

Outline of proposed evidence submitted to the Parliamentary Portfolio Committee on Health on 21 April 1997

Improved quality of life

The evidence given by the Foundation is based on the premise that the primary objective of government is to create an enabling environment in which South African citizens will have the opportunity to improve the quality of their lives by increasing their standard of living. It is also based on the assumption that the aim is for all citizens to become independent and self-supporting.

Sound economic policy framework

Under this heading the FMF representatives would give evidence on achieving global competitiveness within a sound policy framework.

A lesson from the Swedish experience

Evidence would be led regarding the Swedish experiences with a national health system. As Peter Stein wrote in his book *Sweden: Failure of the welfare state*:

While other countries might attempt to provide social services through vouchers, Sweden always favoured tax-financed public sector monopolies with low or zero fees. The result was general uniformity in the services rendered: school curricula throughout the country were similar, and an almost military master plan for health care was put into effect, etc. Alternative providers of health, education, and day care services, among others, were virtually legislated out of business or were rendered unprofitable and unable to compete with the heavily subsidized public sector.

Monopolies are created and sustained by government

Government owned enterprises are invariably monopolies as they are protected by laws preventing competitors from entering the market. In addition, Competition Boards are prevented from applying the same rules to government enterprises as are applied to private enterprises.

Government should concentrate on removing barriers to entry

The greatest discipline a government can impose on the participants in an economy is to ensure that barriers to entry are reduced to an absolute minimum.

Consumers should be the prime beneficiaries of government economic policies

The objective of economic policies should always, in the final analysis, be aimed at improving the lot of the consumer. The most efficient method of doing so is to remove any regulations that reduce the choices of the consumer.

Identifying the most pressing problem

The most pressing problem in health care in South Africa is those people who have had no access or inadequate access to health care.

Concentrating resources on the needy

As South Africa is a relatively poor country, the best strategy for providing health care for the most needy citizens would appear to be to concentrate the available scarce resources exclusively on the poorest citizens.

Efficiency of spending on health care

Private delivery of health care has proved to be much more efficient and cost-effective than public delivery and the government should therefore purchase all its health care services and requirement

from a highly competitive private sector. This would mean the total withdrawal of government from the provision of health care whilst remaining the funder of health care for the poor.

Choice of services for the poor

The providers of health care services can be made more competitive if government allows the poor to choose their suppliers. In the same way as government supplies the aged with pensions with which to purchase food, clothing and shelter, it could provide funding for the poor to purchase medical care. Government could pay medical aid contributions on behalf of the poor or use modern technology such as electronic cards to implement such a scheme.

Identifying those in need of assistance

Existing welfare services could be used to identify those in need of health care assistance which would minimise administration costs.

Privatising existing hospitals, clinics and other facilities

Under the proposed system the state could divest itself of all the health care facilities it presently owns. Substantial sums of money would become available to spend on health care, especially out of the capital budget. Employees of hospitals and clinics could be given the opportunity to become owners. Education of doctors and other health care workers should be separated from the delivery function and the subsidisation of this education should be dealt with in a separate budget.

Relying increasingly on private provision and private funding

Government should remove all impediments that interfere with the growth of the private health care sector. It should especially not inhibit competition by mechanisms such as the restrictive licensing of hospitals and clinics. Objective safety requirements should be established and any facility that meets those requirements should be allowed to commence business without administrative consent.

Demand should regulate the supply of health care facilities and services

If government leaves the provision of health care entirely in the hands of the private sector, rapid adjustments will occur in response to increases and reductions in demand. In particular, the provision of services will more accurately reflect the real requirements of citizens.

Success should be measured in terms of the independence of citizens

The percentage of citizens who are capable of paying for their own medical care should be a barometer of the success of government in creating conditions conducive to economic growth. An ever-dwindling number of dependent citizens should be the goal of enlightened government.

Problems with so-called “free” health care *Services swamped by demand*

Services become swamped by demand because usage escalates due to the lack of a limiting mechanism such as the responsibility to pay.

Private health care services are eroded

Provision of health care at no charge, especially where utilised by the relatively affluent, has the effect of eroding existing private health services.

Queuing replaces paying as the limiting mechanism where no charges or inadequate charges are levied for health care services

Experience in countries with national health services is that citizens have to queue for long periods to receive medical attention. In some cases people die because they have not been treated at all or have

been treated too late. Where private provision predominates such services would be provided immediately.

Health workers in government service are not subjected to the same competitive discipline as in privately provided services

As incomes are not linked to the quality of service provided, health workers tend to be less dedicated and work less rather than more.

A larger proportion of health care spending will be absorbed by administration

Government services are compelled to spend more on administration as they cannot avoid bureaucracy. In addition, there is a tendency to increase the number of administrators at a faster rate than the increase in the number of health care workers involved in looking after patients.

Unlimited demand for health care increases pressure on taxpayers

Government consumption expenditure is extremely high in countries with national health systems and tax levels are therefore unavoidably high.