

Free healthcare for all: A political fairytale

Free healthcare for all is not only a long-standing election promise, but also the cornerstone of the National Health Insurance White Paper.



Dr Johann Serfontein, Free Market Foundation health policy unit

“When it comes to healthcare funding, the World Health Organisation (WHO) indicates that universal healthcare (UHC) does not mean free coverage for all possible health interventions, regardless of the cost, as no country can provide all services free of charge on a sustainable basis,” says Dr Johann Serfontein of the Free Market Foundation health policy unit.

“What reaction can we expect in if government fails in delivering on this promise? The decision to provide free healthcare for all in South Africa was thus a political one, which ignored the WHO position and did not take into account the financial implications considering the low levels of employment and the small base of tax payers in South Africa.

“When studying other countries using tax-funded public health systems it becomes obvious that one needs to have higher levels of employment to sustain such a system.”

This does not, however, mean that South Africa cannot afford UHC. What it does imply, is that a different, more appropriate funding model needs to be considered.

Comparing funding models

The WHO states further that UHC means that all people receive the health services they need without suffering financial hardship when paying for them. That the full spectrum of essential, quality health services should be covered including health promotion, prevention and treatment, rehabilitation and palliative care. “Obviously, if you are poor, having to pay anything at all will create hardship. The more affluent, however, can afford to pay for healthcare and currently choose to do so by making medical scheme contributions,” he says.

In Canada and Taiwan, where a single payer NHI system like the one proposed for South Africa currently operates, experience shows that even with a much broader tax base, this system proves expensive. Research by the Fraser Institute on the cost of healthcare insurance, illustrates that Canada consistently applies 23.9% of personal taxes that get paid towards healthcare insurance for individuals. The healthcare taxes of Canadians are quite progressive, with the lowest earners spending 3.5% of their income on health while the highest earners spend 13.2% of their income.

Between 2005 and 2015, the CPI average increase was 1.7%, while healthcare inflation was 4.8% or a 2.8 multiple of the CPI inflation. Discovery Health illustrated at the Competition Commission's inquiry into the health market that their premium inflation is currently 11.4%, where the South African CPI is 6.3%. Healthcare inflation in the South African private sector, which is branded as expensive in the NHI white paper, is only a 1.8 multiple of CPI.

Taiwan has 23-million people on its NHI. The government pays 23.2% of NHI funding and 76.8% of it is funded by individuals and employers. Every service delivered has a co-payment ranging between R20 for GPs and R115 for hospitals and specialists. Out-of-pocket expenses in Taiwan amounted to 35.8% of all healthcare spend in the country. Even with these levels of co-payments, the Taiwanese government often must pay for deficits in their NHI funding. Despite this system, the satisfaction rate in Taiwan is 70-80%, which is less than South Africa's current public health satisfaction levels of 81%.

"The rationalisation behind using these two countries as a motivation for South Africa to choose a single-payer NHI model is not clear. Canada's healthcare inflation and costs are much higher than South Africa's, despite having a single-payer system, while in Taiwan, 35.8% of healthcare is provided for by out-of-pocket payments.

"This brings us back to the inherent danger in promising free healthcare to the masses. Failure to deliver this promise in the South African context will lead to protests which could well turn violent. "Before any further promises are made, the costing and delivery model of the NHI needs to be finalised. What it will cost and who will ultimately pay for it must be determined before we promise free healthcare to constituents who are making themselves heard and increasingly holding government responsible for the promises it makes," Serfontein says.

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