

# NHI funding. It's complicated

By [Lee Callakoppen](#), issued by [Bonitas](#)

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*Prof. Simon Nemutandani, president of the Health Professions Council of SA (HPCSA), recently proposed that: "The NHI should be taking over from medical aid schemes and all assets that sit under medical schemes must be transferred to NHI." This appears to be another attempt by the National Department of Health (NDoH) to acquire the reserves of private medical schemes to pay for healthcare in South Africa.*



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There is no doubt that some form of universal healthcare is imperative in South Africa. It is not sustainable to have only 16% of the population on private medical aid. “None of us wants anyone to suffer, become disabled, live in pain or die because they could not access decent healthcare,” says Lee Callakoppen, principal officer of Bonitas Medical Fund.

*So why is it complicated?*

What is agreed is that the country needs a health financing system that is designed to pool funds to provide access to quality and affordable personal health services to all South Africans. Quality healthcare is a basic need, it should not be based on socio-economic status.

However, Callakoppen, says: “The HPCSA’s proposal to use the current private medical aid reserves – of around R92bn –

to fund the NHI is not the answer, is irresponsible and we strongly oppose it.”

### *The Medical Schemes Act*

“The proposal is fraught with illegalities and is in direct conflict with the Medical Schemes Act 31 of 1998 (MSA) and prevailing regulations and quite frankly, unethical,” he says. The act promulgates medical schemes in South Africa hold solvency capital equivalent to 25% of their annual gross contribution income. This means medical schemes must have sufficient assets for conducting its normal business and to act as a buffer if there is an unusual event, such as the pandemic.



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### *The administration of healthcare*

There is also no guarantee that transferring the medical scheme assets will be sufficient to fund NHI, especially as there has never been any clear funding guidelines presented. Aside from regulations, the reality is that the transfer of funds will place a huge burden on the state – which does not have the necessary infrastructure to support this at this point in time. It would be irresponsible and irrational without clearly articulated NHI legislation or funding guidelines and protocols. Checks and balances in our industry are very stringent and regulation is controlled strictly by the MSA and the Council of Medical Schemes (CMS).

### *Protecting the members' interests*

The CMS, which governs the medical aid industry, has a statutory obligation: To protect the interests of medical schemes and their members and monitor the solvency and financial soundness of medical schemes. Moreover, medical schemes are not-for-profit entities, owned by their members. This means that the reserves are made up of financial contributions by members. We strongly oppose the notion of using member's money in this manner, nor can we accept such a gross contravention of the MSA.

### *NHI needs to be an ecosystem of collaboration*

We are in support of universal healthcare but it has always been our understanding that the NHI and private medical schemes would operate and collaborate and that there was space in the healthcare landscape for both. What has become even more apparent during the pandemic is that stronger collaboration is required between public and private sectors. There are many stakeholders in the healthcare system and we need to engage with them all to find a way forward to address the health challenges faced by South Africans. Negotiations, strategising and robust discussion will enable us to roll out the most viable and sustainable system in our country. The only way for the healthcare system in South Africa to evolve is through interdependent relationships.

The need for universal healthcare is not debatable. It is the mechanisms around its implementation that stimulates continual debate, challenges, disagreements and proposals.

### *The funding*

The funding of the NHI has always been a grey area. We understand that the tax credits for medical contributions might fall away and be reallocated to the NHI and that all South African citizens will have to contribute towards the fund with a separate tax, even if they are on a private medical aid. But the rechannelling of assets, from a private entity to fund a government health insurance, is not legal and cannot be considered as a funding option.

*It's not a comprehensive cover*

We must also bear in mind that NHI will not cover everything. There should be room for existing private healthcare for medical services not included in the current NHI proposals. These include but are not restricted to: medicines not included in the national formulary, for drugs and diagnostic procedures outside the approved guidelines and protocols as advised by expert groups.

*Leadership for a healthier country*

It is imperative that any national healthcare system is led strategically. It is undeniable that we need to empower everyone through healthcare education. It is common knowledge that lifestyle diseases, such as diabetes, high blood pressure and obesity are a pandemic on its own. But rather than treating the symptoms, a system of primary healthcare should include managed care, where 'prevention is better than cure' becomes the mantra. The burden on our healthcare system, both public and private, as a result of chronic lifestyle diseases is massive. By monitoring these and proactively addressing them, we will not only reduce healthcare expenditure but ensure that South Africans have a better quality of life.

*Regulation*

The administration of the proposed central system of healthcare will need strict governance and oversight. NHI too, would be a not-for-profit organisation owned by its members. In the private medical aid environment, the fund is overseen by luminaries in the business, financial and government spheres. They are under strict scrutiny and undergo public audits as they are obligated to the members of the medical aid which is in essence a trust fund.

*So, back to the beginning*

Is the NHI viable for South Africa? I believe it has to be. Universal healthcare is a right, not a privilege. However, nationalising the reserves of private medical schemes is not only unethical but illegal. That said, there are more questions than answers and many details to be ironed out. And, until then, we need to focus on working together, strong ethical leadership, accountability and dealing with social-economic issues as an integral part of the process.

## ABOUT THE AUTHOR

Lee Callakoppen is the principal officer at Bonitas Medical Fund

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