



# Migration to a Healthcare Pricing Framework

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# PRESENTATION OUTLINE

HISTORY OF THE RPL

KEY ARGUMENTS IN COURT CASE

CHALLENGES WITH THE RPL

POTENTIAL SOLUTIONS

INTERNATIONAL EXPERIENCE

TRANSPARENCY

NEGOTIATIONS

WAY FOWARD

# HISTORY OF RPL (1)

## Prior to 2002

- Scale of benefits – negotiation between funder – provider
- 2003 – Competition Commission ruling – collusion between funders and providers.
- Neutral body should be responsible for tariff setting.
- CMS established methodology for NHRPL – Voluntary participation.
- The NHRPL was used as a GUIDE to industry from 2004-2006.

# HISTORY OF RPL (2)

- In 2007 RPL schedules were published by NDOH based on the NHRPL
- Tariff increases were too low - SAMA challenged the Schedules- - Schedules published without regulation.
- Regulations formalising the RPL promulgated
- SAMA continued to be unhappy – argued tariffs were too low
- HASA decided to participate in the RPL –methodology unsuitable.

# KEY ARGUMENTS IN THE CASE

- Minister of Health did not consult with NHC. Judgement – NDOH could not provide concrete proof of consultation with NHC.
- 90(1)(u) –obtain info from private sector, (v) – making RPL regulations
- RPL establish actual costs – not determine what costs should be
- Unlawful delegation of powers MoH to DG
- Submissions via representative associations - unlawful
- Judgement did not challenge the Ministers / DG powers to publish an RPL.

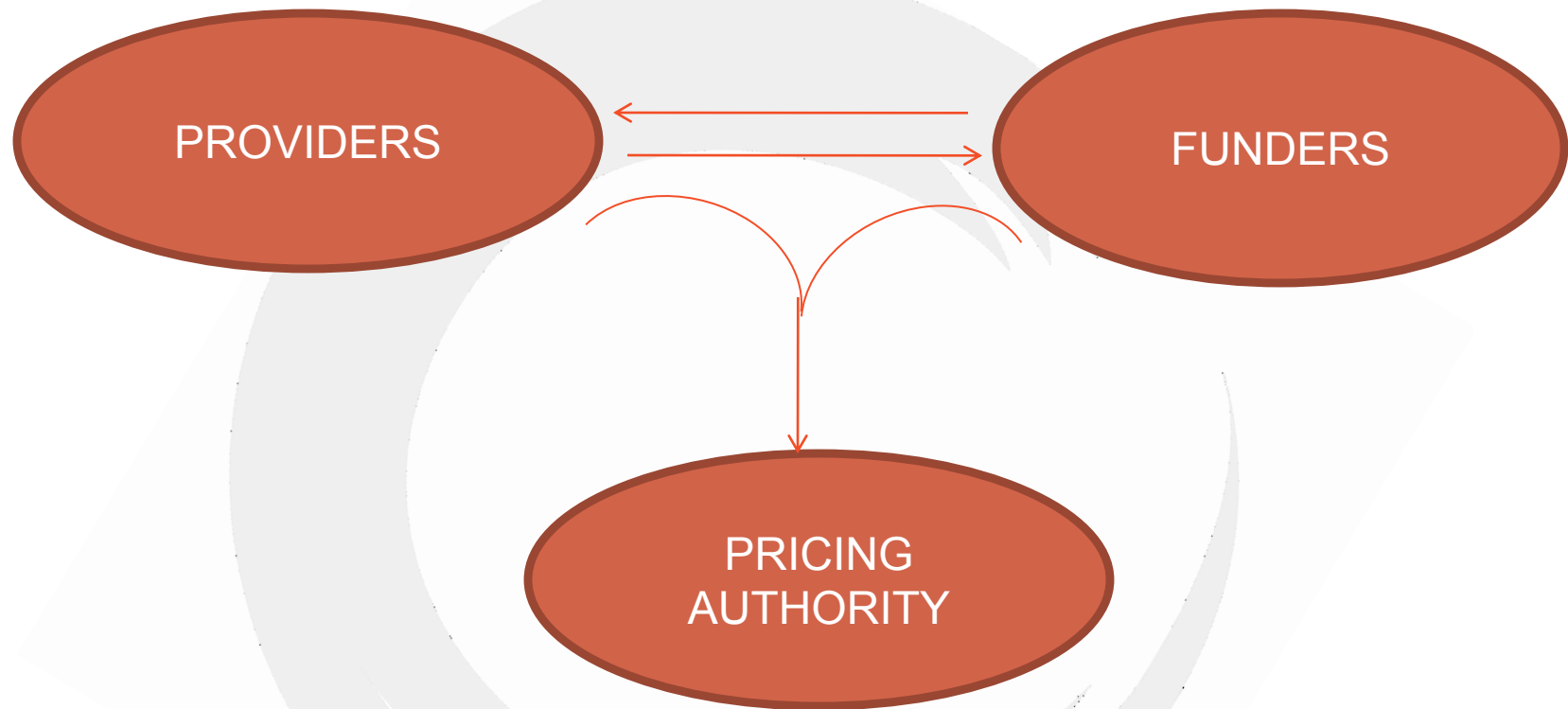
# CHALLENGES EXPERIENCED WITH RPL PROCESS

- Associations were required to submit info – response bias
- “Independent” consultants – paid by association for technical work
- Poor correlation between financial data supplied – verification process
- Methodology not suited to health establishments
- Output is reference price – national reference range
- Coding challenges – fee for service
- Resources to deal with all submissions timeously
- Relationship between RPL and market prices.

## ■ KEY PRINCIPLES

- Transparency – financial, utilisation
- Complete financial information for all providers
- Negotiation between funders and providers
- Single price reference would not be ideal for entire industry
- Relationship between reference price and reimbursement price
- Methodology- assure quality ,efficiency.

- TWO OPTIONS
  - Administered Pricing
  - Price Negotiation
- Price Negotiation – more successful
- Bargaining chamber – Netherlands , Belgium , Portugal, UK, Switzerland



- Providers can opt out – inform patients – no state contract
- Authority – oversees negotiation
  - assess affordability & sustainability of tariff
  - tariff is maximum

# TRANSPARENCY

- Providers need to share their financial information with authority – full participation.
- Authority needs to analyse the above information and provide summary statistics to funders & providers.
- Cost information should form the basis of the negotiations.

# NEGOTIATIONS

- Authority is a neutral body – convene negotiations
- Pooled procurement?
- Opt out of the process – consequences?
- Dispute resolution

## **Option 1**

Revised regulations establishing "RPL" – cost information not reimbursement price

## **Option 2**

Establishment of a structure that convenes negotiations between funders and providers

# WAY FOWARD

- Immediate solution on a price guide for the industry given the absence of a RPL
- Medium term solution – introduction of legislation that establishes revised reference price. Alternatively the establishment of a body in law that would allow funders and providers to negotiate reimbursement prices
- Long term solution – reimbursement arrangements under the National Health Insurance system

## THANK YOU