



Private Health Insurance in South Africa - An Impact Study -

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**Private Health Insurance in Developing Countries
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Outline

- Introduction to the South African Health System
- Population and Labor Market
- The Private Sector's Institutional Environment
- Policy Framework
- Financial Protection
- Impact of Voluntary Insurance on Access
- Outstanding issues (achievable – non-feasible)

South African Labour Market March 2004



Labour market category		Start work within	
		One week	Two weeks
		N ('000)	N ('000)
a	Total employed	11 984	11 984
b	Total unemployed (official definition)	4 532	4 611
c	Total economically active= a + b	16 516	16 596
d	Total not economically active	13 913	13 833
e	Total aged 15-65 years=c+d	30 429	30 429
f	Unemployment Rate= $b*100/c$	27.4%	27.8%
g	Labour force participation rate = $c*100/e$	54.3%	54.5%
h	Labour absorption Rate= $a*100/e$	39.4%	39.4%

Source: Labour Force Survey March 2004

Income Levels

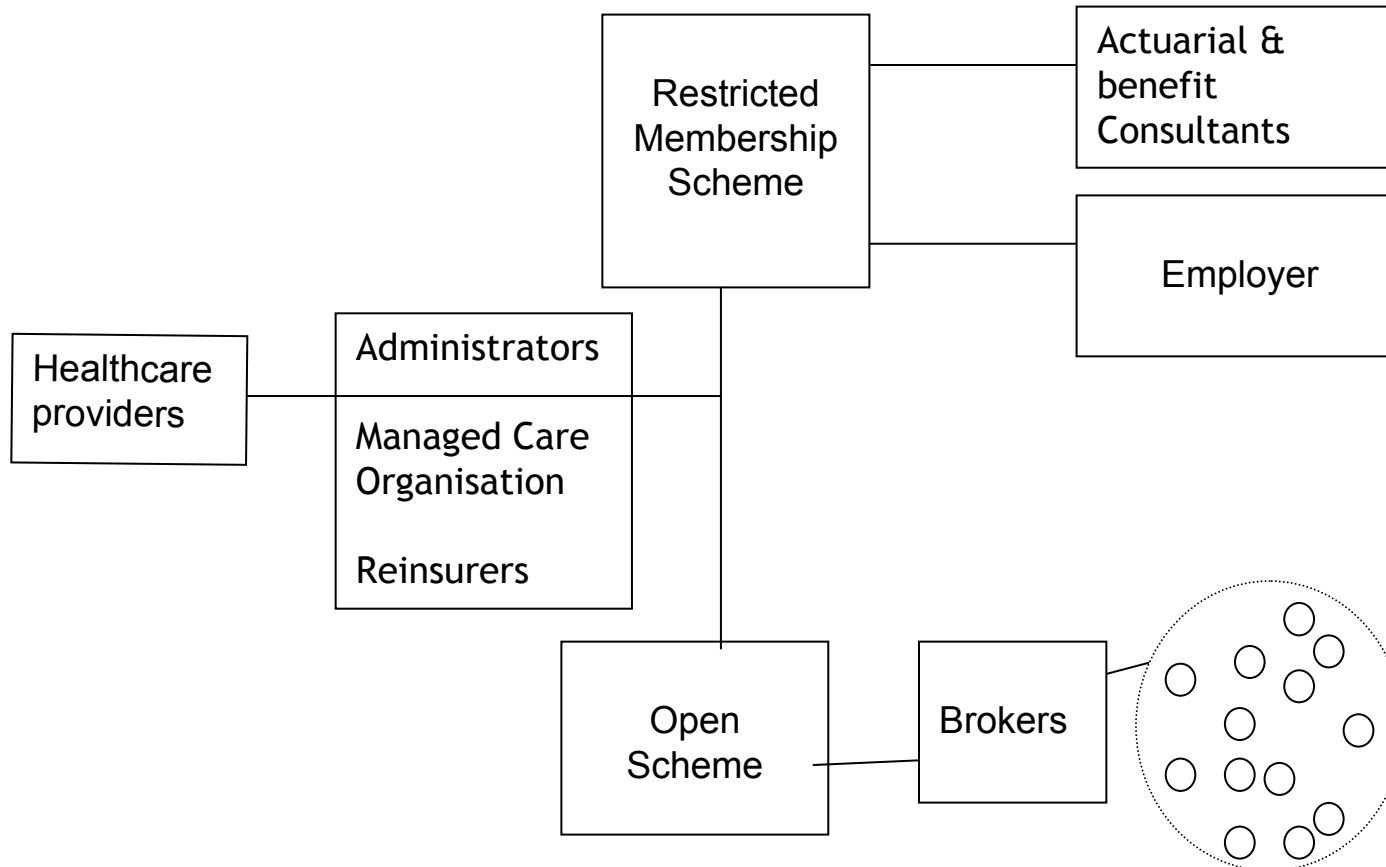
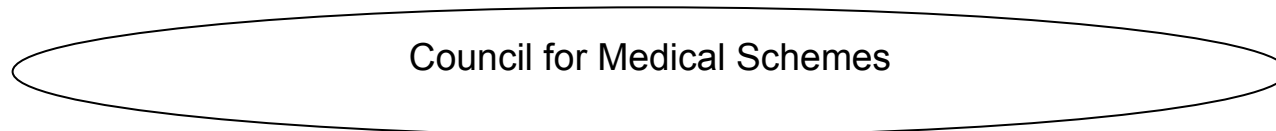


	1995		2000	
	Annual	Monthly	Annual	Monthly
Average annual household income in ZAR	37,000	3,083	45,000	3,750
Average annual per capita income in ZAR	8,786	732	11,755	979
Median annual per capita income in ZAR	4,812	400	5,507	458

Source: IES 1995, IES 2000

31 Dec 2000: 1 ZAR = 0.13184 USD

Functioning of Medical Scheme Industry



Adapted from McLeod 2003.



Annual Healthcare Expenditure by Beneficiaries

	1996	1997	1998
Gross contributions in ZAR	17,769,279,879	21,698,195,111	24,284,756,082
Total beneficiaries	6,862,377	6,902,697	6,887,735
Total OOP per annum in ZAR (including OTC purchases)	3,846,525,401	3,466,419,282	5,348,138,296
Contributions/ beneficiary per annum in ZAR	2,589	3,143	3,526
OOP/beneficiary per annum in ZAR	561	502	776
Total expenditure per beneficiary per annum in ZAR	3,150	3,646	4,302



Monthly Employment Income in South Africa



Monthly income	Formal	Informal	Domestic	Total
None	0.5%	11.4%	0.0%	2.5%
ZAR 1 – ZAR 500	6.6%	39.9%	47.3%	16.4%
ZAR 501 – ZAR 1,000	16.0%	23.5%	40.6%	19.6%
ZAR 1,001 – ZAR 2,500	30.3%	16.9%	12.1%	26.2%
ZAR 2,501 – ZAR 8,000	34.7%	6.7%	0.0%	26.3%
ZAR 8,001+	12.0%	1.5%	0.0%	9.0%
under ZAR 1,000	23.1%	74.8%	87.9%	38.6%
under ZAR 2,500	53.3%	91.8%	100.0%	64.7%

Source: IES 2000.

31 Dec 2000: 1 ZAR = 0.13184 USD



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Medical Scheme Membership According to Expenditure Quintiles



Quintiles of households' total annual expenditure	Medical Scheme	
	Non-member	Member
1 (lowest)	98.61	1.39
2	98.12	1.88
3	95.47	4.53
4	86.29	13.71
5 (highest)	41.46	58.54
Total	83.99	16.01

Source: IES 2000.

Financial Protection



$$\overline{\text{NMCmemb}} = \text{ZAR } 100,483.10$$

$$\sigma_{\text{NMCmemb}} = \text{ZAR } 149,467.20$$

$$\rho_{\text{memb}} = \overline{\text{NMCmemb}} / \sigma_{\text{NMCmemb}} = 0.6723$$

$$\overline{\text{NMCnonm}} = \text{ZAR } 20,841.48$$

$$\sigma_{\text{NMCnonm}} = \text{ZAR } 48,772.44$$

$$\rho_{\text{memb}} = \overline{\text{NMCnonm}} / \sigma_{\text{NMCnonm}} = 0.4273$$

Source: IES 2000.

Utilisation by Income Quintile



Income quintile	Public %	Private %	Traditional/ spiritual healer %	Did not seek health care %
1 (lowest)	57.4	15.4	3.2	24.0
2	54.5	22.3	3.2	20.0
3	54.0	25.3	3.5	17.2
4	46.9	31.5	3.2	18.4
5 (highest)	32.5	49.0	1.9	16.6
TOTAL	48.6	29.3	3.0	19.2

Source: OHS 1995.

Utilisation by Level of Education



Educational level		Public service	Private service	Traditional healer
No formal education	1995	69.4	23.5	7.2
	1999	68.5	28.9	2.6
Primary education	1995	70.5	25.5	4.0
	1999	64.8	32.9	2.3
Secondary education	1995	51.4	45.6	3.0
	1999	42.9	55.4	1.7
Tertiary education	1995	29.5	68.5	1.9
	1999	13.2	86.5	3.8

Source: OHS 1995, OHS 1999.

Utilisation by Level of Education



Variable name	Coefficient /Odds ratio
Age	1.004 *
African	1.682 **
Coloured	2.199 **
Voluntary Health Ins.	0.157 **
Edulev2 (Secondary education)	0.636 **
Edulev3 (Tertiary education)	0.240 **

Note: If statistically significant at 5% level **; at 10% level *.

Source: OHS 1999.

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Thank you



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