'Let private skills come to NHI's aid'

ACCORDING to Humphrey Zokufa, managing director of the Board of Healthcare Funders (BHF), private medical administrators' skills should be regarded as a national asset from which National Health Insurance (NHI) can greatly benefit and not as something that cannot be used outside of the private sector. Zokufa said the sophisticated funding and administration skills built up over the years by the private healthcare industry "cannot just be thrown away". The NHI scheme is currently in its first, five-year implementation phase - during which health facilities are being upgraded and health workers recruited. Health Minister Aaron Motsoaledi has said the second phase will focus on the financing and administration of the scheme, which is likely to involve the introduction of either additional general taxes or compulsory salary deductions to fund the NHI. During this phase, final decisions on how the scheme will be administered - how services will be purchased and claims and payments processed - will also be made.

The Health Department has to decide whether it will implement a single purchaser system, in which a single fund purchases health services across the NHI, or a multi-purchaser system, in which different funds - for instance district health departments or medical schemes - may also purchase medical services on behalf of the NHI. The NHI green paper, which was released in August 2011, envisaged a single NHI fund operating as a single purchaser but allowed for the possibility of a multi-payer system to be explored, according to pharmaceutical association Innovative Medicines South Africa. South Africa could therefore have a single NHI fund, or single purchaser, with multiple payers (the administrators managing the payments). This leaves open the option for the NHI to contract private medical administrators to assist with the processing and management of claims. A Treasury document on NHI funding, which could provide more clarity on this matter, has yet to be made public. Motsoaledi says he is studying the draft NHI white paper, which will provide more information on the direction the government wishes to go, in preparation for its "urgent release".

Private stakeholders 'nervous'

André Meyer, chief executive officer of Medscheme, South Africa's third-largest medical scheme administrator, said private stakeholders were nervous about what would be proposed in case this would have negative implications for their future. Motsoaledi is critical of private healthcare costs. At forum last month, he said most private healthcare services, including their administration, were "designed for the rich with exorbitant prices that are unaffordable to the NHI". The Actuarial Society of South Africa has estimated that the implementation of the NHI would cost R235-billion, but it could be as high as R336-billion if modelled on current private sector expenditure. But, according to Rajesh Patel from the benefit and risk department of the BHF, the cost of setting up a new NHI payment system from scratch would be more expensive than using the private administration systems that were already in place and had proven to work efficiently. Meyer said administrators had built up impressive IT infrastructure that effortlessly processed payments and, more importantly, actively managed a large number of lives to promote wellness and prevention. The Council for Medical Schemes says only 8.5-million, or 16 percent, of South Africa's 52-million people belong to a medical aid.

Therefore, the NHI would have to administer healthcare costs of more than six times than the private industry currently manages. Zokufa said the resources and skills required to administer the extreme amount of NHI costs was immense. He asked what infrastructure government had in place to manage that, mitigate the risks, and satisfy patients' needs. He said it was clear that the NHI would need all the help and expertise currently present in South Africa and would have to bring it on board.

Negotiate lower prices

Patel said the NHI would be able to negotiate lower prices both with medical schemes and administrators should it decide to make use of their services. He said that through a proper tendering system and economies of scale [a significant increase in the size of services currently provided by the private sector], prices should go down. However, Meyer said that the NHI would also force private healthcare providers to think differently as to how services were provided as it would not be business as usual for them under a public health insurance system. He said the current infrastructure was just too expensive for the NHI environment and, in fact, also for private health. Meyer said it was not sustainable and hospital groups needed to think about a different model with a cheaper infrastructure. A hospital in Sandton could not compete in the NHI environment, even at 100 percent occupancy, he said. Meyer said Medscheme was forced to find ways to lower its administration costs for the country's second largest medical scheme, the Government Employees' Medical Schemes (GEMS). Medscheme used technology to streamline and automate processes. It also allowed 230 staff members to work from home. Meyer said measurement of productivity had shown that they were 30 percent more productive compared with when they worked from the office and the company saved on space and related expenditure. As a result of this, Medscheme managed to decrease the cost of the administration and management of GEMS members' claims to R58 a member per month as opposed to the average of R76 a member per month of other employer-specific or company medical schemes.

Discovery Health, the country's largest private medical scheme and administrator, has achieved noticeably lower hospital costs through the implementation of a tool known as "diagnosis-related groups". Patients admitted to hospitals are allocated a clinical code based on their diagnosis and the treatment required. These codes have an overall price tag attached to them, which prevents doctors from splitting up the procedure into different, smaller codes for which they charge separately. According to Discovery Health's chief executive, Jonathan Broomberg, it moved the focus away from hospitals generating itemised bills for every service and drug used within the admission [which creates an incentive to use many and expensive items]. Instead, the focus of the bill was on correctly capturing, by clinical coding, what was wrong with the patient, because the remuneration would depend on this. At present, 70 percent of all hospital admissions funded by Discovery Health managed schemes were subject to reimbursement contracts using diagnosis-related groups. However, Motsoaledi said, despite the introduction of cost-saving measures, private medical schemes and administrators still charged "unacceptably high fees" that "punish the poor". He said South Africa's private healthcare system did not need the NHI to force down its prices as it would collapse by itself within the next two decades if it continued in this way.

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