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Diagnosing SA's healthcare sector

By Madelein Barkhuizen

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Healthcare is one of our economy's sectors most carefully scrutinised by local and international investors. This interest is unlikely to decrease in 2020, with the government's announcement of the National Health Insurance (NHI) Bill. Here's what we can expect this year and beyond.

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Uncertainty of the future

The latter part of this year has been characterised by talk of the NHI Bill that was tabled before Parliament in August. In its current format, the Bill aims to cover every South African, employed or unemployed, regardless of their income level. The socio-economic status of members will not influence the quality of healthcare that they receive.

Although specific implementation details have not yet been finalised, what has been communicated so far is that it will not officially eliminate individuals' choice to opt for private medical healthcare. A central administrator will be responsible for regulating which medical services will be covered by whom, at what point and to what degree.

In what many have deemed as a surprise move, the Council for Medical Schemes (CMS) has begun to implement certain changes. In Circular 80 of 2019 dated 4 December 2019, the CMS announced that it would be abandoning a decade-long project to make private healthcare available to about 8 million lower-income households. This move is in support of the proposed NHI. In the next 12 months, we expect to see pronouncements on the vaguer details of the Bill with no drastic changes to medical aid schemes and cover.

Scheme and option changes

Members typically consider changing their medical aid options or even medical aid schemes at the end of the year. They would have been able to consider the financial impact that membership fee increases will have on their budgets. In recent years, many medical schemes endeavoured to create options and medical aid plans to cater to lower income households like, for example, income-based options. The uptake for the options has been expectantly high. With the CMS' stance on medical aid cover and insurance to lower-income households, it will be incumbent on medical aid schemes to reposition in order to be able to continue to provide quality medical cover to the affected citizens in the year 2021.

Price regulations

Earlier this year, the Competition Commission released its findings from the Health Market Inquiry (HMI). It found that the private healthcare sector is "highly concentrated" and is characterised by over-utilisation. It was also reported that the rate of utilisation was without demonstrated improvements in health outcomes as would be expected from an industry with high and rising costs of healthcare and medical scheme cover.

With the implementation of the NHI being a long-term project, we anticipate that in the interim, private healthcare costs will be regulated more closely to manage costs and identify fraud and misuse.

Shift to primary healthcare

In light of the proposed changes to public and private health cover, primary healthcare should be of paramount importance in the next year. It has been our government's stated intention to provide primary healthcare and health services that are safe, comprehensive, integrated, accessible and of high quality. It will be essential now to provide and improve facilities and resources so as to create a conducive environment for the NHI to perform sustainably and effectively.

Over the next year, we anticipate a consultative process including government, the CMS, medical aid schemes, as well as private and public healthcare stakeholders, in an effort to provide a framework that ultimately addresses healthcare needs, whilst recognising fiscal constraints.

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