

NHI: Just not enough money

9 June 2016

FINALLY, we have confirmation: even government's own numbers for National Health Insurance (NHI) just don't add up. Government's policy document - four years in the making, and finally gazetted last December - admits there is a shortage of billions of rand if we want to make it work. Conveniently, that White Paper doesn't say exactly how much NHI will cost, or where the money is expected to come from. Nor do the numbers add up elsewhere: by the Department of Health's own calculations, only a third of state hospitals and clinics are functional enough to qualify for NHI, and there too few doctors. These lacunas, pointed out in a raft of scathing responses by the private sector released publicly last week, are yet another blow to Health Minister Aaron Motsoaledi's ambitious plan, which dates back to 2011. In a nutshell, the plan is for there to be a single NHI fund to pay for healthcare for all South Africans. Government blames the private sector for "inequality" of healthcare.

The consequences are broad. For one, it would likely lead to the demise of medical aids as the premiums paid by the middle-class would be funnelled to the single state fund. And, as the responses from the industry last week illustrate, there are some big holes in government's argument. The SA Private Practitioners' Forum, for one, asks how this "free healthcare" will work practically, given that much wealthier countries like South Korea haven't managed to cover costs. SA has a far smaller tax base than South Korea. Then there is the matter of how the state is going to manage the NHI fund, given that the total of medical aid premiums and the health budget amounts to R256-billion/year. This is 36 times larger than the largest fund already run by the state - the Compensation Fund, which had an estimated 231 000 outstanding claims by April. In its submission, the SA Specialists' Forum points out that Discovery Health already administers 26 times the value of the workers' compensation fund annually, yet Discovery has only five times the number of employees. It implies that government would have to hire more people than work for the SA Defence Force (89 000) just to administer an NHI for the entire country.

The forum said that the inability of the government to run an R8-billion fund efficiently raises serious concerns regarding the effective and efficient administration of a R256-billion NHI fund. The Free Market Foundation (FMF), in its response, asks what will happen to the billions in "cash reserves" held by the medical aids. Already, there are between 33 200 and 74 558 private healthcare facilities in SA which will, presumably, be paid for from the NHI fund. These private facilities will have to be audited, at a rate of roughly 9 100 institutions a year, since an audit certificate lasts four years. That means government's auditing team will have to visit and audit 5.2 facilities a day. At present they audit one facility every four days. Extrapolating from this, government will now need 182 teams of five

inspectors each, requiring a budget hike of 2 600 percent. Only a third of state facilities pass muster. Unfortunately, inspectors can do nothing if a facility fails to improve its safety, cleanliness or service.

So rather than lean on the private sector to remedy its problems, why not fix the state sector first, argue the FMF and SA Private Practitioners' Forum. The problem remains government's sketchy idea of how much NHI will cost. The SA Specialists' Forum said that continuing to avoid investigating the costs involved will eventually bring us to a point where affordability issues can no longer be ignored, by which time billions of rand would have gone to waste on pilot projects and other expenses in trying to implement this unaffordable system. The issue of financing has already doomed similar projects in other countries, such as Ireland. Some countries where there is free healthcare have bigger tax bases and less unemployment, NHI's critics argue. While only 39 percent of South Africans have a job, in Mexico this figure is 59 percent, in Norway 62 percent, Brazil 65 percent and South Korea 75 percent. The forum warns that there are simply not enough people to pay for the system. And if doctors and private institutions are forced to accept prices set by the state, they will just leave the country. The doctors do offer a solution: allow low-cost medical aids (something punted last year then halted by the Council for Medical Schemes). These cheap medical aids will pay for basic care for the poor, bringing in more cash for medical aids, allowing them to pool their risk to a greater extent. Another option is to include mandatory medical aid cover for the middle-class, similar to "Obamacare", which increases the number of people on medical aids and drops the price. This risk-sharing will create a 20 percent saving on medical aid costs, money which government can use to contract private providers to provide primary healthcare. Experts say a single state fund will destroy something that is already working, to pay for something with little chance of improving healthcare.

Katharine Child: Financial Mail