

Blow to NHI — but is anyone listening? – Financial Mail 3 October 2019

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If trade & industry minister Ebrahim Patel thinks his 69-month "health market inquiry" strengthens the argument for National Health Insurance (NHI), he's sorely mistaken. This week, the panel set up under former chief justice Sandile Ngcobo to examine competition in the private health-care market, which began work in 2014, released its final report.

Ngcobo's panel concluded that the private health-care market is characterised by "high costs" and "overutilisation" of services, "disempowered and uninformed consumers" and a "failure of accountability at many levels".

But in an understated way, the report was brutal in its critique of the government's handling of the health system. After this, you'd have to be particularly bullheaded — and impervious to facts — to be steaming ahead with NHI without pause.

Ngcobo's panel found the reason the private health-care sector is inefficient and uncompetitive is there has been "inadequate stewardship" by the department of health, which has "not used existing legislated powers" and has failed "to hold regulators sufficiently accountable".

It's a searing assessment. The public sector health system, which the government controls, is decrepit and imploding; now it seems it can't even do the job of overseeing the private sector. Yet, under NHI, we'd supposedly entrust the whole shebang to that same government?

Of course, quite what health minister Zweli Mkhize thinks about this criticism, no-one knows: he didn't attend the release of the report, and his department didn't bother making a single submission to Ngcobo's panel in five years.

There are other problems the inquiry flagged for NHI. For one thing, NHI is meant to work through a single fund being set up to "buy" services from doctors and hospitals.

But even in the private sector, the purchasing of medical services is hardly seamless. Ngcobo's panel found there is a "general absence of value-based purchasing". In other words, medical aids aren't getting the best deal for patients.

But if the medical aids can't even get their buying right, what hope will a state-run fund have? After all, giving a state-run entity a monopoly and an open chequebook isn't a recipe for efficiency.

There's another fundamental issue. Ngcobo's panel was seeking ways to boost competition in the health-care sector. Yet NHI, run through a single fund, will by design be inherently anticompetitive. The NHI Bill even explicitly exempts the fund from the ambit of competition regulators.

One of Ngcobo's panel members, Cees van Gent, admitted as much. "A single buyer takes the buying side of the market out of competition. There is not competition," he said.

But, Van Gent added: "What now needs to be done is to hold the government accountable to effectively run that fund ... you guys, the voters, and your parliament, of course, have to make sure the fund is run effectively and efficiently."

Which is exactly where the distrust lies. If SA's doctors, dentists and specialists don't even trust medical aids, how much trust do you imagine they'll place in a state-run fund?

Of course, none of this is to imply that the private health-care market is an optimal, well-oiled machine. For one thing, it's clear that some of the largest companies have been able to work this system to make immense profits.

Discovery, which administers the medical aid of the same name, made a "return on sales" of 32.4% in 2015, vastly exceeding rivals, said the panel. And three hospital groups dominate the market: Netcare (31% of beds), Mediclinic (26.8%) and Life Healthcare (25.3%) — which makes it harder for patients to exercise their choice based on quality and price.

But imposing NHI on top of all would only make things worse. We must ask: are the policymakers watching out for these red flags? Or are they determined to make it happen, irrespective of what the evidence shows?