

Private health charges could face similar scrutiny to bank fees

THE Competition Commission is considering initiating a market inquiry into the private healthcare industry reminiscent of its probe into the banking sector a few years ago, which recommended lower banking costs. Health Minister Aaron Motsoaledi has declared war on high healthcare costs and accused the private health sector of engaging in "uncontrolled commercialism" and "destructive, unsustainable practices". Tembinkosi Bonakele, deputy commissioner of the Competition Commission, said that there was no final decision yet on whether to launch an inquiry into the health industry. But he said the commission was "likely" to commence with an inquiry because of growing concern about the high cost of private healthcare and the effect this had on the public healthcare system. Motsoaledi has suggested the introduction of a pricing commission for the private health sector. Industry players were unhappy with the proposal and argued that it was likely to result in the government facing big challenges in bringing private hospitals into a unified healthcare system when the National Health Insurance (NHI) scheme was eventually launched. Bonakele said the industry should not underestimate what is coming. He said many in the industry had in the past folded their arms and believed intervention by the commission would not be major. But they were wrong in most cases. In the event the commission met resistance from the industry, Mr Bonakele said, it would "have to get a legal framework" in which to conduct the inquiry. The banking inquiry had been a voluntary process with no need to subpoena anyone in the industry to give evidence before the commission. The inquiry made specific recommendations to the sector on ways of lowering the costs of banking. Mediclinic said it would be willing to collaborate with any investigation the commission felt entitled to conduct. Biren Valodia, head of marketing at Mediclinic, said the company had been at pains to comply with the Competition Act by negotiating independently with medical schemes when working out prices. Netcare and the Hospital Association of SA could not be reached for comment. Anthony Norton, a director of Nortons Inc, a specialist law firm practising primarily in competition law, said the regulatory environment in the healthcare sector was currently quite fluid, with draft proposals on the NHI only recently released. There were other regulatory issues at play, with little clarity on several government initiatives. He said it could be quite tricky for an inquiry to come out with any definitive findings, given the fluid situation, adding that a lot would depend on the ambit and terms of reference of the inquiry. The Competition Amendment Act provides for market inquiries, but because the President has not yet promulgated the implementation date of the act, the commission would need a legal framework for its inquiry. Bonakele said the commission was determined to sort it out and would ensure that there was a framework for enforcement. He said that if there were to be closer cooperation between the private and public health sectors, it would be critical to have the assurance that the pricing arrangements would not be exploitative. Nicola Theron, MD of Econex, said that the healthcare sector was unique as normal competition principles did not apply. She said that more hospitals in a specific area did not necessarily lead to lower prices, as in other markets. Several countries were battling with rising healthcare costs, even those with a national health insurance system, so it was not unique to SA, Theron said. She said that research had indicated that there were specific cost drivers in the health sector such as better technology and ageing populations and in SA there was a high burden of disease. Theron said the complexity of the problem was well illustrated by the mess that followed the commission's ban on collective bargaining by hospitals with medical schemes in 2002. The result had been that, even though there were recommended tariffs, many service providers charged far more. She said the government understood that any doctor contracted with the NHI should be paid a tariff comparable with current rates, but the danger was that public sector prices could rise to those of the private sector and, given the current difference in quality, one could not expect the public sector tariff to be the standard. The commission might play a role in pricing structures, but Theron was not convinced that it would contribute much in dealing with the challenges of implementing the NHI. Norton said an issue that was often neglected in the debate about the high cost of private healthcare was that if the public had more confidence in its public health services, there would not have been such a dependence on private healthcare.

Amanda Visser: Business Day, 30 December 2011