

BUSINESSREPORT

Private healthcare sector's big three give upward kick to prices, says economist

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Durban - Too much power concentrated within the country's three largest hospital groups was pushing up prices in the private healthcare sector, **Di McIntyre**, a health economist from the University of Cape Town, said yesterday.

McIntyre said Netcare, Life Healthcare and Medi-Clinic combined controlled 22 434 of the 28 000 private hospital beds in the country.

They were thus able to influence prices when negotiating tariffs with the medical aid schemes, and increase them without losing business.

"Except for a few large administrators, the majority of the schemes that are smaller have to accept the prices, because they are not in a powerful position," said **McIntyre**.

She said that while having dominant players in the private healthcare industry was not unique to South Africa, it made the environment less competitive and allowed the big players to set the prices.

"It is concerning that we have such a concentration, which was not there a decade ago and this is pushing up prices," she said.

Private hospitals have been named by health minister Manto Tshabalala-Msimang as one of the three drivers of high medical costs, along with specialists fees and administration costs. For the past year, the private hospital industry has defended itself from these accusations by producing various studies to show that it was not making a "superprofit" and that there were other factors such as utilisation and burden of disease that were driving medical inflation.

Melanie Da Costa, the director for health policy at Netcare, said that there was no casual link between the concentration of the market and the price hikes passed to the consumers.

"Hospital prices have been very well contained," said Da Costa. "From 1999 to 2008 increases were 7.9 percent versus medical inflation of 9.5 percent. Negotiations with funders are robust, with six administrators representing 71.6 percent of medical schemes."

Netcare and Medi-Clinic offer emergency services and run more than 250 ambulances and 70 response vehicles.

McIntyre said there was a need for a strong regulatory framework. However, that did not mean she supported the National Health Amendment Bill.

"I am not sure that it [the bill] is framed properly and I don't believe it would address these issues. I can't go into details, but it needs work and more time," said **McIntyre**.

According to the department of health, the bill, which is before parliament, would create a "transparent platform" for healthcare providers and funders to negotiate tariffs that would improve access and affordability. But the hospitals disagreed, saying that this was an effort to dictate the prices they should charge.

Adam Pyle, a general manager for marketing at Life Healthcare, said one needed to distinguish between increases in hospital spend as a result of price increases and others as a result of utilisation drivers.

He said: "Consolidation has not impacted price increases, which since 1999 have averaged 1.7 percent above CPIX [consumer price index minus mortgage costs]. This increase indicates that hospitals are concerned about price increases and are not able to increase prices as they see fit."

Medi Clinic did not respond to Business Report's questions.

Thulani Kunene, the head of enforcements and exemptions at the competition commission, said it would like to see more competition in the private hospital sector, but that dominance was only a contravention if it was abused.

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