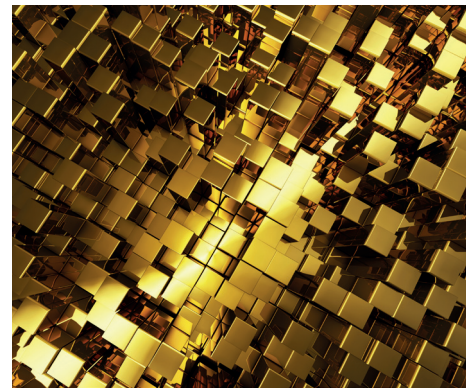


Budget 2013

Simplicity from complexity

Uncertainty regarding funding of National Health Insurance, could be addressed in upcoming budget, says Deloitte



Johannesburg, 17 January 2013- The 2013 national budget to be tabled in February could provide an opportunity for Government to address the uncertainty surrounding funding of the proposed National Health Insurance plan, especially as expectations had been raised that about R225 billion will be required for the scheme by 2025, says Deloitte.

"During the last three years health expenditure has grown, increasing from R77.3 billion in 2008/09 to R113.2 billion in 2011/12. It is expected that this figure will grow, reaching R140 billion over the next three years. However, the 2012 budget allocation for healthcare was R121 billion, marginally below estimates of R121.5 billion, demonstrating what seems to be an under-provision for health," says Ashleigh Theophanides, Director and Healthcare Actuary at Deloitte.

"This present under-provision should be seen in the context of Green Paper estimates that the NHI will cost R255 billion by 2025. This appears to be a considerable increase over current healthcare spend."

"However, real term considerations indicate that, based on current trends, healthcare spend would have reached about R180 billion by 2025. This raises the expectation that there will be a need to generate additional income to cover the difference between spending projections and what Government expects it will realistically require."

"Government, with the upcoming Budget, will therefore have an opportunity to provide clarity on the funding issues. Of major interest will be any additional discussions on how health budget allocations will be affected by the extension of the implementation period for the NHI," she said.

The National Planning Commission (NPC) had indicated that the implementation of NHI could take up to 25 years, an extension that had been welcomed as more realistic than the original periods of 14 and 20 years that had been initially suggested.

"In a previous budget speech, the Minister indicated that additional research would be done on international healthcare funding mechanisms to cover the growing healthcare funding gap for the NHI."

"We look forward to an extension of the possible funding mechanisms that can be utilised to ensure that South Africans do not see significant decreases in disposable incomes (as a result of overall increases in taxes) so as to fund the NHI," says Theophanides. With the ever-rising costs of private healthcare it could also be expected that South Africans could respond to increasing demands on salary incomes by downgrading their medical aid options and turning to the NHS scheme, thereby placing higher demands on state hospitals.

"Thoughts surrounding the way forward to deal with this and to reduce healthcare costs, especially in the private sector, will be interesting to note," said Theophanides.

"The introduction of the tax-credit system for medical scheme members, now providing a hybrid tax system which also includes the tax deduction system, is seen by the government to provide a more equitable tax system between income groups."

"However, this situation does not adequately cater to the high medical costs that those with sickly or handicapped family members have to pay. Previously, the full amount could be tax deductible."

“The caps will result in overall lower tax breaks for those with significant health costs. A full tax credit system is expected to come into implementation in March 2014.”

“Central to the successful implementation of the NHI is good quality infrastructure. Currently there are significant shortages and backlogs in infrastructure development, some of which may take as long as 7 to 9 years to bring up to required standards.”

“During the initial phases of the NHI, a significant portion of expenditure should be allocated to infrastructure development in the public sector. The extension of the implementation period for the NHI should facilitate this process.”

“We therefore look forward to the pronouncements of the Minister on the overall future of the NHS, tax and funding issues,” says Theophanides.

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