

'NHI plan cheapest in long run'

Oct 5, 2010 10:51 PM | By BRENDAN BOYLE

The proposed national health insurance scheme would require a substantial increase in public spending and could increase the income tax burden of the highest earners from about 41% to 45%

But University of Cape Town health economist Di McIntyre said the scheme would be cheaper by the end of its 15-year implementation period than either of the government's other options: continuing with the status quo or imposing a scheme that forced all formally employed people to join a private medical aid scheme.

Based on EU-sponsored research, the results of which were released yesterday, she calculates that state spending on healthcare would have to rise from 4% of gross domestic product to about 6.4% to meet the cost of a universal healthcare system.

"The main message from this is that a universal system is affordable. In terms of the total health expenditure by all sectors involved, it will not be much more than it is now," she said.

Though more people would have access to health services, fewer would be doing so at the much higher rates charged by the private sector.

Zweli Mkhize, chairman of the ANC's health committee, announced at the party's recent conference in Durban that the implementation of a national health insurance scheme would begin in the 2012 financial year.

He said all South Africans would become members and would contribute through a combination of dedicated personal, general and sales taxes. Private medical aid schemes would continue to operate freely, but tax deductions for medical aid contributions would be phased out.

Mkhize said that, in 2012, R11-billion would have to be added to the current R117-billion budget for health, and that health's share of state spending would increase from 12% now to 14.5% by 2025.

McIntyre calculated that the share of state spending to healthcare would have to rise to 15%, which is in line with a commitment by African Union heads of state.

The additional burden could be covered by a tax raised at the same percentage of income for everyone. This would hit low-income earners hard and raise the maximum rate from 41% to between 43% and 44%.

A better option would be a progressive tax, with the lowest earners paying 0.6% more of their income in tax. The highest earners' overall tax burden would rise to between 44% and 45%, she said.

McIntyre said that the most expensive option would be to require all the formally employed to take medical aid cover for themselves and their families, which would take the proportion of the burden taken by medical insurance to about 40% of the population.

She estimated that about 40% of medical aid members would migrate to a credible national health system.

<http://www.timeslive.co.za/local/article691336.ece/NHI-plan-cheapest-in-long-run>