NATIONAL HEALTH INSURANCE AND THE PRIVATE SECTOR

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This Brief looks at the developments in the NHI White Paper and the effect on the Private Sector with such proposals

The NHI view of the problem with the private health sector

The White Paper asserts that, as health care is a public good (which it's not), it must therefore be a social investment that "should not be subjected to market forces" or treated as "a commodity of trade". [4] Everyone will have to pay a mandatory contribution to the NHI Fund. How or what specific structure this contribution will take is not specified, though the formats of direct, indirect and payroll taxation are discussed as well as premiums. [277-280].

This is admittedly a progressive understanding that can be seen in many countries in the world: the British NHS being, perhaps, the most well known example. Countries on a more equal economic footing with South Africa have also implemented a UHC system, to varying degrees of success – Ghana has been an abject failure; whereas Thailand has shown that it is possible (though admittedly after three decades of planning and preparation). It is also an understanding that is not private sector friendly.

References to the great debt the South African medical sector owes Cuba, and to the 'Nelson Mandela-Fidel Castro collaboration' [36], set a certain tone to the document. However, much of the portrayal and future treatment is substantially explained by the following belief: that the existence of the private sector – and its structure, practices and function – is the chief cause of the sorry state of the public health care system.

Under the current two-tiered system, those who can afford medical scheme membership pool their health care funds and resources separately from those who cannot. [77] Because of this, private health care has sufficient resources to offer attractive salaries, well-equipped facilities and efficient and pleasant working conditions to health care providers. This contributes to a mal-distribution of key health professionals: the best doctors and nurses naturally gravitate toward the better-resourced private sector. This funding fragmentation, the NHI paper argues, is a "key driver of inequality and contributes to inequity". [84]

Moreover, the private health care sector is not adequately regulated. [66] This has allowed it the freedom to charge exorbitant fees for health care provision. [68] The costs to the consumer are argued to be far too expensive in relation to the country's wealth. [70] In an attempt to stem the exodus of

health care providers – particularly specialists – from public to private, the former is forced to compete with the salaries offered by the latter. The lightly regulated and costly private health sector has therefore had a direct and significant effect, it is argued, on the cost of the public health sector to government.

Two further structural issues within the private sector are identified as being pernicious and undermining the functioning of South Africa's health care system. Firstly, the environment of Prescribed Minimum Benefits is calculated to amount to more than 50% of the total costs in the private sector – 52.2% of total risk benefits. [72] Secondly, the current model of FFS (Fee for Service) discourages providers to engage sufficiently and with adequate care with patients: "the more patients a provider sees, the more money the provider makes". [345]

NHI proposals for how to fix this

The NHI will be implemented in three phases over fourteen years. The first five year phase will focus on the improvement in quality and consolidation in structure and management of the current public sector. The private sector will remain unaffected during this phase.

During the second five year phase, a Transitional Fund will be established to purchase PHC services from both public and private providers at a non-specialist level. The private providers will be accredited on a NHI Fund specified indicative criteria. [331 -333] Most notable amongst this is mention of the fact that this will extend to "clinical care, health outcomes and clinical governance rather than simply perceived quality of services". [333]

Once accredited, providers will be contracted and "reimbursed through a capitation model where appropriate instead of a FFS as it is happening currently". [181] The pricing and reimbursement mechanisms will be determines by "the NHI Fund in consultation with the Minister [of Health]". [335] At the same time, Amendments will be drawn up to the Medical Schemes Act. [422] These are argued to be necessary to match the "transition from the current role to a future evolved role of medical schemes". [403] Considerations will be made for the "creation of an interim single pooling arrangement for schemes not funded through the State". [422] However, in this "private providers will be required to comply with a uniform information system for registration and reimbursement". [422]

During the third and final four year phase, accredited private sector providers at higher levels of care – such as private hospitals and specialists – will be contracted. This will be guided by implementation of the Medical Scheme's Amendment Act. Under this, medical schemes will "only offer complementary cover for services that are not included in the health service benefits and medicines

approved by the NHI Benefits Advisory Committee". [401] Moreover, expertise in the private sector will be used to "build in house capacity" – outsourcing will now entirely cease. [404]

Effects on the Private Sector

These are numerous and potentially very worrying:

1. By the end of Phase Three, only 'complementary services' not offered under NHI will be permitted to be offered by medical schemes. It is not clear or specified what these will include, but it is likely that they will be limited to largely cosmetic procedures. This will amount to a massive loss of income to the private sector.

2. Many private service providers will be forced to work in the public sector for a fee fixed by the Fund and Minister. It is likely that this will represent a significant drop in quality of life from what they are used to. It also removes efficiency incentives – something that plagues any socialist system. Specialists – who are in global demand – will very easily find work elsewhere in the world while maintaining their quality of life. Human/capital/technological resources will weaken because of brain drain. Standards will drop. This will severely affect the public sector as well as private.

3. The number of operational medical schemes is predicted to sharply drop. [402]This clearly is a direct effect on the private sector.

4. One method of funding proposed is to 'mobilise' revenue from government contributions to medical schemes and reallocate these toward funding NHI. [308] This will represent more loss of capital in the private sector.

5. Reference is made to the more than R20 billion the Government spends annually on medical aid for its SOE employees and civil servants. [94] Almost all of this is in the private sector. This will immediately cease.

6. Many people will choose not to pay for medical schemes on top of their NHI contributions.
a. In some cases this will be because the majority of 'essential' or even 'semi-essential' benefits will be provided by the NHI. Medical schemes will therefore represent a superfluous expenditure.
b. In other cases – likely the majority of cases – people will not be able to afford private health care on top of the mandatory contributions. Is this possibly an affront to freedom of choice?

Conclusion

The NHI White Paper proposals will result in a significant loss of resources and human and technological capital within the private sector. It is likely that many health care providers, especially

the crucial ‘specialists’, as well has private health companies will leave South Africa to seek the employment and living standards that they have grown accustomed to. This will not only represent the loss of South Africa’s internationally lauded private health care sector; it will have a long lasting and potentially irreversible effect on the public sector. It will also probably impact on the economy at large – to what extent is hard to say, but it could potentially be significant.

By Andrew Barlow Helen Suzman Foundation