

It's easy to get distracted by the vaudevillian aspects of the healthcare debate

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REPORT REVEALS STATE SECURITY CHALLENGES

A HIGH-LEVEL panel review report has revealed that unprofessional and unethical conduct were amongst several "challenges" within South Africa's intelligence services, the presidency said in a statement released on Friday night.



OPINION



ISSUES HOLDING SMALL, MEDIUM BUSINESSES BACK

PIETER BENSCH

WHEN Finance Minister Tito Mboweni gives his Budget Speech for the 2019/20 tax year this week, I hope to hear examples of how the government will work towards boosting South Africa's ranking in The World Bank's annual Doing Business Report.

Given that India climbed 23 positions in this year's ranking and that South Africa ranked 32nd just a decade ago, this goal is highly achievable.

Making it easier to do business will ignite the growth of our small and medium businesses and nurture the entrepreneurial flame of business builders. As the president and the government recognise, small and medium businesses have a vital role to play in job and wealth creation.

Here are a few of the issues keeping small and medium business owners awake at night, and some ways the government could address their pain points:

- ◆ Making it easier to start a business. South Africa ranks 134th out of 190 countries in the World Bank's report for 2018. It takes up to 40 days to complete the processes and procedures necessary to start a business, compared to an average of 23.3 days in sub-Saharan Africa and 9.3 days in rich Organisation for Economic Co-operation and Development (OECD) countries.
- ◆ Reducing tax red tape. Although South Africa ranked within the top 50 (46th) for paying taxes, the report shows that South African companies spend some 210 hours a year on filing returns and paying taxes. The average in OECD countries is around 159 hours, showing that there is some room for the SA Revenue Service to improve.
- ◆ Trading across borders. The State of the Nation address shows that the president has a vision of South Africa as an export powerhouse, so this area needs urgent intervention. South Africa is ranked 143rd in the report for the ease of cross-border trading, scoring poorly compared to most OECD countries for the time and costs involved in documentary and border compliance for imports and exports.
- ◆ Addressing the power crisis. "Getting electricity" is one of the World Bank's metrics and one where South Africa already fares poorly compared to rich OECD countries for cost and reliability of supply. We ranked 109th in the report on this measure; with Eskom implementing Stage 3 load shedding as I write this, we are likely to fall rather than rise in the next edition. We may learn more in the Budget Speech about how the government will address the power crisis in the years to come. In the shorter term, perhaps tax relief should be on the agenda for businesses that will face existential challenges as a result of the power crisis. Or, could government look at zero-rating the VAT generators, solar lighting and other solutions that could help small businesses cope when the lights go out?
- ◆ Supporting small business heroes. In the 2018/19 Budget Speech and other government addresses last year, a number of measures were announced to support small and medium businesses. Hopefully, we'll hear some progress updates about those initiatives in the Budget Speech. The finance minister has an opportunity this year to support our small business heroes and, in so doing, catalyse the level of inclusive growth we need to create a just and prosperous society.

Bensch is the executive vice-president at Sage Africa and Middle East.

COMMENT



NATIONAL Health Insurance will offer all South Africans and legal residents access to a defined package of comprehensive health services. | ANTOINE DE RAS

The great NHI debate

Unviable scheme has potential to wreck country's fragile economy

HEALTH Minister Dr Aaron Motsoaledi has accused the Hospital Association of SA (Hasa) of "fear-mongering" and attempting to sabotage the implementation of the government's National Health Insurance (NHI) scheme.

Hasa raised concerns that the contradictions contained in the NHI and Medical Schemes Amendment bills will lead to job losses.

Hasa chairperson Melanie da Costa provided two scenarios to demonstrate the economic effects of two different policy paths. In the first scenario, which combines the provisions of the two bills and assumes government would not purchase any private hospital services under the NHI, Hasa estimates 99 600 jobs would be lost in the private sector and R31 billion shed from South Africa's GDP. The second scenario includes the effects of price regulation, with a proposed cap on prices at levels 23% lower than they are at present. Under this scenario, 132 000 jobs would be lost.

Apart from job losses in the private hospital sector, implementing the NHI is fiscally unaffordable and comes at a time when the country is struggling to keep the lights on and the wheels of the economy spinning.

We estimate that NHI will cost taxpayers R446.8bn in 2018 prices. Considering that the total revenue from personal income tax collections – the main vehicle for financing NHI – amounted to R462.9bn in 2017, the futility of the government's ambitious scheme confronts us.

South Africa has a very narrow tax base and it would be extremely unwise for government to even consider imposing another tax on already overburdened taxpayers to fund the NHI rather than trying to get more people actively involved in the workforce. Since the main funding option for the NHI scheme will necessarily come from a surcharge on taxable income and a payroll tax, the NHI is nothing but a tax on labour. A payroll tax will always, ultimately, be borne by workers, either through reduced earnings or compensation or job losses – precisely the opposite of what the poor in South Africa require.

While the NHI scheme is supposed to help people access medical care, instead it would undermine their chances of economic success by either cutting their wages or eliminating their jobs altogether. In short, adopting the proposed NHI has the potential to wreck South Africa's already weak economy. To compound matters, in his State of the Nation address, President Ramaphosa said the NHI Bill would soon be ready for submission to Parliament. However, the NHI Bill has been surrounded by controversy ever since the National Treasury revealed



JASSON URBACH

that the president's adviser, Dr Olive Shisana, had attempted to introduce draconian changes to the proposed bills after the public comment period had closed that would have all but destroyed the private health-care sector in South Africa.

Despite millions of taxpayer rands having been spent on the NHI, including the catastrophic failure of the NHI pilots, South Africans are no closer to understanding any of the material details of the plan. Yet, the government is surging ahead. Indeed, critical details such as how much the scheme will cost, where the money to pay for it will come from, and where the country will obtain the additional personnel (both medical and bureaucratic) to staff the ambitious scheme are all sorely lacking.

Given the conspicuous absence of these and other critical details we can only assume that the government's NHI scheme is a politically motivated event that will not improve the health outcomes of the poorest and most vulnerable members of society.

We are reminded of the quote by Paul Starr: "Whoever provides medical care or pays the costs of illness stands to gain the gratitude and goodwill of the sick and their families... Political leaders since Bismarck seeking to strengthen the state or to advance their own or their party's interests have used insurance against the costs of sickness as a means of turning benevolence to power."

When one considers the high levels of poverty and unemployment, the small tax base, and the poor performance of the public health sector, it is difficult to envision how a government-funded system that promises "free health care for all" is appropriate for South Africa.

The consequences of the government adopting its proposed NHI policy are entirely predictable. It would reduce the quantity and quality of South African health care provision; drive more health-care professionals out of the country; create a bureaucracy incapable of efficiently handling the huge volume of claims; impose an unnecessary and intolerable burden on both government and taxpayers; and cause job losses.

Urbach is a director at the Free Market Foundation.

Dispelling myths surrounding loss of jobs, affordability, access

DURING our protracted struggle against apartheid and colonialism, our most difficult challenge was not the apartheid system and its enforcers but the Askaris, former freedom fighters who had been turned into renegades working with the system.

The Askaris were dangerous because they spoke the language of freedom fighters. They knew many of us. They knew how we operated. While the real enemies of liberation and freedom were easily identifiable because they were clearly on the other side of the camp, the Askaris were not. They were in our ranks and posed lethal threat.

The analogy here is that the most dangerous enemy is the one that pretends to be with you, to be your ally. In this regard, we welcome the posture taken by the Free Market Foundation (FMF) on the National Health Insurance (NHI).

Jasson Urbach, a director at FMF, writes in defence of the Hospital Association of SA (Hasa). Urbach quotes two scenarios that were provided by Hasa chairperson Melanie de Costa.

The first assumes that the state will not purchase any private hospital services under NHI and based on this, a conclusion is then made that 96 600 jobs would be lost. Furthermore, R31 billion would be lost from the country's gross domestic product.

The second scenario relates to the effect that price control would have at levels of 23% lower than they are at present. This would result in 132 000 jobs being lost, it is claimed.

Urbach further argues that NHI is not affordable, estimating it would cost R446.8 billion in 2018 prices.

While we may not know if Urbach had been mandated by Hasa to write, arguing against the NHI, you need not be a rocket scientist to know why he is defending the indefensible. The assertion that private health care is expensive is not my subjective view but one of the interim findings made in the Health Market Inquiry headed by former Chief Justice Sandile Ngcobo.

Now let me demolish the myths that are peddled as universal truths.

Myth Number 1 is that the state will not purchase private health services. We have said NHI is a scheme to pool resources to enable all South Africans to access health care in private and public health facility without paying at point of service.

We have repeatedly said primary health care is the foundation of NHI, meaning that when it comes to the provision of health care, the first point of call will be either a clinic or a GP or other allied health non-specialists. The NHI would enable many more South Africans to access services in public and private health care when needed.

Myth Number 2 is that jobs would



AARON MOTSOALEDI

be lost because of NHI. Nothing could be further from the truth. How can jobs be lost in the health-care system when we have designed a plan to provide more patients? How can a business that has more clients require less employees? This is a fallacy.

Myth Number 3 is that if we make private health care affordable, 132 000 jobs would be lost. Implied in this argument is that 132 000 are maintained because of the exorbitant prices in private health care. Surely this cannot be right. It is not sustainable. This is the reason you see many medical aid schemes reducing benefits but increasing premiums each year. This is why many working people opt out of medical aid schemes because they cannot afford these huge rates. We will introduce price regulation but the net effect on the private health care system would not be negative because we would be treating more patients, unlike now where only 16% of the population are treated who have medical aids.

Myth Number 4 is that NHI is unaffordable. There is a figure of R446.8bn thrown around to create an impression that some research was done to inform this calculation. We could say certain things are too precious to put a price tag on. When we decided to roll out ARVs, our detractors told us the programme is too expensive and the country cannot afford this. Now we are praised for having increased life expectancy by more than 10 years because of our comprehensive ARV programme. We dispute the argument of affordability on two factors. The first is that Primary Health Care would be the foundation of NHI. We would focus on prevention of diseases, promotion of a healthy lifestyle and when people get sick, their first point of call would be at a primary health facility not at a tertiary hospital or specialist where costs are huge. High prices can only be justifiable in referral centres which deal with complex medical problems. The second point is that we would not accept ridiculous prices of private health-care services.

But we welcome the FMF and Hasa for coming out in the open and not resort to Askari tactics, of pretending to be proponents of NHI, as some of those objecting to NHI have done.

Dr Motsoaledi is the minister of health.