

## **An army will be needed for NHI**

13 June 2016

Dr Anthea Jeffery of the Institute of Race Relations says there is a huge administrative burden ahead if the National Health Insurance (NHI) scheme is implemented as envisaged by the White Paper. She does a comparison with the state-administered Compensation Fund and the private Discovery health service

13 June 2016 – The NHI Fund will effectively be a huge, single-payer medical scheme with 25 times as many members as Discovery. It will also be administered by a government with a poor reputation for competent and clean administration.

To understand the magnitude of what is involved, it is useful to consider the experience of the Compensation Fund, which is the closest existing equivalent to the NHI Fund. The Compensation Fund receives the mandatory 'workmen's compensation fees', which many employers and their staff are obliged to pay. From these monies, it pays out compensation to employees who are injured at work. It also pays the medical fees of the doctors and specialists responsible for providing health care to employees injured in these circumstances. The fund records about R8bn a year in income and has R52bn in assets.

### **Compensation fund often pays late**

Between 2012 and 2015, the Compensation Fund paid out claims of between R1.4bn and R2bn a year. It often fails to pay out in time: so much so that in April 2015 (in answer to a parliamentary question) the director-general of labour acknowledged that the fund had yet to pay out on 231 000 outstanding claims with an overall value of R23bn. Some of these claims dated back as much as ten years. The director general added that the fund now planned to clear the backlog within two months, but this was clearly beyond its capacity to achieve. [Business Day 24 May 2016]

So bad is the situation that unpaid claimants have had to resort to litigation to compel the fund to pay what is owing to them. In July 2009, for example, Compsol, a company that handles claims against the fund on behalf of doctors, obtained a High Court order instructing the commissioner of the fund to pay out all claims which had already been validated within 75 days and to assess a backlog of remaining claims. However, this was not done, obliging Compsol to seek further judicial relief.

In April 2016 the Supreme Court of Appeal (SCA) found the commissioner, Shadrack Mkhonto, in contempt of court for failing to comply with the 2009 High Court ruling. The SCA thus sentenced him to three months in prison, suspended for five years. How much difference this will make also remains to be seen. Moreover, it is not only the claims submitted by doctors that have remained unpaid for many years, but also those of employees injured at work and entitled to compensation from the fund. Persistent non-payment has resulted in hospitals turning Compensation Fund patients away. [Business Day 19 May 2015, 21 April 2016; Legalbrief 21 April 2016]

The implications for the NHI Fund are profound. Says Dr Johann Serfontein of the HealthMan consultancy: 'The Compensation Fund employs 1 630 people, who paid out R1.4bn in medical claims in 2015. By comparison, Discovery Health, with five times this number of employees, paid out 26 times the amount in medical claims. The required NHI budget is estimated at R256bn a year, which is 32 times larger than the size of the Compensation Fund's annual income of R8bn. *The number of claims payable is likely to be 100 times more, not including the payment of suppliers. Using the Compensation Fund efficiency as a barometer, it would require the NHI Fund to employ between 52 000 and 106 000 people, more than the 90 000 members in the South African military. An army of people to run one health care fund.*' [Business Day 24 May 2016]

## **Army of bureaucrats**

This army of bureaucrats is unlikely to be any more efficient than those working for the Compensation Fund. In addition, it is most unlikely that the officials required can even be appointed, for the Treasury has already imposed a moratorium on the recruitment of new public servants in an attempt to bring down public debt and reduce the budget deficit. *This moratorium will make it impossible to appoint anything like the 52 000 officials minimally required to run the NHI Fund.*

In these circumstances, long delays in the making of payments to health providers will inevitably follow. So too will long delays in paying for medicines and other essential medical equipment and consumables. The suppliers of pharmaceuticals and other such essentials will soon confront the same crises the NHLS has experienced for many years. Health care services will crumble further at all public facilities, while private ones will battle to maintain their existing standards. All South Africans will, again, be left worse off than before.

Proponents of the NHI are silent about the size of the bureaucracy required, how much it will cost, and how inefficient it might be. Instead, they simplistically claim that the NHI will help to bring down costs and will be much cheaper than the current system, the costs of which they constantly castigate. However, as a world-renowned public intellectual, Professor Thomas Sowell of Stanford University, has observed: 'It is amazing that people who think we cannot afford doctors, hospitals, and medication somehow think that we can afford doctors, hospitals, and medication – and a government bureaucracy.' [Business Day 20 January 2016]

*Posted By: CM\_Publisher*