

MEDIA STATEMENT

HFA welcomes Minister's stance on protecting medical tax credits - and urges urgent action on affordable medical scheme cover

The Health Funders Association (HFA) welcomes Finance Minister Enoch Godongwana's strong and clear caution, made during his Medium-Term Budget Policy Statement, against removing medical scheme tax credits. The Minister acknowledged that eliminating these credits would harm the very people who pay the bulk of the personal taxes that fund the country, South Africa's working and middle class, and would place further pressure on a public health system already stretched beyond capacity.

For millions of working households medical tax credits are what keeps monthly medical scheme contributions within reach. South Africa's tax credit system provides R364 per month for the main member and first dependant, and R246 for each additional dependant. A typical family of four therefore receives around R1 220 in monthly tax relief - an essential buffer in a difficult economy.

Independent analysis by Genesis Analytics shows that these credits provide significant benefit for the working families who fund their own healthcare through belonging to a medical scheme:

- Up to 83% of employed medical scheme members earn below R37 500 per month;
- 44% come from households earn under R16 500;
- Scheme members pay 74% of all personal income tax, contributing nearly R443 billion annually - and a substantial share of VAT.

"These are teachers, nurses, police officers, civil servants, factory workers and union members - the engine of the economy," says Thoneshan Naidoo, CEO of HFA. "For many middle-income households, that R1 220 a month is what keeps them within the safety net of a medical scheme. Removing it would push nearly 884 000 people into the already overburdened public system."

Because the credit is a fixed rand amount, it provides proportionally more support to lower-income earners. Removing it would reduce disposable income for working families by up to 10%, undermine affordability and trigger anti-selection, as younger and healthier members exit schemes, driving up contributions and destabilising the system during the NHI transition.

Naidoo adds: “We welcome the Minister’s recognition that these tax credits are essential for working households. Removing them would punish the people who already carry the country’s tax burden.”

HFA believes a pragmatic solution is possible and is consistent with the Competition Commission’s Health Market Inquiry’s (HMI) recommendations: retain the credits for working households, cap them for higher-income earners, and redirect the savings to improve affordability for lower-income groups. This is fair, balanced and in keeping with the principles of universal access.

South Africa’s missing middle need access to affordable healthcare now

The Minister’s remarks highlight a deeper truth: South Africa needs immediate, practical measures that expand access to affordable healthcare - without waiting 10 to 15 years for full NHI implementation.

For nearly two decades, since 2006, HFA and the broader industry have called on the Minister of Health to allow medical schemes to offer essential primary and preventive care benefits – affordable, regulated day-to-day primary-care cover designed specifically for lower-income earners.

The evidence is overwhelming:

- 16 million South Africans who are not on medical schemes rely on private healthcare paid entirely out-of-pocket;
- Over 10 million people fall within the “missing middle”, earning between R7 726 and R30 000 per month - too rich to qualify for state subsidies but too poor to afford full medical cover;
- These are younger workers, single parents, and women of child-bearing age, who already pay cash for GP visits and medicines, or waiting in queues at overburdened public sector facilities - often delaying treatment until illness becomes severe.

A carved-out standardised primary healthcare package would offer a proven solution. Its design mirrors the first phase of NHI - primary care, prevention, chronic disease management, maternal care and mental health support - and it could be implemented immediately under existing legislation. Because this option would be delivered through medical schemes, it would fall under a regulated, not-for-profit environment that enforces community rating and social solidarity.

Crucially, tax credits would make these primary care benefit options dramatically affordable. For example:

- A family of four could pay R1 400 per month for a primary care option,

- But receive R1 220 in medical scheme tax credits,
- Bringing the net cost to just R180 per month - about R45 per person.

For a single parent with one child, the tax credit could fully offset the contribution (depending on the option selected), resulting in a net cost of R0. This is affordable, regulated primary care at virtually no impact on take-home pay.

Legal precedent for providing exemptions already exists, meaning that a standardised primary healthcare package would not require legislative amendments, only approval from the Minister of Health. Employers, too, stand to benefit. Co-funding these options would improve employee health, reduce absenteeism and increase productivity.

Allowing a standardised primary healthcare package would rapidly expand access, reduce out-of-pocket spending, and build the primary-care capacity South Africa needs to reach Universal Health Coverage. This is entirely consistent with the NHI Policy Framework and supports it as a material initial step rather than a conflicting approach.

As Naidoo notes: “These options are a realistic, affordable step towards universal access. They keep people healthy, employed and productive while allowing public resources to be directed to the poor and vulnerable.”

The Minister of Finance is right to caution against removing medical scheme tax credits - doing so would harm working South Africans and destabilise an already fragile health system. The next urgent step is to unlock primary care options, a solution that has been ready for implementation for almost twenty years.

As Naidoo concludes: “Keeping tax credits in place is essential. But enabling the missing middle to have access to affordable and protected primary care is the real game-changer. The time to act responsibly, pragmatically and with social solidarity, is now.”

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