

This policy brief illustrates a phased introduction of a National Health Insurance (NHI) scheme. It uses the findings of Policy Brief 1 to examine how changes in age and gender would affect the cost of healthcare at the various stages of implementation. It is an end goal for NHI to achieve universal coverage; however, the implementation of mandatory insurance is likely to be spread over a number of years for reasons of affordability.

In recent years, Statistics South Africa (StatsSA) has reported the proportion of people covered by medical schemes to be as low as 14%. This is shown to be incorrect and the best estimate of coverage in 2008 is 15.9% of the population being covered by medical schemes. If an estimate of bargaining council members is included, this rises to 16.4% of the population. These figures use numbers reported to the Council for Medical Schemes (CMS) together with the population estimated by the Actuarial Society of South Africa. There are two estimates of the coverage by province, one from StatsSA and one from the CMS but these provide conflicting numbers.

Two of the major unanswered issues in proposals for NHI and for proposals for mandatory retirement cover are who will contribute and who will be covered at each stage of implementation. There is a strong pattern of medical scheme membership by income and it seems logical to begin to extend coverage by beginning with the higher income groups where coverage is already of the order of close to 80%.

About 49% of the population are in families who do not earn any income, and thus are unable to contribute. It seems highly likely that all people earning above the tax threshold<sup>a</sup> will be contributors to mandatory healthcare and retirement. It would be logical to limit contributors to those below age 65 (although the social old age grant is payable from age 60) and those older than age 20 (although some teenagers do earn).

The numbers covered at each stage of this phasing of health insurance coverage are shown in Figure 1 overleaf. Mandatory health insurance would substantially change the age and gender profile of current medical schemes, adding more children and more young working age people. This in turn impacts on the price of healthcare, with a substantial reduction in the price of Prescribed Minimum Benefits (PMBs) due to this change in the age and gender profile. The PMB package was used as a proxy for a health benefits package to illustrate these effects.

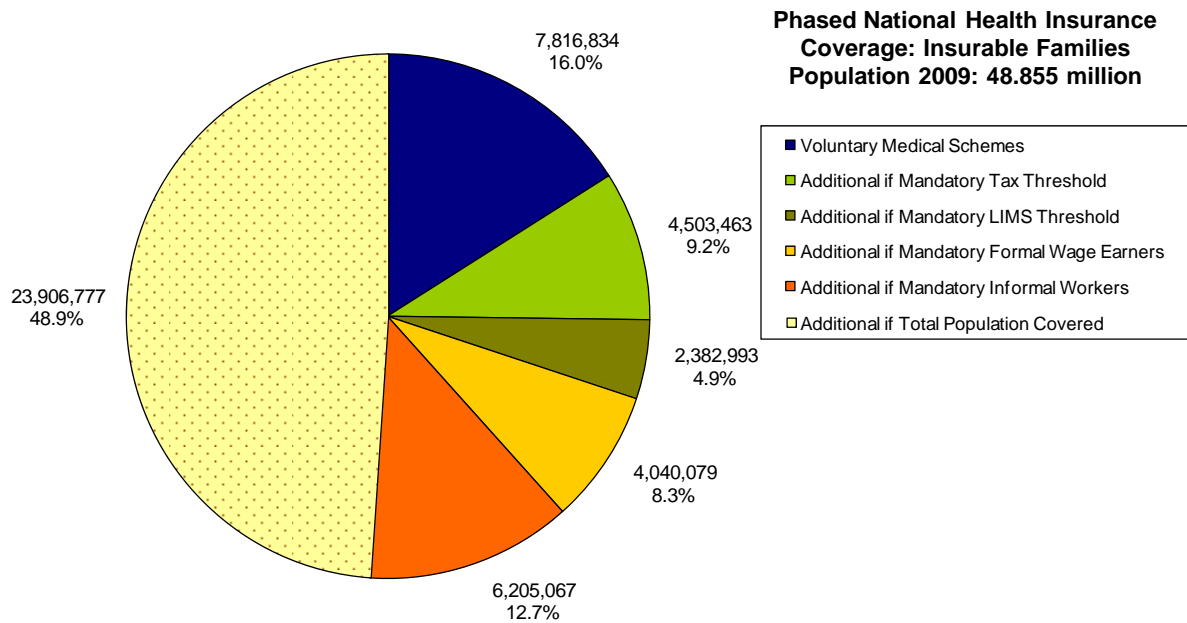
Moving from the current voluntary environment to mandatory cover for the insurable families<sup>b</sup> of all those earning above the tax threshold, the price of minimum benefits would fall from R309.09 to R281.90 per beneficiary per month or to 91% of the value expected in 2009. If membership was mandatory from the Low Income Medical Scheme threshold (R2,000 pm), then this would add younger working age members and children and the price would fall further. The price per head continues to fall with each added group until all those earning an income are covered, together with their insurable families. At this point, 51% of the population would be covered for health insurance and everyone earning any income would be a contributor (even if there were almost complete subsidies for the lowest-income workers). The price of PMBs, using the age and gender effect alone, is then 82% of what it is now.

If estimates are made of the impact of people joining medical schemes when they need healthcare, for example by women in the child-bearing years and those with chronic disease, then the price in a mandatory environment might be about 5% lower, reducing to 77% of the current cost for PMBs.

To add the remaining population to achieve universal coverage would effectively add many more children but also a substantial number of elderly people. This would raise the price of healthcare from 82.2% to 86.0% of the current medical scheme PMB price. The provinces are differentially affected by a phased NHI with the Western Cape and Gauteng having the greatest coverage due to their higher income profiles.

<sup>a</sup> The level from which income tax applies. This was R46,000 per annum or R3,833 per month in the 2008/9 tax year for taxpayers under age 65. The level is announced in the annual budget speech by the Minister of Finance and tends to keep pace with inflation.

<sup>b</sup> An insurable family includes the insurable spouse and insurable children.



**Figure 1: Health Insurance Coverage for Phased Introduction of Mandatory Insurance in South Africa (estimated for 2009)**

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#### Further resources on the IMSA NHI web-site

[http://www.innovativemedicines.co.za/national\\_health\\_insurance\\_library.html](http://www.innovativemedicines.co.za/national_health_insurance_library.html)

- The full policy brief as well as the slides and tables used.
- Spreadsheet tables of the age and gender profiles of insurable families at various phases of mandatory health insurance, for South Africa and the nine provinces.
- A glossary of healthcare terms.

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