

Contrasts in health care are stark and evil

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I am a health economist visiting South Africa from Australia. With respect to South African society, as a foreigner the thing that strikes me more than anything is the continuing poverty amidst such incredible affluence.

With respect to South African health care, two things hit me: the public sector is grossly underfunded and overworked; the private sector is grossly inefficient and inequitable. This is a disastrous combination for health and for health care. Reform is desperately needed in both the society and in health care.

The poverty in this country is shocking. OK, there is poverty in so many parts of the world so why should I expect something different in South Africa? "The poor are always with us." Maybe, but when we look around at the amazing wealth and conspicuous consumption that accompany this poverty, that is where South Africa really stands out. That is what leaves one speechless, even angry. To drive from Khayelitsha to Newlands as my wife and I did recently – a drive of only 30 minutes – is to go to another planet. The contrast is stark; it is evil.

The statistics confirm this impression. Just one example. According to Statistics South Africa, in 2001 "the 10% of the population in the lowest income decile shared R1.1 billion, whereas the 10% of the population in the highest income decile shared R381 billion". South Africa is now one of the most unequal societies in the world.

Let's think about these income stats for a minute. The bottom 10% have R1.1 billion; the top 10% have R381 billion. So your average member of the top echelon gets 346 times as much as the average member of the bottom echelon. Yet another way to express this: those at the bottom take nearly a year to earn what those at the top earn in a day! Unfair? – I'll say!

There is a lot of evidence to show that poverty is bad for people's health. One can immediately see that. There is also evidence that inequality is bad for people's health so being poor and surrounded by affluence is worse still.

With the best will in the world - or even just in South Africa - it will not be possible for the government to make massive inroads into poverty and inequality quickly. They could do a lot better than they have been doing in the last 15 years but it will take time. So the risk is that the health of the poor will remain bad.

Well, not necessarily. How health care is currently organised and financed needs to be examined. Making health care more accessible to the poor would help greatly.

This is where the government's plans for National Health Insurance come in. The goal here is 'all for health and health for all', giving everyone access to appropriate health care with everyone pitching in to pay for it. Currently the split between private and public care is grossly inequitable - over 40% of health care funds are in the medical schemes for about 16% of the population. And yet those in the schemes are on average much healthier - not because of their private care but because they are rich and the rich the world over have better health. Unfair? – I'll say!

The public sector needs a major boost. There is a need to debate the future of the private sector. But the key issue that should drive government health policy is not that but delivering health to the poor.

In examining NHI in South Africa, I had initially thought that a complete nationalization of health care was needed. That is not attainable, at least not in the short run. The public sector simply could not cope if the private sector were to be 'closed down'.

There is also a risk in treading too softly. The private sector will fight – they are fighting already.

The solution? Build up the public sector and make it genuinely competitive with the private sector. But additionally the private sector needs to be reformed. It is grossly expensive for what it does.

Two reforms are needed in the private sector: first remove all the tax breaks for private health insurance. They are totally unjustified in health terms; and just as unjustified in economic terms. Second make the private sector's processes and premium setting much more transparent to allow real competition. Currently there are too many schemes and too inefficient health care delivery.

The government might also contemplate emulating what the Australian government did when it set up its Medicare system. To bring a greater element of competition to the private sector, the government itself set up a private health insurance company called Medibank Private. That engendered a greater competitive edge through the whole industry. In South Africa there is a start already in the Government Employees Medical Scheme whose membership could be made more open.

What would be the implications of all of this for the private schemes? Most importantly it will mean that they will have to take reform seriously; those that don't will go to the wall. But perhaps just as importantly, those which do take reform seriously will have the opportunity to flourish. The private sector will be reduced but those schemes remaining will have less to fear from a reformed public sector. People who want to take out private cover will still be able to but they will be paying twice for their health care. That issue of 'paying twice' will almost certainly mean the private sector withering away – but not immediately.

There has been a scare campaign conducted by the private sector suggesting that an NHI might be very costly. This is just nonsense. It does however show the lengths to which the defenders of the present system will go to try to preserve it. Again it has been suggested that NHI is a rich country option and South Africa cannot afford it. Again this is wrong: all countries can afford an NHI if they place enough weight on social cohesion and equity.

An NHI will cost more but not a fortune. Let's play with some numbers. Say that the private sector remains for 10% of the population but that efficiency gains will reduce costs for them by a third. Assume that improving the public sector will result in a 25% increase in costs and that bringing health care to all will lead to another 50% increase.

On the tax breaks in the private schemes, as seen through the eyes of a foreign health economist these are not just of monstrous proportions but monstrous! They amounted in 2005 to over R10 billion which was equivalent to 20% of the public health sector budget. These tax subsidies simply cannot be justified!

All in all with an NHI I estimate South African health care costs would go up by maybe 15-20%.

The details of the system are still up for debate but all too little of this debate is in the public arena. This to me is wrong.

The NHI is about getting health care in this country established as a social institution and not a 'commodity'. Commodities are what consumers buy in the market place. That is no way to deliver health care. No the health care system needs to be seen as a social institution driven not by the values of the market or the stakeholders (read vested interests) but by citizens' values.

In Australia I have worked with citizens' juries – randomly selected citizens brought together, given good information and asked what they want as citizens from the health care system. Three things stand out: they want to give equity a high priority; in general what they want and what they are getting are different; and those most opposed to using ordinary citizens' values are the so-called 'stakeholders' who see their positions of power being usurped by these 'ordinary citizens'.

The question to the people of South Africa needs to be: what do you want of an NHI? Oddly no one seems to have asked them!

This is a fractured society, divided by race in the apartheid years; today by class, with severe inequalities between rich and poor. What South Africa seems to need is some way of acting together as a nation, as a community united in some common purpose.

Here in South Africa my wife and I meet people from all walks of life. We are very struck by their friendliness and resilience. The people have a great pride in country. But we also see the crass poverty and the gross inequality which are cancers on the face of this wonderful country.

Bringing health care to all, building a truly democratic health care system with those who can afford it pitching in to help those less well placed – a health care system built on social solidarity and compassion - that is what NHI is about. And who knows? It might be a pilot for a future South African society as a whole.

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