SOLIDARITEIT
SOLIDARITY

ALTERNATIVE
to National Health Insurance

Theuns du Buisson

September 2024

"Universal healthcare should be a national priority"

NHI

ALTERNATIVE

to National Health Insurance

INTRODUCTION

Universal healthcare access is a major priority for most governments across the world, with many different systems being implemented to achieve this goal. In South Africa a two-tiered system currently exists, where those who can afford it, generally make use of the private healthcare system, that is mainly funded through medical aid schemes or from one's own pocket. The majority of South Africans rely on the public healthcare system. Both systems are far from perfect, as the public system generally provides poor service, whilst the private system is unaffordable to the majority of South Africans. South Africa therefore already has universal healthcare, although the provisioning thereof is inadequate.

In May 2024 the National Health Insurance Bill was signed into law. The system proposed therein is even more problematic than the current system, for the following reasons:

1. It is unaffordable and will bankrupt the state.
2. The tax increases required to fund such a system are unattainable.
3. It will lead to a reduction in services for those who currently make use of the private sector for their healthcare needs.
4. It will not address infrastructure shortages in areas where healthcare services currently are not offered.
5. There are not enough medical professionals in the country at the current time.
6. The system would lead to a mass exodus of healthcare professionals.

Because neither the current system nor NHI is a realistic system in the long run, for various reasons, it is necessary to create a new system or to adapt the current system in order to address various problems. These include poor healthcare service in the public sector, making private healthcare more affordable, as well as spreading the cost between government, the private sector and individuals in a way that is realistic and affordable to those who would bear the cost.

This document studies the viability and reasonableness of the current system, our proposal and NHI. It therefore proposes a new system that would reduce the burden on the public system, while making access to private healthcare more affordable and accessible. For this to happen, regulations imposed on medical schemes must be relaxed and a funding balance must be found between employers, individuals and the state.

Proposed Alternative to National Health Insurance

Our proposal rests on the principle that universal healthcare should be a national priority, but that the costs of providing healthcare to individuals should be shared by employers, the individuals themselves according to how much they can afford, and the state. The extent of cover would, as with the current system, depend on the medical scheme plan that is chosen by the individual, or prescribed by these proposed regulations. For lower-income earners, different medical schemes would offer similar plans that need to comply with minimum coverage criteria, but schemes should be allowed some freedom, even in these plans. Choice of healthcare purchasing and the choice of which medical scheme to join should rest with the individual and should in no way be dictated by the state, except where individuals make use of the public healthcare system. Although income-tiered plans would be prescribed to lower-income individuals, nothing should prevent them from choosing plans with larger coverage, for instance where they are willing to spend a larger portion of their income on medical aid, or where a relative pays their medical aid contributions.

The minimum coverage that medical scheme plans would need to provide should not be a mere copy of the current prescribed minimum benefits, as currently applied by the Council for Medical Schemes (CMS). One would need to evaluate which benefits provide the best value to individuals and their employers, as they would be paying the bulk of these premiums. It could even be possible to provide multiple options that are income tiered, in order to provide maximum value to all beneficiaries. To keep costs to a viable minimum, it may therefore remain necessary to continue relying on the public system to some extent and where necessary.

According to this proposal, all people in formal employment would be required to join a medical scheme of their choosing, whilst the unemployed would continue to make use of the public healthcare system. Although the unemployed population may not directly benefit from such a system, a lot of pressure on the public healthcare system would be relieved, leading to better outcomes for both the public and private healthcare systems.

Proposed premiums and cost structure of compulsory medical aid plans

The proposal is that the requirement of medical aid membership should be provided in three tiers, according to income level. Currently available tiered medical aid options are used as a guideline for this provisional cost proposal.

It is therefore proposed that the medical scheme fees tax credit, as provided by SARS, be increased from R364 to R400 for primary members and first dependants and from R246 to R280 for additional dependants. A fixed minimum employer contribution of R300 should also be introduced, regardless of income level. The balance would be covered by the individual member. The priority should be to have all workers in formal employment and their children covered by medical aid options that provide access to the nearest medical facilities. Other adult dependants would have the choice to be added but would not enjoy employer contributions. Nothing should, however, stop employers who wish to offer larger employer contributions or contributions towards their employees' dependants.

The proposed tiers are as follows:

Income level	Contribution	Contribution liability breakdown
R0 – R9 500	R1 000 for principal member and adult dependants and R320 for child dependants	Employer – R300 Tax credit – R400 Member – R300
R9 501 – R16 000	R1 500 for principal member and adult dependants and R380 for child dependants	Employer – R300 Tax credit – R400 Member – R800
R16 001+	Choice between currently available medical scheme plans	Employer – R300 Tax credit – R400 Member – Balance of chosen plan contribution

According to this structure, employees would effectively only pay R40 or R100 per month on the income-tiered options to have their children covered after the medical aid tax credit is applied. A child who is a first dependant would effectively be covered for free. Employers may also regard the peace of mind that such a small contribution would mean to their employees as worthwhile, although such a benefit should not necessarily be enforced.

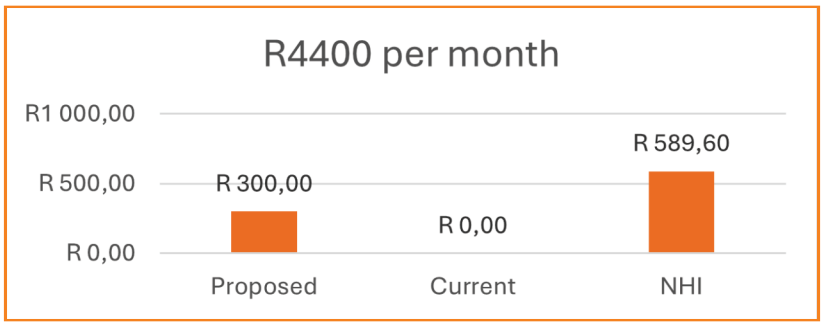
Comparison of different systems

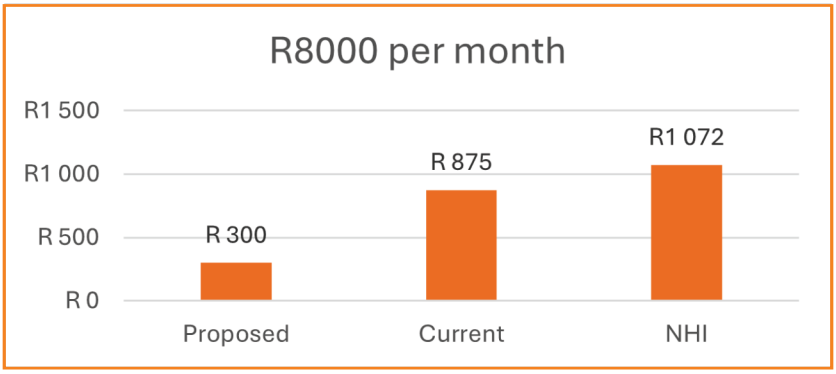
This section will illustrate the cost and coverage differences between the current system, NHI and the system in this proposal for individuals and the state. As employer contributions are not currently applied, it is not discussed here.

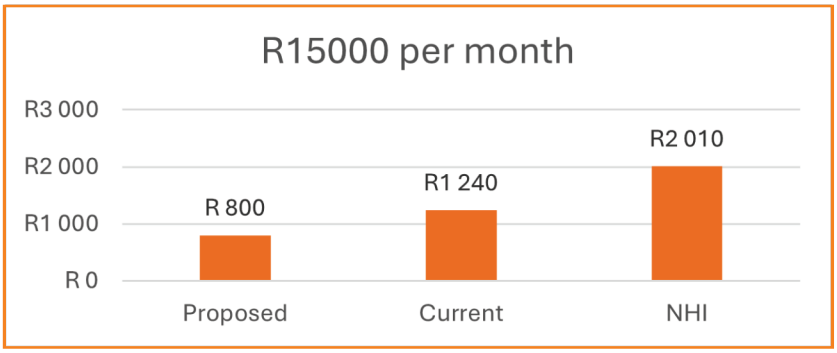
The following assumptions are made, as adapted from CMS statistics, the 2024 national budget review and the Quarterly Labour Force Survey for quarter 2 of 2024:

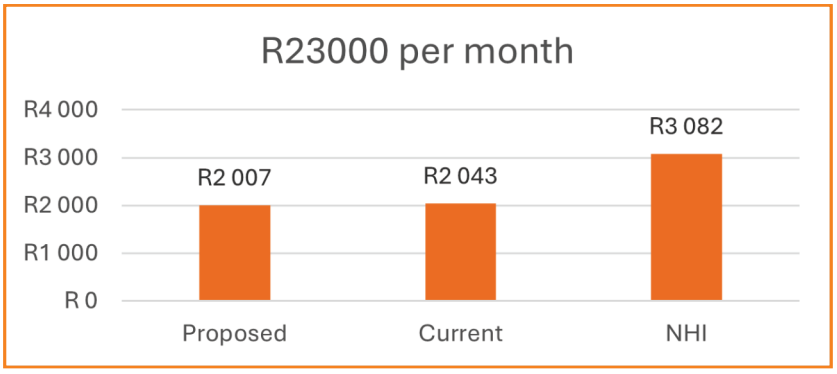
- Each of the 16,5 million people in employment will have on average one dependant.
- The increase in medical tax rebates could be deducted from the future public sector health budget.
- The Solidarity cost estimate of R660 billion for NHI is a best-case scenario estimate. Others, such as the Freedom Foundation, have calculated costs exceeding R1 trillion.
- The cost of NHI would equate to a payroll tax increase of 13,4%, applied equally to all employees.
- In the following scenarios, costs to the individual are for themselves only, with tax credits and employer contributions already applied in both the current and proposed categories. Under NHI, medical scheme tax credits would no longer be relevant.
- For this part, Discovery scheme tariffs for the relevant income level are used. Discovery was chosen for this comparison as it is the largest open medical scheme and offers a wide range of income-tiered options.

The following monthly income levels were chosen, starting with minimum-wage earners and ending with the average salary currently earned in South Africa.



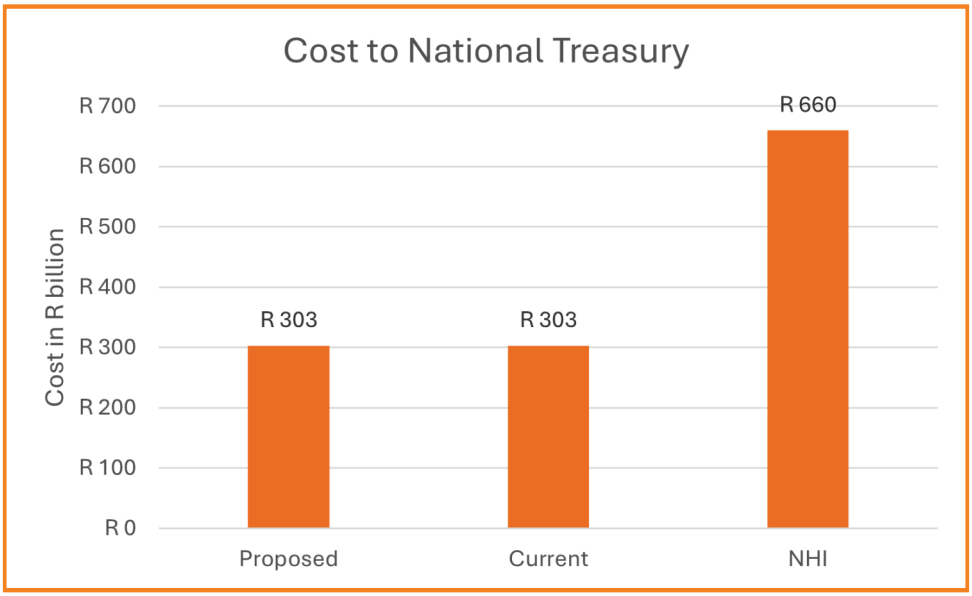






In all of these monthly income scenarios, the individual would pay much less for the proposed system than they would if the NHI was to be implemented. They would also pay much less than in the current system, with the exception of minimum-wage earners, who would pay a fee of R300 but would not be reliant on the public sector anymore.

The following graph illustrates the cost to the National Treasury, with health expenditure added to medical scheme tax credits.



Conclusion

An urgent solution to the problem of providing quality healthcare to all South Africans is needed. The current system lacks in affordability in the private sector, and quality in the public sector.

By restructuring how healthcare is funded, both problems could be addressed. The proposal made here aims to address both problems, by making the private sector accessible and affordable, whilst reducing the number of people who rely on the public sector, thereby improving quality.

The private healthcare system in general would benefit from such a system, as private clinics offering services to lower-income groups would become economically viable. Medical schemes would also benefit from the influx of healthy young people who would be contributing to their schemes. Likewise, the public healthcare system would benefit from the shift from their services to private healthcare alternatives and would be able to focus on areas where the private healthcare system is lacking or where offering services would not be feasible.

Most importantly, this system spreads healthcare funding among many role players, with the notable addition of employers. These employers would also benefit from such a system, as their employees would be healthier and would no longer need to queue for entire workdays in order to receive routine healthcare services.

By allowing all employees, regardless of income level, access to the healthcare services that are closest to where they live and work, emergencies and healthcare provisioning in general could be dealt with in a much more efficient manner.
For injuries on duty, this system should provide a more efficient process, whereby medical schemes, as the standard bearer of costs, would be able to recoup their expenditure from the Compensation Fund.

Some policy changes in addition to this proposal would be necessary, such as training vastly greater numbers of medical professionals. These professionals should then be allowed to do their practicals and community service years in the private sector, as the private sector would take over many of the duties that are currently the responsibility of the public sector.