

South African Payroll Association

17 March 2020

How NHI will affect your pay and the payroll department in your organisation

President Cyril Ramaphosa says that all South Africans will be covered by the National Health Insurance (NHI) by 2025, but there is still little clarity as to how the NHI will be funded.

Arlene Leggat, Executive Committee Member of the South Africa Payroll Association (SAPA), says that payroll departments will need to prepare for the ripple effect that this will have on a company's payroll.

"Logistically, payroll departments can easily implement a method to deduct money from employees' salaries for the NHI, which is a likely scenario considering that government is yet to determine how the NHI will be funded. The challenge is that payroll coffers aren't limitless. Additional deductions from employees' salaries can result in financial pressure on employers and their employees," says Leggat.

Cost of the NHI still undetermined

The NHI Bill was tabled in Parliament in August 2019, but there isn't clarity on what the scheme is going to cost each year.

The original NHI white paper, which was published by the Department of Health in 2010, estimated it would cost the economy around R256-billion per year.

Economists have said that this number is grossly underestimated and the former health minister Aaron Motaesoeldi admitted this number was only a "[guestimate](#)".

Besides the cost of the NHI being undetermined, a pilot project that government implemented to test the preparedness of health care facilities for the NHI showed that most facilities failed on a governance level and that there aren't sufficiently resourced.

"Hospitals will need to ensure that they can offer the services that are needed and implement a financial management structure that can accommodate the NHI," says Leggat.

Crunching the numbers of potential funding scenarios

The white paper proposes a number of scenarios as to how the NHI could potentially be funded, such as increasing UIF or VAT, using money from the Road Accident Fund (RAF), or utilising what is currently the Medical Tax Credit given to taxpayers towards NHI contributions, among other options.

Many of these scenarios, says Leggat, won't amount to the sum that is needed for the NHI.

"According to the 2017/2018 SARS report, medical tax credits equalled approximately R20-billion, which is a far cry from the alleged R256-billion that will be needed per year.

If the RAF fund is used, the NHI could receive a once-off injection of around R55-billion.

With tax revenue being R1.2-trillion, VAT would have to be doubled to meet the required target, which will be unaffordable to the public.

It is expected that the funding for the NHI will have to come from the South African workforce. Exactly how this will impact the public and payroll departments is not yet known,” says Leggat.

In order for the NHI to be effective and functional, it is imperative that the number-crunching is done accurately. Failure to do this will result in a system that cannot be sustainable.

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