

Tax credits, funding and the NHI

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An Econex research report indicating that 1.9-million medical scheme members might not be able to afford medical aid if the tax credit is scrapped to fund National Health Insurance (NHI) has caused quite a stir.



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Scrapping the tax credit

This would lead to these members having to access health services through the public sector. Of no apparent concern to the minister is the increased burden this would place on the public sector even though he indicated in a recent interview that the public sector is already overburdened. The scrapping of tax credits was proposed by the minister and further supported by the ANC health policy unit earlier in the year. This measure is also in the NHI White Paper as a proposed source of funding for the NHI project.

Of interest is the fact that there was a document published in the *Government Gazette* on 7 July, which says the exact opposite. *The NHI Implementation: Institutions, Bodies and Commissions that must be established* paper states in the terms of reference of the National Advisory Committee on the consolidation of financing arrangements, that there will be introduction of mandatory membership of medical schemes by formally employed and that “where appropriate, the state will provide a subsidy against the annual contributions, either upfront or through the tax credit system”. This does seem to create some ambiguity in light of the minister’s position.

Employer subsidy for state employees

A second contentious issue is the scrapping of the employer subsidy for state employees, which is stated in the White Paper and confirmed in the 7 July document. Cosatu has been a major supporter of the NHI policy and, recently, has called for the dismissal of the health minister for the delays in implementation of the single-payer system. The average Cosatu member, however, could see their employee benefits package reduced by between R24,240 and R61,000 per annum (tax credit + state medical scheme subsidy), if they work for the state.

Cosatu’s member unions will most definitely not stand idly by while this happens to their members, especially in the absence of a finalised NHI system to deliver free healthcare services to them. The current public service bargaining council negotiations contain an included demand for higher medical scheme subsidies. The unions will surely insist on this subsidy

amount being added to the cash portion of the employment package to their members. It is highly unlikely that any funds government saves by cancelling these subsidies and tax credits to state employees will become available for financing of the NHI fund. One needs to question awareness of this situation amongst union members on the ground and whether they would allow such vocal support of NHI from their leadership if it is going to have a substantial impact on their employment benefits package.

Constitutional implications

The major concern with the cancellation of the tax credits is the potential constitutional implications. A portion of the 1.9-m scheme members who might have to give up their scheme membership as unaffordable, earns above the R350,000 threshold set for full payment for services in the public health sector. While these individuals might be able to fund primary healthcare in public or private with cash spend, any condition that requires hospitalisation is likely to prove financially catastrophic.

This portion of the population could have their access to healthcare reduced by repurposing their tax credits for NHI funding, while they, themselves, do not have access to the incomplete NHI system as remedy. In the absence of the very NHI system for which the tax credit is purported to be utilised by the government, it would be a tough task to convince the Constitutional Court that the right of access to healthcare is not being unfairly limited by this step.

Universal health coverage

If one looks at the WHO principles of universal health coverage, it is structured to offer an affordable basic basket of services for everyone. South Africa cannot afford the NHI version of comprehensive free cover for all in the current economic climate. Should economic pressures force the South African healthcare system to revert to a basic basket of free services through the NHI, what structure is in place to fund the more complex services?

With the rampant unemployment and poverty in SA, there is a limited number of people who can afford to pay for any complementary medical scheme cover outside the basic package. This is the funding gap that would need to be addressed in SA. Under NHI, medical schemes would cover complementary services, but what about the estimated 50-million people who would be unable to afford scheme cover in the NHI environment?

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