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#WhatSACanBe

*100 DAYS TO UNLEASH ECONOMIC GROWTH
AND GET SA BACK ON TRACK*



HEALTH: EXPAND ACCESS, ENRICH FAMILIES

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September 2024

Published by the South African Institute of Race Relations

222 Smit Street (Virtual office),
Braamfontein Johannesburg, 2000, South Africa
PO Box 291722, Melville, Johannesburg, 2109, South Africa
Telephone: (011) 482-7221

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Editors: **Hermann Pretorius and Michael Morris**

Typesetting: **Mbali Mayisela**

Cover Design: **Bonginkosi Tekane**

Introduction

For the first time in three quarters of a century, South Africa has ceased being a one-party-dominant state. The era of predictable and inflexible government power is over. In its stead, South Africans now find themselves in a new era of politics – one that must be defined by pragmatic, pro-growth policy. It is in this spirit that the South African Institute of Race Relations (IRR) has decided to publish *#WhatSACanBe: 100 days to get SA back on track*, a series of nine short papers each focusing on a different key policy area. Taken together, these papers offer a dynamic programme of action for the Government of National Unity (GNU) as it sets out its aims and gets to work earning the trust of South Africans.

The 2024 elections drew a fundamental dividing line in our politics between the country's pro-growth coalition – in the main represented in the GNU – and the pro-poverty parties, which have been denied access to the levers of government power.

But this arrangement is precarious. For democratic consolidation to succeed, the GNU must record notable governance wins in the short term. The policy proposals in this publication series show how a GNU can initiate crucial reform, quickly.

Embarking on a 100-day period of catalysing reform will make maximum political capital available to the GNU and its members. Public sentiment tracks upwards in the slipstream of economic improvements. A period of one hundred days following the first full meeting of the new GNU forms a natural timeframe within which pragmatic, constructive and meaningful government action will ensure an environment of good faith towards the GNU.

The responsibility to make the most of this moment by adopting a proactive, pragmatic plan of government lies heaviest on the leaders of political parties that find common cause in constitutional democracy, the rule of law, and good faith to remedy past failures and build on past successes. If the GNU is willing to do more together to rescue South Africa, this historic moment will be the rebirth of a hopeful rainbow nation.

Parties that occupy the pro-growth mainstream of South African politics based on the common ground of an economic system built on thriving businesses and job creators of all sizes able to operate in a fair, free and responsibly regulated economy; that believe in the ability of individuals and communities to find solutions; that acknowledge the fundamental role and dignity of secure ownership of property and the repudiation of historical crimes against South African property owners; that seek to protect and promote the rule of law; and that hold true to the non-racialism of our Constitution – these parties, as a single constellation, hold between them the capacity to give South Africans hope again. At the core of these convictions lies the critical matter of economic growth – the catalyst for upward social mobility through jobs and a reliable welfare system. Achieving economic growth is the primary challenge and opportunity for the GNU.



Five tests for any reform proposal

The GNU needs a set of policy solutions that satisfies at least five key criteria:

1. Multiple GNU partners will have to support the proposed policies;
2. Labour interests, workers, entrepreneurs, businesses, markets, and investors should be left in no doubt that fundamental and positive changes are being made in the policy environment;
3. External stakeholders will have to be brought on board, or ways will have to be found to address their opposition;
4. The policy solutions will have to make a substantive, tangible change in the lives of ordinary South Africans in the short, medium, and long term; and
5. The outcomes of policy solutions have to be popular with the electorate, with the goals being clearly communicated by the GNU.

Every *#WhatSACanBe* policy reform is therefore scored on the basis of five simple questions:

1. Will voters support it?
2. Will economic stakeholders welcome it?
3. Will GNU partners buy into it?
4. Will the media support it?
5. Will opponents derail it?

Context of crises

Amidst the euphoria of taking office, the new administration must be under no illusions about the scale of the challenge. Some of the crises the GNU faces are, in no particular order:

1. An ineffective, bloated, and politicised civil service;
2. An overburdened judicial system that risks losing public trust;
3. A decline in the general standing, independence, and fairness of judicial officers;
4. An ineffective police force likely antagonistic to reform;
5. A small and shrinking tax base under immense strain;
6. Increasing water shortages across the country;
7. Violent crime, especially against the most vulnerable, running rampant in sub-middle-class areas;
8. A local currency of fluctuating reliability;
9. High levels of government debt;
10. Consistently high unemployment and youth unemployment rates;
11. Failing and unreliable road, rail, and port infrastructure;
12. Mass blackouts of power in large parts of the country due to a national power grid functioning at close to 60% capacity; and
13. Child malnutrition in rural and inner-city areas.



With the above as the context, proper consideration can be given to setting out a viable and successful path forward. Great as these challenges would be to any incoming government, a pragmatic and outcomes-focused programme of government will ensure a vigorous turnaround and the introduction of pro-growth policy consensus.

Priorities of the people

Polling by the IRR over the past decade has repeatedly emphasised the key priorities of South Africans, revealing surprising unity across demographic divisions. The most recent survey indicated the following priority problem areas:

- Unemployment and job creation
- The abuse of women or children
- Corruption
- Electricity or load-shedding
- Housing
- Water and sanitation
- Education
- Poverty
- Inequality, including gender and racial inequality
- Health care

Economic growth forms the foundation of all solutions in these priority areas. To earn maximum political capital from their initial policy actions and announcements, it is advisable that policymakers focus on economic growth as the key to meeting public demands on these priorities, ensuring that the government's agenda is unambiguously pro-growth.

From the above, it is clear that one of the policy areas that is amenable to effecting change and generating political capital for the new government is health care. This paper, the seventh in the #WhatSACanBe series, focuses on expanding access to health care and enriching families.

Health: Expand access, enrich families

What should the GNU do?

The GNU should introduce a system of tax-funded health vouchers which will allow people to make choices around their own health care, giving those on lower incomes options other than government clinics and hospitals. Effectively everyone will get subsidised access to health care, funded through the health budget for those who cannot afford medical aid, with reforms being implemented to bring down the costs of medical aid.



Why should the GNU make this change?

Clearly South Africa's public health system is on the brink of collapse. Every week there is a new scandal – most recently it's been the news of cost overruns at Charlotte Maxeke Hospital and claims that doctors had to use their own funds to buy food for patients at Baragwanath Hospital. These scandals are only the most recent in a long record of issues in the public sector.

Public health institutions are simply not up to scratch. It was estimated in 2018 that only 15% of public hospitals met the norms and standards as set out for the proposed NHI.

Vouchers have strong support among South Africans. In 2018, an IRR survey found that 91% of black South Africans supported the idea of health-care vouchers, more than the 83% who had supported it in 2016. The proportions for other races and the overall support were similar, indicating that such an idea is popular.

Furthermore, people who are not covered by medical aid or insurance already often opt for the private sector rather than the public sector, even if it means they will accrue out-of-pocket expenses.

Only about 15% of South Africans are covered by medical aid schemes but it is estimated that, in total, between 28% and 40% of South Africans use private health care. Clearly South Africans have greater trust in private health care.

At the same time, most South African health-care professionals work in the private sector, likely because of the better working conditions.

South Africans clearly want the option of choosing their health care and they should have that option.

More people should have access to private health care, which would also take the burden off the public health system. This will be accomplished in two ways. Firstly, it will become compulsory for everyone in formal employment to have private medical insurance. For lower-income earners this can be subsidised by employers who will then be able to claim tax breaks on this money.

Secondly, people not in formal employment will be provided with taxpayer-funded vouchers that will come out of the current health budget (they will effectively have medical aid paid for by taxpayers). These vouchers will be redeemable at any health-care facility, whether public or private. Resources will thus flow to those entities which provide the best care for patients, with poorer people not being held hostage by the public system.

These vouchers would primarily be for day-to-day care with more extensive procedures being subsidised through the state.

Privatisation of state hospitals would also be a consideration, or drawing on private sector expertise to ensure that public facilities were well run. It would not be a panacea, but the quality of private health care is generally higher than that in the public health system. The introduction of vouchers would also mean that people who are not on medical aid would not be excluded from using private health-care facilities.

In addition, private companies could also be incentivised to support public health care by having the opportunity to earn Economic Empowerment for the Disadvantaged (EED), rather than BEE, points. For example, a company could get EED points for building a public clinic in an under-served rural area.

How should the GNU make this change in terms of laws, regulations, etc.?

The primary legislation that would need to be amended would be the Medical Schemes Act, to make it easier and more affordable for people to join medical schemes.

One way to do this would be to loosen regulations which require medical schemes to keep 25% of their annual contributions as a reserve. Schemes obviously need to have some level of reserve but 25% of annual contributions is very high and contributes to the high cost of medical aid: reducing this would make medical aids more affordable.

At the same time, prescribed minimum benefits could be done away with, to allow members to choose what they would want covered. This would also allow for lower fees for medical aid schemes. A further amendment would be to allow schemes to restrict enrolment. Certain schemes would need to be open to all (perhaps under some government guarantee) but other schemes should be allowed to restrict membership or charge those with certain conditions more. This would also go some way to bringing down overall costs.

Low-fee medical schemes should also be allowed – this should not be too difficult to bring about as this is governed by the Council for Medical Schemes and would not require a change in legislation.

Will it fly?

Will voters support it?

This is likely to be fairly popular with voters, especially given the dire state of South Africa's public health-care sector. However, some voters might see it as "privatisation" of health care and oppose it. This could include soft/centre left voters or those who would describe themselves as social democrats and who have been ANC voters, or are at least sympathetic to the party and may be uncomfortable with lower levels of state intervention.



Will economic stakeholders welcome it?

Such an intervention is likely to be welcomed by markets and investors, especially medical aid companies and those in the broader health-related sector. Although some companies seem to shy away from any adversarial engagement with the government, Discovery, for example, recently announced that it was looking to expand its offering to people on lower incomes, and could be supportive of measures to expand private health-care coverage to those who are currently excluded.

Will GNU partners buy into it?

All GNU parties have expressed their interest in expanding health-care access, especially for those on lower incomes.

Will the news media support it?

There is likely to be some hostility to the proposed policy from some in the media. The use of vouchers will be miscategorised as “privatisation”, despite the nature of the policy being firmly grounded in mainstream convictions of state support for the socio-economically vulnerable, and the anti-corruption impact of ensuring resource spending by citizens themselves. However, given the very poor nature of government-managed health care in South Africa, it will be difficult to oppose these proposals on their own, rather than on ideological, terms. Although there is likely to be strong support for this proposal there will also be what may seem to be a well-organised and committed lobby in the media working against it.

What’s the downside?

The primary downside will be opponents characterising this as an attempt to further keep quality health care away from “the poor”. This would be a cynical mischaracterisation of such a policy approach that is, at its core, driven by the idea of making more resources available to the poorest in the country.

Will opponents derail it?

This proposal will likely face significant opposition from several quarters. Some will oppose it on ideological and political grounds, such as the EFF and EFF-aligned interests within the new government, while others will oppose it as it could close off patronage taps.

However, given the state of the South African public health-care system it will be difficult for any resistance to gain significant traction. It is fairly likely that the battle for “hearts and minds” on this proposal will be won with relative ease, although those opposed to it will be many and well resourced, so a win is not assured.

Conclusion

The coming into office of the GNU following the 2024 elections could turn out to have been a pivotal moment in South Africa's history.

But much can still happen to render this a squandered opportunity – partly for reasons under our control and partly for causes beyond it. To maximise our chances of success, it is our duty to prepare as comprehensively as humanly possible. Let no-one say that the opportunity was lost because of laziness, a lack of preparation or failure to focus on the task that lies ahead.

This paper sets out a series of reform policies that the GNU can refine and reach agreement on as pragmatic and mainstream proposals that form the basis of the upcoming National Dialogue and the 2025 State of the Nation address that will map out the governance agenda. It should galvanise thinking around which practical reforms can be implemented, what concrete steps are required to do so, and what support and opposition should be expected from society.

It is common cause that South Africa's health sector is in precipitous decline. There is broad consensus that private health care is better quality, and that without easing the burden on public health care, the decline will persist. Introducing tax-funded health vouchers will reverse this trend by expanding access to quality, private health care and reducing the strain on the public health system.

To this end:

- Introduce a system of tax-funded vouchers for health care;
- Amend the Medical Schemes Act to simplify and reduce the cost of joining medical aid schemes;
- Loosen regulations mandating medical schemes to hold 25% of annual contributions in reserve;
- Remove prescribed minimum benefits to allow for flexible coverage options;
- Allow schemes to restrict enrolment where appropriate;
- Establish a form of government guarantee for certain medical schemes that must remain open to all;
- Permit low-fee medical schemes, and
- Implement the EED scorecard to incentivise private-sector participation.

Even though the eight measures proposed here represent just a small slice of all conceivable reforms, they represent the most critical areas that need attention. If they are competently addressed and some early successes are achieved, this will help to turn around the negative narrative on South Africa while also giving the GNU parties achievements to celebrate and forge closer ties over.

Tax-funded health-care vouchers offer not merely a set of solutions to relieve the pressure on the public health system, but a means to fundamentally reframe South African health care.





South African Institute of Race Relations

www.irr.org.za

info@irr.org.za

(011) 482 7221
