

NHI white paper issues raised

By [Mike Settas](#)

3 Jul 2017

The two fundamental issues with the new white paper on National Health Insurance (NHI) are a single payer fund and the nationalisation of private healthcare without compensation.



Michael Settas, director: KaeloXelus

Single payer fund

In terms of the single payer fund, the white paper believes that the NHI can use bulk purchasing power to drive down the price of healthcare services. However, it then simultaneously declares that it will accredit medical service providers - public and private - and then set the prices at which they can sell their services to the NHI. It specifically states that it will deploy a "uniform reimbursement strategy" and that accredited service providers will not be allowed to deviate from that.

This raises a fundamental question. If the NHI is going to regulate the price at which the services are being procured, why does it need to use the bulk purchasing power of a single fund to reduce prices?

Nationalising private service providers

The white paper also declares that medical schemes will not function in parallel to the NHI, but will only be permitted to offer "complementary services" that are not available under the NHI. This will destroy the current medical scheme market and effectively nationalise most private service providers, since they will have no choice but to contract with the NHI for the defined services at regulated prices.

In a further contradiction, the white paper states that citizens will not be forced to use NHI services but if medical schemes cannot co-exist with the NHI, how will this choice be achieved?

Consequences

The two fundamentals of removing competition between funds and service providers will have disastrous consequences. Quality will suffer and the ultimate long-term impact will be higher prices – it's the undisputed consequence of removing competition from a market.

As the Department of Health currently operates, it's effectively a single payer fund. Citizens who cannot afford medical aid cover, have no choice but to receive their healthcare from state-funded public health facilities. The obvious quality problems that currently beset the public system are exactly what will transpire under a single payer NHI.

Value-based health systems

The best option would be to allow multiple paying funds - similar to medical schemes - that compete with each other on the price, quality and efficiency of their service. Prices for medical services should also not be set. These multiple funds should be allowed to freely contract with any provider - public or private - based on the quality of their clinical outcomes, rather than on the price they charge. This structure would ensure competition between funders as well as providers.

Value-based health systems are growing in popularity and success in many countries around the world. By sharing clinical data, treatment methodologies and health outcomes, these value-based systems are achieving superior clinical outcomes at lower costs. It also allows consumers freedom of choice and leads both funders and providers to focus not on revenue generating, but on the clinical outcome of the patient. Competing on the quality of the health outcome results in a win-win situation. Costs are controlled and quality rises.

Further consequences of what NHI is proposing will be a brain drain, as doctors emigrate to friendlier markets, and corruption is virtually certain to be endemic in a state-run NHI fund that, in today's value, will turnover in the region of R400bn annually.

ABOUT THE AUTHOR

Mike Settas is a director of KaeloXelus.

For more, visit: <https://www.bizcommunity.com>