

Here's why SA needs NHI — and private health care too – Financial Mail 10 Nov 2020

SA needs a hybrid approach that provides a platform for both private and public health care

It would be a pity to let a good crisis go to waste (with apologies to Winston Churchill). And if there's anything SA has learnt from the Covid-19 pandemic, it's that our public health-care system is more robust than many thought and under finer leadership than many expected. The public and private health-care sectors have seen just how much can be achieved through effective communication and collaboration.

But what does that mean for the future of SA health care, in an environment where many believe that the government's National Health Insurance (NHI) programme is a pipe dream, while others seem determined to make it happen, no matter the cost and its implications to the country's fiscus? But some people — and I am one of them — believe that our country has no choice but to find a way to offer universally accessible health care, of a high standard, and that public and private sectors need to work together to achieve this.

I discussed this issue with industry colleagues Dr Ryan Noach from Discovery Health, Lee Callakoppen from Bonitas Medical Fund, and Dr Gunvant Goolab, an independent health expert. We agreed that Covid-19 has created a solidarity between public and private health-care sectors that can form the foundation for constructive conversations to design a sustainable system for the future.

ADVERTISING

We were unanimous in our view that the private health-care system cannot be broken or dismantled in favour of the public health-care environment. Doing so would not solve the funding issue, as any funds within medical schemes that were dissolved would have to be distributed among members, as per the Council for Medical Schemes' rules — and would not go into the country's fiscus.

Medical schemes themselves are significant contributors to the fiscus through their own corporate tax contributions.

One way to help fund the NHI would be to remove the medical scheme contribution tax relief that's in place — but that wouldn't be sufficient, meaning that a new tax would have to be applied to the country's already overburdened tax base, which would simply not be able to afford it.

We discussed the Council for Medical Schemes' plans to create a solution for the eight-million South Africans who can't afford, or do not need the full cover of, the [more than 200 currently prescribed minimum benefits](#). This missing “middle” product (a private sector product with fewer prescribed minimum benefits) would shift all of these customers from the public sector, relieving some of the pressure there, and give them access to private health care.

It would also expand the number of South Africans able to access medical aid support from the [16.4% of the population](#) that [belong to medical schemes](#), out of the country's population of [59.6-million](#).

This would reduce the cost of private health care by about 23% by bringing a much younger customer base into the sector, while freeing the public sector to focus on its core patient group. It would neutralise the disparity between private and public spending per patient, which sits at R21,000 a person, a year in the former, compared with R355 a person, a year in the latter.

Making medical aid more affordable for more people would also add to the tax contributions paid by medical schemes, with their gross scheme contribution of R192bn further boosting the country's tax base.

The sector is complex at the best of times and challenging for the average South African to understand. Not only are the various medical aid products complex and sophisticated, with hundreds of benefit categories, but there's lots of jargon that is challenging for individuals and even employee benefit managers in corporates to understand.

It's in navigating the complexities of financial services such as medical schemes and retirement planning that independent advisers provide a valuable and essential service to individuals and corporates. Not only are they able to identify conflicts of interest, superfluous cover and unnecessary costs, they are able to help each scheme member identify the cover that's most appropriate to their individual needs.

This power of choice — and being empowered to make the best choices for yourself and your family — are at the heart of the country's need for a hybrid approach that provides a platform for private and public health care, and creates opportunities for both sectors to collaborate to provide access to fair and equitable health care.

Underlying this is the inarguable need for the government to continue in its growing drive of rooting out fraud, corruption, and under-delivery in the sector, regaining the trust of the players in the health-care industry and the citizens who turn to the sector for help in their times of need.

Visit the [ASI Financial Services website](#) for more information.