C-19 and the case against a state-run NHI - Daily Maverick 13 September 2020

Government has no legal means to access the R200-billion that is privately funded by medical scheme members, so the only option is to legislate a monopoly for itself and increase the NHI budget beyond the existing public sector budget by raising dedicated NHI taxes or levies. In our post-Covid economic meltdown, that is about as likely to happen as Donald Trump apologising for being misogynistic.

The weaknesses shown in public health delivery during the Covid-19 pandemic — most especially in the Eastern Cape — has emboldened a resurgence of National Health Insurance (NHI) protagonists. The claims of the NHI proponents, however, remain steeped in an emotive and largely naïve assessment that almost exclusively blames the state's inability to deliver quality care on a perceived maldistribution of resources between the private and public sectors.

However, like almost all emotive arguments, it rapidly loses credibility once an objective assessment of the facts is presented. The counterargument presented here is not to be cruel in any way or to deny that many NHI advocates have the best intentions for the impoverished people in our society who are often carelessly subjected to substandard public health services.

It is, however, behest upon all who care about the massive challenges this country now faces, that we juxtapose the emotive cause for NHI against an informed, objective and rational assessment of what the government is proposing. This scapegoating around resource deficiency attempts to hide the fact that SA has a per capita public sector health budget way higher than many peer countries with similar per capita GDP levels. Yet when we compare our clinical outcomes against these same countries, we fare poorly. This points to inefficient spending — *not insufficient resources*.

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relate to corruption, graft or some other form of deceitful procurement.

In essence, SA gets very poor bang for its buck on healthcare. It is the typical SA problem — not too dissimilar to those afflictions besetting the Department of Education — corruption, graft, jobs-for-pals and other forms of malfeasance have stripped these important two departments of their capacity to deliver the essential services that they are financed by taxpayers to deliver upon.

To put it mildly, the NHI is a gargantuan proposal. Not only does it call for the centralisation of all healthcare funding in the country into a single national payer (ie the NHI Fund), but it proposes to nationalise the private health sector into delivering care at prices set by a central NHI pricing committee.

Writing in *City Press* recently, Sasha Stevenson of Section 27 rightly pointed out the massive concerns around further entrenching the already endemic corruption through such a highly centralised contracting and procurement system as the NHI is calling for. Additionally, she echoes the concerns of many that the powers accorded to the Health Minister in the NHI Bill in appointing the NHI's executive and its numerous committees is far too concentrated, with insufficient oversight on those decision-making processes.

While there is no doubt that the corruption concerns raised by Stevenson are entirely legitimate, the danger that we now face is to purely concentrate our concerns on this NHI proposal as they relate to corruption, graft or some other form of deceitful procurement. The truth is that even if we could magically whisk away all corruption concerns around the NHI, it remains an incredibly poorly researched proposal, heavily steeped in the central tenets of socialist ideology, and makes very large populist claims of delivering comprehensive quality care that will be "free" for all.

At now 11 years old, a proposal of this magnitude should have already undergone a deluge of technical, evidence-led research and analysis, as well as widespread constructive engagement with affected stakeholders. None of this has happened and remains a glaring omission in the NHI development process — which may yet expose it to extensive legal challenges.

Scenario-testing should have been undertaken to assess the attributes and consequences of its multiplicity of proposals. One example is how the public sector facilities will transition their funding model from the current central budget allocations they receive automatically from their provinces, to one where they will be required to meet clinical standards set by the Office of the Health Standards Compliance (OHSC) before they will earn a cent from the NHI! If they do not meet the OHSC requisite standard, their income under the NHI proposals goes to zero overnight. What then happens to the public sector workers employed in that facility? What happens to the citizens in the region who may not have the option to receive care if another accredited facility is not locally available? There are no answers to these questions because no assessments of this nature have been performed.

To make the above point even more bizarre, in the OHSC's last inspection report published in 2018, of the 696 public facilities it assessed only seven met the minimum standard to be accredited under NHI. How does the government propose

running the NHI if it can only accredit about 1% of its public facilities to deliver care to the population?

Given that the public budget of R226-billion is taxpayer-funded and the about R200-billion paid to medical schemes is privately funded by their members, it remains a mystery as to how the establishment of the NHI will achieve a resource balance between these two sectors. Private taxpayers currently already fund both the public and private sectors — the former sector via taxes and the latter via voluntary medical scheme contributions.

Further to these sorts of technical matters are the legal structures of public entities — only a minority of public facilities are juristic entities with the balance being divisions of either local, regional or provincial departments. How do these various facilities then enter into separate accreditation agreements with the NHI Fund when they have no legal standing to do so? Again, no answers to these questions are available.

Two principles on which the NHI is proposed are that it will improve efficiencies in the delivery of care by centralising the procurement and funding of all healthcare and, second, that it will correct the resource imbalance that exists between the public and private sector.

The single-payer NHI Fund will receive all the healthcare funding nationally and then make payment for procurement of all services, also nationally. This is no doubt the most extreme form of a monopoly one can imagine. And we all know that monopolies never improve efficiencies or reduce costs — they always do the opposite. Government's argument on the need for yet more centralisation to supposedly improve efficiencies is blatantly spurious.

The second principle that the NHI will supposedly achieve is to correct the resource imbalance that exists between the public and private sectors. The essence of why this principle is required is based on a superficial assessment that the public sector is currently funded to the tune of R226-billion a year to serve ±83% of the population, whereas the private sector, primarily funded via medical scheme contributions, receives funding of about R200-billion a year to serve only 17% of the population — about 9 million people.

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The NHI proposal is set to establish what is known as a complementary single-payer model — the complementary nature means that private sector medical schemes cannot compete with the NHI by funding medical services that will be included into the, as yet to be defined, NHI basket of care. This means that the 9 million people who currently voluntarily fund their own healthcare to the tune of R200-billion through medical scheme contributions, will no longer be permitted to keep that level

of funding into medical schemes, and will be compelled to rely on the NHI for the services contained in the NHI basket of care.

Ironically, in 2012 the government launched the Health Market Inquiry to assess the state of competition within the private sector. The cost of the inquiry to taxpayers over six years was a cool R200-million — but admittedly the findings of the inquiry were evidence-based, rational and there was substantial and substantive stakeholder engagement through the process.

This then means that the existing public health budget of R226-billion, which will be channelled through the NHI Fund, will be responsible for funding healthcare for 100% of the country's citizens, hence the per capita budget allocation in an NHI world will effectively decrease — not increase.

It is loosely discussed in the NHI proposals that there will be more money available than the current R226-billion annual public budget. It assumes all that will happen is that the 9 million medical scheme members will readily divert their R200-billion annual spend towards the NHI and not towards medical schemes. By some form of magical osmosis, one has to presume. Or more realistically, through new, dedicated NHI taxes.

Government has no legal means to access the R200-billion that is privately and voluntarily funded by medical scheme members, so the only option is to legislate a monopoly for itself and then to increase the NHI budget beyond the existing public sector budget by raising dedicated NHI taxes or levies. In our current post-Covid economic meltdown, that is about as likely to happen as Donald Trump apologising for being misogynistic.

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However, if the NHI proposals are to be realised, then the inquiry's findings are superfluous.

This, however, lays bare the essence of contradictions that perpetually exist in the country's policy positions. Why spend R200-million on an inquiry into a sector if you intend to nationalise it? Equally irrational, why pile more liability on to the state by making the NHI a monopolised complementary system when you have zero fiscal space to raise more dedicated NHI taxes?

If logic were as abundantly available in government as is blind ideology, we would fare far better. But we do not, because the government's perpetual obsession with outdated socialist ideology robs the country of implementing well-researched, rational and technically sound proposals. **DM**