

BHF

Info-line

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A monthly industry update brought to you by the Board of Healthcare Funders of Southern Africa

The Healthcare Charter process – the way forward

The Board of Healthcare Funders welcomes the publication of the draft Healthcare Charter and is fully supportive of the fundamental principles espoused in chapter one of the document.

We feel that the draft Charter is generally a positive document which has identified many issues that need addressing. However, it deals principally with high-level conceptual issues and does not provide much detail on possible solutions or the implementation of measures to resolve them. While the Board of Healthcare Funders certainly welcomes the fact that this document is now on the table, we strongly believe that mere documentary submission of comment (as called for by the Ministry) will be inadequate. It is vital that stakeholders from every sector of the healthcare industry be intimately involved in further consultation, negotiation and debate so that it can be established just how close or how far apart we are on crucial matters.

The draft Healthcare Charter differs quite significantly from other charters which have been published to date, and deviates from the best practice principles laid down for charters by the Department of Trade & Industry. BHF feels that there is a need for clarification on the requirement of and reason behind those deviations.

The divide between public and private healthcare sectors is an area where BHF sees the need for considerable debate, both within the two sectors and with government. BHF feels that comparing the public and private sectors on the basis of the amount of money spent within each is not appropriate. The two sectors differ quite substantially in nature, the public sector being a more involuntary model,

in that those using it do not have the means to choose alternatives. The private sector is voluntary as the people using it elect to do so and to spend their money in the way they choose. Considerably more thought and discussion are needed to find ways of defining the differences and bridging the gap between the two sectors. No indication at all has been given of any targets, dates or solutions and if true transformation is to take place, these must all be clearly identified.

The BHF, as a highly active member of the Private Healthcare Forum (PHF), which represents 80%-85% of the private healthcare sector, believes firmly that the PHF itself, as well as all industry stakeholders, should pool their efforts to find appropriate, feasible and sustainable solutions to the issues raised in the draft Charter. BHF believes that it has the capacity and the resources to devise practical solutions which can be suggested to the Minister. Healthcare is an emotional issue and it is thus all the more important for all role players to focus collectively on concrete solutions, not on the problems.

From a medical schemes point of view, much is said in the document about the way in which schemes do business and the environment within which they operate, but little is said about what they should be doing to rectify problem areas. Once again, much work is required to identify alternatives and implementation solutions – this will require the concerted effort of all within the industry, and BHF looks forward to playing a leading and constructive role in this process.

To view the draft Charter, please visit our website on www.bhfglobal.com

Office Bearers for 2005/6

We are delighted to announce that Mbasa Mxenge was unanimously re-elected Chairman of the Board of Directors of BHF. He has served us with dedication and commitment in this capacity over the past year and we look forward to his leadership in the year ahead when the industry will face challenges equal, if not greater to, those we have confronted in the past.

Similarly, Rod Gush was re-elected as our Deputy Chairman, and in Rod too we are fortunate to have someone who is committed to the well-being of the industry and our membership.

We are fortunate in BHF to have available to us a remarkable pool of talent and experience from which to elect our office bearers. Those elected to office on our committees and as convenors have significant knowledge of the industry and current issues and are all well suited to provide guidance.

The ExCo of BHF is made up as follows:

Chairman of the Finance & Audit Committee - Brian Dick, SAPPI Medical Scheme

Chairman of the Benefit & Risk Committee - Fiona Robertson, Profmed

Executive Committee Director - André Meyer, Medscheme

Chairman of the Regulatory Policy Committee - Blamo Brooks, Omnihealth

Bafana Nkosi of Bonitas was elected Regional Convenor for the SA Northern Region and Michael Schultz of LA Health was elected Regional Convenor for the SA Southern Region.

In addition the following Directors were elected as:

Deputy Chairman of the Finance & Audit Committee - Richard Parsons, Momentum

Deputy Chairman of the Regulatory Policy Committee - Jacky Mathekga, Discovery Health Medical Scheme

Deputy Chairman of the Benefit & Risk Committee - Tom Borrill, Fedhealth

Kabelo Ebineng was elected Regional Convenor for Botswana, André September was elected Regional Convenor for Namibia and Mac Chaora was elected Regional Convenor for Zimbabwe.

Calculating the costs of HIV/AIDS on Medical Schemes

Among the many challenges facing the medical scheme industry in this time of fundamental legislative, socio-economic and structural change is managing the impact on schemes of the intensifying HIV/AIDS pandemic.

The Board of Healthcare Funders have designed a model to project the impact of HIV and AIDS on the medical schemes environment. The outcome is a highly sophisticated tool whose results provide much food for thought. The aim of the model is to monitor and assist in evidence-based policy decision-making around the epidemic. The model has undergone significant stress-testing and scrutiny to demonstrate its viability and effectiveness, and as new information is gathered, it will improve yet further.

Thirty member schemes have provided input to enable BHF to develop a forecast model to determine the impact on schemes of HIV and

AIDS. As with other HIV forecast models, information pertaining to the next 3 to 5 years is relatively accurate, becoming less accurate over the longer term due to variables. The data is being used for an industry analysis to inform the debate on HIV/AIDS and will be carried forward into the REF debate.

On the basis of these calculations, it is estimated that there will be an increase in spending by medical schemes on HIV/AIDS to some R5,27 billion from the current R3,081 billion.

Those schemes which have submitted their input can obtain individual scheme results, at no charge, to show the impact of HIV and AIDS on their specific schemes.

Members wishing to benefit from this analysis for their schemes are encouraged to contact Vishal Brijlal on vishalb@bhfglobal.com

Industry KPI Report

BHF is currently finalising the 2005 KPI report. The report will benchmark the sample against industry averages and will include trend analyses. It is expected to be published during August. This report will, for the first time, enable schemes to assess their own position relative to industry averages for different comparators. These will include trends in membership, demographics, contributions and claims, relative financial stability and schemes' own

relation to industry trends.

This will enable schemes to identify any anomalies which need addressing and make interventions in key strategic areas. It could prove highly influential in developing plans for 2006. The report also unpacks reasons behind trends, which in turn could affect future policies

For further information please contact Sachin Maharaj - sachinm@bhfglobal.com

Benchmarking Hospital Reimbursement Arrangements

BHF is in the process of investigating trends in hospital reimbursement strategies. The objective is to compile benchmark information to assist the industry with negotiations. Special attention is being given to alternative reimbursement models and their impact on schemes, highlighting potential areas of strength and weakness. Through

representatives of the Risk Advisory Panel, which is driving the process, BHF will be approaching administrators and medical schemes for information to complete the analysis process and ensure that it is as comprehensive as possible. It is expected that this report will be available by mid-August.

Survey on Contribution Increases

This survey identifies the key drivers of contribution increases. It is aimed at fuelling policy discussions within the sector and informing debates with the Council for Medical Schemes. It is also BHF's assessment of the different

elements of benefit design and those which should and should not impact on increases. BHF is aiming to issue this data by mid-September, so that information is available to members before negotiations with providers are undertaken.

Response to Carte Blanche on Medical Emergency Transport

Certain aspersions were cast on the medical schemes industry in a recent programme broadcast by Carte Blanche, intimating that medical schemes failed to provide adequate assistance for members, such as helicopter or fixed-wing transfers for victims of serious accidents. It is unfortunate that this impression was created as it presented a skewed and somewhat irresponsible picture of the true state of affairs and of the criteria governing decisions to provide emergency air transfers.

While there are many instances where air transfers of seriously injured or sick people to hospitals have saved lives, helicopters have limited space and therefore cannot always provide for adequate equipment and facilities for resuscitation or even stabilisation.

The level of emergency care and the type of vehicle assistance required is determined by the emergency units and not by the medical schemes.

All medical schemes have agreements with emergency services providers, each of which operate in terms of clearly specified criteria which define which emergency transport will apply in particular circumstances. All requests for emergency services helicopter despatch are considered against a consensus document which provides industry-wide accepted criteria for helicopter despatch. The document was compiled by the University of Witwatersrand Department of Trauma surgery after a consensus discussion involving all major industry role players. Evidence-based criteria from research conducted primarily in the USA and the UK was assembled to formulate a list of specific helicopter despatch criteria. This guideline document is utilised by the entire healthcare industry in South Africa in both

public and private sectors to assess emergency service helicopter despatch requests.

The use of fixed-wing aircraft also gives rise to very specific problems, such as the lack of approved, lit airstrips at night and similar flight safety concerns, which apply internationally.

To imply that medical schemes care little about their members could not be further from the truth. The healthcare industry is highly competitive and medical schemes are constantly implementing initiatives not only to provide better care, but to attract additional members, since the more members they have and the more satisfied those members, the more viable the scheme itself.

Conference 2005

The annual BHF conference held this year at Sun City was a widely acclaimed success and has now become one of the biggest conferences of its kind in Southern Africa. All the most pressing topics of the day were discussed, including the all-important issues of improving access to healthcare while guaranteeing affordability and quality, the Risk Equalisation Fund, Prescribed Minimum Benefits and HIV/AIDS. Important insights into the efforts to tackle healthcare issues were provided from the Netherlands, Botswana and Nigeria – also providing examples of what not to do. The social events which included the BHF/Qualsa Golf Challenge provided ample valuable networking opportunities for the 800 delegates who attended the conference.

Summaries of all the contributions made at the conference have been compiled and are available on the BHF website, www.bhfglobal.com

A great deal of discussion was aroused by an Opinion Survey on Major Trends in the Medical Scheme Sector, 2005-2010 developed by Reg Magennis and Mbasa Mxenge, which contains the views of several industry leaders on four main questions:

- What key drivers will shape the medical scheme sector over the next five years?
- What will the impact be?
- What effect will proposed policy/legislation of the DOH have as it is rolled out?
- What aspects of healthcare legislation should be reconsidered to improve the likelihood of meeting objectives?

The paper was delivered as a basis for debate at the Conference and is also available on the BHF website.

Health Quality Assessment

HQA are currently preparing the *second* survey of 2005, focusing on 2005 data and medical scheme options. They aim to provide Trustees with reports during August to allow schemes ample time to make decisions on managed care and benefit design for 2006.

The results of the *first* industry survey were presented at the BHF Conference in June by Emile Stipp, Consulting Actuary to HQA. The 8 participating schemes (37 options) were provided

with the results of the analysis conducted of the past few months.

Schemes were given an indication of the health quality outcomes achieved in each option of the scheme, relative to the contributions, and relative to all other schemes participating.

Results also included a detailed analysis of 75 health quality measures and how the actual values observed in each option of each scheme compares to the survey average. Health quality

measures included the evaluation of factors such as access to health services, down-the-line costs of the denial of health care, over-servicing and abuse.

Deloitte & Touche Actuarial & Insurance Solutions has been appointed by HOA to perform

the calculations and draft the independent reports.

Schemes wishing to participate in the initiative or who require further information on the initiative should contact Emile Stipp on 0112098102 or 0823365170 or estipp@deloitte.co.za

Forensic Management Unit

The Unit has enjoyed unprecedented success since its foundation in August 2003, saving the medical healthcare industry hundreds of millions of rand. It now enjoys the support and participation of some 96% of the industry, including funders and providers as well as professional organisations.

Two new databases are scheduled for implementation in the near future. The "Medical Scheme Membership Database" will list all members of medical schemes across the country, thus highlighting those members who have dual membership. Access will be provided by a

member's ID number and will provide information only on that member. The entire list will not be available to any member of the FMU. In time, the database will be developed to contain demographic information, thus providing an invaluable research tool for those developing new business or expanding their knowledge of the sector and its trends.

The "Provider Profiling Database" will contain claims and consultation information, providing schemes and other participating organisations with information on claims and consultation profiles. This will enhance the knowledge of trends and also identify industry norms in terms of provider claims.

Updates

Medicines pricing

Most medical schemes are paying the minimum amount recommended by the Department of Health, and consequently, many scheme members are having to pay additional fees or levies to pharmacists. BHF will be making a submission to the DOH on what it believes to be an ideal dispensing fee from the consumer's point of view. A clear strategy will be presented to schemes at the upcoming regional meetings to assist schemes in budgeting and planning for 2006. The goal is to design a fee acceptable to government, pharmacists and medical schemes which will eliminate the need for members to pay an additional amount, but will still contain the tenets expressed in the Act of making medicines more affordable.

NHRPL

Medical schemes were required to provide their submissions by 30 June 2005. BHF is in the process of analysing all submissions made by role-players and will provide feedback to the CMS. Amongst the principles considered are accuracy, structure, new technology and its affordability,

impact on contributions and cost-effectiveness. Comparisons will also be made between existing and possible new facilities and products.

Prescribed Minimum Benefits

In order to standardise the interpretation of benefits, the Clinical Advisory Panel of BHF is planning to develop a benefit guide for PMBs and CDLs. This will not just describe what is already present in the regulations but will add significant substance, such as inclusion and exclusion criteria and evidence-based guidelines in order to assist in developing benefit structures and operational processes within schemes. It will provide members with a solid understanding of what a benefit structure should include.

Basic Benefit Packages

BHF is concentrating significant resources in cooperation with members of the industry on defining what the Basic Benefit Package should contain. This BBP will in effect replace the current Prescribed Minimum Benefits. The BBP should not be confused with the Low-Income Medical

Scheme (LIMS). The two processes are distinct and different and have different structures and risk profiles. BHF management is also actively involved in a number of task teams looking into

the LIMS product.

Medical scheme members should read the rules of their particular scheme to ascertain the type of emergency services which their scheme provides.

Upcoming Events

Regional Meetings

Representatives of member medical schemes are invited to attend the next round of regional meetings which have been scheduled for the 24th August in Johannesburg and the 26th August in Cape Town.

The agenda will include the following:

- The Healthcare Charter
- Medicines Pricing – Pharmacy dispensing and professional fees
- The National Credit Bill - Implications for Medical Scheme Savings Accounts
- The outcome of the BHF study into hospital reimbursement strategies
- Compliance issues as regulated by the Financial and Intermediary Services Act
- Outcome of the BHF Industry KPI report
- NHRPL Issues

Should you wish to attend either of these meetings, please contact Zola Mtshiya on zolam@bhfglobal.com.

Trustee Development

As governance assumes ever greater importance, medical scheme trustees must be properly equipped to fulfil their responsibilities. BHF has designed a Trustee Development Programme to equip trustees with the requisite knowledge. The course includes topics such as:

- The legal and fiduciary responsibilities of trustees
- Current and proposed legislation influencing medical schemes and the influence on market dynamics
- Benefit design
- PMBs
- Alternative reimbursement models
- Contracting of designated service providers
- HIV/AIDS
- The prevention of fraud and abuse in the private healthcare sector

A training programme has been scheduled for the 30th August 2005 in Johannesburg.

The cost is R995 (excl VAT) per trustee and includes refreshments, lunch and a resource manual.

As a service to the industry, BHF will publish notices/announcements pertinent to the recipients of this newsletter. For more info. or to submit items, please e-mail: zolam@bhfglobal.com. Please note that conditions apply