

Minister of Health, Dr.Tshabalala-Msimang Opening Address at the Private Health Sector Indaba

21 September 2007, Midrand

Programme Director,
MEC's of Health
Members of the private health sector
Officials of the national and provincial departments of health
Members of the media

I wish to welcome you all to this very important indaba. I am particularly pleased that so many of you were able to prioritise this very important meeting which aims to explore strategies to further transform the health sector in our country with particular reference to the private health sector. I must also welcome the MEC's who have agreed to be with us and who will facilitate some of the group discussions.

I made a commitment to you last month that the Department will provide the leadership to enable us to engage further on measures that need to be taken to address a range of issues relating the sustainability of the private health sector, including issues of costs, affordability and transparency.

Subsequent to our August meeting, a task team with members from various parts of the private health care sector was established to prepare an agenda for this Indaba. I believe that the agenda that the Task Team prepared is inclusive of all the role-players that will effect and be affected by the interventions that this meeting proposes. I would like to express my appreciation to the members of the Task Team for their participation and commitment to this process.

I wish to encourage all of us to frankly acknowledge the challenges that face the private health care system so that we can collectively decide how best to respond to these challenges. Off course, it is true that this will not be an easy process given the competing interests of the various sections of the sector.

As you know, we have a private hospital industry, specialists, general practitioners, dentists, etc, who operate in an environment of a "fee for service" model. This model means that the more services one provides the greater the reimbursement.

The obvious problem with this model has been recognized internationally as unsustainable, unaffordable and frankly not ethically justifiable. In addition, it is not in the best interests of either the private health care sector or the patients that it serves. Presently, I don't believe that patients are adequately protected against exploitation by health care providers.

As well, there is inadequate level of diversity of ownership and competition within the sector and this does not therefore create a downward pressure on costs. The sector is largely driven by the profit imperative as many companies in the sector are listed. Whilst this is the market imperative, we must ask what the moral imperative is for this sector and we must seek to develop consensus around this. Without agreeing on the moral or ethical basis of the sector, it is possible that all we shall be concerned about is the bottom line * profits * and not contributing to the improvement in the health status of all South Africans.

Where we have services rendered or products made available for the survival and common good of human kind, it may be inappropriate to have a huge profit motive overriding decisions and behaviour without adequate government intervention and regulation. This is why the petrol price is controlled, and electricity, telecommunications and other social services are made available in a way that protects the consumer and the country as a whole.

Similarly I believe private healthcare sector also needs a coherent regulatory framework to ensure that it operates in the best interests of all the citizens of the country, not just its shareholders. . This Indaba should indeed begin to discuss measures that need to be adopted both by government and the sector to ensure greater transparency. We cannot afford to allow this industry to continue to be negatively affected by the undesirable practices as recently reported in the media as well as the cost spiral that we are currently witnessing.

We must also collectively ensure that the private health sector plays its role in the creation of a national health system that is "caring and humane society in which all South Africans have access to affordable, good quality health care."

There are therefore many challenges that have to be overcome.

Over the past five years, membership of medical schemes has become both static and increasingly unaffordable thus widening the gap between the high-income and the middle-income groups in terms of access to private health care.

The slight increase in medical scheme membership this year is probably enrollment in the Government Employee Medical Scheme. While we welcome this, we believe that more should be done to bring more people into the risk pooling market.

As you know, medical schemes are registered as "not for profit" * as Section 21 companies. To protect these schemes, reserves have to be accumulated and according to the Medical Schemes Act this should be at 25% of gross annual contributions for a particular year. . We need to ensure that this legal requirement is met by all schemes to ensure their viability.

Some schemes are building up reserves much higher than 25% while the contributions by members are at the same time increasing at a rate greater than CPIX. This is unfair to the members of the medical schemes.

Some have attributed this problem to the uncertainty and risk associated with the cost of health care. It is clearly in all our interests therefore to ensure that we keep cost escalations as low as possible and as predictable as possible.

What is also of concern is the significant increase in expenditure on private hospitals from R8 billion in 1997 to R17.7 billion in 2006/7. This represents a 121% increase in just 10 years. Specialist costs increased from R5 billion in 1997 to R11 billion in 2006/7, an increase of 120%. .

Another area of major increase in expenditure by medical schemes is non-health items. These costs are related to administration services, managed care services and broker fees. Administration fees increased from R2 billion in 1999 to R5.9 billion in 2006/7, a growth of 195%. . The cost of managed care initiatives increased from R887 million in 2000 to R1.4 billion in 2006/7.

Broker fees increased by 326% from R230 million in 2000 to R980 million in 2006/7. This is despite the fact that broker services have not increased the number of people joining medical schemes. They just move the same pool of people from one scheme to the next at a fee * thus adding questionable value at high cost.

Contribution rates per medical scheme beneficiary have increased from R3,423 in 1998 to R7,807 in 2005 (i.e. more than doubling over a 7 year period). This is in the face of a decrease in medical schemes' expenditure on pharmaceutical products by 24% in real per beneficiary terms between 2003 and 2005, largely as a result of the medicine pricing regulations.

I am sure you will agree with me that the ever-increasing cost of private health care undermines our transformation agenda. I am also sure that you agree that the picture that I

have described cannot continue. If we do not intervene now, it is quite possible that the private health care sector will shrink and perhaps collapse. I am confident that none of us want that to happen.

Even though we are not going to point fingers at each other, we must all accept that the challenge facing us as stakeholders in the health sector is to control the cost of private health care, to increase access and to ensure transparency of the system.

We therefore have to engage each other today to seek possible solutions to these challenges. We have to say, for each of the problem areas, this is what each one of us is going to do to reduce the cost of health care, to improve transparency in pricing policies and to improve diversity and improve quality of care.

Of course, as government we have a Constitutional obligation and mandate which government must exercise to take appropriate legislative measures to ensure progressive realization of the right of access to health care for the people of South Africa. But as you well know, our democratic framework also requires that legislative processes should take into consideration the views or input of all interested parties.

This Indaba provides us with a unique opportunity as main players in this industry to contribute in the realization of the right of access to health care as enshrined in our Constitution by proposing concrete measures to deal with all the access barriers currently affecting the private health care sector.

At the end of this Indaba, we need to reach some consensus as to how we can realize the goals of reducing health care costs, improving transparency, increasing choice and improving the quality of health care.

I hope that the deliberations from this Indaba will come up with a set of practical recommendations that we can agree to. I wish all of us fruitful discussions in our effort to ensure better health for all.

Thank you

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Closing Remarks: Private Health Care Indaba

21 September 2007

We can all agree that this has been a very useful interaction. I must commend each and everyone of you for setting aside the whole day to engage on this very important issue.

I must also commend all the participants for the manner in which they have conducted themselves during this Indaba. Meetings of this nature can become acrimonious and emotive. However I have been extremely pleased by the professional manner in which you handled yourself and your commitment to this process.

I hope we can keep this constructive approach in the process going forward.

I have listened to all the presentations that have been made and have noted your recommendations. I am pleased that the meeting has come up with principles of access, equity, improving the quality of care and efficiencies.

In addition, the principles of containing costs, ethical practices and transparency of the system have come out strongly as these are the core-values of our society. As the Minister of Health, I firmly endorse these principles.

There have been a number of recommendations that have been made. While we will need to take time to consider all of them and their implications, I believe that there some key issues that sought to emerge from most of the presentations.

There is agreement that self-regulation has not been effective in address our problems and that, as the Minister of Health, I must strengthen the regulatory and legislative framework. I have heard you loudly and clearly and we are going to act accordingly on this.

We have all agreed that costs in the private sector are spiraling and that this should not be allowed to continue. You have proposed certain measures that can address this. We will be reviewing these measures to look at what could be the best strategies to stop the spiraling costs.

Other recommendations have related generally to the issues of:

- Benefit designs
- Human resources
- Public private partnerships
- Re-organisation of health system design
- And National norms and standard

I would like to reassure you that the process of taking these recommendations forward will be as inclusive as possible and will take into consideration the inputs of all of you as stakeholders.

We have a duty to improve access and quality of care and ensure that patients and consumers are protected. Those are the people we should primarily be accountable to and protect their interests.

In conclusion, I would like to say Boysie, whilst you have advised me that I must not just rock the boat, but capsize it, I must state that I would not want anyone to drown. On that note, I would like to wish you a safe trip home and a happy Heritage Day.

Enjoy you weekend.

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PRESS RELEASE

Health Minister meets industry over high cost of private health care

8 August 2007

The Department of Health held a meeting with the representatives of various sections of the private health care industry to discuss the concerns around the issues of inflation and lack of transparency of private health care costs in Pretoria today (August 08).

The meeting was attended by at least 50 representatives of various sections of the private health industry including the medical schemes, health service-providers, pharmaceuticals and suppliers. All parties acknowledged that the industry has been negatively affected by the reported undesirable practices leading to inflated cost for the consumer.

The meeting acknowledged the urgent need for transparency across the industry and to remove perverse incentives. All parties welcomed the step by the Department of Health to gazette the regulations relating to the National Health Reference Price List as the initial step to establish some degree of transparency in the industry.

The meeting agreed on the need to move with urgency to end current finger-pointing where various sections of the industry blame each other for the adopting undesirable practices.

The meeting resolved that next month the Minister of Health should convene a discussion forum – a Health Indaba - where all the issues affecting the industry can be discussed in an objective manner with mutual respect of all role-players in the industry.

A task team is going to be established next week to ensure stakeholder participation in the preparation of the agenda and proposal for discussion at the Health Indaba

All parties agreed on the need to approach this issue with a sense of urgency and ensure that the private health sector work alongside the public sector in ensuring that all South Africans have access to affordable and quality healthcare.