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THE ANC'S DISASTROUS NATIONAL HEALTH INSURANCE PROPOSAL

By Dave Steward: Chairman, FW de Klerk Foundation

There is nothing wrong with first world national health schemes if you are a first world country. Unfortunately, South Africa is not a first world country and simply does not have the resources or manpower to achieve the ambitious objectives of the ANC's proposed National Health Insurance (NHI) scheme.

As it stands, the NHI has the potential to cause more havoc than even the dire prospect of expropriation without compensation. If it is implemented as envisaged it will have a direct impact on the lived experience of South Africa's multi-racial middle class, millions of South Africans who already bear a heavy tax burden. If parents with sick children have to wait for weeks for medical appointments - and for yet more weeks to see specialists - their frustration and anger will dominate their lives. And to make things worse, the NHI will not make any difference to the presently crippled and defunct public health system.

The continuing availability of decent health care could be a decisive factor for many of those, of all races, who are considering their future in South Africa, particularly the young, the well-qualified and the entrepreneurial with the means to move.

- If middle-class emigration - now estimated at 3 000 per month - accelerates, there will be serious consequences for the country's tax and skills bases. Many emigrants will come from the 2% of tax-payers who pay 70% of personal taxes. Their departure will further deplete our skills base - without which the Fourth Industrial Revolution will simply pass South Africa by.
- If private hospitals can no longer take the financial, procurement and pricing decisions that are essential for their viability, they will close.
- If doctors and specialists are forced to practise, set their fees and wait for remuneration at the behest of a distant bureaucracy, many will join the thousands of medical personnel who have already left South Africa. According to a Solidarity survey, 43% of doctors would consider emigration.

Yet these would in all likelihood be the unintended consequences of the NHI. Under the scheme:

- the NHI would be the core purchaser and provider of medical services and medicines to people living in South Africa;
- registered health care users would be entitled to free medical care and medicine from accredited service providers;
- health service providers would decide on treatment and referrals to specialists and would be reimbursed by the NHI; and
- the NHI would decide annually what payment rates would be applicable to health care service providers.



The very rich could continue to buy private medical services - but would have to pay three times for their health care - first through their normal taxes, secondly through the NHI tax surcharge and finally out of their pockets.

All this would be phased in over a seven-year period to be completed in 2026. Existing medical insurance schemes would continue to operate until then. However, after 2026 they would be able to offer only supplementary cover for services not reimbursable by the NHI.

The NHI would be managed by a vast new bureaucracy which, we are assured, would be run on a cost-effective and corruption-free basis. In the UK, which has a long tradition of corruption-free administrative efficiency, the National Health Service employs 1.7 million people - a million of whom are involved in administration.

Where would the NHI find the skilled manpower to administer the scheme - and who would pay for it? Government has shown that it cannot run existing SOEs effectively - what would make the NHI different?

There is no clarity at all on what the NHI would cost. The White Paper talks of R256 billion by 2026 - in 2010 rands. However, this is already R420 billion in 2019 rands. Given the government's proclivity to underestimate and mismanage costs - the final figure would probably be *at least* R450 - R500 billion (in 2019 rands). (By comparison, the British NHS costs R2.3 trillion rand for a population of 65 million).

This would be funded from:

- the annual health budget (+/- R230 billion this year);
- medical tax credits, (+/- R20 billion);
- a payroll tax; and
- a surcharge on personal income tax.

The payroll tax and surcharge would have to yield R200 - 250 billion - compared with 2019 receipts of R553 billion from personal income tax and R230 billion from corporate income tax.

It is accordingly not surprising that the Report of the Davis Tax Committee on the Financing of the NHI has stated that:

"...given the current costing parameters outlined in the White Paper, the proposed NHI, in its current format, is unlikely to be sustainable unless there is sustained economic growth."

Why is the ANC so intent on pressing ahead with so potentially ruinous an initiative at a time when:

- there are such grave doubts regarding its affordability (shared by Treasury, no less);
- it has failed to address the serious inadequacies in public health care delivery (and there is no indication that anything is improving on this front);



- most NHI pilot studies ended in failure;
- the country is facing bankruptcy because of its half trillion rand parastatal debt - and;
- It is about to embark on an equally disastrous process of expropriation without compensation?

The ANC's first motivation is its ideological commitment - confirmed by its Nasrec resolutions - to impose equality through wealth redistribution - rather than by evolving equality through decent education, sustained economic growth and job creation.

The ANC is right about the inequality of health care delivery. Public health expenditure for 2019-20 is +/- R230 billion - which is only 4.1% of GDP compared with a global average of 6.3%. However, 4.5% of GDP (52% of the total health spend) is spent on private health care for only the 16% of South Africans who are covered by medical insurance and the 8% - 10% who pay for private medical care from their own pockets. (It is important to note that this is not a black/white thing: only one-third of those with access to private medical care are white).

What the ANC forgets is that the 4.5% of GDP that citizens and companies pay for private medical care is discretionary spending from their after-tax incomes.

The ANC is desperate to proceed at any cost. It seems to believe that complex problems can be solved by convening summits, publishing reports and establishing bureaucracies, instead of allowing individuals, companies and markets to make their own choices. As Chris Hart puts it: the ANC sees all the problems as solutions and all the solutions as problems.

There is a strong argument for the reform of health care delivery. However, this can best be achieved by:

- gradually raising expenditure on public health care from 4.1% to 6% of GDP;
- by fixing the seriously dysfunctional public health care system;
- by making private health care delivery more competitive and efficient; and
- by incentivising companies to extend medical insurance to many more of their employees.

There are, however, a number of reasons why the NHI might not be implemented as envisaged:

- aspects of the *NHI Bill* may be unconstitutional, particularly because of the manner in which it will erode the concurrent responsibility of provinces for the provision of health care;
- the NHI will prove to be unaffordable - especially if South Africa is forced to go to the IMF for a bail-out; and
- the scheme will have a negative impact on the healthcare of the ANC's own leadership and middle-class base.



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The NHI is full of good intentions. However, the road to health care perdition is paved with such intentions and terminates in potentially disastrous unintended consequences. All those who are concerned about the extension of more equitable health care to all the people of South Africa should say “No!” to the NHI. They should unite to work for a fair and practical system that will significantly improve public health care delivery - and that will not, at the same time, erode South Africa’s existing private health care system.