

## National health to cost quarter of GDP

Concern over added NHI burden on taxpayer

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The government may have to spend as much as a quarter of South Africa's GDP on the proposed National Health Insurance (NHI) scheme if it is to become a reality, a UCT study has revealed.

In the latest findings of the multi-country Shield (Strategies for Health Insurance for Equity in Less Developed Countries) project, by UCT's Health Economics Unit, researchers found that while South Africa currently spent just more than four percent of its Gross Domestic Product on health, this would increase by anything from 5 percent to 24 percent with universal coverage, depending on the approach used.

Using three different estimates - the "highest cost, lowest cost and best guess" - the researchers predicted that under the "best guess" estimate health-care spending would need to grow from its current 4 percent to about 6.4 percent of GDP.

The lowest cost, which would only see an allocation of 5 percent of GDP, would not be feasible, while the highest cost estimate could see the allocation of funds amounting to 24 percent of GDP, making the system unaffordable in the South African context.

The estimate used private sector unit costs, and assumed costs would grow by 3 percent.

The research project also looked at three different financing models.

These included the "status quo" scenario, where 16 percent of the population was covered by medical schemes and the rest largely dependent on publicly funded services.

The other options were the "universal coverage" scenario akin to the NHI, which seeks to promote free access to quality health care for all South Africans, and the extended "medical scheme coverage" that referred to the extension of medical scheme cover to all those working in the formal sector.

The models drew on international best practice for making high-level estimates of the likely resource implications of substantial changes to the health financing system.

Professor Di McIntyre, researcher and scientific co-ordinator of Shield, said that while these models were not crystal balls and no model could predict the future with complete accuracy, they could be helpful in assessing alternative health reforms.

The findings indicated that the medical scheme scenario would be "unaffordable" in the local context, due to its high level of resource requirements that would result in a total health-care spend of more than 13 percent of GDP.

McIntyre said the status quo and universal coverage would result in similar levels of health-care expenditure, with the status quo requiring 9.5 percent of GDP and universal coverage 8.6 percent.

However, a key concern about pursuing a universal system was the tax burden of generating public health sector funds equivalent to more than 6 percent of GDP.

McIntyre added that it was clear from the analysis that the universal coverage, or NHI in the South African context, was the most affordable.

She said the latest research then shifted the debate from whether the NHI was affordable or not, to how to make the system possible.

"For me having done this work I would hope that we start coming to a position where we understand that it's not the universality that will make the system unaffordable, but how you design it.

"Let's stop this debate about whether it's going to cost us 24 percent of GDP or not.

"For me the trade-offs are whether South Africans are willing to see funding increase so that we get improved health services.

"If the answer is yes, then how do we make that possible?"

McIntyre said questions that needed to be asked now included whether the public sector was going to deliver, whether the service would be accessible, and if there were any mechanisms to ensure good governance and critical monitoring of the system.

She warned, however, that the additional tax to fund the NHI should not be introduced until the government had proved it could deliver.

This could be done by turning around inefficiencies in the public sector, including addressing the drug redistribution system, which had lots of flaws

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