FMF questions NHI financing model

The latest iteration of the National Health Insurance (NHI) policy paper is no closer to defining how much the scheme will cost and where the money will come from to pay for it.

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Meanwhile, SA risks running out of tax payers to finance its social security commitments, said Dr Johann Serfontein, senior healthcare consultant with HealthMan and Jasson Urbach, director & head of the Free Market Foundation's Health Policy Unit.

The NHI scheme is based on a government administered, centrally controlled, single-payer model. Healthcare decisions will be determined by government from the cradle to the grave. NHI will reduce the number of available services, mean fewer healthcare providers and patients will face long waiting lists. NHI concentrates power in the hands of government and requires it to act as both player and referee, leaving no room for the private sector. Under NHI, whether directly or indirectly, government will control the availability, financing and delivery of healthcare for all, a statement from the FMF says.

Politically motivated

"Given its timing and the absence of the substantial details, we can only assume that the release of the NHI policy document is politically motivated. Critical details such as cost, funding and from where the additional personnel (both medical and administrative) will come, are absent. What is clear is that it will not materially improve the health outcomes of the poorest and most vulnerable members of society," Urbach says.

The NHI policy paper states, “An NHI Fund must be established through legislation. The sources of revenue for the fund will be through a combination of pre-payment taxes derived from general taxes and complemented by mandatory payroll and surcharge taxes”. The Davis Tax Committee confirms that the tax to GDP ratio will need to rise “quite substantially”.

However, high levels of unemployment mean that South Africa suffers from relatively low levels of incomes and, critically, a very narrow tax base: only 3.5m people shoulder 99% of the total personal income tax take. There are too few tax payers in SA to finance NHI, the foundation said.

“NHI will mean that the 3.6% (of a total of 8.5%) of GDP spent by 16% of the population on their own healthcare should be redistributed to the whole population. This is unconstitutional.”

Factual inaccuracies

Serfontein said that the minister and department of health consistently use factual inaccuracies to justify NHI. “It is inaccurate to say that 80% of specialists serve only 20% of the population. HPCSA registration figures show that, at most, 66% of specialists work in the private sector. It is also inaccurate to say the private sector is poaching doctors from the state. Between 2002 and 2010, there were 11,700 medical school graduates in South Africa. The public sector created only 4,403 posts in that same period.”

Other flaws in the NHI are:

- The costing models are unrealistic and still based on the 2010 green paper. Simply inflating these costs from 2010 to 2017 values, increases the cost in 2024 to R372bn.
- The implementation of NHI will reduce, not increase access to services as shortfalls will not be covered by increases in taxes and the predicted low growth.
- Currently only 33% of government facilities comply with the Office of Health Standards Compliance (OHSC) standards required to contract with the NHI fund. The 30,000 to 70,000 existing private practices would require the OHSC to increase their inspection budget from R34.5m to between R700m and R1.4bn.
- The NHI fund will be the single largest state owned entity in South Africa and risks being as corrupt and failed as SASSA, Eskom, SABC, Compensation Fund, RAF, SAA, SANRAL, PetroSA and ACSA. Failure to pay providers could collapse service delivery in the entire health system.
- Only service delivery costs are mentioned, not administration.
- A single strategic purchaser is not justifiable. If the NHI fund is going to set prices, it does not need monopsony buying power to reduce them.
- Medical schemes will only be allowed to cover services not in the NHI basket but there is no clarity.
- Medical scheme options will be reduced and tax credits scrapped. Members will also have to pay full price for the state system charged at current income tax threshold levels.

“Government’s role should be to finance healthcare for the poor and leave the private market alone to provide for those able to fund their own healthcare.

“This will allow government to concentrate scarce taxpayer resources on the truly destitute, whilst allowing the private sector to grow, innovate and expand. In order to fulfil this task of acting as financier, the government can and should enlist the support and help of the private sector by contracting out those services that can be provided more efficiently by private providers and administrators.

“In the same way as people have many options to choose from in household insurance, car insurance and myriad other products and services, publicly-funded patients will then have a multiplicity of medical schemes to choose from. Competition between public and private hospitals and clinics to win business from taxpayer-funded public health insurance beneficiaries will ensure the best service for the best price,” they said.