

NHI poses no threat to the private sector – IOL 4 October 2019

REMGRO chief executive Jannie Durand, in an interview published in a leading business newspaper last week, took a dim view of the incoming National Health Insurance (NHI), calling it “vague” and a potential threat to the company’s investments. The investment company has a stake in the private hospital group, Medielinic.

Unfortunately, a group whose companies have significant interests in medical aid scheme administration managed care and brokerage services should have misgivings around the introduction of universal health care.

The view expressed that the private sector “has shown that it can run health facilities much better and cheaply” opens itself up to challenge. Looking at the recently released findings of the Health Market Inquiry (HMI), his misguided view is inaccurate and disingenuous, to say the least.

It is laudable that private sector role players, particularly those linked to the health sector, concur that the government needs to improve health care.

However, given that there has been a need for several investigations into ballooning private health care costs - including by the South African Human Rights Commission and the Council for Medical Schemes Section 59 investigation - clearly, all is not rosy.

It is fallacious and utterly misleading to portray the private healthcare sector as being highly efficient, cost-effective and value for money. According to the authors of the HMI, the South African private health care market “is characterised by high and rising costs of medical scheme cover”.

This sector continues to experience challenges where private hospitals and specialists are amongst the top cost drivers. Medical schemes’ increasing rates continue to spiral above the Consumer Price Index, creating affordability barriers.

Private sector critics of the NHI continue to red flag the potential for corruption, abuse and maladministration, which are legitimate concerns that the government has since introduced measures to mitigate.

However, the private health care sector has significant challenges in this regard. Various inquiries into the health sector, including the HMI, point to among other things, rampant fraud, wastage and the abuse of resources, conflict of interest, anti-competitive behaviour, failures in accountability, market concentration and an upsurge of member complaints.

Market concentration is particularly problematic as it has the potential to crowd out or dilute the benefits of the economies of scope and scale, especially for those schemes which are not able to exercise strategic purchasing for the benefit of their members.

The issue of cost-benefit to the country as a whole is another area of concern that needs to be addressed. Total healthcare spending (inclusive of both private and public) is the third-largest item of government expenditure.

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In the 2017/18 financial year, it accounted for 32% of total spending by provincial governments. As a share of our GDP, it accounts for 8,8%.

And yet, as President Cyril Ramaphosa noted at the launch of the Health Sector Anti-Corruption Forum, there is “a fundamental disjoint between what we are spending on health care and the health outcomes for our citizens”.

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*** The views expressed herein are not necessarily the views of Independent Media.*