

MEDIA RELEASE

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Health Funders Association launches legal challenge against the NHI Act

Johannesburg, 05 June 2025: The Health Funders Association (HFA) has launched a legal challenge against key aspects of the National Health Insurance (NHI) Act. While HFA supports the goal of universal health coverage (UHC), it believes that the NHI Act is unaffordable, unworkable and unconstitutional.

“South Africa needs a healthcare system that delivers equitable, quality care to all. We fully support that vision,” says Thoneshan Naidoo, CEO of HFA. “However, in its current form, and without private sector collaboration, the NHI Act is fiscally impossible and operationally unworkable, and threatens the stability of the economy and health system impacting everyone in South Africa”

The NHI Act centralises control of all healthcare financing in a single, state-run fund, removing the ability of medical schemes to offer cover for healthcare services reimbursable by the NHI. This effectively outlaws the constitutional right of citizens to choose how to access or fund healthcare beyond what the state provides.

Independent economic modelling shows that funding the intended benefits in the current NHI framework, as set out by Government, would require unprecedented increases in tax – at levels far beyond South Africa’s fiscal capacity. What’s more, the proposed model offers no guarantee of improved outcomes, while restricting the mechanisms that currently drive quality and innovation in healthcare.

HFA is taking this legal step not to delay progress, but to help ensure that national health reform is grounded in constitutional principles, financial realism, and patient choice. “We continue to advocate for a more inclusive, hybrid funding model that incorporates medical schemes in NHI. We believe such a model would expand access to care while protecting the rights of all South Africans,” says Naidoo.

HFA’s position is supported by detailed financial and economic modelling

HFA commissioned Genesis Analytics (Genesis), an independent economic consultancy with experience in over 115 countries, to build a financial and economic model to test the viability of NHI under different assumptions and to determine a viable pathway towards a workable NHI. It was also asked to compare NHI, including its anticipated prohibition of most forms of private health insurance, to systems in other countries such as South Africa’s middle-income peers. Finally, Genesis was requested to identify measures that would improve the affordability of NHI overall and address its negative impact on medical scheme members.

The report, released today, unequivocally demonstrates that the NHI Act requires unsustainable tax increases while reducing healthcare access for medical scheme members. Critically, the Genesis analysis also reveals the diverse profile of South Africa’s medical scheme membership - more than 68% of members are Black, Indian, or Coloured, and up to 83% earn less than R37,500 per month. The proposed NHI would therefore disproportionately impact working-class households who currently rely on medical schemes for quality care.

Constructively, the analysis by Genesis reveals alternative models including a hybrid NHI and medical scheme model which is being proposed by the HFA.

The NHI Act is fiscally impossible

The Genesis analysis assesses various potential efficiency savings under NHI compared to the current system. For modelling purposes savings are assumed to be as high as 45% of private sector cost levels. The report demonstrates that even under the most optimistic assumptions, it is not possible to raise the funds required for NHI.

For NHI to fund a level of care equivalent to what medical scheme members currently receive, as Government has indicated is the intention, the Genesis model shows that personal income tax would need to increase by 2.2 times (a 115% increase in tax) from the current average rate of 21% to an average of 46% of income. This would push marginal tax rates in the lowest income bracket from 18% to 41%, and in the highest bracket from 45% to 68%. While VAT is not mentioned in the NHI Act as a means to raise funding for NHI, HFA has estimated for illustrative purposes that VAT would need to be increased from 15% to 36%, which is completely unrealistic.

The Genesis model also considered a scenario of pooling *existing* healthcare expenditure (private and public). To enable this, personal income tax would need to increase by 1.5 times its current rate (a 47% increase in tax) i.e. from its average of 21% to 31%. At the same time, medical scheme members would face a 43% reduction in the level of healthcare services relative to what they currently receive. In simple terms, the equation for medical scheme members therefore becomes '*Pay 1.5 times more tax for 43% less healthcare*'. Such tax increases are fiscally impossible, particularly given South Africa's narrow personal income tax base of 7.4 million tax payers.

Furthermore, this would result in healthcare expenditure accounting for 22% to 33% of total annual government expenditure, well above any global standard and with no additional allocation to other critical areas of government expenditure.

The NHI Act carries substantial economic and health system risk

The steep tax increases required to fund the NHI will reduce disposable income, curb consumer spending across all sectors of the economy, and may well trigger an exodus of high-income taxpayers. At the same time, destabilising the private healthcare sector will deter investment, put jobs at risk, and slow GDP growth in a sector that contributes over 4.3% to South Africa's GDP.

The economic analysis also shows that the monopsony purchasing power centralised in the NHI Fund could reduce the availability of medicines and health services, thereby diminishing access to care.

It is further projected that achieving the NHI's vision would require more than 286,000 additional healthcare professionals – more than doubling the number of general practitioners (GPs), nurses, and pharmacists, and tripling the number of specialists. NHI will therefore place significant pressure on healthcare workers and addressing these capacity gaps will require significant time and investment.

"We simply don't have the skilled people needed to deliver the NHI," said Naidoo. "And by driving down service tariffs, the NHI risks accelerating the emigration or exit of healthcare professionals from the sector altogether."

Adverse impact on medical scheme members

The NHI Act will reduce access to healthcare for South Africa's 9.1 million medical scheme members as it will not be possible for NHI to provide the same level of access and quality that medical schemes fund. While the healthcare system unquestionably needs overall improvements, this is unconstitutional as it reduces existing healthcare access for part of our population. We need to aim for a collaborative approach to sustainably address the health system challenges and improve healthcare access for everyone.

The Act will prohibit individuals from using their own funds to buy private medical scheme cover for services included in the NHI, removing their right to supplement public provision with private care. As such, the NHI Act contravenes the state's obligation in section 27(2) of the Constitution to adopt reasonable measures to achieve the progressive realisation of the constitutional right of everyone to access healthcare services within available resources.

Importantly, the analysis shows that this prohibition is not necessary to achieve the equity objectives of the NHI Act. In fact, the prohibition will channel public resources into higher income population segments and could deliver worse outcomes for the currently uninsured. The analysis further shows that allowing medical schemes to continue funding a wide range of services as part of NHI is in keeping with international best practice and would deliver *better* outcomes for South Africa's uninsured population.

HFA hybrid multi-fund model: NHI and medical schemes, not one or the other

HFA has consistently advocated for reforms to expand access to affordable, quality healthcare.

"HFA is not seeking to preserve the status quo. We believe meaningful healthcare reform is essential to improve affordability, quality and access, and we have consistently sought constructive engagement with policymakers," says Naidoo.

HFA's proposed hybrid funding model allows the NHI Fund and medical schemes to operate in tandem, preserving individuals' freedom to choose supplementary private cover – an essential feature of most effective UHC systems worldwide. Public resources are focused on those most in need, while regulated competition supports innovation, efficiency, and cost control.

The proposed model offers a common benefit package with built-in cross-subsidisation to ensure equitable access for vulnerable populations. Grounded in a strong primary healthcare foundation, the model reflects international best practice and is especially relevant for middle-income countries like South Africa.

"The hybrid multi-fund model is a practical solution for South Africa," adds Naidoo. "It offers a faster, more affordable, and lower-risk route to achieving universal health coverage through progressive reform, strengthening public healthcare while leveraging private sector funding and capacity to expand access and drive innovation."

HFA's ongoing commitment to constructive engagement

Notwithstanding this litigation against the NHI Act, the HFA remains committed to constructive engagement with Government and its healthcare partners and stakeholders to build a more inclusive, financially viable, and constitutionally sound path to universal health coverage for all South Africans.

“This legal challenge is not our preferred course, but it is a necessary one to protect our economy and the future of healthcare for all South Africans,” says Naidoo.

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About the Health Funders Association (HFA)

Established in 2015, the Health Funders Association (HFA) is a non-profit organisation representing key stakeholders in South Africa’s private healthcare funding sector. Formed by a collective of industry professionals, HFA advocates for a sustainable, vibrant health funding industry within an equitable healthcare system.

HFA represents 20 medical schemes and 3 administrators, collectively covering 46% of the private healthcare market—equivalent to approximately 4.1 million beneficiaries. The organisation plays a critical role in engaging policymakers, shaping public discourse, and guiding regulatory reform in the healthcare funding space.

Through ongoing advocacy, legal submissions, and expert engagement, HFA supports a resilient and well-informed funding sector. It also ensures that its members are represented in key industry discussions and remain equipped to navigate a rapidly evolving healthcare environment.

For more information, visit www.hfassociation.co.za.

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