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National Development Plan
Chapter 10: PROMOTING HEALTH

Please note: The bullet points below are supported by attached documentation or website links.

- If South Africa wants better health outcomes, it must have economic growth.
- It is intuitive that there is a strong relationship between income and health, not least because greater wealth buys greater access to the basic determinants of health: nutrition, better accommodation and sanitation.[1]
- This relationship was confirmed by a seminal 1996 study by economists Lant Pritchett and Lawrence Summers, who showed the dramatic effect that increases in incomes can have on health. Pritchett and Summers found a strong causative effect of income on infant mortality and demonstrated that, if the developing world's growth rate had been 1.5 percentage points higher in the 1980s, half a million infant deaths would have been averted.[2]
- The FMF maintains that the private supply of competitive health-care services and the incremental extension of private funding is the most effective method of supplying high quality health care to the entire South African population.[3]
- Government should not be in the business of providing healthcare to all South Africans. Rather, government should devote its limited health budget to the supply of services to the indigent, to purchase an increasing percentage of those services from private providers, and to allow and encourage the rapid growth of the private healthcare sector, enabling it to provide services to an increasing percentage of the population.[4]
- The NDP presents a familiar, yet common misconception, about the so-called 83-17 split between those served by the public sector versus the private sector respectively. More specifically, the NDP document states, "Services are fragmented between the public and private sectors, which serve 83 percent (41.7 million) and 17 percent (8.3 million) of the population respectively". However, this is

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1 Urbach, JA (2009) *Paying for intervention! How statutory intervention harms South African healthcare*. Free Market Foundation. (See attached pdf.)
2 Pritchett, L and Summer, L (1996) "Wealthier is Healthier", *Journal of Human Resources*, 31(4): 841–868.
3 For more information on the private supply of competitive healthcare services please visit the Health Policy Unit website at: http://www.healthpolicyunit.org/index.asp.
4 *Ibid*.

not a true representation of the facts. A significant proportion of the population does not attend public health facilities, prefering to pay out-of-pocket to attend private healthcare facilities.[5,6]

- Moreover, it should be noted that the private sector is in fact the only source of funding for all healthcare. Private individuals pay for healthcare through contributions to medical schemes and insurance vehicles, out of pocket payments and, most importantly, through taxes that finance the governments' provision of healthcare services.
- In addition, the FMF contends that public healthcare is not in fact cheaper than private healthcare and that this assertion misdirects public policy in the healthcare arena.[7]
- Given the revealed preferences of South Africans, to access private medical facilities whenever possible, reforms should focus on enrolling more individuals in private medical schemes. This will reduce the burden on public sector healthcare facilities and free up scarce taxpayer resources so that the government can focus on purchasing the best available care from privately competing healthcare providers.[8,9,10]
- Far from marginalising medical schemes, government should be promoting their proliferation because one would imagine that regular small fixed payments to a medical scheme would make intuitive sense, as opposed to the rare but devastating high out-of-pocket payments required when illness strikes.[11]
- We are concerned about references to the Office of Health Standards. There has been insufficient debate on whether the establishment of this dedicated entity is necessary. Given the general lack of detail on how this entity will operate, it's doubtful whether this organisation will actually result in any improvements in the quality of healthcare services. Moreover, if a healthcare facility is not up to scratch, what are the implications? Will the facility be shut down? If so, this will be disastrous for those living in the community and will obviously reduce access to healthcare services.[12]
- Considering South Africa's relatively small tax base and thus limited available pool of revenue, and given our chronic levels of unemployment as well as our limited number of skilled healthcare personnel, an NHI-style system is simply inappropriate for South Africa. Moreover, attempting to provide universal coverage is not a particularly good use of scarce resources since each additional rand committed to healthcare expenditure necessarily precludes funding for other objectives, which may be more efficiently utilised at the margin.[13]
- The NDP notes, "There is a disparity in the distribution of health personnel, driven by differences in service conditions between the public and private sectors. This issue is linked to the funding of health." However, this is no fault of the private sector. The government is responsible for training healthcare personnel in South Africa and the reason medical personnel choose to move to the private sector or abroad is partly due to the poor state of affairs in the public sector. Indeed, South

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5 Health Policy Unit (2011) Submission to National Department of Health, National Health Insurance Green Paper. (See attached pdf.)

6 Biermann, J (2006) *South Africa's health care under threat*. Free Market Foundation. (See attached pdf.)

7 Zietsman, G (2012) '*A twisted path: Comparing private and public hospital costs*'. (See attached pdf.)

8 Urbach, JA (2009) *Paying for intervention! How statutory intervention harms South African healthcare*. Free Market Foundation. (See attached pdf.)

9 Health Policy Unit (2011) Submission to National Department of Health, National Health Insurance Green Paper. (See attached pdf.)

10 Biermann, J (2006) *South Africa's health care under threat*. Free Market Foundation. (See attached pdf.)

11 Urbach, JA (2009) *Paying for intervention! How statutory intervention harms South African healthcare*. Free Market Foundation. (See attached pdf.)

12 Health Policy Unit (2011) Submission to National Department of Health, National Health Insurance Green Paper. (See attached pdf.)

13 Urbach, JA (2009) *Paying for intervention! How statutory intervention harms South African healthcare*. Free Market Foundation. (See attached pdf.)

Africa has insufficient healthcare personnel because of government interference in the education sector.[14,15]

- Given the worldwide shortage in skilled healthcare personnel, it is likely that both the public and private sectors are understaffed.[16]
- The FMF contends that an immediate response to alleviate the chronic shortages of skilled medical personnel would be to let foreign health professionals practise in South Africa. The majority of foreign doctors in South Africa work in rural areas – without them the rural system would be sure to collapse. Although there is not a specific estimate of what it costs the government to put an individual through medical school, it is widely accepted that it is far cheaper to recruit a foreign doctor that to train a doctor in South Africa. Furthermore, foreign doctors with the appropriate skills can alleviate the chronic shortages virtually overnight as opposed to training doctors in South Africa, which takes several years.[17]
- A long-term strategy to alleviate the chronic staff shortages requires the government, and more specifically, the Department of Education, to relax the controls on tertiary education facilities, make entrance to these facilities less restrictive, and allow the private sector to provide a large percentage of tertiary medical education for doctors. If private education facilities are established they could operate on either a for-profit or non-profit basis and would have the potential to relieve a significant part of the burden currently faced by the public sector.[18]

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[14] Health Policy Unit (2011) Submission to National Department of Health, National Health Insurance Green Paper. (See attached pdf.)
[15] Urbach, JA (2009) *Paying for intervention! How statutory intervention harms South African healthcare*. Free Market Foundation. (See attached pdf.)
[16] World Health Organisation (WHO). The World Health Report 2006 – Working together for Health: 2006. Available at: http://www.who.int/whr/2006/whr06_en.pdf.
[17] Urbach, JA (2009) *Paying for intervention! How statutory intervention harms South African healthcare*. Free Market Foundation. (See attached pdf.)
[18] *Ibid*.