Private healthcare under lens

A COMPETITION Commission inquiry into the private healthcare industry is expected to take at least two years and to provide some explanation as to why expenditure on medical specialists and private hospitals has increased more rapidly than real gross domestic product since 1994. The inquiry will be the first initiated in terms of the powers granted to the commission under a recently implemented provision of the Competition Amendment Act. The push to implement the market inquiry provision of the amendment act, which had been suspended for three years, is understood to have come from Minister of Health Aaron Motsoaledi, who is keen to address market failures in the private health sector before the launch of the National Health Insurance (NHI) system. A research note recently released by Econex points out that under the NHI system the government "will have to buy services from the private healthcare sector, and it wants to ensure that these rates are not inflated". Econex notes that the government is concerned about healthcare delivery to all citizens and is opposed to the current dual nature of healthcare, which sees 16 percent of the population with access to private medical scheme cover, while "the majority is served by a failing public sector plagued by quality problems". The planned NHI system, which has a 14-year implementation phase, is expected to address some of these quality and access issues, especially in the public sector. Econex notes that the cost increases in the private sector could be attributable to factors such as salary inflation, an ageing private medical aid population and expensive technology being used in new and better medical procedures. However, the report also suggests that the persistent cost increases in the private healthcare sector "could point to some form of market failure", such as hospitals or medical specialists having excess market power. The Hospital Association of SA, which includes the Mediclinic, Life Healthcare and Netcare chains, accounts for approximately 85 percent of all private hospitals in the country. Annual tariff increases for these hospitals are negotiated with medical funds and their administrators. At this level of the industry, there are also signs of concentration, with just three administrators representing 72 percent of the medical scheme market in negotiations in 2011. Over the years the Competition Tribunal has relied on the countervailing power of large medical schemes and their administrators to approve many hospital mergers considered by it. A research report conducted last year by analysts at the Competition Commission suggested that an inquiry should look at how consumers chose medical schemes. It also recommended that entry into the healthcare market be made easier. The report said an inquiry could consider "how to increase the number of specialists and how to encourage trained practitioners to remain working in South Africa". The commission researchers also suggested that ways be found to increase transparency with regard to the choice of product quality and price. On the issue of the persistent increase in cost of specialists, Econex notes that the commission has called for a probe into the nature of the relationships between private hospitals and doctors. But it points out that the scarcity of specialists gives them power in price negotiations.

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