HEALING SOUTH

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AFRICA'S ILLS

Is national health insurance the answer?

A furore erupted when government announced its plans to introduce a national health insurance for South Africa, with critics slamming the plan as a pipe-dream that will put an impossible strain on taxpayers. But, with the cost of private health care skyrocketing and the public health system still overburdened, **Brendon Bosworth** looks at whether a national health insurance scheme could be a viable solution.

The idea of a publicly funded and administered National Health Insurance (NHI) system became a step closer to reality last year when the ANC announced its intention to implement NHI in its 2009 election manifesto.

South Africa currently has a National Health System (NHS) in place, which is a network of public clinics and hospitals run by government and funded by tax revenue. A NHI scheme, on the other hand, would be a pool of funds collected by government to provide free private and public healthcare to all citizens.

While universal, free and efficient healthcare for everyone, regardless of their financial means, may sound like a human rights victory, the ANC's plan has been heavily criticised, with the most vocal of opponents arguing that South Africa is simply not in a position to afford or administer a NHI scheme.

Criticisms centre on the fact that the existing public health system is already meant to offer universal access to quality healthcare, but is poorly run, financially mismanaged and understaffed, with flailing infrastructure.

Many also believe there's no way the national health system, in its current state, will be able to cope with the additional demands of a NHI. As an example, economic research consultancy Econex predicts an extra 10 000 general practitioners and between 7 000 and 17 000 additional specialists would be required to meet the pressures of NHI. But, even taking the minimum number of extra doctors needed, that would equal more than half the 33 220 doctors currently working in South Africa.

Government's vagueness over how exactly it plans to roll out this ambitious scheme hasn't helped its case either. It has revealed the aim is to install the system within five years, but the exact details remain unclear.

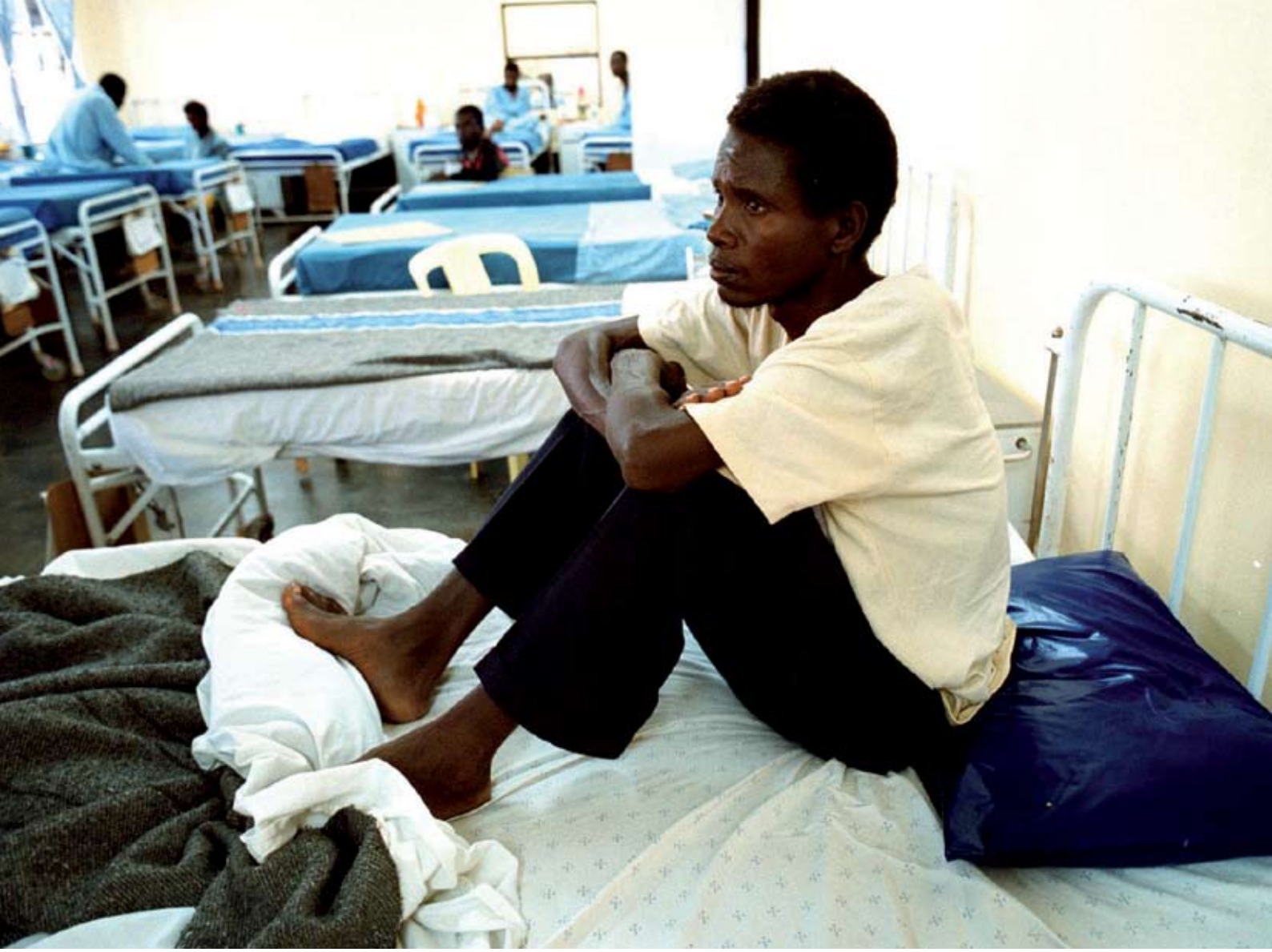
> 'Given the current state of affairs in South Africa, it will be extremely difficult to fully implement a NHI in five years'
> — Hein van Eck

Even government's five-year implementation target has been scornfully dismissed as unrealistic. This is a valid criticism considering Germany took 127 years to implement its NHI system from the point of legislation to full coverage, while Austria took 79 and Japan — one of only two countries to do so in fewer than 40 years — took 36 years.

"Countries that have achieved universal coverage through an insurance model in a relatively short time already had certain resources and institutions in place to start with…Given the current state of affairs in South Africa, it will be extremely difficult to fully implement a NHI in five years," contends Hein van Eck, general manager for health policy at Medi-Clinic Southern Africa.

How it will work

The little that is known about the proposed NHI scheme has been gleaned from two leaked ANC documents and two articles which appeared in *ANC Today*. Government envisages that a publicly administered National Health Insurance Authority (NHIA) will be created. This body will receive funds from employer and employee contributions via a new payroll tax, which will be mandatory for those earning above a certain threshold and split 50-50 between employers and employees. The NHIA will use this pool of funds to buy healthcare services



The Department of Health has been criticised for inefficient use of its resources

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and products from both private and public institutions.

Coverage will be universal; there will be zero co-payments. The NHI's benefit package will include primary care, inpatient and outpatient care, dental, and prescription drugs and supplies. People will be able to use public and private hospitals and doctors provided they are accredited by the NHIA.

Impossible costs

Government has not released cost estimates, but expert predictions paint a picture of the costs being beyond South Africa's affordability.

In a 2007 paper published in the *South African Health Review*, Professor Di McIntyre of UCT's School of Public Health and Family Medicine and health economist Alex van den Heever calculated that a single tier system for hospital and outpatient care services at private sector costs would amount to R318bn.

This amounts to 20.8% of the country's GDP, which is more than double the current 8.6% of GDP currently spent on running South Africa's national health system, and well over what other countries pay for their NHI bill. High income countries typically spend 8-10% of GDP on healthcare. America, saddled with the most expensive health system in the world, spends 15% of its GDP on healthcare.

> 'The assumption that NHI will be 100% funded by a mandatory contribution is wrong'
> — Olive Shisana

Economics professor Servaas van der Berg and extraordinary professor in statistics and actuarial science Heather McLeod calculate that a fund providing a very basic benefit package would result in a yearly cost of R251bn. This excludes costs related to administration and HIV/Aids. Even when adjusting this figure by 30%, to account for cheaper public services, the total still comes in at a whopping R176bn.

Econex, on the other hand, has put the estimated cost of an NHI at between R197bn and R216bn.

Dr Olive Shisana, chair of the Ministerial Advisory Committee responsible for advising minister of health Dr Aaron Motsoaledi on NHI implementation and policy, maintains that some of the estimates are too high because they use data based on inflated private sector costs and compare future spending with current spending.

But, even at the lowest estimate of R176bn, it's still a hefty bill considering that revenue from personal income tax is an

All citizens would be able to use NHI approved private health practitioners

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estimated R224.6bn for 2010/2011 and the National Treasury has budgeted R105bn for health expenditure this year.

Taxpayer concerns

The potential burden on taxpayers has been the chief concern raised since the ANC confirmed its NHI plans in 2009.

Countries that run efficient NHI systems typically have developed economies, such as the UK, Canada and France. This means they have high GDPs, high income levels, low unemployment levels and large taxpayer bases. South Africa, with its official unemployment rate of 25.2% for the first quarter of 2010, falls short in comparison.

As an example, Japan — which ranked 10th in the WHO's world health system rankings in 2000 — has an unemployment rate of just 5.2%.

Out of a population of close to 50 million people, South Africa has an individual taxpayer base of 5.3 million people. And, as highlighted by a South African Institute of Race Relations (SAIRR) report, we have a growing social welfare group, with the number of social grant recipients rising from 12.3 million in 2007/2008 to 13 million in 2008/2009.

Quite simply, South Africa already has too few people working and earning a taxable income to support the growing masses of poor and unemployed.

Shisana, however, contends that individual taxpayers will not be the only ones funding an NHI.

"The argument that only 5.3 million people pay tax in South Africa is not correct," she says. "Everyone pays VAT, everyone pays fuel levies…The assumption that NHI will be 100% funded by a mandatory contribution is wrong. The majority of the funding for NHI will come from general revenue, which is currently available. The mandatory contribution will form a small part of the NHI fund."

So, how much extra can taxable income earners expect to have docked from their pay slips to fund the NHI?

Calculations by van der Berg and McLeod give a 17% increase in payroll tax as a conservative estimate. Other projections put the cost at 3-5% of payroll tax with upper income earners paying the highest levies.

Rot in the system

Since 2006, government has increased the health budget by 76.6%, allocating R106bn to health for 2010/2011. A common criticism fired off by economists is that the chief problem is not a lack of financial resources, but rather the inefficient use of what is available.

A recent and disillusioning report, compiled by Lisa Haagensen for the SAIRR, identifies financial mismanagement, centralisation, poor general management, inappropriate appointments, poor hospital conditions, staff shortages, shortages of

SA has just over 33 000 doctors caring for the entire population

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The queue of patients at the Michael Maphongwana Community Health Clinic in Harare, Khayelitsha stretches out the door and around the corner. Photo: Siyabonga Kalipa/West Cape News

supplies, limited medical research and crime and security at hospitals as weaknesses debilitating the public healthcare sector.

The incidents supporting the allegations of financial mismanagement are alarming, including the irregular expenditure of R1.9 million, under-expenditure of R68 million on HIV/Aids and unauthorised expenditure of more than R1 million by the Gauteng Department of Health in the 2008/2009 financial year.

"Why create a massive new bureaucracy and complex infrastructure when what is most needed is to run the current national health system efficiently?" questions McLeod.

"The existing public health system reflects some of the worst institutional configurations in the world," charges van den Heever. "However, the private sector cannot deliver these services. The only solution is to understand why the public sector solutions are failing and to correct them."

Support from the private sector

Support for the NHI has, however, come from an unlikely corner: major players in the private health sector.

But, while companies like Netcare and Medi-Clinic have expressed support for the objectives of the NHI, they have raised concerns over the challenges facing its implementation.

Commenting on the likely effects of NHI on the private sector, Frost & Sullivan healthcare analyst, Lizelle Wentzel, says: "I believe that the private sector will continue in the way it has been operating, however we will see more public private partnerships. This will hopefully be in the form of more hospitals as well as more of the current private infrastructure opening beds and wings to public patients."

A NHI scheme may also be the answer to curtailing the spiralling costs of private care, says Shisana. "As a very large purchaser of services, the NHI will be in a strong position to exert pressure on the fees charged by private providers," she explains.

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> — Alex van den Heever

When it comes to the role of medical schemes under NHI, the Board of Healthcare Funders (BHF), which represents the majority of medical schemes in South Africa, has put forward a proposal that envisages medical schemes as "payers in a multi-payer system".

Essentially, this means that instead of receiving money direct from members they would receive it from the NHIA. It's also possible that private medical schemes will offer "top up" cover for benefits and procedures that fall beyond NHI coverage.

"Medical aids, as we currently know them, may have to adapt their offerings, as the NHI is meant to cover basic insurance," adds Wentzel. "Smaller medical aids may fall away and larger companies such as Discovery and Liberty will continue to operate, but possibly come out with different packages." TBI