

# Press Release



**Unit for Risk Analysis**

Data • Analysis • Forecasts

*The Unit for Risk Analysis was established under  
the South African Institute of Race Relations*

**For immediate release**

**28 June 2010**

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## **STATEMENT BY THE UNIT FOR RISK ANALYSIS AT THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS ON A REPORT ON HEALTHCARE SERVICES IN SOUTH AFRICA**

The South African Institute of Race Relations has warned that any proposed National Health Insurance (NHI) system would threaten the excellence of South Africa's private healthcare sector.

The warning was contained in a report released by the Institute this week via its monthly *Fast Facts*.

The report featured reviews of:

1. The status of South Africa's public healthcare sector
2. The standing of the private healthcare sector
3. An assessment of the viability of a National Health Insurance scheme
4. A review of the uptake of health insurance by the black middle class

The Institute's Deputy Chief Executive, Mr Frans Cronje, said that it was problematic to introduce a NHI scheme at a time when much of the available evidence suggested that the public healthcare sector was in disarray. The report directly identified financial mismanagement, centralization, poor general management, inappropriate appointments, poor hospital conditions, staff shortages, shortages of supplies, limited medical research, and crime and security at hospitals as weaknesses confronting the public healthcare sector. The report did however also identify islands of excellence in South Africa's public healthcare system. Cronje said that on balance it was quite possible that fixing many of the management and other ills confronting public hospitals and clinics could do as much, if not more, to improve the healthcare services available to poor people that any NHI scheme could.

He said that a significant concern identified in the report was that the over hasty introduction of an NHI system would undermine the viability and therefore the excellence of the private healthcare industry in South Africa. The report identified the quality of care, diversity of specialization, capacity, and expertise of the private

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healthcare sector in South Africa as an important national asset. The report also identified rising costs as a weakness of the private healthcare sector although it noted that issues such as an ageing medical scheme population and growth in chronic diseases contributed to these costs. The report observed that some of South Africa's leading private healthcare companies earned substantial portions of their income from overseas operations. Cronje said that while these companies were obviously committed to providing services in South Africa, the Government needed to be aware of the risk of poorly conceived policy seeing these companies limit future investment in South Africa.

He said that the report suggested that the financial feasibility of any NHI scheme for South Africa was questionable. It was conceivable that the costs of such a scheme could be as high as R465 billion per year if it sought to provide all South Africans with benefits on a par with those enjoyed by private medical aid beneficiaries. This was obviously not affordable. He added that the report noted that as just 11% of the population earns a taxable income, the economic impracticality of any proposed scheme became even more apparent. Countries with NHI systems tended to have high net incomes, low unemployment, and large and stable tax bases, which were not features of South Africa.

Cronje added that the report found that only 8% of the African population was covered by medical aid compared to 64% of whites and that uptake of medical health insurance by the black middle class appeared to have been slow. It was certainly slower than the uptake of assets such as motorcars by the black middle class. These figures pointed to the very real needs of a majority of South Africa's people who were dependent on the Government's healthcare services and therefore to the urgency with which better management practices in public healthcare needed to be adopted.