**NAVIGATING THE AFFORDABILITY OF SOUTH AFRICAN HEALTHCARE**

**Unveiling the impact of health inflation versus consumer inflation**

Kevin Aron, Principal Officer at Medshield Medical Scheme

**JOHANNESBURG - South Africa's healthcare system has long been discussed, particularly regarding affordability. The rising healthcare costs have become a significant concern for individuals and families who find it an ever-increasing challenge to afford quality healthcare.**

Knowing health and consumer inflation dynamics is crucial to understanding healthcare affordability. Health inflation refers to the rate at which medical costs increase over time, while consumer inflation measures changes in general prices across various goods and services. These two types of inflation impact individuals' purchasing power differently.

The disparity between consumer inflation (currently at 5.6%) and the much higher healthcare inflation is a cause for concern. While general living expenses may see moderate increases or remain stable over time (as reflected by consumer inflation), healthcare costs continue their relentless ascent at an alarming rate (as indicated by healthcare inflation), compelling individuals to allocate more of their income towards medical expenses.

Healthcare costs in South Africa consistently exceed general consumer inflation rates, and several factors contribute to this trend. Firstly, input costs into healthcare and medical technology advancements resulted in increased expenses. Additionally, rising drug prices and the higher demand for medical services all contributed to increasing costs associated with diagnosis and treatment options.

Healthcare providers grapple with additional challenges, including maintaining highly skilled employees and complying with stringent regulatory requirements that increase input costs. Pharmaceutical prices continue to rise due to global market dynamics and patent protection laws. Furthermore, an ageing population places additional demands on healthcare services while also increasing overall expenditure for chronic conditions such as diabetes or cardiovascular diseases. As a result, these increasing expenses are passed on to patients through higher fees for consultations, procedures, medications, and hospital stays.

**A struggle for middle and low-income households**

The impact of high health inflation is felt most acutely by low-income households dealing with escalating medical bills while struggling to meet basic needs. For many South Africans living below the poverty line, healthcare becomes a luxury they cannot afford, exacerbating existing inequalities in access to quality healthcare services.

However, the middle class is not immune to these challenges. As health inflation outpaces salary increases and general consumer inflation, individuals and families confront difficult choices between prioritising their health or managing essential expenses such as education, housing, and food.

Private healthcare is often perceived as more expensive than public alternatives, offering benefits such as shorter waiting times and access to specialised care. However, these advantages come at a cost that many individuals struggle with. The high cost of private healthcare can be attributed partly to health inflation but also reflects the higher tariffs of doctors and specialists working within this sector compared to their public counterparts. Prescribed Minimum Benefits and in particular Regulation 8 which allows healthcare practitioners to charge any amount they want if the treatment or service is a PMB has also played a material role in the increase in healthcare costs.

Medical schemes are crucial in making private healthcare more affordable for individuals. These schemes pool members' contributions to cover medical expenses and negotiate rates with healthcare providers. By leveraging their collective bargaining power, medical schemes can negotiate lower fees for services and medication, mitigating health inflation's impact on individual members' budgets. However, it is essential to note that medical scheme contributions have also been subject to significant increases over the years due to rising healthcare costs, posing a challenge for consumers and medical scheme providers in balancing affordability with adequate coverage.

**Addressing affordability challenges**

Various stakeholders need to collaborate and implement effective strategies to address the affordability challenges in South African healthcare. Here are some potential solutions:

* Increased government investment in healthcare: Allocating more resources towards public healthcare infrastructure and services, including funding hospitals, clinics, medical personnel training programmes, and subsidising essential medications.
* Price regulation: Implementing stricter regulations on drug prices can help control excessive costs within the pharmaceutical industry. Negotiating fair pricing agreements with pharmaceutical companies can ensure that life-saving medication remains accessible to all citizens.
* Promoting preventive care: Shifting focus towards preventive care rather than reactive treatment can help reduce long-term healthcare costs for individuals and society. Encouraging regular check-ups, healthy lifestyle choices, and early intervention programmes can lead to better health outcomes while minimising financial burdens.
* Public-Private Partnerships (PPPs): Collaborations between public and private sectors can improve access to affordable healthcare options by effectively leveraging resources from both domains. This can be further enhanced by exploring innovative insurance models catering to low-income households and providing much-needed financial protection against high medical expenses.
* Enhanced competition rather than restricting market entry: Encouraging competition among private healthcare providers can drive down prices while maintaining quality standards.
* Transparent pricing and sharing of healthcare information: Ensuring pricing transparency across all healthcare industry sectors will empower consumers to make informed decisions about their care options.

While medical schemes are vital in making private care more accessible, addressing these challenges requires collaboration between government entities, industry stakeholders, and consumers. The widening gap between consumer and health inflation rates highlights the need for comprehensive but sensible reforms to curb rising costs while ensuring equitable access for all citizens. Through collective efforts, South Africa can progress towards achieving an affordable and sustainable healthcare system for all its citizens.

**FIN**

(1650 words)

**EDITORS NOTES**

**FURTHER MEDIA INFORMATION AND INTERVIEW REQUESTS**

* Stone issues this release on behalf of the Medshield Medical Scheme.
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**ABOUT KEVIN ARON, PRINCIPAL OFFICER OF MEDSHIELD MEDICAL SCHEME**

A qualified Chartered Accountant, Aron has a wealth of healthcare industry knowledge and is well-known in the industry. He started his career at South African Druggists, where he spent many years working in various financial and management roles within the Group, including stints at Mediscor and Medical Services Organisation, where he was Chief Operating Officer.  
  
After completing his MBA, Aron joined Medscheme in 2001, where he had a long and successful career, culminating in his appointment as Chief Executive Officer in 2014. Before joining Medshield, Aron consulted for various institutions in the healthcare industry, focusing on value-based healthcare delivery systems.

**MORE INFORMATION ON THE 2024 MEDSHIELD BENEFIT OPTIONS AND CONTRIBUTIONS**

Benefits and Contribution amendments are subject to CMS approval.

Please refer to the 2024 Product Page on the Medshield website at <https://medshield.co.za/>. You can review the benefit adjustments and value adds and download the 2024 benefit guides

* **PremiumPlus** provides mature families and professionals with unlimited hospital cover in a hospital of their choice, with In-Hospital Medical Practitioner consultations and visits paid at 200% Medshield Private Tariff, and the freedom to manage daily healthcare expenses through a comprehensive Personal Savings Account and extended Above Threshold Cover.
* **MediBonus** provides mature families and professionals with unlimited hospital cover in a hospital of their choice, with In-Hospital Medical Practitioner consultations and visits paid at 200% Medshield Private Tariff, and the independence to manage daily healthcare expenses through a substantial Day-to-Day Limit.
* **MediSaver** is perfect for independent individuals and young professionals thinking about expanding their families. MediSaver offers unlimited hospital cover in the Compact Hospital Network, with the freedom to manage daily healthcare expenses through a generous Personal Savings Account.
* **MediPlus** provides middle to upper-income families with complete healthcare cover for major medical and daily healthcare needs. Unlimited hospital cover is provided through a choice of two hospital networks, Prime or the value-focused Compact Hospital Network. Daily healthcare expenses are covered through a generous Day-to-Day Limit. Benefits are identical in both categories, Prime and Compact, with care coordination and doctor referral mandated on MediPlus Compact.
* **MediCore** is ideal for healthy individuals looking for comprehensive hospital cover, with daily healthcare expenses self-managed. This option offers unlimited hospital cover in the Compact Hospital Network, with In-Hospital Medical Practitioner consultations and visits paid at Medshield Private Tariff 200%. Day-to-day healthcare expenses are self-funded.
* **MediValue - Prime and Compact** - is the ideal option for growing families. It offers affordable cover for major medical and daily healthcare needs. Unlimited hospital cover is provided through a choice of two hospital networks, Prime or the value-focused Compact Hospital Network. Daily healthcare expenses are covered through a sizeable Day-to-Day Limit. Benefits are identical on both options, MediValue Prime and MediValue Compact, with care coordination and doctor referral mandated on MediValue Compact.
* **MediSwift** is the ideal hospital plan for active, healthy individuals. Major medical emergency and In-Hospital treatment are covered up to R1 million per family in the Compact Hospital Network, with the added benefit of day-to-day treatment for non-professional sports injuries. As a hospital plan, MediSwift offers no Day-to-Day benefits, allowing members the freedom to self-manage their daily healthcare expenses.

**Medshield Medical Scheme - Live Assured knowing you have a Partner for Life.**

**ABOUT MEDSHIELD MEDICAL SCHEME**

* Medshield is a healthcare fund where all members contribute towards the fund monthly to cater for medical cover should the need arise.
* Medshield has been in operation since 1968, making us one of the most experienced, knowledgeable, and reliable medical schemes in South Africa. Our extensive experience in the healthcare sector guides our understanding of our members' needs. Our excellent cover and benefits combined with the best quality systems and services have resulted in our exceptional size and strength.
* Each of our options offers affordably priced benefits. We continuously review and improve the range of benefits in each option to bring you what you need.
* Our impeccable reputation of prompt payments to hospitals, doctors, pharmacies and other medical caregivers guarantees approval from service providers when you present your Medshield membership card.
* Our extensive partner networks place us in the perfect position to offer exceptionally competitive rates to our members.
* Medshield is well-represented throughout all nine provinces and provides seamless access to service providers in your area. Our geographical spread provides convenience if it becomes necessary for you to have a personal discussion with one of our experienced consultants. We also have a streamlined online claim submission system and immediate contact centre assistance, making it easier to manage your membership and claims from the convenience of your home or office.
* Our extensive range of additional benefits and services is another distinguishing factor. Our benefits and services have been designed to give members additional support when they need it most, for instance, in an emergency or when suffering from a chronic or life-threatening condition.
* Compared with other medical schemes, our trustworthiness, impeccable history, and exceptional service guarantee that we come out tops!