

BHF welcomes the introduction of a tariff negotiation framework to address private sector cost escalation

The Board of Healthcare Funders (BHF) has welcomed government's establishment of a pricing committee/tariff negotiation framework that will help to address the uncertainty around health care pricing and the ongoing cost escalation experienced in the private sector. While participation is currently voluntary, the move is nonetheless a good precursor to the establishment of a more formalised framework for deciding on prices in future. "A tariff negotiation framework essentially offers the industry the promise of the opportunity to self-regulate again," says BHF spokesperson Heidi Kruger. A Competition Commission ruling currently prevents funders and providers from collaborating to determine costs.

There has been a long history of imbalanced and problematic price determination in the private health care sector and various other recent developments have exacerbated the disarray. The scrapping of the Reference Price List (RPL) in July has left the industry with no RPL for 2011. The Health Professions Council of South Africa (HPCSA) also scrapped the ethical price list, which sets the ceiling amount providers can charge. The Prescribed Minimum Benefit (PMB) task team has reached no conclusion on the controversial 'pay in full' clause in the PMB regulations.

"The PMBs are especially problematic for the funding industry," says Kruger. "This is because they are oriented towards high-cost interventions. The Registrar of the Council for Medical Schemes requires schemes to reimburse at cost for this set of conditions. There is no cap on charges for these conditions, so healthcare providers may charge what they choose and be reimbursed by schemes in full. As a result we've seen hospital costs increase by 75% over the last ten years, and specialist costs by 59%. In 2009/2010, claims to medical schemes outweighed member's contributions by R2.5 billion. Schemes have been forced to dip into their reserves to pay claims as a result. Because of this situation, members are having to fork out more and more for their medical scheme premiums."

Intervention is therefore required in the determination of health care pricing. On 18 October, at a meeting with various stakeholders, the Director General of Health, Precious Matsoso, stated that the initially voluntary proposed pricing framework process would ultimately lead to a legislated process and a statutory pricing authority. The focus of the process would be to determine benchmarks and, to establish the process, interim exemption from the Competition Act would be required. To this end, it was suggested that the private health care industry may be 'designated' and thus exempt from certain provisions of the Act until such time as the statutory pricing authority comes into being. It is envisaged that final legislation will not be in contravention of the Act, however.

The process is intended to be consultative and the primary focus will be to determine a medical schemes rate and a provider rate, so as to have certainty for providers, medical schemes and the consumer.

"BHF looks forward to working constructively with government and other stakeholders to address what is becoming an unsustainable situation," concludes Kruger. "We believe that the tariff negotiation framework is also a good first step in the move towards National Health Insurance."

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