

National Health Insurance

by

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Progress through **freedom**

Today's Menu!

NHI Policy Process

Fiscal Implications

Alternative Paths



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Fiscal Implications

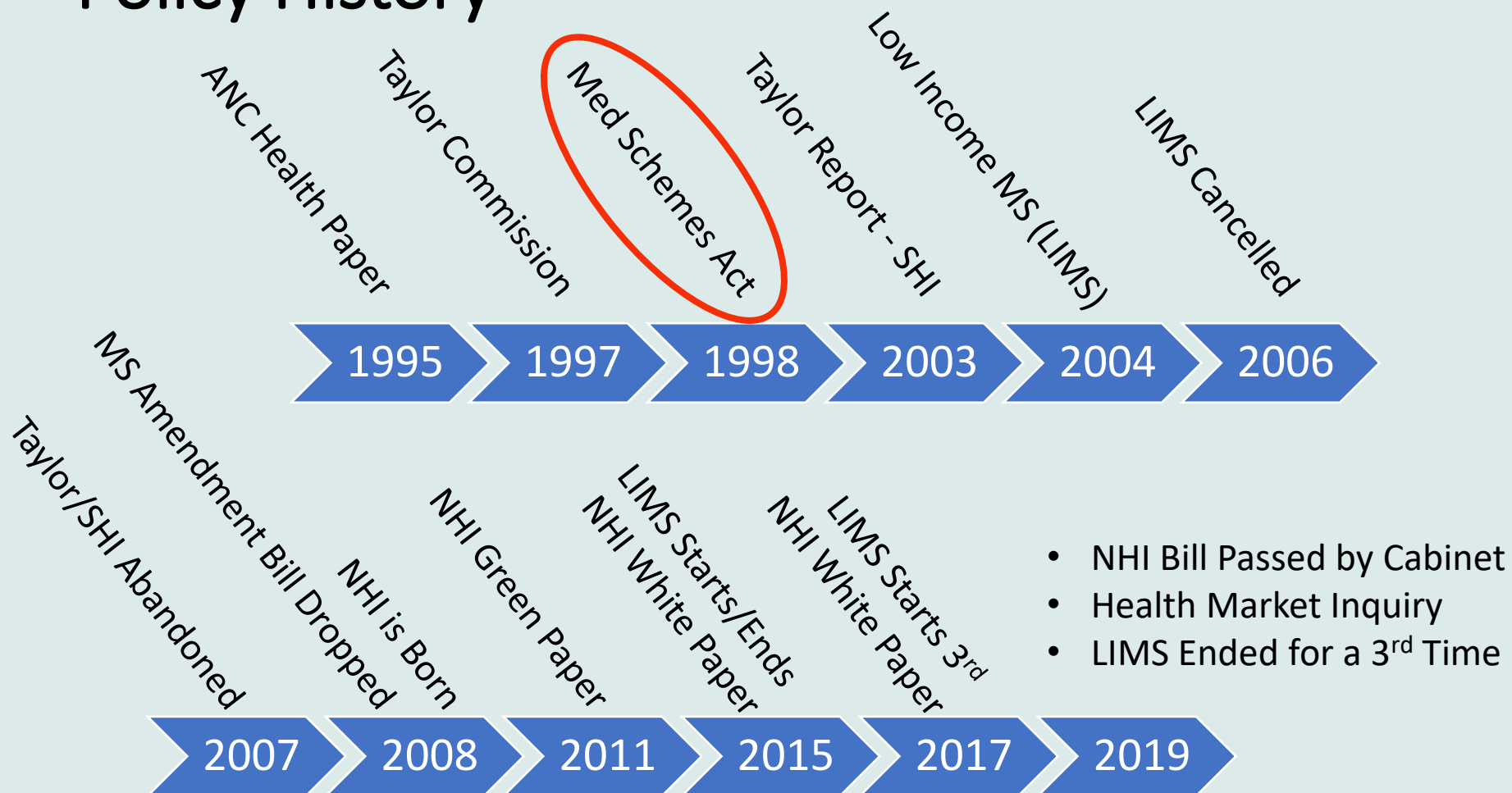
Alternative Paths



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Policy History



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Government's Problem Statement

“The South African Government is committed to the goal of universal health coverage. However, to date, progress toward this goal has been limited by the existing health financing system structure”.

Dr Zweli Mkhize, Minister of Health (Oct 2019)

Responding in a recent parliamentary Q&A session, Mkhize said that the primary reason for this shortage is that the public health sector budget has not increased in real terms for the past 10 years.

This has impacted the number of staff that can be appointed, he said.



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Government's Problem Statement

- SA does not have **UHC**
- **Shortage of Doctors:** The Public Health Budget has not increased in real terms for 10 years
- Impacted on the **number of staff** appointed

Universal Health Coverage

International Labour Organisation
World Social Protection Report of 2017

- No Coverage Gaps from:
 - An Inability to Pay, or
 - A Lack of Access

WHO & World Bank
Service Coverage
Index = 0.67

Health Market Inquiry

“South Africa already provides near-universal access to healthcare to its citizens through a combination of publicly available services and in regulated private markets”

Provincial Public Expenditure 2010 - 2020

Year	Total Provincial Expenditure Nominal (Rm)	Total Real Expenditure (2009/10 price) (Rm)	Uninsured Population (‘000)	Per Capita Expenditure in Real Terms (2009/10 price)
2009/10	91 952	91 952	42 904	R2 143
2010/11	100 759	96 146	43 474	R2 212
2011/12	113 989	103 267	44 151	R2 339
2012/13	125 473	107 705	44 936	R2 397
2013/14	133 581	108 056	45 764	R2 361
2014/15	144 283	111 841	46 614	R2 399
2015/16	158 903	115 798	47 362	R2 445
2016/17	170 171	118 010	48 160	R2 450
2017/18	185 013	122 987	48 863	R2 517
2018/19	202 744	129 701	49 570	R2 617
2019/20	216 791	138 687	50 471	R2 748
Growth in Real Terms (2019/20 vs 2009/10)		50.8%	17.6%	28.2%

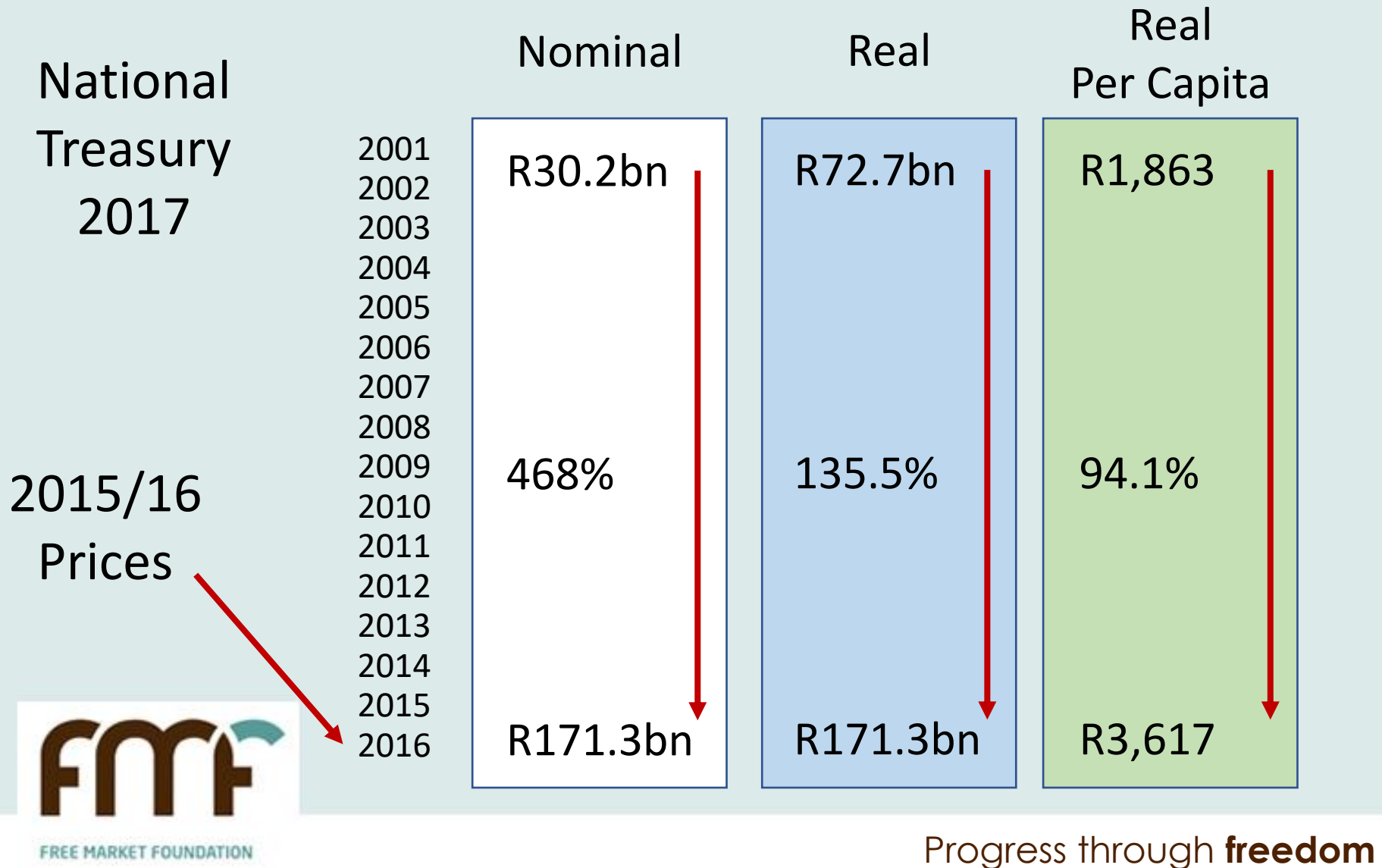


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Source: SA Health Review 2019 (Day, et al)

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Total Public Expenditure 2001 - 2016



Provincial Public Expenditure 2010 - 2020

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Expenditure Doubled over 20 Years

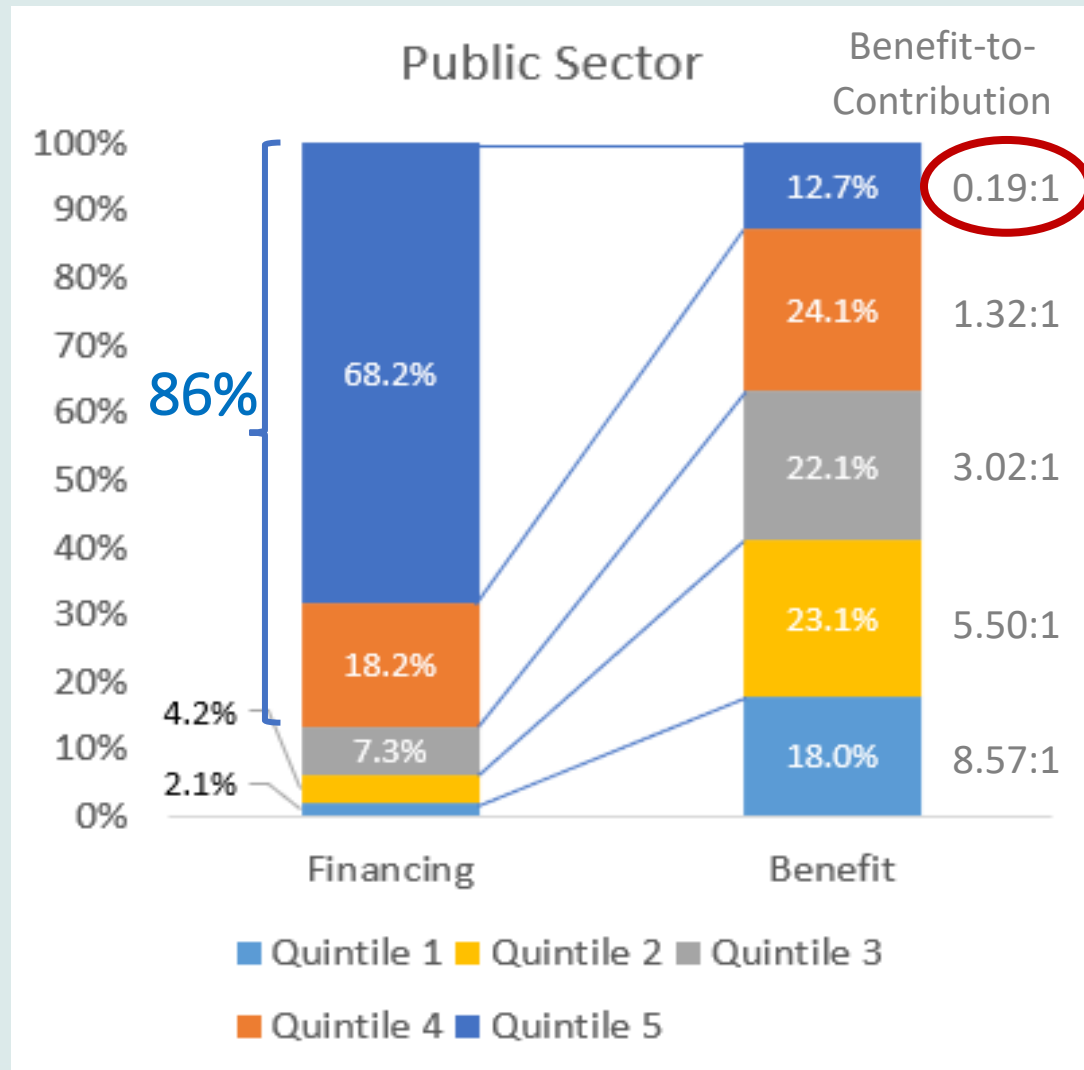
12.2%

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White Papers 2015/2017 & SEIA

“The current health financing system punishes the poor”.

Social
Solidarity
Principle



Source: Econex
Research Note 45
2017



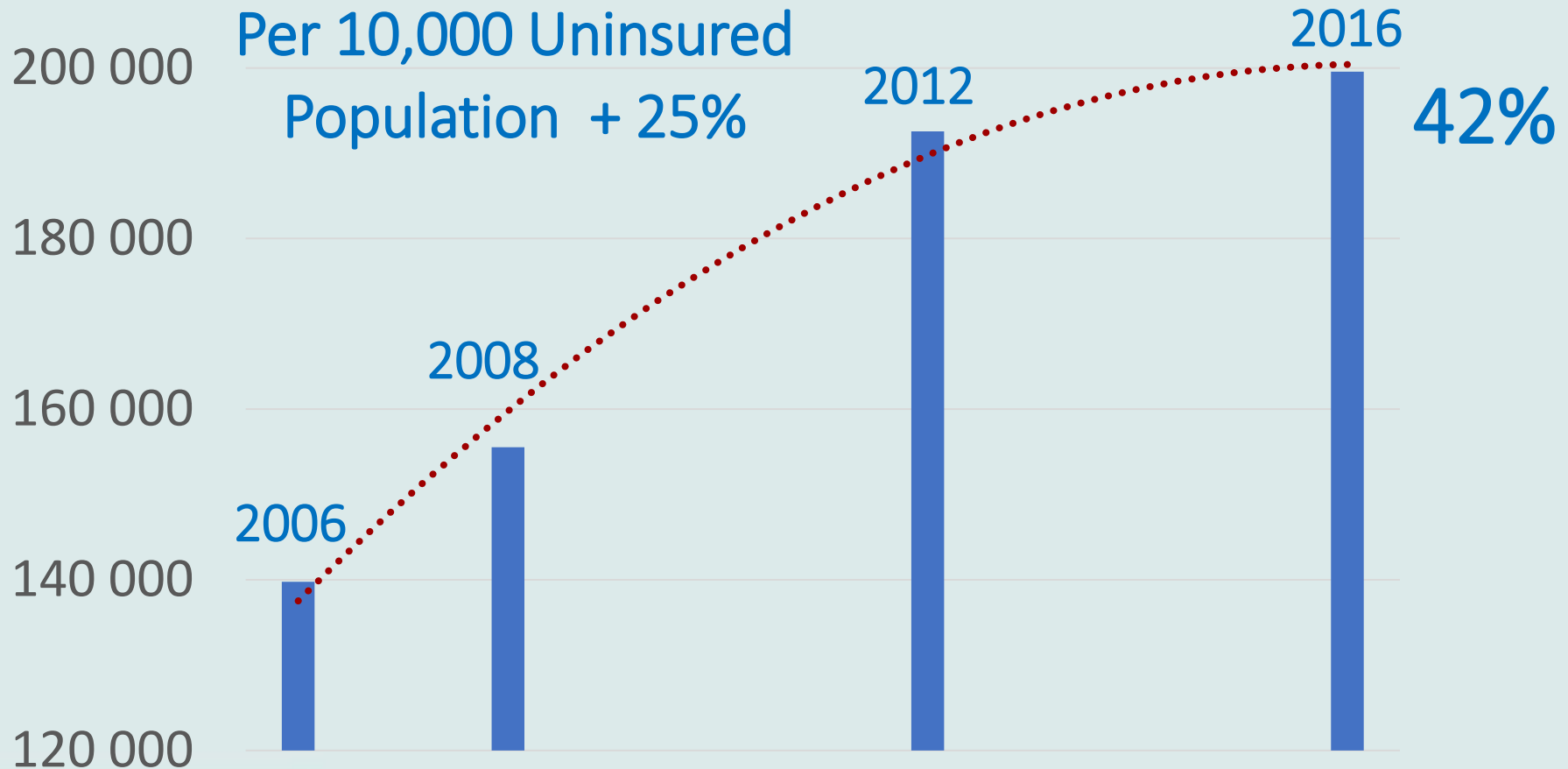
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Public Sector Medical Personnel



Source: National Treasury, FHI360 & KZN DoH, 2017



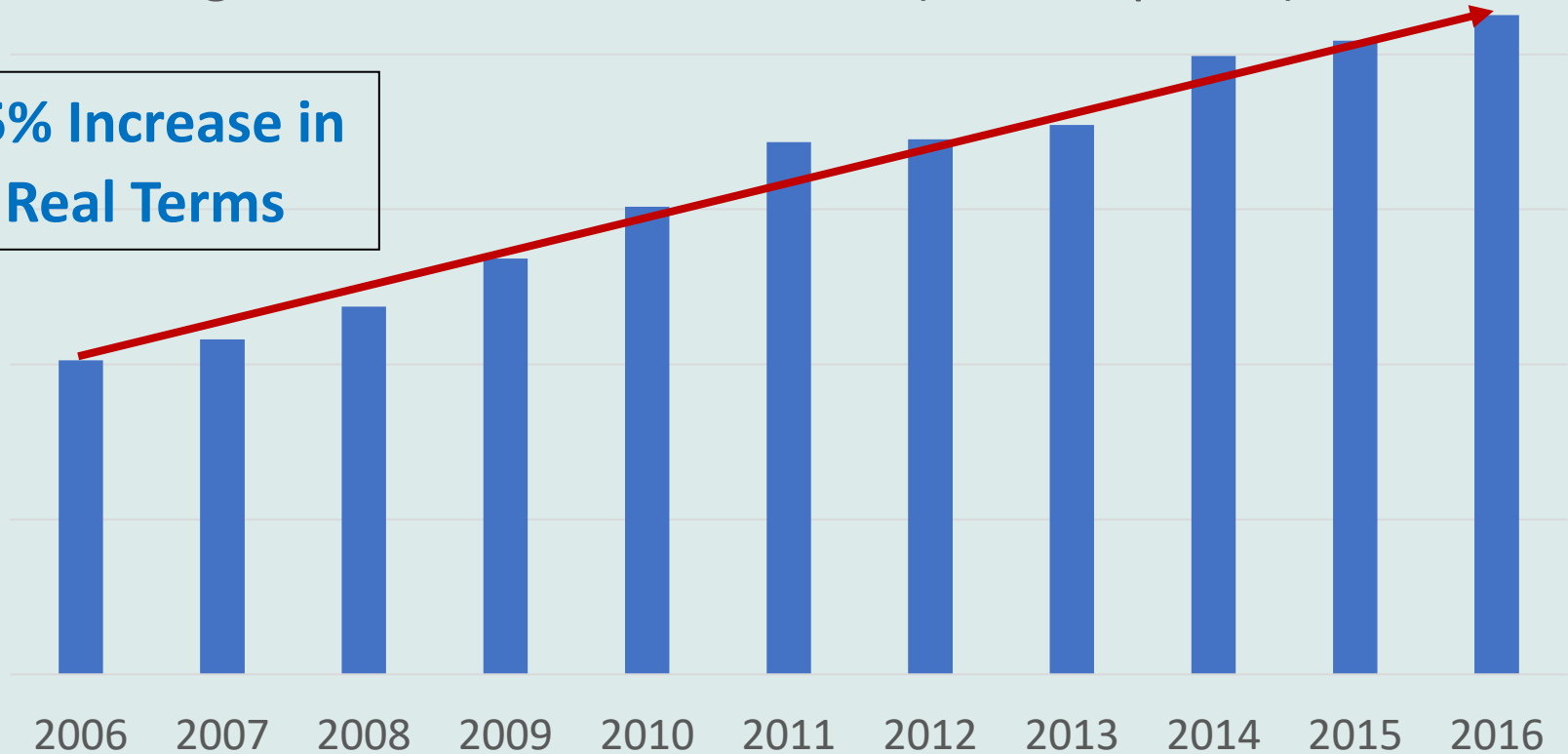
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Dept of Health – Wage Increases

Average Remuneration - All Posts (in 2016 prices)

**55% Increase in
Real Terms**



Source: National Treasury, FHI360 & KZN DoH, 2017



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International Comparison

Double SA
per capita GDP

Turkey, Romania, Mauritius, Malaysia, Russia, Brazil,
Mexico, Cuba, Equatorial Guinea, China, Gabon,
Bulgaria, Lebanon, Kazakhstan, Turkmenistan,
Botswana, Dominican Republic, Libya, Peru, Thailand,
Ecuador, Colombia, Iran, Bosnia/Herzegovina

SA per
capita GDP

25 Countries

SA

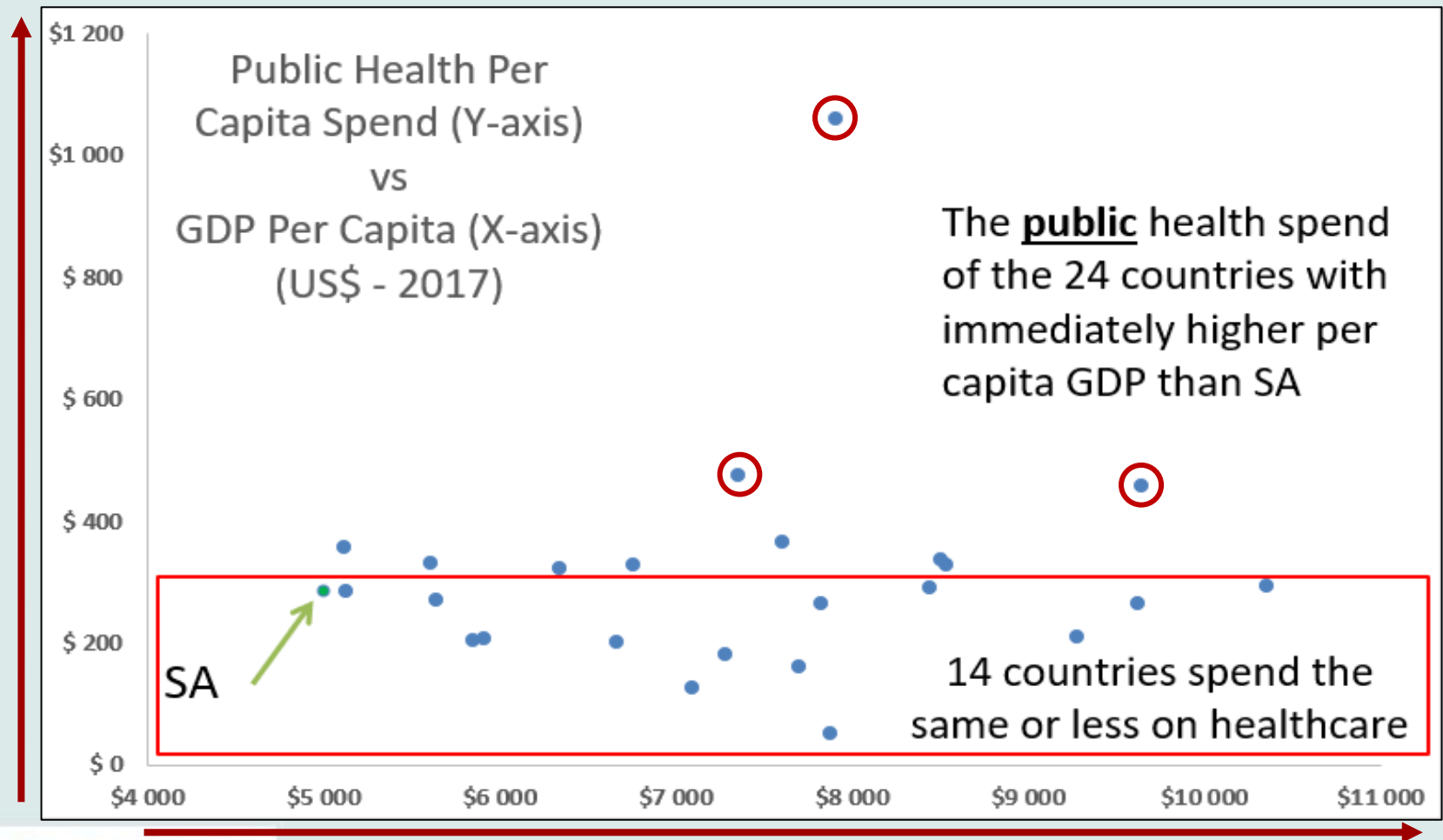


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Sources: IMF

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Per Capita GDP vs Public Health Spend (2017 US\$)

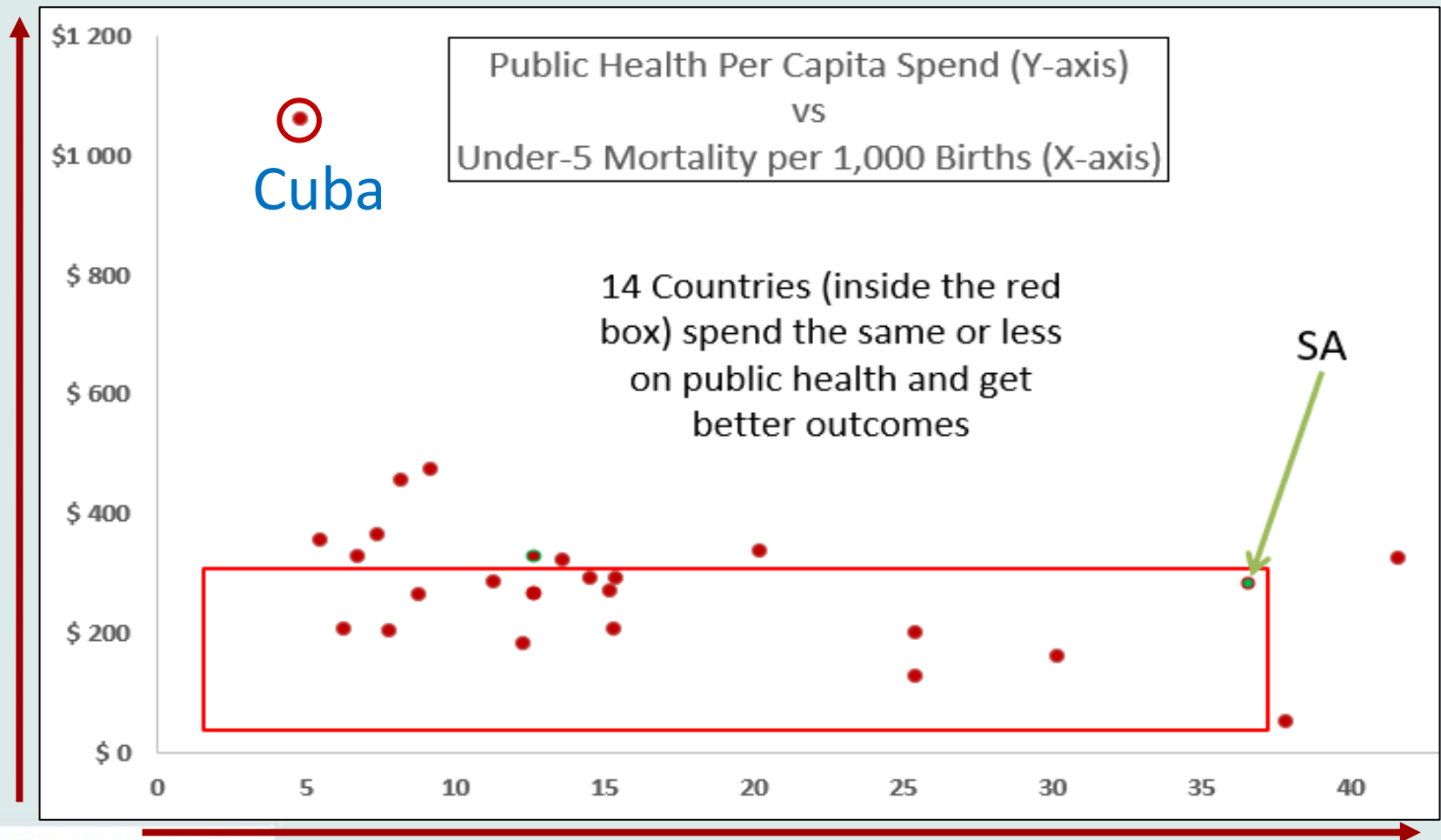


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Sources: IMF & IHME

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Health Spend vs 5-Year Mortality (2017 US\$)



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Sources: IMF & IHME

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Conclusions

“The South African Government is committed to the goal of universal health coverage. However, to date, progress toward this goal has been limited by the existing health financing system structure”.

- Health Expenditure – Doubled in 20 years
- Expenditure Compares Favourably Internationally
- Financing System - Social Solidarity Principles
- Universal Health Coverage



Today's Menu!

NHI Policy Process

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Expenditure 2019

Private Sector
4.6% GDP
R234bn

- Medical Schemes
- Out-of-Pocket
- Voluntary, Private
- Post-tax

Public Sector
4.4% GDP
R223bn

- Tax Funded
- CG & PES
- 52 DHA
- Excl RAF / CF

R4,505 pppa



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Basis of NHI Proposal

Private Sector
4.6% GDP
R234bn

Cut-Out
Medical
Schemes

Public Sector
4.4% GDP
R223bn

NHI Dedicated Taxes

2.9% GDP
R148bn

Medical Credits R26bn
State Subsidy R35bn

R284bn pa
5.6% GDP

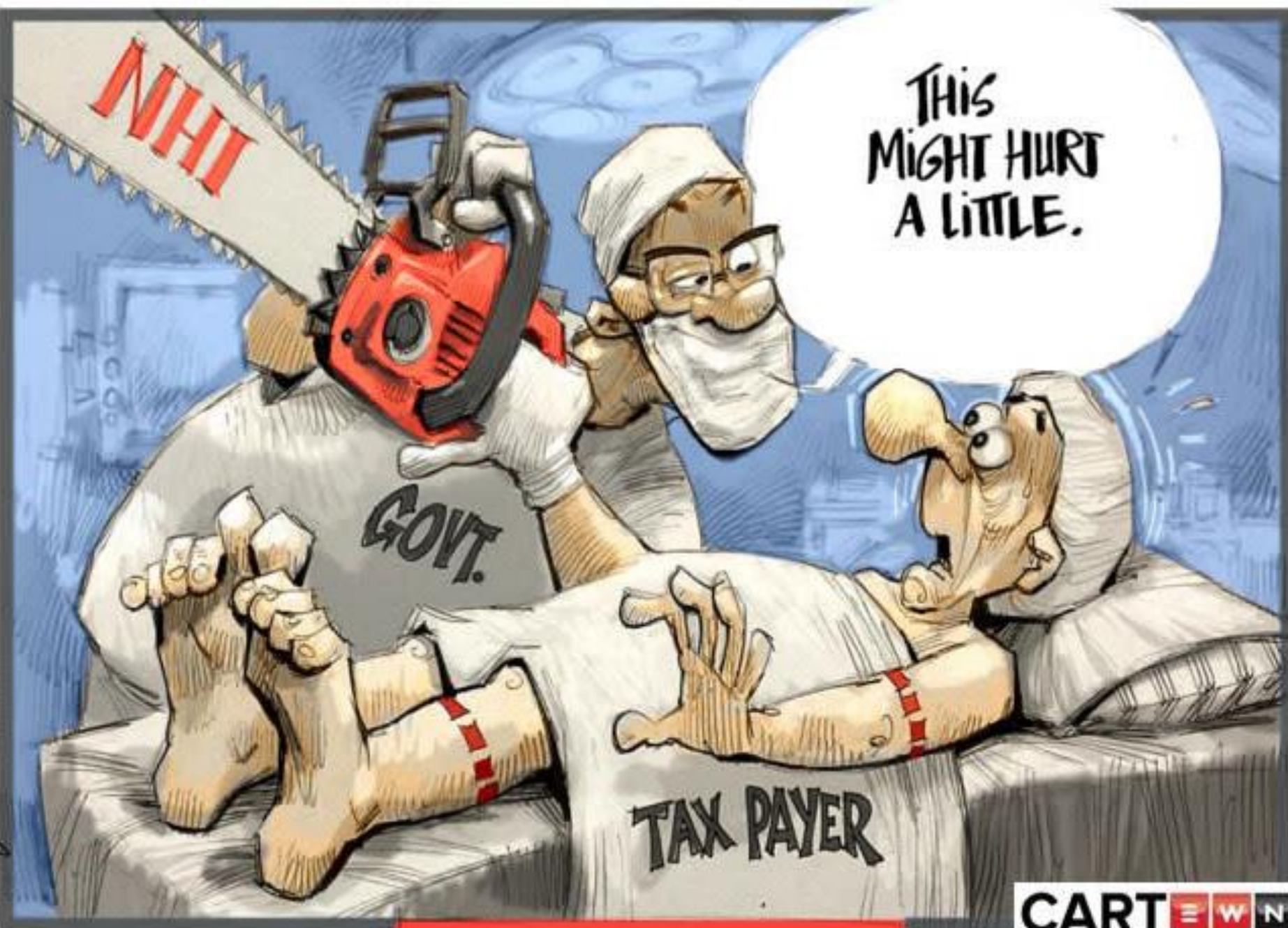
NHI Fund
8.5% GDP
R432bn pa

R7,385 pppa (+64%)



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AN ARM AND A LEG.

CART   

Basis of NHI Proposal

Private Sector
4.6% GDP
R234bn

Cut-Out
Medical
Schemes

Public Sector
4.4% GDP
R223bn

NHI Devoiced Taxes

2.9% GDP
R145bn

Medical Credits R26bn
~~State Subsidy R35bn~~

R284bn pa
5.6% GDP

NHI Fund
5.6% GDP
R249bn pa

R4,256 pppa (-5.5%)



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Expenditure 2019



- 9 million
- 13.5 million



R4,955 pppa (10%)



Providers



Private Sector Providers

- Out-of-Pocket
- Medical Schemes



Public Sector Providers

- Budget – CG & PES
- UPFS Means Test



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Providers

Private Sector
Providers

Public Sector
Providers

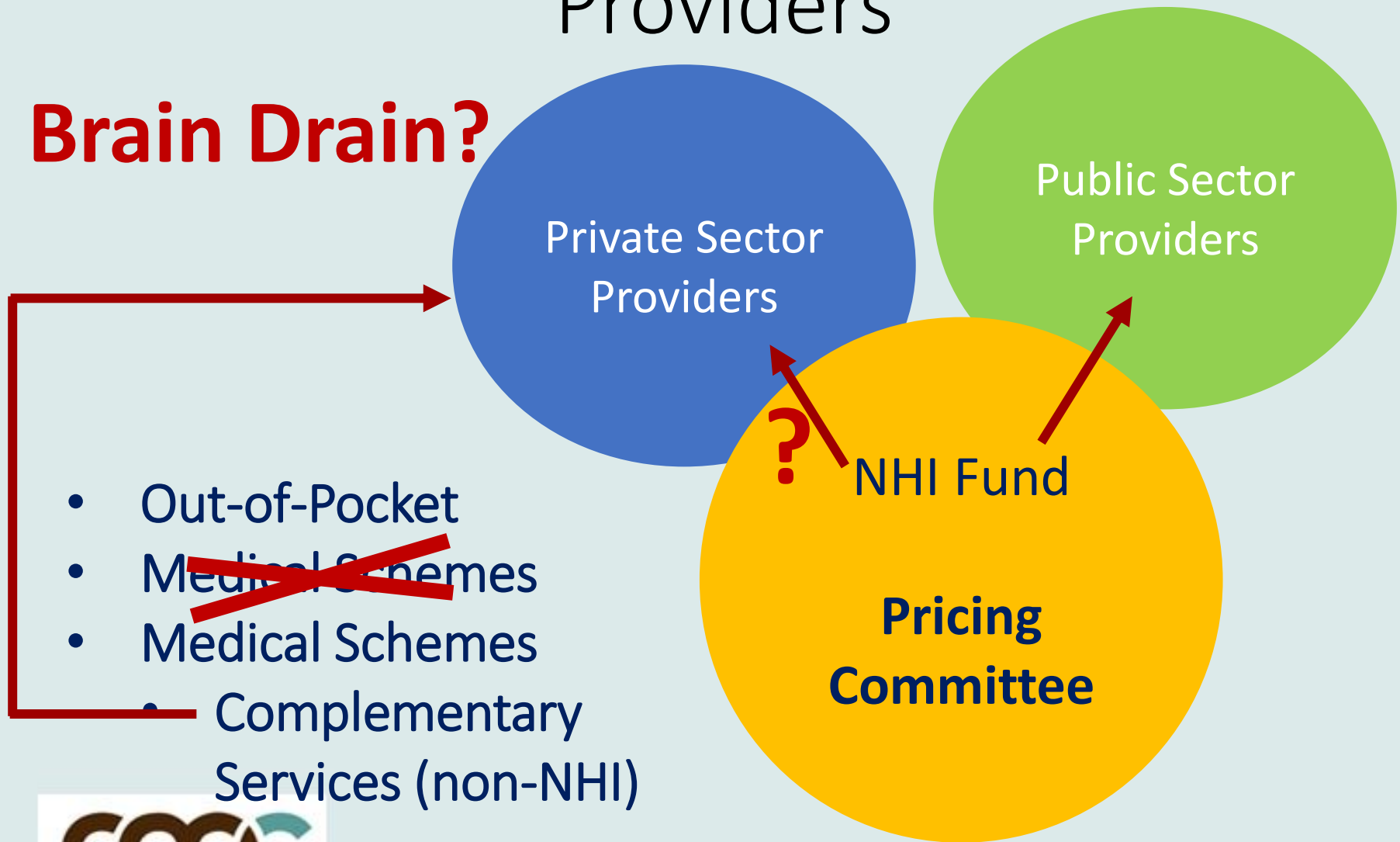
NHI Fund

- Out-of-Pocket
- ~~Medical Schemes~~
- Medical Schemes
 - Complementary Services (non-NHI)



Providers

Brain Drain?



The Rationale of Monopolies

Prof Michael Porter, Harvard, Dept of Economics

“But history tells us that monopolies that are truly benevolent and effective are rare.”

– Michael E. Porter, Redefining Health Care: Creating Value-Based Competition on Results

The Rationale of Monopolies

Prof Alex van den Heever

School of Governance, Wits University

“The [NHI] bill proposes to centralise what should be decentralised.

The purchasing function should not be placed within a national structure, as this is too distant from delivery and will institutionalise massive inefficiencies.”



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The Rationale of Monopolies

Nassim Nicholas Taleb

Statistician, Essayist, Author

“We have lived since modernity under the illusion that centralisation is better, more ‘efficient’, that the large works better than the small.

Large public projects, under the myth of costs savings, incur disproportionately large costs overruns.

Medical Malpractice Liability

A Substantial & Growing Problem!

2014/15 = R28bn

2015/16 = R43bn

2016/17 = R60bn

2017/18 = R80bn

2018/19 = R98bn

R105bn

DoH
Budget
R248bn

42%

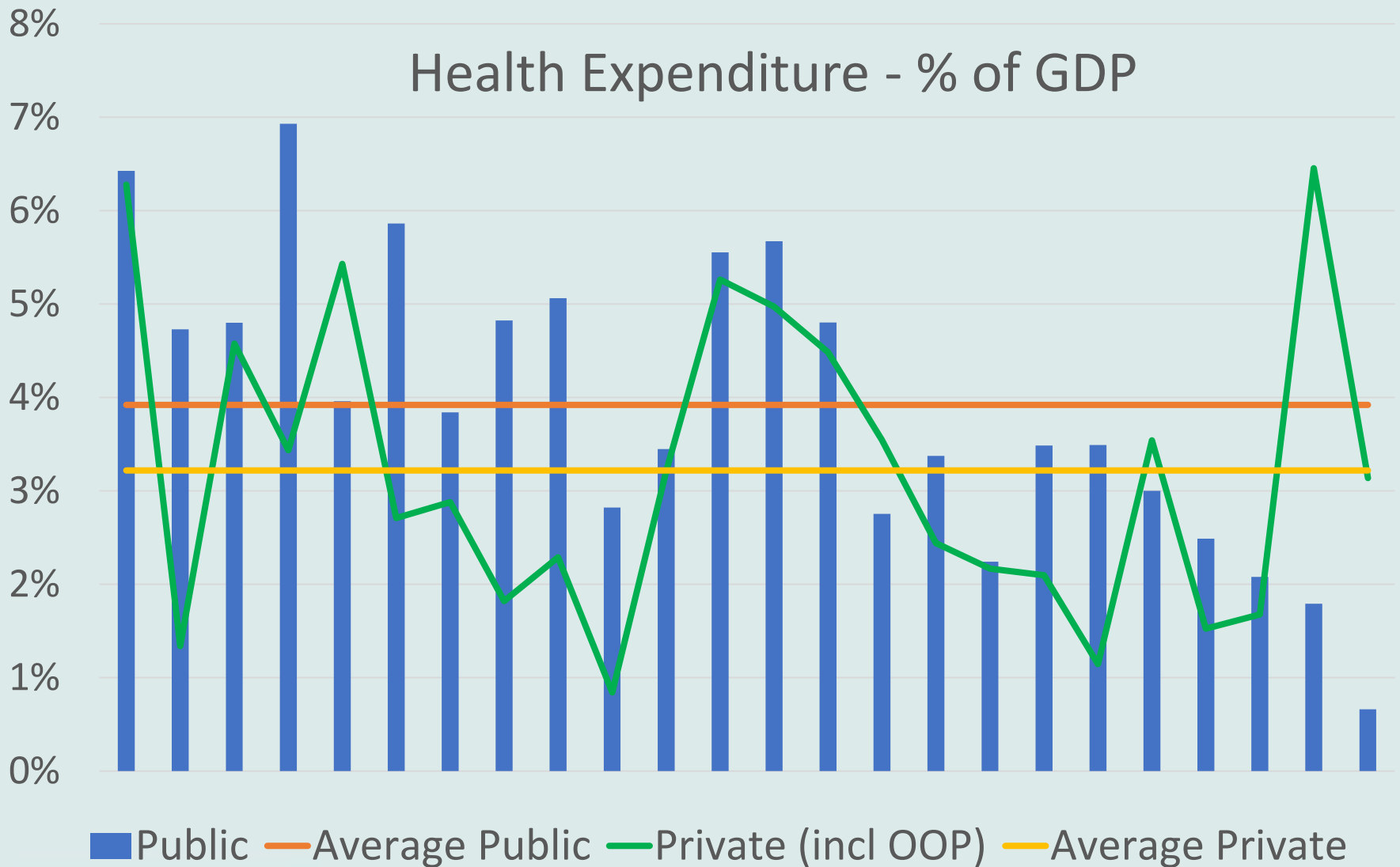


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Source: National Treasury & AGSA

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Health Expenditure - % of GDP



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Alternatives

Private Sector

- Health Market Inquiry
- Mandatory Coverage
- VAT Exemptions
- Low-Cost Alternatives
- Medical Subsidy

Public Sector

- Cadre Deployment
- Accountability
- Leadership
- HMI for the Public Sector?
- Compete with Private



Thank You
For Listening!



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