

'Enough for everyone, except the very greedy'

Implications of NHI

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By Adele Shevel

Medical schemes will have to consider their future role, writes Adele Shevel.

Private hospitals have been accused of making “super profits”, and medical aid administrators and pharmaceutical companies have been accused of benefiting at the expense of consumers.

While the full implications of National Health Insurance will become clearer, the guidelines are already irking some — and medical schemes may well have to consider their future role.

Humphrey Zokufa, the managing director of the Board of Healthcare Funders, which represents medical schemes, says the industry is battling for its future — and needs to make itself relevant.

As former registrar of the Medicines Control Council — and in his present job — Zokufa was involved in the task team working on NHI.

He is clear that NHI is close to his core beliefs. “The issue of NHI will not be aborted,” he said. “It’s about how best we can tailor it for South Africa.”

Zokufa added that the medical aid sector needed to offer its expertise. “The same expertise is required to make the best out of every rand that is available for healthcare. If it’s all aimed at making money, we have a problem,” he said.

“There is enough for everyone here except for those who are very greedy. It’s not about milking the cow dry.”

Reg Magennis, an industry stalwart and CEO of Elixir Health, says that shifting from a tax-funded public health system to an insurance-funded one that incorporates the public health sector will expose the public system to inflationary pressures associated worldwide with health insurance.

Also, if individuals who previously used state facilities are allowed to choose where to “spend” their insurance benefits, certain state healthcare facilities may lose large chunks of funding and collapse.

Magennis questions whether South Africans who previously depended on public facilities will continue to use the same facilities if they have flexibility under a new system allowing them to gain access to private facilities at the same cost. “Then how does this form of national insurance help to sustain these institutions?”

Magennis also points out that public hospitals will have to be free to upgrade their facilities, recruit appropriate management and medical staff and to reward them for performance if they are to compete effectively with the private sector.

Medical Aids: Discovery Health

Discovery CEO Adrian Gore is South Africa’s poster boy for healthcare capitalism. In just over a decade, the company he built has become a top brand.

The group has crusaded to change the status quo and achieved this in the face of public and behind-the-scenes battles with regulators, government and competitors.

Reg Magennis, CEO of Elixir Health Consulting, says much of what Discovery does to maintain its performance relates to the way it differentiates its product.

"Members might connect with the Discovery family through healthcare but through their add-on products, such as a rewards system, you are connecting with other products and feeding a database. They can determine risks and walk away from some of them," he says.

Discovery provides healthcare services but also has to satisfy shareholders, who want to see continued growth.

But will Discovery's business model remain intact? Its medical scheme is administered by the Discovery Health administrator, but the NHI model will determine whether there will be several administrators or a single one.

Also, a government presentation on NHI stated that broker commissions will have no place in the new scheme, which represents R1-billion in potential savings.

Discovery has long used brokers to sell its product, with great success.

Professor Di McIntyre of UCT's School of Public Health and Family Medicine reckons many medical aids will disappear. Most people will be satisfied with NHI, leaving a small, higher-income market able to afford private medical aid.

Private hospitals

Private hospitals are likely to still play a role under the new national healthcare system, particularly around public-private partnerships.

Hospital groups have long worked with the government, using excess capacity and models negotiated with foreign governments, says Kurt Worrall-Clare, head of the Hospital Association of South Africa.

In future, hospitals may make money through greater volumes and lower margins, rather than through higher margins and lower volumes, say analysts.

What will be critical, says Worrall-Clare, is whether the administration of the new system — including payment — is efficient.

The Medical Schemes Act stipulates that payment must be made to the service provider within 30 days of receipt of the final invoice — a stipulation that avoids delays and bad debts, which add to costs.

Hein van Eck, general manager of health policy at listed hospital group Medi-Clinic, says hospitals are not overly concerned about the future of the industry. "I believe private hospitals have a lot to offer and will be part of the solution".

Negotiations will start once the Green Paper is on the table, he says.

Way forward

By the time the Department of Health publishes the NHI document, it will have been examined and commented on by all the relevant government departments.

In parallel, the NHI legislation will be drafted and opened for public comment, although it is not certain when this will happen.

Funding for the new scheme is likely to come from two sources: treasury allocation and a sliding scale of taxes.

The government needs to determine what the shortfall will be, and how the shortfall will be closed, says Humphrey Zokufa, CEO of the Board of Healthcare Funders.

Money will be collected through the NHI and pooled in a single fund managed by a national health insurance authority.

<http://www.thetimes.co.za/Business/BusinessTimes/Article1.aspx?id=1050136>