

NHI White Paper Disappoints

29 February 2016

In December last year, the Department of Health published its latest white paper on National Health Insurance (NHI). So far, reaction to the document's proposals has been largely negative. The proposals have been dubbed "disappointing" by some – and "an unmitigated disaster" by others. In the document, it is made clear that NHI implementation will take place in three phases over 14 years. The NHI is described as "a health financing system that is designed to pool funds to provide access to quality, affordable personal health services for all South Africans based on their health needs, irrespective of their socioeconomic status." The document says the country's health system may be described as a two-tiered system divided along socioeconomic lines. "NHI will create a unified health system by improving equity in financing, reducing fragmentation in funding pools, and by making health care delivery more affordable and accessible for the population. NHI will eliminate out-of-pocket payments when the population needs to access health care services. In the long run, households will also benefit from increased disposable income as a result of a significantly lower mandatory prepayment."

While all this is laudable, the burning question remains as to how the NHI will be funded. The document describes the following potential revenue scenarios:

- Direct Taxation: Taxes imposed on individuals or entities in relation to their income, earnings or wealth, e.g. Personal or corporate income tax, surcharge on income, inheritance tax
- Indirect Taxation: Taxes levied on transactions or goods and services, irrespective of circumstances of buyer or seller, e.g. Value added tax, national health insurance levy, financial transactions, fuel levy, taxes on alcohol and tobacco.
- Payroll Taxation: Taxes calculated on payroll, as either employer or employee contributions, or both, e.g. Contribution to National Health Insurance deducted from pay cheques
- Premiums: Collection of premiums or membership contributions from employee or informal sector e.g. Ghana NHI for informal sector workers.

Critics point out that these are merely suggestions for funding the NHI, and not concrete proposals. Furthermore, the white paper contains no new information on the costs involved. As an editorial in Business Day states: "the document used R256bn, a number hardly different from the estimate in the 2011 document. It also relies on an economic growth projection of 3.5% a year that now seems fantastical given that growth is stuck at 1.5% or less." Meanwhile, the opposition Democratic Alliance

(DA) says the NHI “will require a monumental amount of money to run and will be the second largest, after nuclear energy, fiscal risk the nation faces.” The NHI White Paper also carries information on how medical schemes will have to change, estimating that “when NHI is fully implemented, it is anticipated that the number of medical schemes will reduce from the current 83 to a much smaller number.” In response, the DA says: “By potentially forcing the amalgamation of existing medical aid schemes (where the members of medical aid schemes do not agree to do so), appointing pliant trustees who owe their allegiance to the state into positions where they are able to control medical scheme monies, increasing the percentage of funds that must be kept in reserve by schemes, prohibiting some state services from using private medical care and introducing a model that removes the tax breaks for contributions, will give the Health Minister extraordinary powers and create unprecedented opportunity for plundering.” The Free Market Foundation (FMF) also highlights what it sees as the document’s shortcomings: “If adopted, the proposals would mean unmitigated disaster for healthcare in South Africa and the economy in general.”

“What is going to happen when funds from the centrally allocated NHI fund run out? Under NHI, in a tight economic climate such as we are currently experiencing, how will government officials decide which services should be provided and who should receive care? When individuals are forced to make payments into the centrally controlled NHI fund, what will happen to them when their disposable income has been all but wiped out and they can no longer afford to pay for someone else’s ‘free’ healthcare?” The deadline for public comment on the paper is 11 March 2016.

Source: Money Marketing