

## ***Fair reimbursement is key to NHI***

ESTABLISHING a fair playing field for reimbursing public and private healthcare providers, such as hospitals, is key to ensuring that the proposed National Health Insurance (NHI) system will work efficiently. Speaking at the Hospital Association of South Africa (Hasa) conference in Cape Town, the director of the economics of social and healthcare research unit at the Centre for Health Economics University of York, Professor Andrew Street said all providers should be subject to the same regulatory and reporting arrangements. He mentioned regulatory factors affecting private and public hospitals differently - private hospitals were taxed, while public hospitals were not. They also faced different production constraints, such as accounting for their infrastructure and capital stock, accessing funding and capital and different costs of borrowing. If a differentiated price system were to be implemented, it would require price adjustment and for prices to vary in line with the influence of the unavoidable costs. Ideally, Street said, one would need to pay specific payments to compensate for the influence of each specific unavoidable cost factor. He said it was critical to figure out a way to determine a way to define "work". He said that in many countries, hospitals used diagnosis-related groups, which helped them describe not only the number of patients, but what they were treated for. These were the building blocks of fair reimbursement, because they enabled hospitals and regulators to compare costs on a like-for-like basis. Street suggested that differentiated pricing was not about ownership, but about external constraints on the provision of healthcare. The Hasa CEO, Dr Dumisani Bomela said that there were key differences in input costs between private and public hospital sectors in South Africa. He said private hospitals were required to pay VAT and corporate tax and also cross-subsidise the reduced prices of drugs and surgicals procured by the public sector on tender and they also needed to raise capital at market-related rates. This created an unequal playing field that needed to be considered when reflecting on relative pricing. Bomela said Hasa shared the government's vision of delivering sustainable, quality healthcare - accessible to all - and private hospitals stood ready to engage on public health delivery.