

# Oral presentation

## Why AfriForum opposes National Health Insurance (NHI)?

Parliamentary Portfolio Committee on Health on Tuesday 15 February 2022 from 09:00–09:45, followed by discussions from 09:45–10:15.

I thank you for the opportunity to present AfriForum's input on the NHI Bill. I am Reiner Duvenage, Campaigns Officer: Strategy and Content at AfriForum. AfriForum argues that the NHI Bill should not be adopted. This presentation will outline the main arguments AfriForum bases its opposition of the NHI Bill on.

In the first place, the government's track record vis-à-vis the management of state-owned companies such as SAA, Transnet and Eskom inspires zero confidence that the NHI will be managed any differently. As confirmed by the Auditor-General's report of 2020/2021, state-owned enterprises are haemorrhaging money and placing a severe burden on both the government and taxpayers. Furthermore, the damning findings of the Zondo Commission in which widespread state capture was exposed should serve as enough of a deterrent to not monopolise yet another sector. It should be noted, however, that the NHI will be managed on a much larger scale than other state-owned enterprises, opening the door for even greater failure and financial losses. As such, despite the government's usual empty promises, there is absolutely no guarantee that NHI will not go the same way as other state-owned companies. With this considered, the NHI amounts to nothing but irresponsible gambling with the health sector, and therefore, with millions of South Africans' lives.

The government has demonstrated a clear lack of will to put an end to the systemic corruption plaguing all governmental sectors. It is almost impossible to calculate how much money has been lost to corruption since the ANC came to power, but recent estimates are that South Africa may have lost more than R1.5 trillion between 2014 and 2019 alone.<sup>1</sup> This rampant culture of corruption will simply bleed the potential NHI fund dry. The government's untrustworthiness with regard to the management of large amounts of money is further illustrated by the looting of crucial Covid-19 relief funds. *Medical Brief* investigated the spending of the Covid-19 relief

---

<sup>1</sup> Buthelezi, L. 2021. SA lost R1.5 trillion to corruption in five years and continues to bleed-report. *Fin24*, 23 June, p.1.

fund between April 2020 and September 2021. It looked into less than 10% of the R152.5 billion that was spent and found that more than one out of every two rand spent had been stolen and 62% of the scrutinised contracts were found to have been irregular.<sup>2</sup> The brazen nature of state corruption is aptly illustrated by the implication of the former MEC of Health and even the Minister of Health in the scandal.

In the second place, the reality is that there is no money to fund the NHI and no accurate estimate of what the project will cost. AfriForum analysed the government's Impact Analysis Study on the National Health Insurance Policy on which the Bill is based. It found clear flaws, intellectual dishonesty and unfounded assertions in the study amounting to at best "a negligent misrepresentation of the NHI's true impact and, at worst, a fraudulent deception perpetrated on the South African public." The Medium-Term Budget Policy Statement published in November 2021 stated that a limited costing of the national health insurance policy proposal estimated that it would require an additional R40 billion per year in funding over the first five years. However, an independent report from Discovery Medical Aid found that R212 billion is currently being spent on private healthcare. This amounts to 44% of total healthcare funding in South Africa. Thus, if private medical aids are to be eliminated as the NHI Bill stipulates, this R212 billion shortfall will have to be absorbed by the state.<sup>3</sup>

Due to the dire economic situation and the government's astronomical debt levels, the NHI cannot be funded through loans. This leaves the raising of taxes as the only option for the funding of the NHI. Taxpayers are already severely overburdened and have to pay double tax for privatised essential services such as schools, security and, of course, healthcare. The already desperate economic situation is further exacerbated by the government's dreadful mismanagement of the Covid-19 pandemic, resulting in a decrease of the already thin tax base. South Africa already has a much higher income tax rate than other countries in its GDP bracket. The economy contracted by 7% in 2020 and the tax base declined by 7,8%.<sup>4</sup> This in a country

---

<sup>2</sup> Medical Brief. 2021. *SIU report reveals massive scale looting from Covid-relief funds*. 26 January. Available at <https://www.medicalbrief.co.za/siu-report-reveals-massive-scale-of-looting-from-covid-relief-funds/>. Accessed 31 January 2022.

<sup>3</sup> BusinessTech. 2022. *Big "NHI tax" expected for South Africa*. 28 January. Available at <https://businesstech.co.za/news/finance/553898/big-nhi-tax-expected-for-south-africa-discovery/>. Accessed 30 January 2022.

<sup>4</sup> BusinessTech. 2022. *How many South Africans earn more than R1 million a year*. 3 February. Available at <https://businesstech.co.za/news/wealth/555404/how-many-south-africans-earn-more-than-r1-million-a-year/>. Accessed 3 February 2022.

where it is estimated that 25% of taxpayers pay 80%<sup>5</sup> of all income tax. If taxes are increased for workers to fund the exorbitant cost of NHI, it will result in lower take home wages and increase potential job losses leaving companies and individuals with less money for saving and investment. This will slow economic growth and job creation, thereby disadvantaging the very group the NHI purports to assist. Against this background NHI will be the straw that finally breaks the taxpayer's back sending the country spiralling into disaster.

Thirdly, the public healthcare sector is already in tatters due to government's failure to maintain existing healthcare facilities and infrastructure. Steve Biko and Charlotte Maxeke are but two examples of public hospitals that find themselves in a near perpetual state of ruin due to shortages and general mismanagement. In the 2019/2020 Auditor-General's audit of national and provincial health departments, the Western Cape Department of Health was the only health department to receive a clean audit.<sup>6</sup> Since the government has shown itself to be incapable of managing existing infrastructure, AfriForum has no faith that it will be able to manage a much larger scale national health system.

Moreover, the government's handling of the Covid-19 pandemic has brought serious questions to mind regarding its capability to deal with medical issues. Large-scale overcrowding in hospitals during the pandemic exposed the disastrous state of public healthcare in South Africa. This was shown by a BBC investigation of South Africa's public hospitals in Port Elizabeth during the height of the pandemic in July 2020, which found the health service to be in a state of near collapse due to systemic failures. Furthermore, the government demonstrated its ability to exacerbate problems through ridiculous regulations such as the ban on wearing open shoes, buying cooked food or the failed medical scooter project in the Eastern Cape.

In the fourth place, South Africa is experiencing a brain drain of highly skilled professionals seeking personal safety and better value for their taxes abroad. However, the implementation of NHI will cause a previously unseen exodus of skilled medical professionals. In June 2021, the South African Medical Association warned that as many as 38% of its 12 000 members

---

<sup>5</sup> BusinessTech. 2021. *South Africa's tax base has taken a big knock*. 18 June 2021. Available at <https://businesstech.co.za/news/finance/499395/south-africas-tax-base-has-taken-a-big-knock/>. Accessed on 25 January 2022.

<sup>6</sup> Western Cape Government. 2021. *Western Cape Maintains top spot in provincial audit outcomes*. 31 March. Available at <https://www.westerncape.gov.za/provincial-treasury/news/western-cape-maintains-top-spot-provincial-audit-outcomes>. Accessed 25 January 2022.

planned to emigrate if the NHI were to be implemented. In addition to this, a further 6% planned to emigrate for other reasons and a further 17% said they were unsure about leaving the country if NHI were to be implemented.<sup>7</sup> In the face of already crippling staff shortages, the mass emigration of healthcare professionals is something South Africa cannot afford.

In the fifth place, although the NHI will only cater for South African citizens and legal residents, it is unknown what impact the country's unsecured borders, another ANC failure, and the constant influx of illegal immigrants will have on the system. In addition, there are currently no accurate statistics on how many illegal immigrants are residing in South Africa. Therefore, it is impossible to predict what impact this will have on the system.

In the sixth place, the NHI will spell the end of the medical aid industry with the state becoming the sole purchaser of healthcare and competition being driven out of the health marketplace. Yet, the state is heavily reliant on the private medical aid industry since it does not have the financial and human resources to provide for the healthcare needs of all South Africans. To illustrate this point, private medical facilities provide large amounts of hospital beds in South Africa, employs hundreds of thousands of South Africans and contributes greatly to tax income. By implementing the NHI the state would destroy an industry it is dependent on, thereby infringing on the public's right to healthcare. This means government would be depriving citizens of pre-existing quality coverage in favour of a system which is unaffordable, unfeasible and unworkable. It is tragic that the ANC government has allowed the public health sector to deteriorate to such an extent that many poor South Africans do not have access to basic health services. However, this problem will not be solved by destroying the private health sector which already overburdened taxpayers are funding out of their own pockets.

In summary, the NHI is a project of which the true costs and service needs are completely unknown, but despite this, is still being foisted on the already overburdened taxpayer. By looking at the track record of state-owned monopoly enterprises, NHI will be severely burdened by corruption, excessive bureaucracy, mismanagement and inefficiency. The government is using NHI as way of garnering votes from poor South Africans, who have legitimate grievances regarding the quality of healthcare in South Africa. However, NHI will

---

<sup>7</sup> BusinessTech. 2021. *Doctors threaten to leave South Africa because of the NHI*. 4 June. Available at <https://businesstech.co.za/news/government/496007/doctors-threaten-to-leave-south-africa-because-of-the-nhi/>. Accessed 1 February 2022.

not solve these problems. On the contrary, it will lessen the total access to quality healthcare by destroying the private healthcare sector. This will, in turn, also lead to the mass emigration of medical practitioners and specialists. The government is reliant on the private healthcare sector and the disappearance of its financiers and personnel will bring about a collapse of the entire health system. Unfortunately, it is the poor people of South Africa that will suffer the most as a result of this.

Against this background, AfriForum argues that NHI is a PR exercise by government to create the impression that it is paying attention to citizens' legitimate concerns about healthcare. If the government continues its irresponsible course of action in pushing for the adoption of the NHI Bill, it will further expedite South Africa's transformation into a failed state. Therefore, AfriForum calls on government to recognise the error in its ways and discontinue its power-hungry attempt to create a centralised state monopoly in the healthcare sector to the detriment of all South Africans. The public health system needs to be reformed, but the best way of doing so is to start by fixing the current malfunctioning system.

AfriForum agrees that South Africa's healthcare system needs reform, however, NHI is not the way to achieve this. Prof Alex van den Heever wrote a report on NHI which found that current problems are due to inherent weakness in the governance framework and not the purchasing framework. In other words, the biggest problem in the current healthcare system is that of governance. As such, a centralised monopoly in the healthcare sector will not address the true issues. The only way to help poor South Africans gain access to quality healthcare is to reform the current system by getting rid of corruption and mismanagement, as is the case in the Western Cape, but also further expanding possibilities for private insurers to compete in a decentralised free market for the services of users.<sup>8</sup>

Prof van den Heever's solutions align with the 2019 Health Market Inquiry's model which proposes the introduction of more private medical aids into the market in the short term to drive competition, thereby reducing costs for users and increasing efficiency of the current system. In the long term it proposes the introduction of mandatory private medical aids. This is achieved by legislating medical aids to provide low base level healthcare services. It also proposes

---

<sup>8</sup> Van den Heever, A. 2019. *National Health Insurance Bill Review*. Research Gate. pp. 90-91. Available at [https://www.researchgate.net/publication/338717425\\_NATIONAL\\_HEALTH\\_INSURANCE\\_BILL\\_REVIEW](https://www.researchgate.net/publication/338717425_NATIONAL_HEALTH_INSURANCE_BILL_REVIEW)

setting up a dedicated healthcare regulatory authority and an Outcomes Monitoring and Reporting Organisation. By doing this, there will be no centralised funds that could be looted and the workings of the free market in a decentralised system will ensure the greatest possible cost efficiency for users.<sup>9</sup>

---

<sup>9</sup> Nkonki, L, Ntuthuko, B, Fonn, S & Ramokgopa, M. 2019. *The Health Market Inquiry and its potential contribution to improving health systems functioning in South Africa*. South African Health Review 2019, no. 1 (2019): pp. 210-239.