

## 11 State-Sponsored Medical Scheme

### 11.1 Overview

The 1995 NHI Committee recommended that mandatory contributions “would not necessarily have to go to an existing medical scheme, but may be channelled via a new state sponsored hospital plan...”. The manner in which this proposal is stated suggests an option more along the lines of the Public Hospital Fund proposed in 1997. However, the idea of a State Sponsored Medical Scheme has been proposed in various submissions and by the Central Bargaining Chamber of Government. Such schemes have been implemented in various regulated private insurance environments such as Australia and Ireland to bolster the not-for-profit community-rated open-enrolment environments. In both these countries, once the health insurance environment had fully matured, these state-sponsored schemes have been privatised. South Africa consequently needs to consider the opportunities that one or more state-sponsored scheme could offer to the consolidation of health current health policy.

### 11.2 Purpose of a State-Sponsored Low-Cost Scheme

A state-sponsored medical scheme would be in a position to achieve a number of basic health policy objectives. These are:

- (a) A scheme would be available which is not burdened by excessive and unnecessary administration and marketing fees.
- (b) A scheme of last resort would always be available for anyone of low-income able and willing to join a medical scheme;
- (c) A benchmark scheme will be available in the market;
- (d) The scheme would be established as the lowest cost scheme in the market, setting a minimum benchmark price against a set of minimum essential benefits;
- (e) The cost level of the scheme would provide an indication of the income group for whom mandatory membership of a medical scheme could be set;
- (f) The Scheme would provide a basis for the determination of any potential subsidy for medical scheme members;
- (g) An opportunity will be created for establishing and taking advantage of contracts with the public hospital provider system;
- (h) A state sponsored scheme could be one of the key schemes used for public sector employees when membership of a medical scheme becomes mandated in that environment.

### **11.3 Target Group for Cover**

The group targeted for cover would be low-income groups employed in the formal sector. With the conversion of the tax subsidy into an explicit per capita subsidy, low-income groups would benefit most. As such the size of the target group will be strongly influenced by any subsidy policy introduced.

### **11.4 Benefits**

The benefits offered would be as follows:

- o Hospitalisation offered in differential amenity in a public hospital;
- o Specialist services in a public hospital;
- o Primary care offered primarily in private sector capitated networks.

### **11.5 Contributions**

The estimated contributions for a family of four will be around R500 per month. Current low-cost medical scheme options affordable to families of four with a monthly income of less than R4,000 per month range from just over R400 to around R800 per month.

### **11.6 Relationship to Public Hospitals**

Great difficulty is experienced in developing contracts between medical schemes and public hospitals. As discussed elsewhere in this Report, much of this difficulty arises from inflexibility in the public sector system, and the lack of a specific regulatory dispensation for public hospitals. Correcting for this inflexibility should create the opportunity for contractual arrangements between a state sponsored scheme and other medical schemes.

The development of these options in conjunction with a state-sponsored scheme should have spin-off benefits for other medical schemes in two areas:

- (a) Private hospitals will be compelled to look for competitive contracts along similar lines to public hospitals.
- (b) The state sponsored scheme will offer opportunities for the development of options whereby specialised services are shared between the public and private sectors.