

NHI – Killing the goose that lays the golden eggs

The NHI scheme is seen by government as the cure to South Africa's Healthcare woes. It will improve quality in the public sector and it will reduce costs in the private sector- the ultimate solution for achieving universal healthcare in South Africa.

A cabinet decision in 2007 identified the need for a consistent assessment of the socio-economic impact (SEIA) of policy initiatives, legislation and regulations. This was the result of a study commissioned by the Presidency and the Treasury in response to concerns about the impact of regulations on the economy and failure to understand these. All draft policies, Bills or regulations published after 1 October 2015 had to include an impact assessment that has been signed off by the SEIAs Unit. This was clearly lacking in the NHI policy paper published in December 2015. The policy promises "Free healthcare for all". The concern is, that although *receiving* healthcare would be free, *providing* healthcare is not, and someone has to pay for it. South Africa has 5.7 million taxpayers, who would need to fund healthcare for 55 million people, including the 8.8 million medical scheme members, who are currently self-funding their healthcare.

The NHI White Paper postulates that a one year improvement in a nation's life expectancy can increase GDP per capita by 4% in the long run and higher productivity can lead to an additional 0.5% increase in GDP growth. Between 2004 and 2015, the average South African life expectancy increased by 9.1 years. The concomitant GDP growth, however, seems to be absent to support this theory in the South African context. The most probable cause is the 38% extended unemployment figures, which remains unconsidered.

The NHI is a socialist system, but it has to be funded by capitalist tax payers. According to SARS, 57% of South Africa's personal income taxes are paid by 480 000 high earning individuals. The fact that medical schemes will cease to exist under NHI and direct access to high quality private healthcare is not a certainty in this system, could raise some serious concerns amongst this group of tax payers. Having their right to access high quality private healthcare impinged upon, could lead these individuals to consider greener pastures. Emigration is a financial possibility for this group and a mere 200 000 emigrations could cut SA's personal tax revenue by 25%. This would create serious funding issues for the South African government in all categories of spending, including healthcare and social services. By the governments own admission, every R1 spent on healthcare creates 5 cents of extra economic activity in the long run. With no provision made for private spend in the NHI White paper, the economic effect of not spending R162 billion on private healthcare would reduce the SA GDP by R170 billion, a 4.2% reduction in GDP.

With the central NHI fund and the Minister determining prices for providers, a miscalculation of reimbursement levels for these providers could create further concerns for provider numbers available to the system. The minister is quite adamant that prices in the private sector must fall, and with current reimbursement rates already not considering individual practice costs, further reductions could be catastrophic. Inability to cover practice expenses under NHI would lead to providers to close shop, and with the public service not seen as a viable employment alternative, further emigrations could follow. If the NHI fund pays as efficiently as the government run Compensation fund, waiting 70 days for payment would not help to keep practices operating either. Medical schemes and administrators are huge employers of skilled individuals and a large scale reduction in the number of medical schemes (as is stated in the White Paper) would lead to a reduction in the number of scheme administrators and ultimately, a massive reduction of employment in the industry.

This attempt to improve access to quality healthcare for all, could lead to serious tax shortfalls by emigration, unemployment in the healthcare administration industry and a reduction in the number of healthcare providers, with a marked drop in GDP. The single payer NHI model is not a suitable universal healthcare model for South Africa and research backing this decision up as the correct one is still not forthcoming from government. Simply doing the required assessment of the socio-economic impact of the policy would prove it untenable and the energy and resources currently being spent on planning for NHI, could be spent on viable alternative options to achieving universal healthcare in South Africa.

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