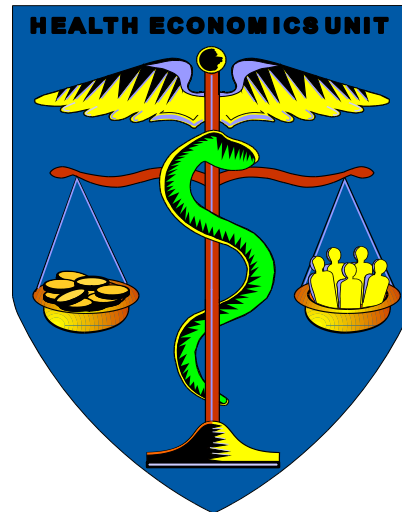


# National health insurance in South Africa:

## *Quo vadis* medical schemes



**Di McIntyre**

**Health Economics Unit, University of Cape Town**



UNIVERSITY OF CAPE TOWN

# Overview of presentation



Health Economics Unit

- Macro-economic context
- Health system context
- What are the challenges for medical schemes of the proposed national health insurance (NHI)



UNIVERSITY OF CAPE TOWN

# Broader context



Health Economics Unit

- In 1994, new government inherited:
  - Government debt of 45% of GDP
  - Poor growth (negative real GDP in 1990-1992 and only 1.2% in 1993)
  - Substantial income inequalities (poorest 10% of households had < 0.5% and richest 10% about 47% of income)
- GEAR (Growth, Employment And Redistribution) policy



UNIVERSITY OF CAPE TOWN

# 'Fruits' of GEAR



Health Economics Unit

- Constrained government expenditure in 1990s (although recent increases)
- Limited change in employment
- Sustained economic growth, *but* benefited a small elite



# Where was the 'R' in GEAR?



Health Economics Unit

- Gini coefficient:
  - 0.56 in 1995
  - 0.73 in 2005 (0.8 without grants)
- Share of income for richest 10% of population increased from 47% (1995) to 51% (2005)
- Share of income for poorest 10% decreased from 0.5% (1995) to 0.2% (2005)

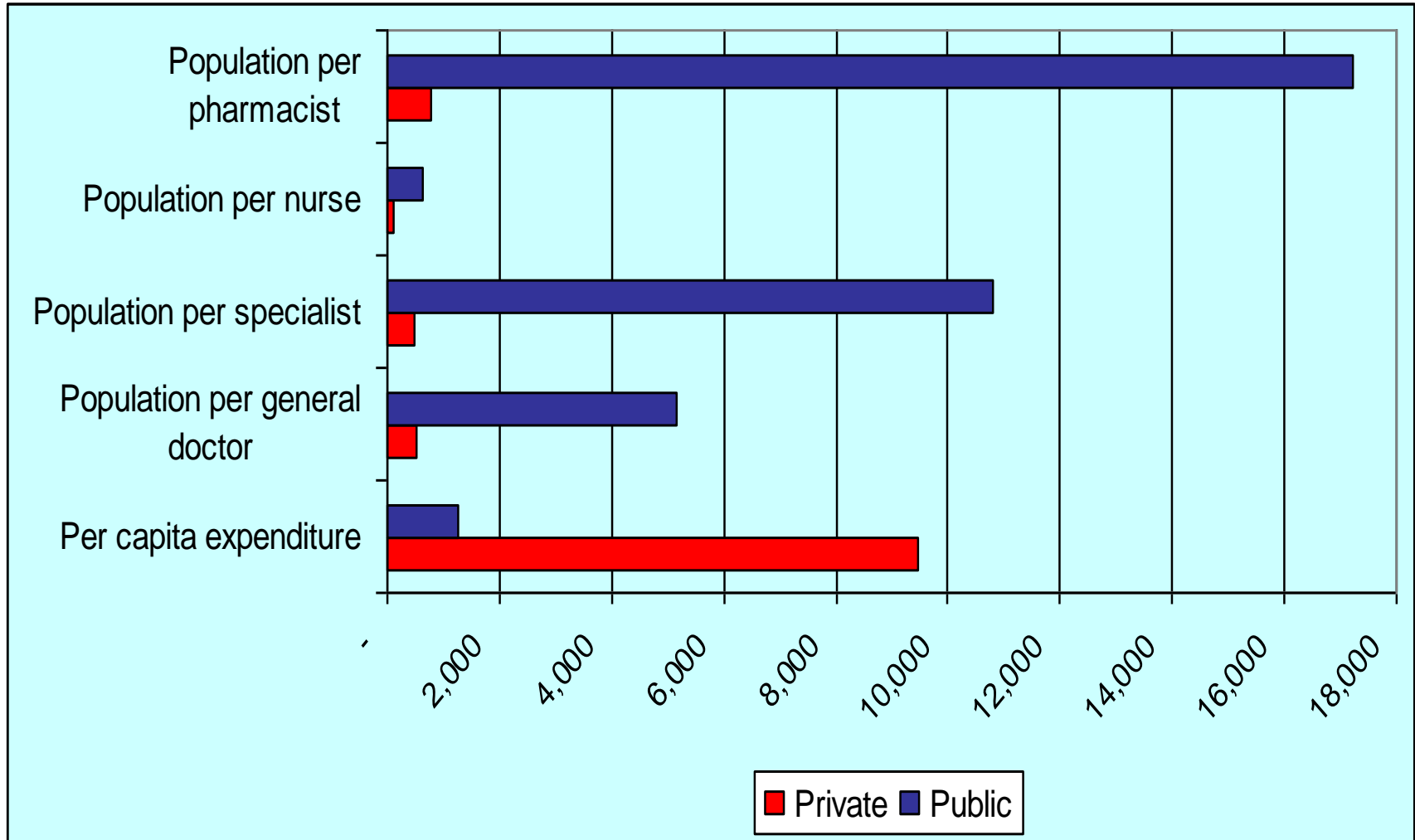


# Just distribution of resources?



Health Economics Unit

2005

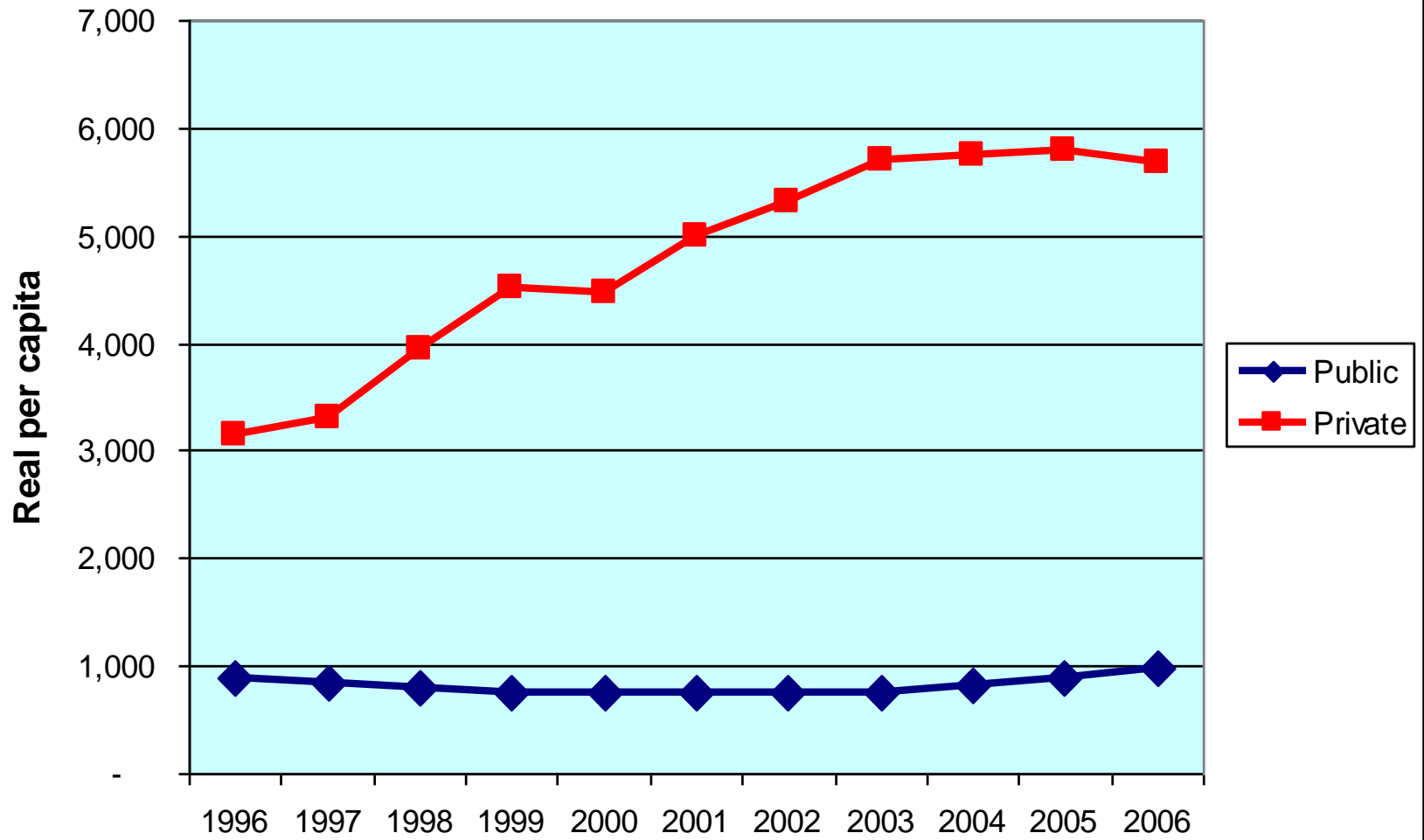


UNIVERSITY OF CAPE TOWN

# 'Progress' since 1994



Health Economics Unit



# Headlong to American nightmare



Health Economics Unit

- “No health care system in the world is as heavily commercialized as ours, and none is as expensive, inefficient, and inequitable – or as unpopular.” (Relman)
- For-profit health services:
  - Dramatically increase the cost of health care
  - Damage public and NGO sectors
  - *Clinical* quality of care not better



# Flip side of the coin



Health Economics Unit

- Public health system systematically under-resourced:
  - Barely kept pace with inflation and population growth
  - Number of staff has declined
  - **But**, health care needs have increased – HIV / AIDS epidemic, XDR TB, growing burden of non-communicable diseases, etc.
  - Serious challenges in staff morale and perceived quality of care



UNIVERSITY OF CAPE TOWN

# What is NHI ?



Health Economics Unit

- Could be *anything* / take any form
- Involves mandatory pre-payment
- Key objective is to achieve universal coverage



# Universal coverage



Health Economics Unit

- Health system that provides *all* with *adequate* health care at an *affordable* cost

***PLUS***

- Promote cross-subsidies in *overall* health system:
  - Wealthy to poor (pay according to ability to pay)
  - Healthy to ill (benefit according to need for care)



# Likely NHI implications 1



Health Economics Unit

- Must increase *public* funding of health services:
  - Increased allocations from general tax revenue (not at the expense of other social services), and/or
  - Mandatory health care contributions (as part of the overall social security system)
  - Pool these funds for everyone's benefit



UNIVERSITY OF CAPE TOWN

# Public concerns



Health Economics Unit

- ‘We’ are already paying so much
- ***But:***
  - Are we really getting value for money from schemes at present ?
  - Recognise massive income inequalities
  - *Everyone* pays tax



UNIVERSITY OF CAPE TOWN

# Likely NHI implications 2



Health Economics Unit

- Restore public sector hospitals, which are the backbone of the health system, so that they are the provider of *choice* of the vast majority of South Africans:
  - Increased management autonomy; authority with accountability
  - Human resource development and retention strategy
  - Improved governance



# Likely NHI implications 3



Health Economics Unit

- Highly unlikely that medical schemes will be 'legislated away'

***BUT:***

- Unlikely that there will be active or direct support for further growth of schemes
- Status quo *cannot* remain
- The future role of medical schemes is in *your* hands



# What do South Africans think?



Health Economics Unit

- 43% “I worry that private health care providers may provide unnecessary care to make money” (35% of MS members)
- 52% “Health care from private providers is too expensive relative to what you get” (38%)
- 37% “Medical schemes are expensive and they often won’t pay for care that you need” (32%)





# Need to get house in order



Health Economics Unit

- Clear evidence of problems in relation to public support for medical schemes
- Will continue to be demand by some South Africans for medical scheme cover, **but**:
  - At least a third of current medical scheme members have serious concerns
  - Nearly three-quarters would ‘opt out’ of medical schemes if had good cover under NHI and contribution rates lower than schemes



# The need for phasing



Health Economics Unit

- Major health system reform:
  - Needs to be careful planning and gradual transition (mustn't jeopardise existing system)
  - Rebuilding the public health system will not occur overnight
  - ***But***, need to take immediate and bold steps and move as swiftly as possible – need to address massive inequalities



UNIVERSITY OF CAPE TOWN

# Key issues



Health Economics Unit

- Expect considerable investment in the public sector and ‘competitive’ pressure
- Medical schemes will need to work very hard if you want to prove:
  - To members, that you provide value for money and serve their interests
  - To policy-makers and the general public that you have the ability to efficiently manage health insurance mechanisms



UNIVERSITY OF CAPE TOWN