

NEDLAC: DRAFT BUSINESS RESPONSE - NATIONAL HEALTH INSURANCE AND COMPREHENSIVE SOCIAL SECURITY

24 February 2017

1. Summary messages

- We acknowledge as said in our budget presentation that health and social security is necessary to lay the foundation for sustainable inclusive economic transformation.
- Business appreciates the opportunity to engage with government and other social partners on matters of health and views engagement through the Nedlac process as critical to the long-term success of any policy proposals. Through NEDLAC, Business is committed to being a key stakeholder in the development of social policy systems that can progressively realise improved access to healthcare for all South Africans.
- We are committed to achieving universal health coverage, in line with the vision of the Constitution and more recently the National Development Plan.
- Business fully recognises the importance of sustainable, effective and affordable National Health Insurance (NHI) system as part of a broader Comprehensive Social Security (CSS) system to meet social demands, and also support businesses and employees to be more productive.
- .The recent Esidimeni tragedy in which over 100 mentally ill patients lost their lives shows the need for appropriate policy responses from government and greater coordination between the different spheres of government. We hope this is an isolated incident, but we are concerned that it might be indicative of a more systemic underlying issue. We welcome the establishment of a Commission of Inquiry into the matter and hope that this will ensure that the underlying causes will be addressed
- The most vulnerable rely heavily on the State and we need to find better ways at national, provincial and local level to realise the progressive right to CSS. This requires greater efficiencies, and investment in the future design and structure of CSS grounded in the reality of our resource constraints.
- As business, we view the parallel processes currently underway in relation to National Health Insurance (NHI) and broader Comprehensive Social Security (CSS) as an opportunity to generate greater efficiencies, reduce fragmentation and simplify delivery mechanisms within government

programmes and budgetary allocations. It is moreover, an opportunity for alignment, and co-ordination. It is also essential that this is achieved through collaboration with social partners to ensure that is workable for all.

- We would like to believe that there is scope for business to become more directly involved in these processes as well as in the outcomes as we have demonstrated in other areas where we have successfully co-operated with our social partners and government to find lasting solutions.

2. Fiscal Sustainability

- In a week in which the National Budget was presented in a constrained fiscal environment, it is important for us to reflect on the need for fiscal sustainability of government programmes – a fact which has less to do with austerity than the long-term sustainability of government programmes such as NHI and CSS. The ILO has provided us with valuable insight that worldwide this is a challenge as in many countries the demographic structure of society has shifted and national economies do not have sufficient resources to sustain previous commitments. We should be careful not to raise expectations that we are unable to meet, nor should we create high levels of unfunded liabilities that will burden future generations.
- Business supports the broad objectives of both NHI and CSS. It is critical in this regard that these are fiscally sustainable. According to the Davis Tax Committee “the tax to GDP ratio will need to rise quite significantly” in order to fund NHI. In the current context of constrained economic growth and stubbornly high unemployment, it is unclear at this point whether current costing and financing models as outlined in the NHI White Paper adequately make provision for funding shortfalls. We would encourage government to look at all possible funding models in conjunction with social partners at Nedlac in order to establish the best mix to achieve these objectives.
- According to the NHI White Paper, the projected funding shortfall of NHI in 2025 is projected to be R79.1 billion. However, this assumption was based on what have subsequently been shown to be overly ambitious GDP growth rates in the intervening period and funding shortfalls are certain to be significantly in excess of that already projected. Although the paper postpones a full diagnostic of costs, observations of social security tax rates across many jurisdictions indicate that our welfare aspirations will cost significantly more than we are currently acknowledging.
- In this context, even higher tax-to-GDP ratios would be required to fund NHI with predictably negative results on the economy, unemployment and government finances.
- For this reason, business urges government to provide further, revised details on the costing model for NHI with a view to ensuring the fiscal sustainability of the scheme.

- The financing of comprehensive social security needs to be considered at the centre of the aspirational targets of such programmes. Of concern to business is that social spending (including on health, social protection, etc.) has been maintained in recent years through borrowing. Only with a growing, inclusive economy with far higher levels of employment, powered by an enabling environment can the trend be reversed and progress in pro-poor policies be maintained.

3. Economic Impact

- Linked to the question of fiscal sustainability is the likely impact of NHI on the economy. In this regard, business recognises the potential for significant positive impacts in relation to a healthier, more productive workforce that, along with changes to other parts of the social security system, will benefit business and the economy more broadly.
- This however is only possible if the correct balance is struck between maintaining an appropriate between revenue collection and provision of social services, and between the maintenance of existing efficiencies in the private sector vis-à-vis private healthcare and addressing existing challenges within public provision of healthcare. A similar point can and should perhaps be made with regard to the broader social security system.

4. Conclusion

- As business, we are grateful for the opportunity to engage and appreciate the presence of the Minister at this Nedlac Exco. The recent experience of the agreements reached on a national minimum wage and labour relations stability have shown us what is possible when Nedlac is appropriately and diligently resourced by social partners.
- We urge Government to build on the good progress made in Nedlac by coming together as leaders right up to Cabinet Minister level and experts from the different departments and engaging with the social partners on addressing the challenges in a collaborative and sustainable way. We emphasise the importance of the Department of Health, together with DSD, the Department of Labour, Economic Development, the dti and Treasury coming together at Nedlac to engage on CSS and NHI so that we find comprehensive and sustainable solutions that are in all our interests.
- In terms of a way forward, business looks forward to further engagement at task team level and further updates in terms of costing and financing models. In particular, we look forward to engaging with

social partners on these issues – there are no doubt complex and difficult choices to be made, but we believe that if we begin with the end in mind, and recognise our respective interests and concerns that we will be able to find good solutions.

- Business is committed to this important piece of work and looks forward to this forming the basis of a NEDLAC engagement so that we can all contribute to the vision and a practical implementation plan to achieve this.