



BHF Southern African Conference

Science and Art of Capitation and Risk-Sharing in Affordable Healthcare provision – South African Case Study



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WHAT IS CAPITATION AND RISK-SHARING?

- A payment mechanism whereby providers of healthcare share the financial burden with payors of healthcare.
- It is a highly complex mechanism as it involves multiple agreements and sub-contracts to be successful.
- Its success is almost completely dependent of provider compliance to these agreements.
- The enormous value proposition to the patients is in turn dependent on member education on the product.
- Member-doctor allocation fundamental.

Medimo- owned by Afrox Healthcare (Life) and MediClinic
- liquidated

AHS - JV between Sanlam Health, Old Mutual Health, Southern Life
JV and Telemed, and SA MCC
- liquidated

GP Net - founded in 1995 as a pharmaceutical distribution company
with rebate to GPs – eventually became a risk-taking network
- liquidated

NAIPA - Dedicare – merged with GP Net

CHP - Coordinated Health Provider
- liquidated

Sanlam

Networks, risk taking and provider contracting started in 1995 – got out of healthcare in mid 2000 and are getting back in in 2010

Norwich/Fedsure

Real Health (JV with CPC).

Old Mutual

Attempts to build networks. Sold out to Medscheme – Flagship Oxygen to disappear in merger with Medshield.

Southern Life JV with Anglo and United Health in USA

Hollard – Galaxy Health Care

RESULTS OF THE LAST TEN YEARS

- Major shareholder value destroyed. (total of R3b spend with no return – Investec analyst)
- Thousands of innocent scheme members have inadvertently been inconvenienced and often have lost value for what they paid.
- Network options are not seen as workable/sustainable.
- Doctors have been alienated.
- Downwards spiral of trust and cost efficiency.
- General increase in healthcare costs above inflation.
- Reluctance to invest in healthcare provision.

ALTERNATIVES?

- Low cost – low benefit – freedom of choice
 - Neither patient, nor provider benefits
 - Co-ordination of Care very difficult
- Saving plans?
- GEMS copy?
- LIMS?
- NHI.....

- Money available for this initiative is less than has ever before been available.
- Emphasis on PHC and PREVENTION: Rules of engagement with providers are not dissimilar to these past attempts.
- GP's role will be absolutely crucial as he/she holds the key to:
 - medicines prescribed
 - specialist referrals
 - hospital referrals
 - patient satisfaction
- Member education is critical in order to manage expectations and ensure doctor allocation.

Founded twelve years ago. Hybrid of full risk-share with GP and partial capped fee-for-service.

- Nearly 10 million patient visits.
- 1200 GPs contracted (25% of approximately available GPs).
- Less than 6% GP turnover per annum.
- Less than 2% patient turnover per annum.
- Annual increase to scheme average 4% below inflation.
- Company has always been profitable.
- Current GPs have capacity for about 4,5 million lives

Summary of network applications

	Received	Accepted	Rejected
Jan 2010	86	6	80
Feb 2010	34	0	34
Mar 2010	72	10	62
Apr 2010	48	4	44
May 2010	40	1	39
Jun 2010	41	10	31
Jul 2010	19	9	10
TOTAL	340	40	300

Reasons for rejections

	Total
GP in close proximity	116
Member totals in area too low	11
GP in close proximity and low membership	95
Sufficient coverage	73
Not a primary care GP/not practicing	2
Previous applicant accepted	2
Practice location unacceptable	1

The issue of quality of care

What is underservicing?

Panando for a stroke

Hospital admissions up

What is overservicing?

MRI for a stress headache

Hospital admissions up

What is quality of care?

The link between integrity and available resources!

- Build trust – individual contractual relationships.
- Sophisticated IT capabilities.
- Don't compromise – it is impossible to be everything to all.

- Ensure reasonable access to healthcare provider.
- Ensure unlimited access to appropriate healthcare.
- Ensure compliance to prevent abuse and misuse.
- Ensure commercially viable offering to providers.

- Renew focus on preventative care
- Involved pharmacy and nursing sisters in service delivery
- Manage expectations: doctors and patients
- Create long-term security
- Give Providers ownership of their patients
- ONE PATIENT ONE DOCTOR

- It can be done, but there are no short cuts...