

Public Servants and NHI: Subsidy scrap looms

25 FEBRUARY 2016

GOVERNMENT'S plan to scrap state workers' medical scheme benefits has set it on a collision course with unions.

The National Health Insurance (NHI) white paper proposes that medical scheme subsidies enjoyed by public servants and employees of state-owned enterprises be reallocated to an NHI fund, along with the tax credits currently provided to medical scheme members.

"We are in panic mode. The reality is we didn't buy into this," says Basil Manuel, chairman of the Independent Labour Caucus, which represents unions that aren't politically affiliated. "To suddenly read that medical aid subsidies will be diverted into an NHI model takes us down a road that sets us up for a serious fight," he says.

Serious money is involved: more than R18.5bn was paid out in subsidies last year to 924,713 public servants. They can either belong to medical schemes restricted to government employees (Gems), the police (Polmed) or members of parliament (Parmed), or opt for any scheme on the open market. A further R16bn is provided in tax credits, which are enjoyed by all medical scheme members, not just civil servants.

Health minister Aaron Motsoaledi says providing generous subsidies to those "who can take care of themselves when the majority of citizens are struggling" can't be justified once NHI is up and running. "This is not about freedom, it's about fairness," he told the Financial Mail in a recent interview.

Medical scheme benefits were a central part of last year's three-year wage deal that gave state employees a 28.5% medical scheme subsidy increase. Government also agreed to increase it each year based on medical inflation — a level unheard of in the private sector. Medical inflation tends to outstrip consumer price inflation by several percentage points.

Even before this, public servants enjoyed some of the most generous medical benefits on offer to health professionals and educators, particularly those who joined Gems. Employees get 75% of their Gems monthly contributions, capped at R3,545. Those who opt for an open scheme get two-thirds of their contribution, capped at R1,014.

"Medical scheme benefits are a vital part of attracting and retaining teachers in the state sector. It would be a kick in the teeth if it was removed," says Gaylin Bowles, a primary school principal and vice-chair of the Gauteng branch of the National Professional Teachers' Organisation of SA. "At least

a third of my staff are sole breadwinners or single moms. It is a key benefit for them, both in service and post-retirement,” she says.

Bowles currently receives a state subsidy of R2,980/month towards her R6,055 contribution to Gems’s Emerald option, which also covers her husband and two children. She’s only too aware of the vital financial cushion medical schemes provide in the face of major health events.

“Last year, my husband was attacked by a pitbull. He had a R100,000 bill for his hospitalisation, all covered by Gems,” she says. “As with any insurance there are gaps in the coverage, but these are small.”

The NHI proposals are backed by the National Education, Health & Allied Workers’ Union (Nehawu), an affiliate of Cosatu, which is opposed to medical schemes. Whether union members are of this view is unclear.

“A single-payer NHI fund is what we have been calling for,” Cosatu said when the white paper was released. “It will effectively remove the role of profit-driven medical aid administrations in the system, thereby generating savings from the current wasteful and largely corrupt medical aid industry.”

Nehawu spokesman Sidney Kgara sees no conflict between the generous medical scheme perks that unions have negotiated for their members and his union’s call for an end to these benefits under NHI.

“Those in the public service have medical scheme benefits, but union members in some other sectors don’t,” he says. Nehawu boasts 277,000 members, but many are low-paid employees of companies that provide outsourced services like cleaning, and cannot afford medical cover. “When the time comes for the creation of a single payer, naturally there will no longer be a need for numerous funders, and Gems and others will no longer be able to continue. We don’t see a contradiction.”

By Tamar Khan – Financial Mail