PSG

MARCH 2014

'Health is like money, we never have a true idea of its value until we lose it'

Josh Billings

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NHI details promised before election in May

THE long-awaited details of the government's plans for National Health Insurance (NHI) should be revealed before the election on May 7, according to Finance Minister Pravin Gordhan. The Department of Health's White Paper on NHI and a financing paper from Treasury had been finalised and would shortly be tabled in the cabinet, he said. The government plans to introduce NHI to tackle the deep inequalities in access to healthcare. It has yet to detail what form it will take or the financing mechanisms to support it, but it is likely better-off consumers will pay higher taxes in some form. Gordhan would not be drawn on the paper's contents, saying "sneak previews are only for Hollywood movies". He said NHI was "premised on two pillars": improvements to public sector health delivery, and a reduction in the high cost of private healthcare. He said this approach was supported by the World Health Organisation. The budget review says funding to the National Department of Health will grow at a much faster rate than the provinces, due to the "centralising of certain functions", including the introduction of NHI. An indication of this came earlier this month, when Health Minister Aaron Motsoaledi said his department would oversee construction of 43 new hospitals and more than 200 clinics in NHI pilot districts, a job that usually fall to provinces. There are currently two conditional grants supporting the national department's preliminary NHI work: the National Health Grant, and the NHI grant. Within the former, R1.2bn has been set aside over the medium-term to begin contracting with general practitioners, develop new reimbursement mechanisms for hospitals and improve their revenue management. It is off to a slow start, "because of delays in reaching agreement on remuneration of general practitioners", the review said. The Treasury's chief director for health and social development, Mark Blecher, said the plan was for private sector doctors to work in state facilities, at a set hourly rate. He said not too many GPs had signed up. Econex economist Marine Erasmus said the health budget held few surprises. She said it was very much the same as last year, but the fact that contracting with GPs had got off to a slow start was disappointing, as this was a key aspect of NHI. Consolidated government health spending is set to rise from Rl45.7bn in 2014-15 to Rl55bn in 2015-16 and Rl65bn in 2016-17, an average annual increase of 7.1 percent. New money has been added to the baseline for the cervical cancer vaccination programme, to be rolled out in schools next month.

NHI details promised before election in May (Cont'd…)

An extra R400m has been allocated to the Department of Health over the next two years to establish the programme, after which funds will be channelled to the provinces, said Dr Blecher. He said it was a long-term investment and it was thought that in time it would prevent up to 80 percent of cervical cancer deaths, which are 4 000 a year. Another R1bn has been allocated to the HIV/AIDS programme to take account of the 500 000 extra patients expected to go on treatment each year. About 2.5-million people are currently on antiretrovirals. A new forensic chemistry laboratory in Durban, which will support the three overloaded laboratories in Cape Town, Pretoria and Johannesburg, has been allocated the sum of R70m. The health budget also provides R269.2bn over three years for the Office of Health Standards Compliance, which is due to start its work this year.*Source: Tamar Kahn: Business Day, 27 February 2014*

Londiwe Buthelezi: Business Report, 27 February 2014

Medical Tax Credits

he medical tax credit for the first two beneficiaries increases to R257 per month per beneficiary and R172 per month per additional beneficiary. The amount of the additional medical expenses tax credit will be:

a) where the person is older than 65 or where the person, his or her spouse or his or her child is a person with a disability, the aggregate of 33,3% of so much of the amount of the fees paid by the person to a medical scheme as exceeds three times the amount of the medical scheme fees tax credit to which that person is entitled plus 33,3% of the amount of qualifying medical expenses paid by the person; or in any other case;

b) 25% of so much of the aggregate of the amount of the fees paid by the person to a medical scheme as exceeds four times the amount of the medical scheme fees tax credit to which that person is entitled plus the amount of qualifying medical expenses paid by the person, as exceeds 7,5% of the person's taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit).

Retirement Fund Contributions & Lump Sum Taxation

As from the 1st of March 2015 contributions by employees and employers to pension, provident and retirement funds will be tax deductible by individual taxpayers, while the employer contribution will be a corresponding fringe benefit. Deductions will be limited to 27.5% of the higher of employment or taxable income. Annual deductions will be limited to R350 000.

Pre-retirement lump sum taxation	
Taxable Income (R)	**Rate of Tax (R)**
0 – 25 000	**0%**
25 001 – 660 000	**18% of the amount above 25 000**
660 001 – 990 000	**114 300 + 27% of the amount above 660 000**
990 001 and above	**203 400 + 36% of the amount above 673 100**

Retirement Fund Contributions & Lump Sum Taxation (Cont'd…)

Retirement lump sum taxation	
Taxable Income (R)	**Rate of Tax (R)**
0 – 500 000	**0%**
500 001 – 700 000	**18% of the amount above 500 000**
700 001 – 1 050 000	**36 000 + 27% of the amount above 700 000**
1 050 001 and above	**130 500 + 36% of the amount above 1050 000**

Source: PSG B-Wise by Ronald King

Specialists are abusing private care

DR CHRIS Archer's letter, which lambasts the Health Minister and the proposed National Health Insurance (NHI) system, demonstrates the miscommunications and misunderstandings that exist within the health sector. "Universal coverage" is at the core of the National Health Service in the United Kingdom and most of the health systems in Western Europe, which are ranked highest in the world for efficiencies, quality and outcomes. Because healthcare in these areas is seen as a social good and not commoditised, these systems are based on risk cross-subsidisation - where the young and healthy subsidise the elderly and ill - and income cross-subsidisation - where people with higher incomes pay more and those with lower incomes pay less. Primary care with robust referral systems is the norm in most cases. This is unlike the United States, where healthcare is commoditised and costs relative to efficiencies are ranked among the lowest in the world. Healthcare spend in our public sector is about R120-billion a year on around 42-million people. Spend in the private sector is about R103-billion on 8.5-million people. Health expenditure in the private sector is roughly six times that of the public sector, and there is no real evidence to demonstrate that outcomes are better in the private sector. The spread of human resources follows the same pattern. For example, there are three dental practitioners for every 100 000 people in the public health sector and 63 for every 100 000 in the private sector. Given the quadruple burden of disease facing the public sector, it is imperative that the spread of human resources is addressed. The Board of Healthcare Funders (BHF) and its members have long stated their support for a process to realise affordable, universal healthcare coverage for all South Africans. Its submission to the NHI green paper stresses the need for a system overhaul to achieve this. The BHF submission calls for reform that entrenches primary and preventative care rather than the current hospi-centric approach, which in 2010 contributed significantly to the R2.5-billion deficit that schemes faced. This approach, coupled with the lack of formal tariffs, threatens scheme sustainability and drives the increase in co-pays that members are experiencing. The BHF agrees with Health Minister Aaron Motsoaledi that "medical aid schemes are already in serious financial trouble". The 2012 Registrar's report says the hospi-centric approach is costing medical scheme members about R42-billion in hospital expenditure and R24-billion on medical specialists a year. The absence of tariffs has exacerbated incidences of opportunistic charging by some specialists, especially for the prescribed minimum benefits (PMBs) that schemes must pay for in full. A BHF-commissioned analysis, for example, shows that the 10 largest anaesthetist practices charge significantly more for a PMB condition than for a non-PMB condition. These results are damning given that an anaesthetist's work is the same for both conditions. The private healthcare sector is a national asset, rich in expertise and experience, and it would be a pity if Archer and the South African Private Practitioners' Forum could not contribute meaningfully to the move toward universal coverage. Source: **Dr Humphrey Zokufa is the chief executive of the Board of Healthcare Funders** *Mail & Guardian, 21 February 2014*

"Explain to me again why enjoying life when I retire is more important than enjoying life now."

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