

**SPEAKING NOTES FOR MINISTER OF HEALTH AT THE BOARD OF
HEALTHCARE FUNDERS CONFERENCE, DURBAN 13 – 16TH JULY 2008**

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Programme Director,
The Chairperson of the Board of Healthcare Funders (BHF)
Dr. Humphrey Zokufa, Managing Director of BHF
The CEO's of medical schemes and administrators
Representatives from the private healthcare industry
International and local delegates
Distinguished guests
Ladies and gentlemen

It is with great pleasure that I once again deliver the opening address of the annual conference of the Board of Healthcare Funders. During my address last year I raised a number of matters with you. Last years conference also raised a number of challenges in the private healthcare sector, including rebates and discounts not being passed onto the patient and over billing of inhalational anaesthetics as a result of these and other challenges in the private sector. I convened an Indaba in September last year to discuss these and other issues. The general consensus at the Indaba was that government needs to regulate the private sector to ensure transparency in pricing and to ensure its sustainability amongst others. We have taken this mandate seriously.

I am sure that you are also aware that the National Conference of the ANC in December last year resolved that National Health Insurance is a priority policy for implementation.

I have therefore decided to focus my address today, on our thinking with regards to a National Health Insurance policy framework and proposed legislation before parliament.

For many years now, we have spoken about the inequities between the public and private health sectors that exists in our health system and how best to use all healthcare resources to serve the needs of our people more equitably. As part of the National Health Insurance policy discussion, we need to seriously engage on matters relating to funding, revenue collection, purchasing and provision of health services such that, our health system will be efficient, effective and equitable. It is therefore critical that we review the institutions and organisations that are responsible for funding, purchasing and provision of health services.

Over the years there has been a gradual decline in access to the private healthcare sector due to factors such as increasing unemployment and tariff escalation only buttressed by the implementation of the Government Employee Medical Scheme. The need for momentous changes in health care financing within the South African context are as urgent as in other developing and developed countries.

The private health sector has seen an uncontrolled cost spiral since the 1980s. The most important cost drivers at present are private hospitals, specialists and administrative costs.

For instance, annual expenditure on private hospitals was R803 per medical scheme beneficiary in 1997, which increased to R2, 320 in 2005. Medical scheme contributions too have been increasing. Contribution rates have increased from R3, 423 per medical scheme beneficiary in 1998 to R7, 807 in 2005. It has become increasingly unaffordable for South Africans to belong to medical schemes. This is reflected in the decline in medical scheme membership from, about 20% of the population in 1998, to, about 15% of the population in 2005. The only significant addition was in 2006 with the introduction of the Government Employees Medical Scheme. Infact the majority of Government Employees Medical Scheme members have not had access to medical schemes previously. Government has clearly demonstrated that it is possible to create a medical scheme that is accessible to low income households.

There is also little evidence to indicate that the tariff increases announced by providers were accompanied by improvements in quality of care or health outcomes.

I am encouraged to see that this conference will discuss the issue of a National Health Insurance. We look forward to your recommendations in this regard.

The public sector is faced with its own challenges: - particularly the shortage of health professionals and limited funding which influences the quality of care that we provide. We accept these challenges and are constantly developing initiatives to address them so that over time the public sector can become a preferred provider and not a provider of last resort.

On several occasions I have heard critics say that as Minister of Health, I should put my own house in order- suggesting that I am only, “Minister of the public health sector”. I would like to remind these critics that as the Minister of Health I am responsible for the entire health system so my stewardship responsibilities cut across both sectors. Accordingly, it is my responsibility to ensure that both sectors are aligned towards creating an accessible, caring and high quality health system.

It is for this reason that we are pursuing a National Health Insurance (NHI) amongst other policy initiatives. We want to create a health system that is efficient, equitable sustainable and accessible to all South Africans. Such a health system must be appropriately funded so that essential healthcare can be provided. An additional objective within the South African health system context is to create a purchasing mechanism that effectively restrains the cost spiral in the private health care sector.

Some legislation to support the initiation of the implementation of National Health Insurance has to some extent already been developed and implemented. These include but are not limited to the Medical Schemes Act and its subsequent amendments, the National Health Act, and the Single Exit Price Regulations.

We have also introduced an ammentent Bill to the National Health Act which creates a regulatory framework for tariff negotiations between funders and providers. All parties involved in the negotiations process will begin the negotiations after taking account of the true cost of the service as outlined in the NHRPL. A facilitator will be appointed to ensure that that this process is transparent and fair to all parties. The collective negotiation will establish the maximum tariff for a particular service. Individual funders may choose to pursue negotiations with providers to secure a lower tariff. In circumstances where the collective negotiations fail, the matter may be referred to arbitration. The industry currently negotiates tariffs with certain providers in the market so this proposed framework is not entirely new to the industry.

In the past few months there has been much criticism of this legislation, arguing that the legislation allows the Minister of Health to set tariffs in the industry. This is far from the truth and does not in any way reflect the objectives and intentions behind our introduction of the Bill. The National Health Amendment Bill introduces a framework for tariff determination which involves a facilitator, coordinating the collective negotiations on tariffs. Let me emphasise again, primary and overriding objective of introducing this Bill is to promote transparency and limit unfair business practices in the determination of health service tariffs.

Additionally, I have been accused of unfairly focusing on the private providers while ignoring the fact that medical schemes have also been increasing their contributions and that broker fees were also adding to the cost spiral in the private health sector. On numerous occasions I have categorically stated that there are three key cost drivers in the private health sector namely private hospitals, specialists and administrative costs including broker fees. The challenges of the cost spiral among private hospitals and specialists will be effectively dealt with through the introduction of the National Health Amendment Bill.

It is our intention to address the escalating broker fees through the proposed governance amendments to the Medical Schemes Act. These reforms include clarifying the roles of

the Board of Trustees and Principal Officers, reviewing the election processes for Board Members, promoting enhanced corporate governance and ensuring the independence of Principal Officers of schemes. The objective is to ensure that those managing the operations of the schemes are independent with effective executive capacity to support The Trustees and to manage contractual relationships with brokers and providers.

Clearly the reforms that we have to undertake going forward are multi-faceted, and these will have to be accompanied by a review of the overall public health budget.

I look forward to your discussions on a National Health Insurance including the role private medical schemes and administrators in such an environment. I hope that during your deliberations you will also identify interventions that you would implement to create greater access to medical schemes.

Alexander the Great overcame the challenge of the Gordian Knot before going on to conquer Asia.

I hope that your conference becomes this Gordian Knot that identifies the policy interventions that would result in a healthcare system that is effective, efficient, affordable and accessible to all South Africans.

I thank you.

DR M.E. TSHABALALA – MSIMANG
MINISTER OF HEALTH