

NHI Bill rattles South African economy

“The share prices of private healthcare companies plunged after the bill was tabled in Parliament recently,” reported *Business Times* (18 August 2019). “Medical aid schemes have taken centre stage since the tabling of the bill, with questions about the future of their business as well as what kind of cover they are expected to provide under the NHI. This is because the bill is unclear about their role, stating that once NHI is fully implemented in 2026, medical schemes can offer only complementary cover not provided under NHI.

“By Friday (16 August) **Discovery’s** share price had shed 4.17%. AfroCentric, whose subsidiary Medscheme administrates 16 medical schemes, tumbled 16.29% and Momentum’s shares lost 2.62%. The losses for shareholders were about R5-bn,”

Discovery announced on the JSE news service, that substantially limiting the role of medical schemes “would be counterproductive to the NHI because there are simply insufficient resources to meet the needs of all South Africans”.

Despite the potentially negative implications for medical aids, Discovery Health CEO **Jonathan Broomberg** said that once it was fully implemented “the NHI will create additional opportunities for medical schemes to innovate in their products and for the development of new health insurance products outside of the medical scheme environment”.

Karl Leinberger, chief investment officer at **Coronation**, a Discovery shareholder, said that “while his company supports the goal of delivering better healthcare for all, the question is whether more couldn’t be done to improve government service delivery without a massive restructuring of the private healthcare system.

Paula Armstrong, a senior consultant at **FTI Consulting**, said the bill had created uncertainty over the long-term role of medical schemes. She said restricting their cover would result in people opting out of schemes, meaning the membership pool would shrink, resulting in premiums rising.

Herman Bosman, CEO of **RMI Investments**, which has a 25% stake in Discovery, said that though the bill had created uncertainty, “share price reaction to this uncertainty is overdone”.

Private hospital group Mediclinic says it supports the government’s plan of providing universal health coverage but has stressed that more clarity is needed regarding the legislation.

Aspen Pharmacare’s shares fell almost 30%. Over six months the share price is down about 50%, and over three years 80%.

Confusion about NHI is driving panic, say business leaders

Private industry leaders and deputy director-general of the DoH, Anban Pillay, spent the first day of the annual Hospital Association of Southern Africa’s (HASA) conference focusing on NHI, reported *Times Select* (27 August 2019)

Stavros Nicolau, head of the pharmaceutical task team representing drug companies, claimed NHI panic had wiped R65-bn off the market value of private health companies in SA, which affected returns on pensions.

Barry Childs, healthcare actuary, said there had been “a massive overreaction” in the market to NHI news.

Dr Jonathan Broomberg head of Discovery Health: There is still significant ambiguity and confusion in the bill which is a big reason for the market’s negative reaction to the bill

Health Minister Zweli Mkhize: There has been a concerted campaign from some parties to spread false information intended to scare people into believing that the NHI is a monster that will destroy everything that currently exists. Nothing can be further from the truth, he said.

“His proposition is that we should support NHI, and then prepare for thorough engagement on the details,” reported *Times Select*.

NHI expenditure will be R450bn - Fitch

Fitch Solutions, a unit of the Fitch Group, projects the government's healthcare expenditure will reach nearly R450-bn by 2028, following its decision to implement the NHI system, reported ***Business Report*** (2 September 2019). According to Fitch's research government health expenditure could post a 9.9% 10-year compound annual growth rate (CAGR) reaching R449.9-bn by 2028. It expects private health expenditure to gradually decline, posting a 1.6% five-year CAGR, amounting to R224-bn by 2028.

NHI won't shift our focus, says Discovery CEO

According to Discovery, CEO Adrian Gore, the company did not predict any dramatic change in its strategic planning for the medical scheme administration business. Speaking at the company's annual results for the year ended in June, Gore said the role of the private sector is critical to the success of NHI and not including it would be counterproductive because SA does not have sufficient resources for it. Discovery's results show profits from its health business increased 10%, while the group's profits rose 15% to R6.6-bn.

*In an article, published in ***Business Day*** (5 September 2019) Gore presented an analysis on the implications of funding NHI that showed the average monthly healthcare spend per person by members of medical schemes is R1 726 versus just R372 spent by the government on behalf of people accessing the public health system. Were the government to pursue the most comprehensive version of universal healthcare and replace the R206-bn made in contributions to private medical schemes through contributions to NHI via higher taxes, the average spend on healthcare per person per month would only rise to R576, said Gore.

"Singing in the rain"

"It has been one of the more challenging weeks for SA's quintessential corporate optimist, Adrian Gore, to keep the legendary pep in his step" wrote Rob Rose & Stephen Cranston in ***Financial Mail*** (12 September). "Gore, who built Discovery into SA's largest medical aid administrator in just 27 years, has long been the antidote to the waves of negativity that seem to assail SA every few months."