

The impossible health pipedream

24 October 2016

When will the media and public wake up to the looming disaster of the proposed National Health Insurance? The free quality healthcare for all that the NHI white paper promises is an impossible pipedream that will fail to meet this objective, cost as much as R1 trillion, create a colossal bureaucracy, and destroy private health care in South Africa. The Free Market Foundation reports on the research done by the Institute of Race Relations' head of policy research, Dr Anthea Jeffery

The White Paper seeks a centralised system and a new 'NHI Fund', to be run by a government which already loses some 40% of its R600bn procurement budget to fraud and inflated prices. The R256bn (at least) to be paid into the NHI Fund each year will open yet another avenue for fraud, mismanagement, and corruption.

Price controls, as decided by officials, will be imposed on all hospitals, doctors and medicines, plus all other necessary goods and services. Bureaucrats will also decide on the treatment protocols to be followed by doctors, along with the diagnostic tests, medicines, and health technologies they may use. Membership of the NHI will be compulsory.

Health care for the people would shut down most private medical aids. Image youtube

This was the frightening message delivered by Dr Anthea Jeffery, Head of Policy Research, at the IRR (Institute of Race Relations) at a Free Market Foundation (FMF) media briefing on the alternatives to NHI recently.

NHI claims it will provide universal access to 'quality, affordable health services' that are free to all at the point of delivery. This will be done via the NHI Fund, into which all health monies will be paid and from which all health expenses will be met.

Jeffery said the NHI is based on a number of flawed assumptions and is likely in practice to prove unworkable and unaffordable. It will plunge SA's health care sector into chaos, exacerbating the already acute shortage of doctors, nurses, specialists, and other health professionals.

Most medical schemes will be forced to close

Private medical schemes will be limited to offering 'complementary' cover for health needs not dealt with by the NHI (specialist dentistry, rare diseases). The costs of such cover will be so high that most medical schemes will be forced to close. This, coupled with state controls over every aspect of medical treatment, will effectively put an end to private health care.

Some 55m South Africans will then be forced to rely on a public health sector beset by inefficiency and what Health Minister Dr Aaron Motsoaledi has called a 'management crisis' in public hospitals. An extra 320 000 bureaucrats could also be needed to run the NHI Fund alone, which will push costs up yet further.

No one knows what the NHI will cost. The white paper says total costs in 2025 will be R256bn in real terms; but industry experts point to much higher figures, ranging from R400bn to R720bn a year.

Astoundingly, the white paper also claims that it's 'not useful to focus on getting an exact number' on costs. Dr Aaron Motsoaledi has said the NHI 'could cost up to R1 trillion', depending on how it's designed.

The Department of Health (DoH) wants to pool all current public spending (R183bn) with all current private spending (R189bn), but the total of R372bn will still fall short of what is needed. *It also assumes that people will be happy to transfer what they currently spend on the efficient private health care of their choice into a public fund likely to give them very little in return.*

Jeffery argues that SA could achieve the goal of universal health care (UHC) by scrapping the NHI proposal and implementing more practical ideas. *We need, for example, to extend medical scheme membership to all in formal employment (15.6m people), which could be done by restoring risk rating and allowing low-cost options.*

We should also introduce state-funded health vouchers for the unemployed, which would allow them to buy into low-cost medical schemes and take out medical insurance to cover adverse changes in health status. These vouchers could be funded in various ways, including efficiency savings in public health care through public/private partnerships.

Government regulation has also done much to push up private health care costs and needs to be reversed. Other necessary reforms include boosting the supply of health professionals by allowing the private sector to train them.

Adds Jeffery: "We should give the poor access to the benefits of private health care, which include competition, innovation, and choice, rather than leaving them dependent on a public sector monopoly (the NHI) with all its inherent inefficiency. Raising unrealistic expectations about free health care holds dangers too, as demands for free education now clearly demonstrate."

By CM Publisher