

## ***Funders and providers must begin to work together***

THE debate over the appropriate level for non-medical costs continues, with some sector players suggesting that administration costs are behind the high cost of medical cover. Graham Anderson, principal officer at Profmed, said suggestions that overspending on administration by medical aid schemes was responsible for fuelling medical inflation were not only misleading, but also created an unnecessary clash between key stakeholders in the healthcare industry. He said administration and non-healthcare costs for medical aid schemes amounted to between 10 percent and 13 percent of their total costs and it should be kept in mind that it cost a lot to run a medical aid scheme, including paying out claims and managing contributions. Anderson said some thought that inflation was driven by medical aid schemes, not doctors. However, the most significant portion of a medical scheme's budget was spent on hospital and pharmaceutical costs. These were downstream costs driven by the medical practitioners. He said managed healthcare programmes could play an important contributing role in reducing costs in the sector. There is a common misconception that managed healthcare does not contribute towards reducing costs, but the reality is that it is an important part of managing medical expenditure. Anderson said when managed healthcare programmes were not put in place, costs tended to rise substantially. He said the rising cost of healthcare was a real issue and it was crucial that both healthcare providers and funders started working together to manage costs more effectively. In many instances, he said, there were systems in place already, and medical schemes were working with groups of specialists and practitioners to manage their own cost bases. Anderson said that government focused on introducing National Health Insurance over the medium-term, it was becoming increasingly crucial for key stakeholders to work together, not against each other, to deal with this problem. Dr Tumi Seane, acting CEO of Sechaba Medical Solutions, said the main contributors to non-healthcare costs were administrative in nature and that the improvement of the core process was the key to improving efficiencies. At the same time, he said, non-medical costs were necessary to administer what was a multi-billion rand industry. Neels Barendrecht, chairman of Agility Global Health Solutions, said bringing down non-healthcare costs was a key focus for many schemes trying to make medical cover more affordable for more members. He said technology-based administrators might have capital outlay upfront, but investing in technology that integrated processes could decrease administration and risk management costs while substantially boosting healthcare outcomes, both clinically and financially. Barendrecht said that in Australia, for example, Agility's smart health system components realised monthly savings of about R1m for NIB, Australia's largest listed health insurer. André Meyer, CEO of Medscheme, said the non-medical costs of most of the larger and more efficient administrators were fair. He said Medscheme, for example, was below the market average. The larger the player, the greater the scope to reduce costs, and this was one of the benefits flowing from more consolidation, he said. Meyer said volumes were a factor influencing non-medical costs, as not only did more members being administered lead to greater economies of scale but the fewer schemes hosting those members the better. He said every open scheme meant having a separate business unit to administer it. Merging two schemes into a single scheme could reduce the cost ratio by 15 percent to 25 percent. Meyer said having few larger schemes meant having more negotiating power with medical service providers.