

At war with private healthcare

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THE Competition Commission will of course deny that it has undertaken its market inquiry into the private healthcare industry at the behest of the government. But there is no denying that the private healthcare sector is in the cross-hairs of Health Minister Dr Aaron Motsoaledi who has described his battle with it as a "war". In a recent interview, Motsoaledi described the Competition Commission's inquiry as "a revolution to bring justice to the poor. And revolutions happen in a way that may not be pretty". The commission has been more diplomatic in its statements and has been careful to follow due process in setting out the terms of reference of its inquiry, including making sure it engaged with the various role players on its final terms of reference before publishing them in the Government Gazette last week. But it is clear that - at least in Motsoaledi's mind - the private sector industry is already guilty of excessive pricing. And therein lies the danger of this investigation: that its outcome is being predetermined. There is no doubt that healthcare costs have been running in excess of inflation. According to Statistics SA, healthcare inflation exceeded headline CPI by an annual average of 4.3 percentage points between 2009 and 2013. Medical insurance as a percentage of a household's expenditure has risen from just 3.4 percent in 2006-07 to 7.2 percent in 2010-11.

But can anyone truly say that private healthcare is expensive? If so, compared with what? The public sector? Certainly the government contends that it is, saying a medical procedure in a private hospital is far more expensive than a similar procedure in a state hospital. But if state hospitals were significantly cheaper there would be greater demand for their services by those with medical insurance, which isn't the case. The answer to that lies in the poor state of government healthcare, from rundown and overcrowded hospitals to overwhelmed and uncaring staff. So bad is the situation that the non-governmental organisation Section27 has said the Eastern Cape's healthcare system was in total collapse. Given this situation, can it be said that the government is accurately pricing its medical procedures? It could be that the private sector prices are the true reflection of the cost of surgery and that the state's prices are distorted by its inability to properly account for its costs. It was an issue that Life Healthcare raised in its comments on the initial draft terms of reference from the Competition Commission. It pointed out that any investigation into the private healthcare system needs to consider the role the public sector plays in the industry, in particular in driving up costs. For instance it said that the migration of staff between the two sectors means the wage increases in the public sector have an effect on labour costs in the private sector.

Thankfully the Competition Commission has taken these concerns on board, and in its final terms of reference said it would consider the role played by the public sector in the healthcare industry and its effect on competition and costs. It has also significantly broadened its inquiry into other role players, and issues such as the role that technology and medical devices play in hospital fees. While an inquiry into high healthcare costs is welcome, the Competition Commission needs to be wary it doesn't become a tool in Motsoaledi's "war" against the private sector. Because while we might bemoan the high cost of medical insurance and hospital fees, at least the private sector is working as compared with public healthcare which is dysfunctional at best or either completely broken.