Motsoaledi strikes back at NHI critics

22 January 2016

THE government's proposed "big bang and unaffordable approach" to universal access to healthcare will eventually "collapse under its own weight", according to the Free Market Foundation. It added that the planned National Health Insurance (NHI) scheme would deprive South Africans of their "consumer choice" to access quality private healthcare. The NHI White Paper was released on December 10 last year, more than four years after the release of the Green Paper. It is a plan for significant reforms to the public and private health sectors and aims to make affordable healthcare available to all South Africans. But this week, the Free Market Foundation's director of health policy, Jasson Urbach, called for action "before this impending disaster becomes a reality and to correct mistakes before they are made". He warned that there is something seriously wrong with the mantra of free healthcare for all, saying that the very idea of an NHI fuels this erroneous general perception that government is the foundational source of health and is thus entitled to regulate our individual activities as well as providers' activities.

Misleading

Health Minister Aaron Motsoaledi attacked the foundation's "misleading" statements, saying "human beings don't exist in their world; only markets and business do". Speaking from Davos in Switzerland, where he was attending the World Economic Forum's annual meeting, Motsoaledi said the present situation is that there is no choice. Eighty-four percent of the population has no choice. They can only use one health system - regardless of whether it is efficient or whether it's far from their homes - because they cannot afford to belong to a medical scheme. The NHI wishes to correct that. The White Paper argues that the Medical Schemes Act should be changed so that medical schemes cannot continue in their current form. Rather than providing comprehensive cover, which the NHI is envisioned to provide, medical schemes will only be allowed to provide top-up cover for services that the NHI does not cover. Urbach argued that if this is implemented the quality of private healthcare will decline because it is currently funded mainly by medical scheme payments. He said the already squeezed middle-class will no longer be able to afford medical scheme payments on top of suggested NHI contributions. He maintained the NHI would be unaffordable.

Projected cost

According to the White Paper, the cost of the scheme in 2025 is estimated to be R256- billion (in 2010 terms), which would see the country increasing its health spending from the current four percent of gross domestic product (GDP) to 6.2 percent in the next 10 years. But Urbach argued that the cost would amount to R367.4-billion, more than the country's entire income tax collection of R251.9-billion for 2014. His calculations are based on the average monthly cost of R567 that medical schemes spend per member to cover prescribed minimum benefits. Urbach said if we multiply R567 by 12 months, we get to a figure of roughly R6 800 per person per year. If we then multiply that figure by 54-million, South Africa's mid-year population estimate for 2014, we get to a figure of R367.4-billion. That gives us an idea of the futility of this ambitious proposal. But Motsoaledi has long reasoned that the private healthcare industry, particularly medical schemes, operate on inflated costs, which cannot be used to calculate the cost of public healthcare costs. He said the high cost of private healthcare has to be addressed in order to make the NHI possible. Motsoaledi said he didn't know which part of the Constitution of the country said we must have medical schemes that exploit people.

Casting doubt

But the social justice organisation Section27, which strongly supports the concept of an NHI, has also cast doubt on the white paper's calculations. Section27's executive director, Mark Heywood, is "not convinced that the costing is thorough". Section27 thinks it will be helpful to publish the methodology and open it up to constructive scrutiny, he said. Heywood agreed with Motsoaledi that the private healthcare industry, including medical schemes, "frequently rip off middle-class people" and leave

them in an “insecure financial position”. The country’s largest medical scheme, Discovery Health, said it is premature to comment on the role of medical schemes “within the NHI context” because it “depends on clarification of several critical elements of the proposal, which are not dealt with in detail in the NHI white paper”. Discovery Health’s chief executive officer, Jonathan Broomberg, said it would “in particular be critical to understand the scope and depth of benefits in the proposed benefit package to be covered by the NHI” and “more detail is required on the costs and methods of financing the NHI”.

Competition Commission inquiry

In 2014, the Competition Commission launched an inquiry into the private healthcare industry, which will be opened for public consultations next month. But Urbach has labelled the inquiry, headed by former Constitutional Court chief justice Sandile Ngcobo, a “ruse” set in place by Motsoaledi as a “justification to control prices” in the sector to facilitate the implementation of the NHI. He also accused Motsoaledi of creating a “public narrative” of unaffordable private healthcare to manipulate future prices in the interests of the NHI. Urbach maintains that the solution to “health for all” lies in the private health industry. He said a better option is to make private health insurance mandatory for all those who can afford it and let those who can’t, use improved public healthcare.

He argued that the governments of most low- and middle-income countries, including South Africa, were unable to raise enough money from general taxation for NHI systems and lack the capacity to run a mandatory health insurance system. Asked whether there are any developing countries that have made a success of universal access to healthcare, Urbach replied that he didn’t know. Healthcare is not cheap, but a government should not assume responsibility for the health of a nation, he said.

Other similar schemes can act as a guide to success or failure

Ghana, which recently achieved World Bank middle-income country status, has experienced significant problems instituting its National Health Insurance Scheme, which is aimed at providing everyone with affordable healthcare, according to a 2015 study published in the medical journal Lancet. More than a decade old, the scheme covers only 36 percent of the population and “now confronts financial sustainability as a major concern”, as revenues consistently fall short of its expenses.

But Thailand, also classified as a middle-income country, has achieved notable success with its Universal Coverage Scheme, launched in 2002 after three decades of preparation, according to the Lancet study. For example, out-of-pocket payments for health dropped from 33 percent in 2001 to 14 percent in 2010, lowering rates of “catastrophic household health expenditure and health-related impoverishment”, according to a 2013 World Health Organisation bulletin. The number of pregnant women attending the required minimum of four antenatal visits increased by 20 percent from 1988 to 2006, and in 2010 the unmet need for in-patient services was as low as 1.4 percent.

According to Sasha Stevenson from Section27, public health insurance schemes in Chile and Cuba are also good examples of where universal health coverage has worked to some degree. She said there is good evidence to show that countries with some form of universal coverage have significantly better access and health outcomes than those with a purely market-driven system. The US, as the clearest example of a market-driven system, does extremely poorly when compared with any other developed nation with some form of universal coverage. South Africa’s health department plans to have fully implemented a National Health Insurance (NHI) scheme by 2025. A central fund will be established to contain the mandatory contributions of all South Africans, either by increasing taxes on individuals or increasing VAT, or a combination of these. Services will be paid for from this pool. But Heywood warned that the introduction of such a scheme in South Africa, even if introduced in a phased way,

will not work if aspects of collapse in the public health system, which are often fuelled by corruption, are not addressed and halted.

Mia Malan & Amy Green: Mail & Guardian