

## **A smarter path to Universal Health Coverage: Why South Africa needs a hybrid model**

South Africa is at a crossroads. In light of government's ongoing efforts to implement the National Health Insurance (NHI) Act, public concern is growing over its financial feasibility, economic impact, and the risk it poses to our country's existing healthcare access.

### **Why the current NHI model falls short**

The NHI Act establishes a single-purchaser system and prohibits medical schemes from covering any service included in the NHI benefit package. Section 33 removes the right to supplementary cover. This is not only counterintuitive to increasing access to healthcare but actually counterproductive.

Medical scheme members tend to be older and typically have higher healthcare usage. For illustrative purposes, assuming the NHI benefit package costs R100 per person across all 61 million South Africans, then the average medical scheme member would use R130 worth of services due to their age and usage patterns, while non-members would use R94. When both groups are combined into a single fund, high-usage members consume resources more quickly, leaving fewer resources for the broader population.

The challenge becomes more severe if tax revenue is inadequate. Modelling by economist experts, Genesis Analytics, shows that if only 25 percent of the required taxes are collected, medical scheme members could see their healthcare access drop by up to 50 percent<sup>1</sup>, while users of the public system may also face a 12 percent decline compared to current access. Everyone will be worse off.

### **Why banning supplementary cover harms equity**

Government's claim that supplementary cover undermines solidarity is misleading. In reality, limiting supplementary cover removes critical protection for those currently funding their own healthcare needs and places additional pressure on an already overstretched public healthcare system. It does not reduce inequality but rather compounds it.

Section 33 of the NHI Act, which effectively prohibits medical schemes once NHI is fully implemented, takes away the ability of individuals to secure additional cover even with their own money. This undermines the constitutional right to access healthcare and is inconsistent with international norms. In countries like Brazil, Costa Rica, Mexico, Thailand, and Türkiye (countries often cited by government as examples of successful universal healthcare coverage systems), supplementary cover is allowed and even encouraged as part of a broader strategy to expand access and reduce financial hardship.

International experience also demonstrates that countries with successful universal health coverage embrace public-private collaboration. They use private sector capacity and innovation to improve efficiency, expand access and strengthen quality rather than relying on a single fund.

Health Funders Association (HFA), supported by thorough research undertaken by economist experts Genesis Analytics, believes that South Africa should follow a similar approach.

### **How the hybrid model changes the game**

The HFA proposes a hybrid multi-fund model. This is not a binary choice between the status quo and an unworkable centralised system. The HFA proposed model builds on the NHI Fund, incorporates global best practice, and preserves what already is effective. It is scalable, sustainable, and aligned with South Africa's economic and healthcare realities. It is a balanced approach that protects choice and makes universal healthcare coverage achievable.

The proposed hybrid model allows individuals to retain supplementary cover through the existing medical scheme industry. The NHI Fund provides a core level of cover, while those individuals who need and can afford more can make voluntary contributions to access additional benefits. This integrated system is both fair and efficient.

With reference to the example above, if the NHI Fund paid the medical schemes a discounted amount of R80 per person to provide the NHI package, there is a saving of R50 against the actual cost of healthcare. This would be covered by medical scheme contributions and the NHI Fund would be left with more funding resources for those who cannot afford medical scheme cover, thus increasing their coverage ability from R94 to R104 per person. This preserves the principle of a common benefit package but ensures that public funding is focussed on those who need it most, the poor. This is similar to the COVID pandemic era, where medical scheme members subsidised the cost of vaccines for those dependent on the public sector.

This 10% improvement in access for the vulnerable is made possible by allowing voluntary top-up to private medical scheme coverage in an already well established industry. It is a social cross-subsidy that strengthens equity rather than undermining it.

### **Built on strengths and global best practice**

The HFA proposed hybrid model is not a mere technical fix. It is underpinned by principled and practical solutions to achieving universal health coverage in a way that is affordable, inclusive and achievable.

It is economically sustainable and avoids the creation of a new bureaucracy and reduces the need for large tax increases by building on existing systems. The redistributive and equitable principles ensure that younger and healthier individuals help fund care for the elderly and the vulnerable. It protects personal choice and aligns with the recommendations of the Competition Commission's Health Market Inquiry to increase competition, improve transparency, and encourage innovation.

This model is scalable as the economy grows and can be implemented more rapidly and with less disruption by using existing public and private sector capacity.

### **There is a better way**

South Africa has already explored multiple NHI models that are more inclusive and financially realistic. From the Taylor Commission to the Universal Healthcare Access Coalition, the common message is clear. These models favour multi-fund and multi-payer systems and recognise the value of partnership with the private sector. None support the monopsony model now embedded in the NHI Act.

South Africa's private healthcare system is well-established and of high quality. Treating it as a partner, rather than a threat is essential if we are serious about delivering universal healthcare coverage that is effective and enduring.

### **Co-creating a healthcare system that works for all**

Section 27(1) of the Constitution affirms that everyone has the right to access healthcare services, including reproductive healthcare. This is not just a policy commitment, but it is a constitutional obligation. The Constitutional Court has recognised that medical schemes are vital to realising this right. They are a gateway to healthcare which is presently enjoyed by millions of South Africans.

The HFA is supporting and advocating for meaningful reform that expands access, improves quality, and lowers costs. But such reform must be financially viable, operationally sound, and pass constitutional muster.

We remain committed to working with government and all stakeholders to co-create a healthcare system that works for all South Africans. Collaboration, not confrontation is the way to build a stronger and fairer healthcare future for our country.

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<sup>i</sup> Page 75/76 of the Economic analysis of the impact and feasibility of the NHI Act  
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