The Private Healthcare Indaba

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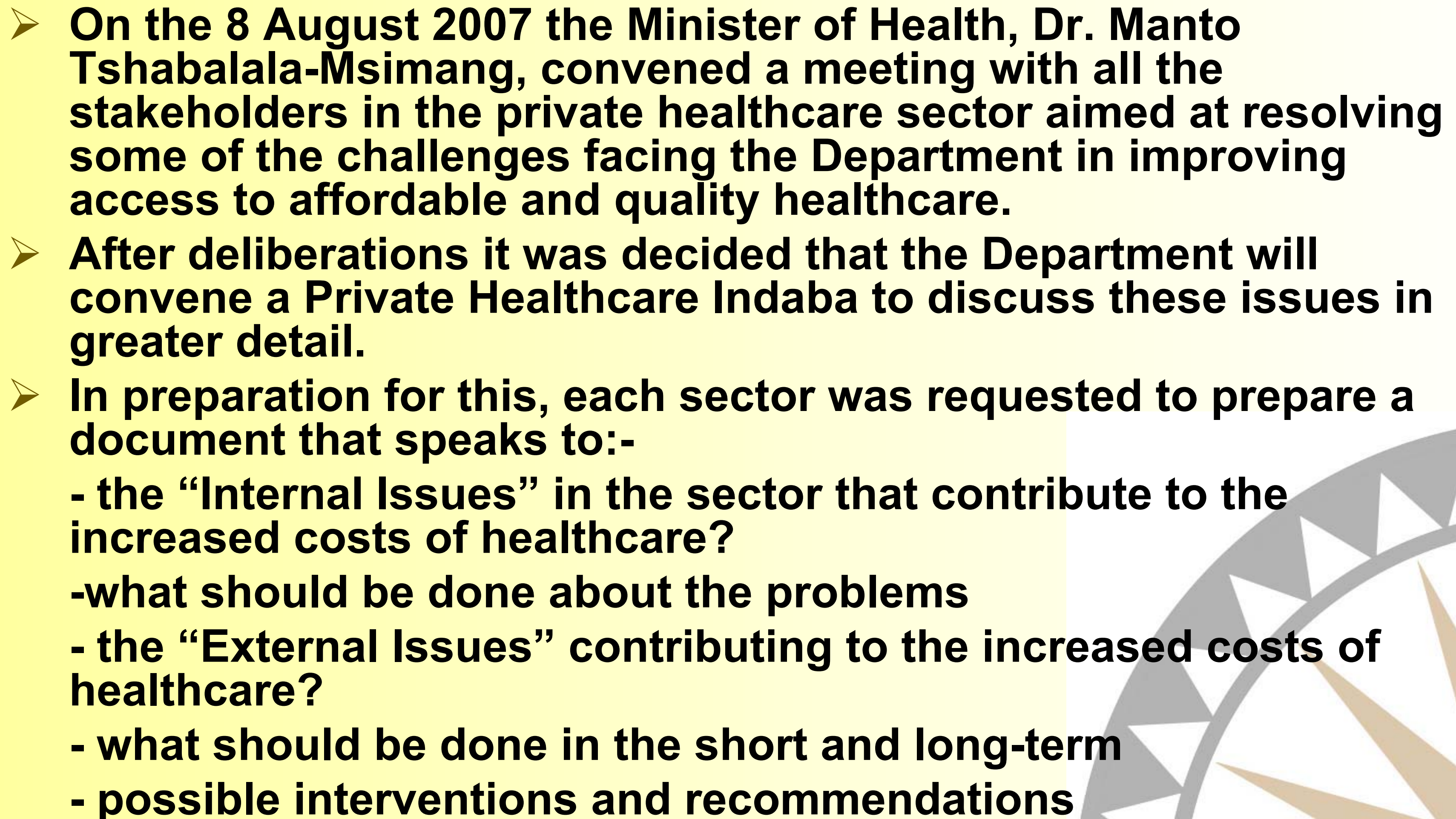

BACKGROUND

- **On the 8 August 2007 the Minister of Health, Dr. Manto Tshabalala-Msimang, convened a meeting with all the stakeholders in the private healthcare sector aimed at resolving some of the challenges facing the Department in improving access to affordable and quality healthcare.**
- **After deliberations it was decided that the Department will convene a Private Healthcare Indaba to discuss these issues in greater detail.**
- **In preparation for this, each sector was requested to prepare a document that speaks to:-**

  - the “Internal Issues” in the sector that contribute to the increased costs of healthcare?

  -what should be done about the problems

  - the “External Issues” contributing to the increased costs of healthcare?

  - what should be done in the short and long-term

  - possible interventions and recommendations

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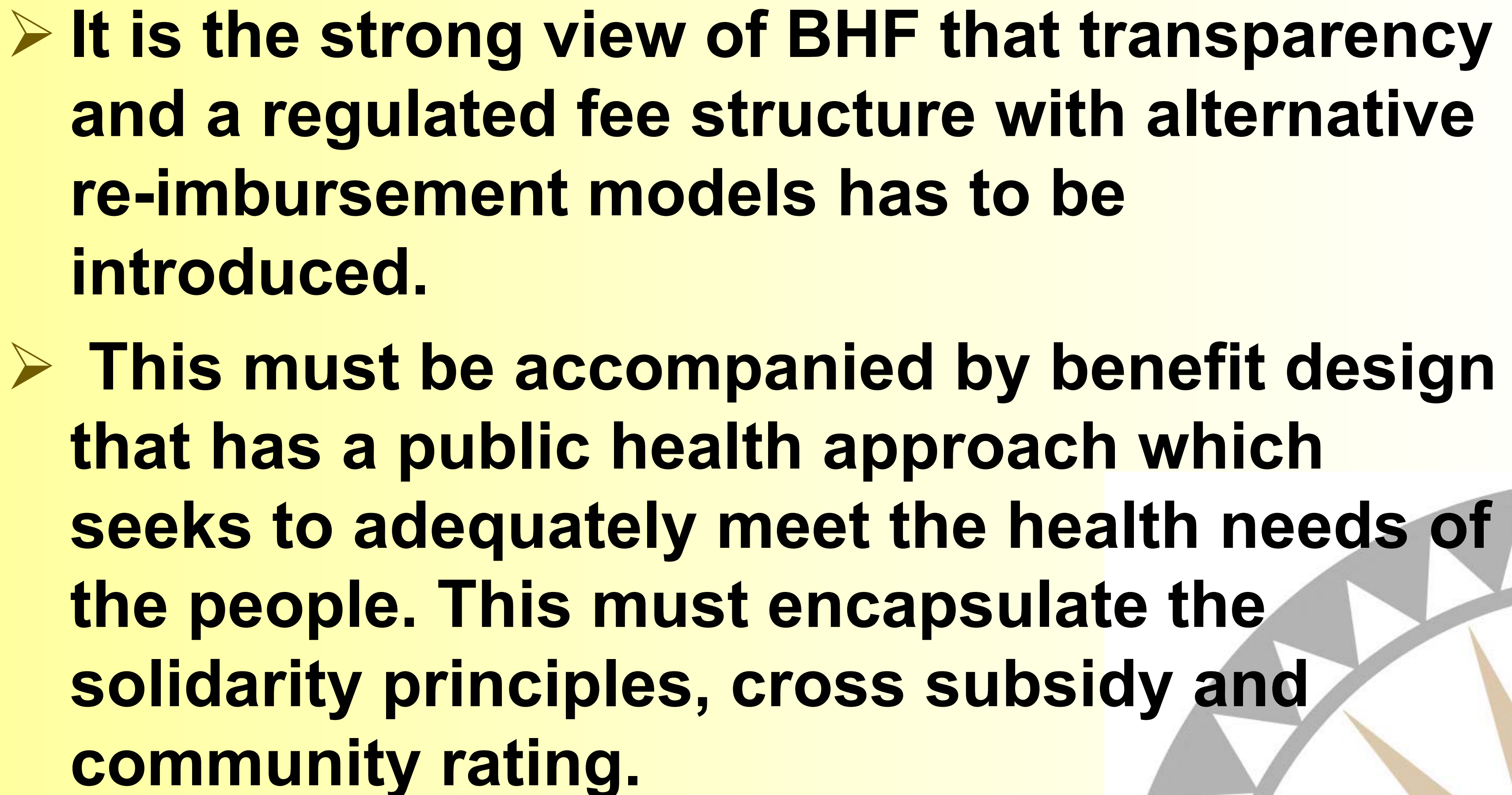

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INTERNAL ISSUES - INTERVENTIONS AND SOLUTION

- **Benefit design**

  - benefit design must have a public health approach that adequately addresses health needs. This package must then be costed and the affordability needs to be evaluated to see how the population will respond to the changing discourse.

  - debate around whether the benefit design should have a disease focus or benefit/service focus (Patel et al 2006).

  - need a full understanding of pre-PMB and post PMB utilisation patterns and what the contributing factors are to assess levels of both provider and consumer moral hazard.

  - need a clearer understanding of the cost drivers in the structuring of the current PMB utilisation.

  NB: This type of analysis will highlight the perverse impact of the regulation in light of the need for regulated pricing for PMB or any mandatory benefit package given that controlling costs of provision whilst reducing consumer moral hazard will work hand-in-hand to strengthen the system overall so that coverage levels can increase in conjunction with added benefits.

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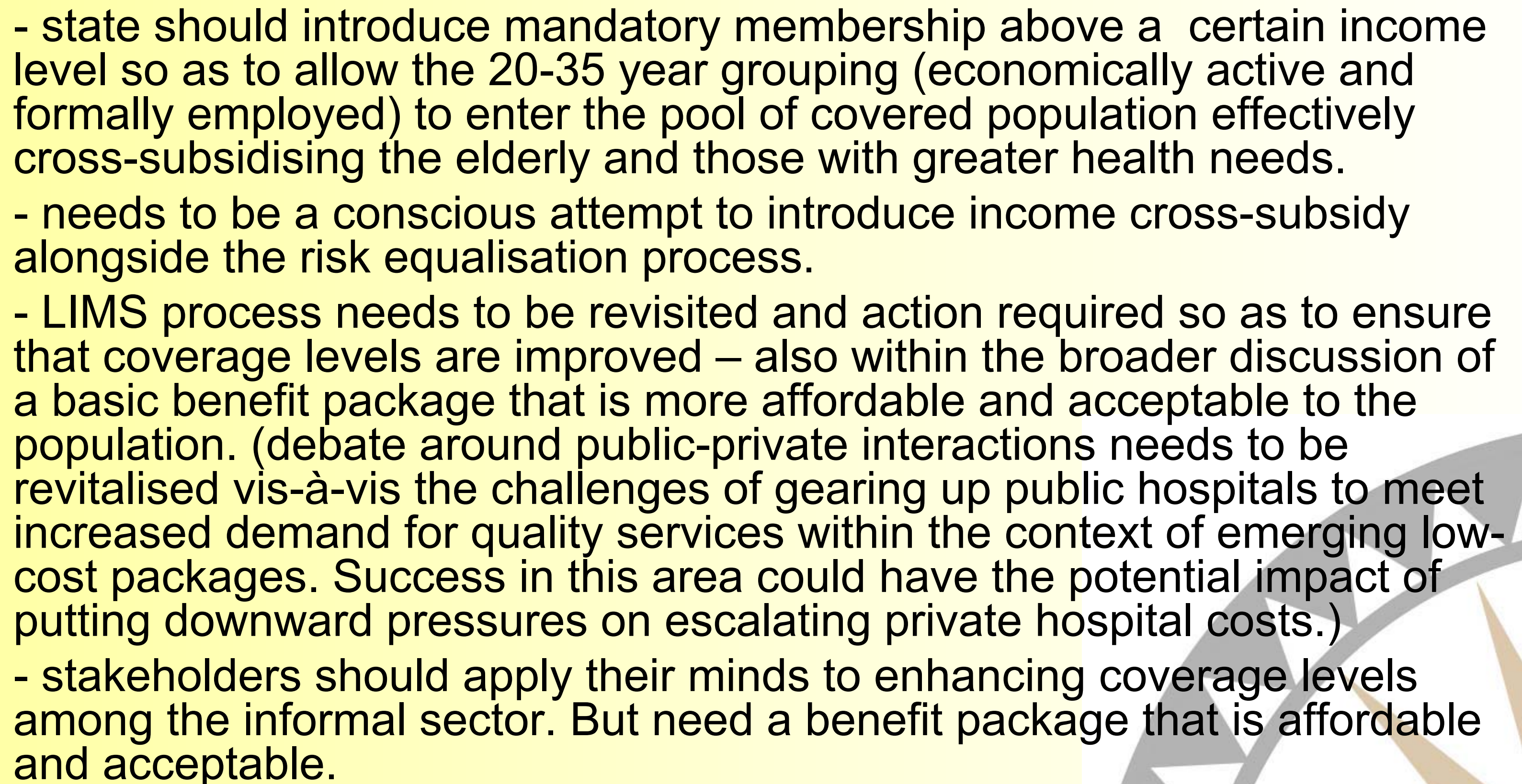

INTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Stagnant membership**

  - state should introduce mandatory membership above a certain income level so as to allow the 20-35 year grouping (economically active and formally employed) to enter the pool of covered population effectively cross-subsidising the elderly and those with greater health needs.

  - needs to be a conscious attempt to introduce income cross-subsidy alongside the risk equalisation process.

  - LIMS process needs to be revisited and action required so as to ensure that coverage levels are improved – also within the broader discussion of a basic benefit package that is more affordable and acceptable to the population. (debate around public-private interactions needs to be revitalised vis-à-vis the challenges of gearing up public hospitals to meet increased demand for quality services within the context of emerging low-cost packages. Success in this area could have the potential impact of putting downward pressures on escalating private hospital costs.)

  - stakeholders should apply their minds to enhancing coverage levels among the informal sector. But need a benefit package that is affordable and acceptable.

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INTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Non healthcare cost**

  - wrt medical schemes

    - Enhanced governance of schemes through the empowerment of trustees and principal officers is in line with the need for greater transparency and accountability.
    - medical schemes submit audited statutory returns to the Council for Medical Schemes. This data published in the annual report and is available for public scrutiny. This is already in line with the need for more transparency and schemes and trustees can be held accountable by the public and/or regulator.
    - publication of quality of care indicators and reports must be consistent so as to facilitate competition amongst providers along the lines of quality – and not just price. Publication and dissemination of such quality indicators will help address healthcare information asymmetry between patients and providers. This sows the seeds for an environment conducive to effective competition that has the potential to lower costs and improve quality. With respect to managed care fees:
    - Needs to be clear description and pricing of services rendered by managed care organisations
    - Minimum reporting standards needs to be regulated and enforced by the Council for Medical Schemes.

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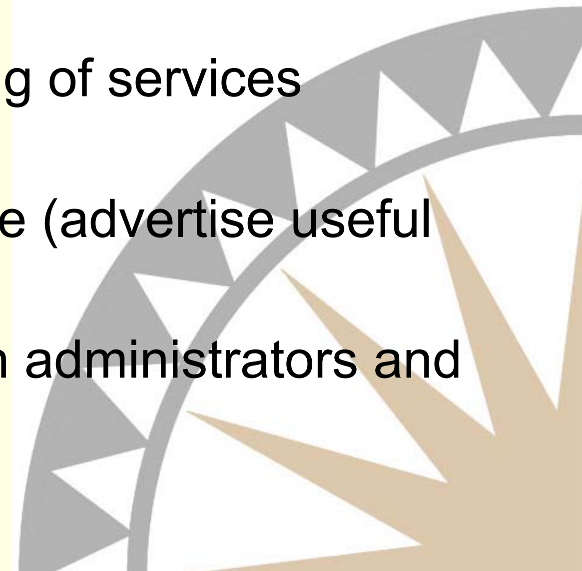
INTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Non healthcare costs cntd**.

  - wrt managed care fees:
    - Needs to be clear description and pricing of services rendered by managed care organisations
    - Minimum reporting standards need to be regulated and enforced by CMS

- wrt administration fees
  - Needs to be clear description and pricing of services rendered by administration houses.
  - Need for marketing and advertising code (advertise useful info)
  - Transparency wrt relationships between administrators and managed care



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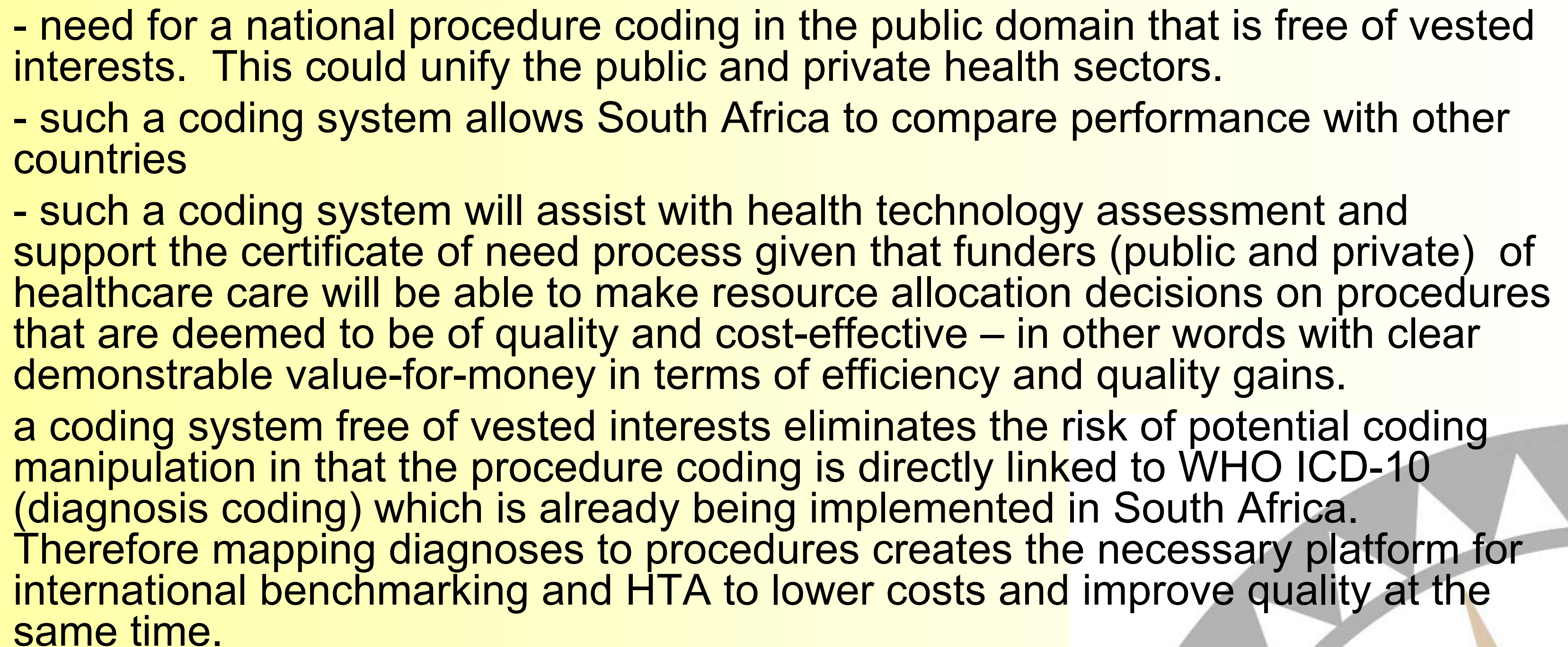

EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Coding for remuneration**

  - need for a national procedure coding in the public domain that is free of vested interests. This could unify the public and private health sectors.

  - such a coding system allows South Africa to compare performance with other countries

  - such a coding system will assist with health technology assessment and support the certificate of need process given that funders (public and private) of healthcare care will be able to make resource allocation decisions on procedures that are deemed to be of quality and cost-effective – in other words with clear demonstrable value-for-money in terms of efficiency and quality gains.

  a coding system free of vested interests eliminates the risk of potential coding manipulation in that the procedure coding is directly linked to WHO ICD-10 (diagnosis coding) which is already being implemented in South Africa. Therefore mapping diagnoses to procedures creates the necessary platform for international benchmarking and HTA to lower costs and improve quality at the same time.

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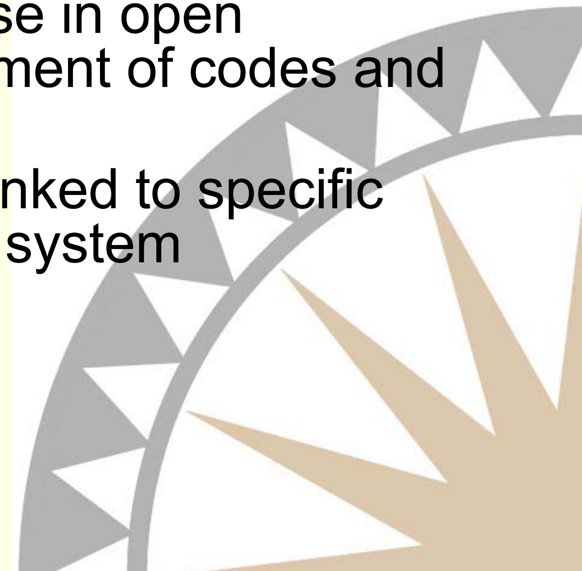
EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Coding for remuneration**

  - revised tariff/NHRPL coding structure that is linked to the procedure coding system. Procedure coding merely describes clinical interventions. There needs to be a clear billing process linked to the coding system that is governed independently through effective stewardship of the state as is successfully done by the Australian and Canadian governments that harness academic, provider, funder and state expertise in open transparent processes to inform the development of codes and billing guides (BHF, 2007)

  - therefore important to have a billing guide linked to specific codes rather than independent of the coding system



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EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Provider re-imbursement**

  - eliminate rebates or financial incentive payments by suppliers to health professionals in return for use of their devices/equipment

  - transparent, statistically accurate and audited submissions made as part of NHRPL process to inform pricing that is fair to consumers/schemes and to protect those paying out-of-pocket for healthcare.

  - (HPCSA) has exceeded its legal mandate

  - The HPCSA ethical rule is not consistent with public health promotion of primary care
  - For instance, paying specialist for primary care services including maternity needs to be addressed in open debate around the role of gate-keeping within the health system. Currently the gate-keeping role is minimised and poorly regulated exacerbating levels of allocative inefficiency within the system with a skewed distribution of resources in favour of specialists and hospital care without a focus on preventive care.
  - Perverse incentives and the complex relationship between supplier induced demand and consumer moral hazard needs to be tackled and debated by health professionals. For instance the C/Section rate to be reduced given that it is currently 67% compared to the international accepted norm of 20%.
  - Eliminate corporate structures in which pharmacy and GP practices are combined leading to perverse incentives , for instance, those which reward GPs for prescribing more expensive medicines more frequently

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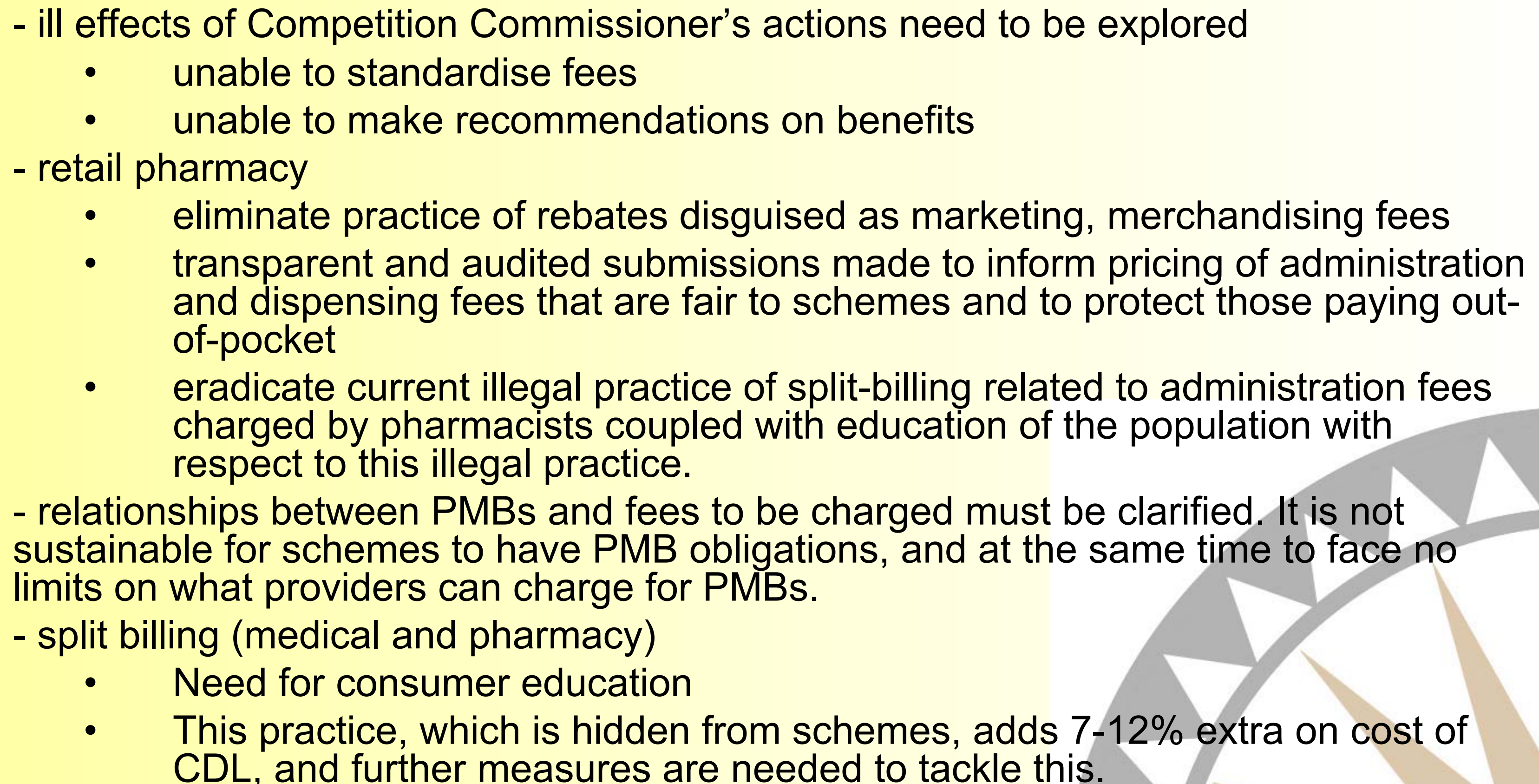

EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Provider re-imbursement**

  - ill effects of Competition Commissioner's actions need to be explored
    - unable to standardise fees
    - unable to make recommendations on benefits

  - retail pharmacy
    - eliminate practice of rebates disguised as marketing, merchandising fees
    - transparent and audited submissions made to inform pricing of administration and dispensing fees that are fair to schemes and to protect those paying out-of-pocket
    - eradicate current illegal practice of split-billing related to administration fees charged by pharmacists coupled with education of the population with respect to this illegal practice.

  - relationships between PMBs and fees to be charged must be clarified. It is not sustainable for schemes to have PMB obligations, and at the same time to face no limits on what providers can charge for PMBs.

  - split billing (medical and pharmacy)
    - Need for consumer education
    - This practice, which is hidden from schemes, adds 7-12% extra on cost of CDL, and further measures are needed to tackle this.

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EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Provider re-imbursement**

  - allocative inefficiency needs to be tackled head-on through a combination of improved gate-keeping and regulated benefits that create the right mix of incentives that ensure the primacy of primary care in line with the overall vision of the government.

  - non Single-Exit Regulated Price items

    - Need for a properly maintained, accurate price file open to all parties, and regularly updated.
    - Eliminate all rebates
    - No mark up on these items should be allowed, as this will lead to re-emergence of rebates and all the perverse incentives associated with rebates
    - NAPPI system must be properly administered – this should include elimination of the following problems:

      New NAPPI applications must be properly considered before being granted – this should include price and economic evaluation

      Price changes should be properly monitored

      No item should ever have more than one NAPPI code

  - surgical ‘packs’ should be tightly monitored – should not cost more than individual component, and need to manage (or eliminate) the proliferation of packs. A solution may be to prohibit allocation of a NAPPI code to packs, and rather to allocate them to the items within each pack. This will avoid the current gaming occurring with packs

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EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Quality assessment**

  - establishment of the Office of Standards Compliance as provided for in the National Health Act.

  - publication of key quality outcome indicators, for instance. infection rate

  - information for scheme members in relation to PMBs. Schemes should be required to publish the names of DSPs in order to allow members full information on where they can access PMB services at no additional cost

- **New health technology**

  - have robust scientific tools and processes to evaluate the cost benefit of new health technologies.

- **Broker fees**

  - broker reimbursement needs to be transparent and performance-based, and brokers must provide adequate value for money.

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EXTERNAL ISSUES - INTERVENTIONS AND SOLUTIONS

- **Private Hospitals**

  - eliminate rebates and mark ups on non SEP items

  - eliminate or properly regulate logistics fees on SEP items

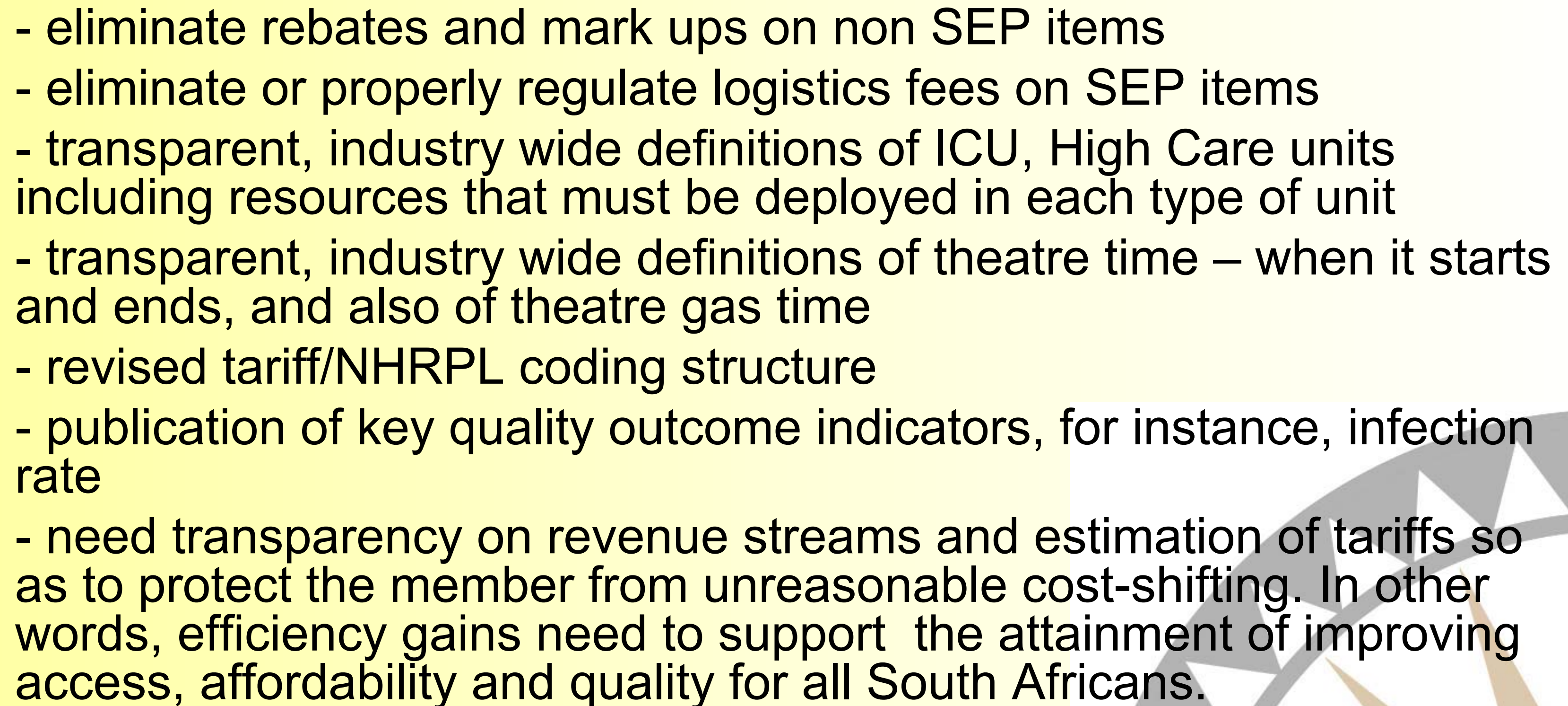
  - transparent, industry wide definitions of ICU, High Care units including resources that must be deployed in each type of unit

  - transparent, industry wide definitions of theatre time – when it starts and ends, and also of theatre gas time

  - revised tariff/NHRPL coding structure

  - publication of key quality outcome indicators, for instance, infection rate

  - need transparency on revenue streams and estimation of tariffs so as to protect the member from unreasonable cost-shifting. In other words, efficiency gains need to support the attainment of improving access, affordability and quality for all South Africans.



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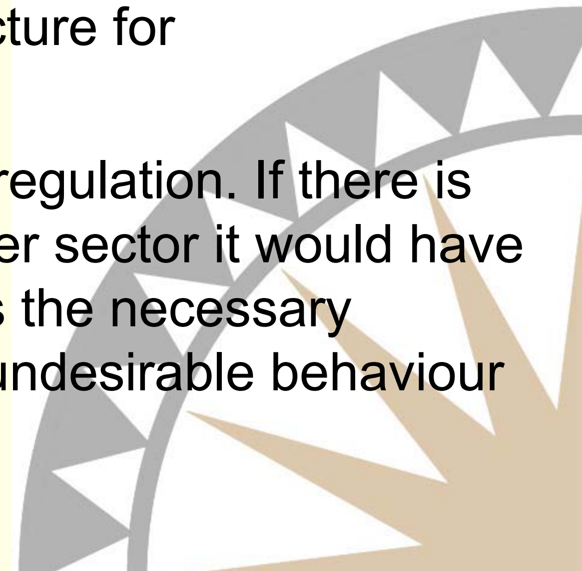
LEGISLATIVE ISSUES

- balance of power between funders and providers needs to b equalised to allow schemes to bring more control to the ongoing escalations in provider costs and utilisation. The current situation, in which powerful hospitals are essentially price makers and schemes are price takers is not sustainable. The resulting uncertainty creates a huge risk for medical schemes which gets built into the tariff contributions structure for members.
- BHF does not support the notion of pure self-regulation. If there is to be any self-regulation at all within the provider sector it would have to be within a legislated framework that creates the necessary incentives for self-regulation and discourages undesirable behaviour
- Certificate of Need (CON)



QUESTIONS