaigns than a pragmatic, well-considered solution to improve the quality of care and get rid of fraud and corruption. From this perspective, the white paper is naïve. Given that it will almost certainly fail a constitutional challenge from the private sector and has been virtually silent on addressing the existing disastrous public health system, it can hardly be accepted as a rigorously considered government policy that is in the best interest of the country and its citizens.

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