

Press Release

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South African Institute of Race Relations
The power of ideas

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NHI will devastate private healthcare without improving public health services

‘What’s Wrong with the Golden Promise of the NHI?’ – the latest report from the Institute of Race Relations (IRR) – is a detailed critique of the government’s proposed National Health Insurance system.

It argues that while South Africa’s deeply deficient public health service is in desperate need of reform, the ‘main purpose of the NHI is not to improve health services but rather to drive the private sector out of the healthcare sphere’.

The NHI ‘will help achieve this by putting an end to the medical schemes that primarily fund private medicine and are essential to its survival’, writes author of the report, IRR Head of Policy Research Dr Anthea Jeffery.

At risk – along with the healthcare of the country’s 58 million citizens – is South Africa’s ‘world-class system of private healthcare, to which some 30% of its population on average, or roughly 17 million people, have access through their medical schemes, health insurance policies, or out-of-pocket payments’.

The report notes that South Africa’s 82 medical schemes ‘are vital in providing access to private healthcare’ to 9.5 million people (up from 6.9 million in 1997), of whom 48% are now black, while 11% are so-called ‘coloureds’, seven percent are Indian and the remaining 34% are white.

‘Despite this major shift, the government plans to use the NHI to put an end to almost all medical schemes’, primarily because of its ideological hostility to the ‘profit’ motive in private healthcare.

The government’s determination to press ahead with a new, vast bureaucracy – likely to cost an unsustainable R500bn at its start and possibly going as high as R1 trillion – ‘makes no attempt’ to remedy profound defects in the public health system.

Writes Jeffery: ‘South Africa currently spends four percent of gross domestic product (GDP) on public healthcare, which is more than many other emerging economies can manage. But,

despite the best efforts of many dedicated professionals working in the sector, the country gets little “bang” for its substantial “buck”. Instead, public healthcare is plagued by poor management, gross inefficiency, persistent wastefulness, and often corrupt spending.

‘The upshot is that 85% of public clinics and hospitals cannot comply with basic norms and standards, even on such essentials as hygiene and the availability of medicines. Cases of medical negligence – often involving botched operations or brain damage to newborn infants – have increased to the point where claims for compensation total R56bn. This is more than a quarter (27%) of the entire R201bn budget for public healthcare in 2018/19.’

Instead, the NHI ‘assumes that throwing more resources at the public sector will provide a cure-all, whereas poor skills, cadre deployment, and a crippling lack of accountability lie at the heart of the malaise and will have to be overcome’.

By contrast, the NHI will likely undermine the potential for improvements.

‘South Africa is already short of nurses, doctors, specialists, and other health providers, but the NHI offers no credible means of increasing their supply. On the contrary, the pool of available health providers and facilities is likely to shrink once the NHI takes effect.

‘This is firstly because only 15% of public clinics and public hospitals currently do well enough on basic norms and standards to qualify for NHI participation. The remaining 85% ... fail to maintain proper standards of hygiene and the like and will be barred from taking part. In addition, many private specialists, doctors, and other health providers with scarce skills might decide to emigrate, rather than subject themselves to NHI controls over their fees and treatment decisions.’

The report advances proposals for a successful healthcare system available to all.

‘Universal health coverage is already available, mostly for no charge, through the country’s public clinics and hospitals. To function better, these need merit-based appointments, strict accountability for poor performance, and effective action against corruption and wasteful spending. Public-private partnerships would also help improve their operation.

‘The burden on the public system should also be reduced by increasing access to private healthcare. Low-cost medical schemes and primary health insurance policies should be allowed, while poor households should be helped to join these schemes or buy these policies through tax-funded health vouchers.

‘To help spread risks, medical scheme membership and/or health insurance cover should be mandatory for all employees, with premiums for lower-paid employees buttressed by employer contributions for which businesses would garner tax credits. Medical schemes and health insurers would then have to compete for the custom of South Africans, which would encourage innovation and help to hold down costs.’

But none of these solutions will emerge through NHI.

The report warns that ‘by the time people realise that the NHI cannot deliver on its golden promises, the private healthcare system will effectively have been destroyed. South Africans will then be left with nothing but a failing state monopoly on which to rely’.

Read the full report [here](#).

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