

Understanding Healthcare Financing

3. Current Healthcare Financing in South Africa

Health Systems Trust produces an annual report about the state of healthcare in South Africa, with each issue devoted to a particular theme. <http://www.hst.org.za/generic/29>

The South African Health Review 2007 was devoted entirely to private healthcare and its role in the South African health system. <http://www.hst.org.za/publications/711>

The following chapters are particularly useful to understand the current status of healthcare financing in South Africa:

Harrison, S., Bhana, R., & Ntuli, A. (2007). The Role of the Private Sector within the South African Health System. In S. Harrison, R. Bhana & A. Ntuli (Eds.), *South African Health Review 2007*. Durban: Health Systems Trust. URL: http://www.hst.org.za/uploads/files/editorial_07.pdf

McIntyre, D., & Thiede, M. (2007). Health Care Financing and Expenditure. In S. Harrison, R. Bhana & A. Ntuli (Eds.), *South African Health Review 2007*. Durban: Health Systems Trust. URL: http://www.hst.org.za/uploads/files/chap3_07.pdf (See particularly the diagram on page 37)

Adams, S., Morar, R., & Jeebhay, M. (2007). Health and Healthcare in the Workplace. In S. Harrison, R. Bhana & A. Ntuli (Eds.), *South African Health Review 2007*. Durban: Health Systems Trust.
URL: http://www.hst.org.za/uploads/files/chap7_07.pdf

McLeod, H., & Ramjee, S. (2007). Medical Schemes. In S. Harrison, R. Bhana & A. Ntuli (Eds.), *South African Health Review 2007*. Durban: Health Systems Trust.
URL: http://www.hst.org.za/uploads/files/chap4_07.pdf

Mander, M., Ntuli, L., Diederichs, N., & Mavundla, K. (2007). Economics of the Traditional Medicine Trade in South Africa. In S. Harrison, R. Bhana & A. Ntuli (Eds.), *South African Health Review 2007*. Durban: Health Systems Trust. URL: http://www.hst.org.za/uploads/files/chap13_07.pdf

Using the material from the SAHR 2007 and particularly the chapters authored by Prof Di McIntyre, the unequal use and distribution of resources (both people and money) in healthcare in South Africa is summarised below. This is an extract from “Introduction to National Health Insurance” prepared for IMSA in May 2008. [\[download IMSA PDF\]](#)

South Africa has a health delivery system which is a mix of robust private sector, struggling public sector and some non-governmental not-for-profit organisations. The National Health Act of 2003 makes it clear that all of these form part of the national health system under the stewardship of the Minister of Health.

Private health insurance cover, delivered through medical schemes, is voluntary and serves only the 14.8% of the population with higher incomes. Healthcare is delivered to these members predominantly in the private sector which is well developed, resource intensive and highly specialised. It is estimated by McIntyre that 21.0% of the population are not covered by health insurance but prefer to use private primary care doctors and pharmacies on an out-of-pocket basis. This group is almost entirely dependent on the public sector for specialist and hospital care. The remaining 64.2% of the population are dependent on the public sector for all their conventional healthcare services.

It is a persistent myth that people who use all their medical scheme benefits can use the public sector at no cost. User fees are charged in the public system and those earning an income of R6,000 per month or more are required to pay in full at a tariff similar to private rates. However the exemption policy has been liberally applied and bills were not always followed up in the past, allowing this myth to persist.

Approximately 60% of the total expenditure on healthcare in the country flows via private intermediaries and only 40% through the public sector. The major difficulty with the over-resourcing of private health insurance and under-resourcing of the public sector is that healthcare practitioners have been attracted to the more lucrative private system. The table below highlights the inequitable distribution of healthcare personnel.

Healthcare Coverage, Expenditure and Resourcing in South Africa in 2005
[from sources in SAHR 2007]

Delivery of healthcare	Private Health Insurance	Some Private + Public	Public Sector
	Private primary care and private hospitals	Private primary care and public hospitals	Public primary care and public hospitals
Population covered	7.0 million	9.8 million	30.2 million
Proportion of population	14.8%	21.0%	64.2%
Per capita expenditure per beneficiary per annum	R9,500	R1,500	R1,300
Proportion of total expenditure	55.0%	12.3%	32.7%
Population per primary care practitioner	(243)*	588	4,193
Population per pharmacist	(765)*	1,852	22,879
Population per specialist	470	10,811	
Population per nurse	102	616	
Population per hospital bed	194	399	
Proportion of population using Traditional Medicine	not covered	72.0%	informal and isolated integration
Population per Traditional Medicine practitioner		182	

* estimates in brackets are if only used by private health insurance

A seldom-reported part of the health system is the use of Traditional Medicine (TM) practitioners by an estimated 72.0% of the population. There is fast-growing usage of Complementary and Alternative Medicine (CAM), both in self-medication and visits to practitioners whose numbers now equal half the General Practitioners in private practice.

Health care expenditure in South Africa was estimated to be R108 billion in 2005, equivalent to 7.7% of the Gross Domestic Product (GDP). This has declined from 8 to 8.5% of GDP throughout the 1990s and early 2000s, largely due to the rapid growth in GDP in recent years. South Africa's level of spending remains relatively high by international standards; it exceeds that in the majority of countries of a similar level of economic development and is similar to that in some high income countries. Economists therefore argue that the key challenge facing healthcare in South Africa is not lack of resources, but rather the need to use the existing resources more efficiently and equitably.

The diagram below illustrates the current financing of healthcare in South Africa using the Kutzin framework. The diagram is adapted from material by the Ministerial Task Team on Social Health Insurance which reported in 2005.

Revenue collection	General taxation	Social Insurance (RAF, COIDA)	Private insurance (medical schemes)	Out-of-pocket	
Pooling	Provincial Health Departments			Other governmental	No pooling (individual purchasing)
Purchasing					
Provision / Delivery					

Current Healthcare Financing in South Africa, drawn using value of expenditure

Notes to the diagram: RAF is the Road Accident Fund. COIDA is the fund that provides compensation for occupational injuries and diseases, previously known as “workmen’s compensation”. Both RAF and COIDA are funded by mandatory levies and use private providers to deliver care. Out-of-pocket payments include all amounts paid directly by consumers. There is no pooling on out-of-pocket payments as each consumer or family carries their own risk

