

## **We all want to see better healthcare for all, but will NHI policies deliver?**

*22 July 2016*

THE debate about National Health Insurance (NHI) has become increasingly angry and shrill. More's the pity. Describing criticism of NHI as "scaremongering" obscures the facts and basic economics, and you don't need to be an economist to understand that "there's no such thing as a free lunch".

You don't get something for nothing and the idea of "free healthcare for all" will, we can predict with a high degree of confidence, end up costing the country, especially the poor, dearly.

How do we know this? Because examples from history and from countless other countries tell us so. Health Minister Aaron Motsoaledi cited the so-called US "Obamacare" healthcare law as justification for NHI. This was an unfortunate example to raise, as evidence continues to emerge that US consumers now face higher premiums and reduced choices, even though US President Barack Obama promised the exact opposite.

Laws should be judged not by their intentions, but by their outcomes. We all want good things for the poor and to see better healthcare for all — but will policies deliver?

Aside from healthcare, South Africans have other constitutional rights, such as for housing and education. We at the Free Market Foundation have proposed for many years that healthcare be treated the same way as these other rights. The government should look after the poor and leave the private market alone.

More specifically, we think the state should simply finance healthcare for the poor and leave the rest of the population to decide for themselves how to spend their money.

However, the NHI proposals seem to be more concerned with removing the so-called "two-tier system" than trying to design an affordable mechanism to provide high-quality healthcare for the poor. We have a multi-tier system for both food and housing, but most of us recognise that driving private restaurants out of existence and implementing state-controlled food delivery will not deliver food to the poor. If you doubt that, take a look at what is going on in Venezuela.

The only question government should ask is: what is the best way for the poor to get high-quality healthcare?

It is neither necessary nor appropriate for the government to provide "free healthcare for all" because doing so would waste scarce taxpayer resources. Taxpayers could fund healthcare for those who cannot afford it, but where is the sense in interfering in the arrangements of those who can?

The proposed mandatory payments into the central NHI fund will crowd out private insurance as cash-strapped individuals will not be able to afford to pay their voluntary private-insurance premiums as well as the mandatory NHI payments. Those unable to pay the two premiums will be forced to use the already overstretched public health service.

While the rich can hop on a plane and seek medical care anywhere they please, it will be the poor and middle-class who will be unable to escape the vagaries of the government-controlled system. NHI would perversely increase the inequalities in healthcare, while concentrating power in the hands of state officials, leaving no room for private medical schemes.

Whether directly or indirectly, the government would control the availability, financing and delivery of your healthcare — the choice is no longer yours to make. Compulsory NHI funding would serve the government's interests, not yours.

How the NHI will be funded remains an open question. One thing is for sure, however: it will result in higher taxes on an already overtaxed population. The proposed payroll tax would be a tax on labour and will be borne by workers, either through lower pay or job losses.

With less money for savings and investment, the NHI will usher in even slower economic growth and less job creation, again hurting the poor. SA's 9-million unemployed cannot afford the costs NHI will impose.

This is not scaremongering. These are the economic realities. South Africans need to exercise real personal choice in choosing medical insurance that best meets their individual needs. Increased competition would force medical schemes and providers to compete directly for your money by providing value and choice. Personal ownership of healthcare would help control costs and guarantee better quality, eliminating the need to depend on the government.

South Africans fought hard for their freedoms from an overbearing state. Allowing the government to take over that most personal aspect of our lives, our healthcare, would undo these hard won gains.

Would it not be better to adopt a universal healthcare model, where the government funds healthcare for poor, and allows the private healthcare sector to grow, innovate and expand? Such a healthcare model would not only be good for SA's financial health, but would lead to better health outcomes for the poor, which is surely what we all want.

*by Jasson Urbach in Business Day*

- *Urbach is an economist at the Free Market Foundation.*