THOSE in the private healthcare sector who are resisting change had best beware. Health Minister Aaron Motsoaledi has a goal, and he is unlikely to shrink from creating a favourable environment for government's planned National Health Insurance. It appears that hospital providers are the most reluctant and the Minister has let them know he is not pleased with their approach. There has already been talk of regulation of the sector. Motsoaledi says he is facing "stiff resistance" from some private healthcare industry representatives in his efforts to establish a price negotiation forum. The Minister sees such a forum, which will allow representatives of various sectors of the healthcare market to discuss costs, as one way to lower prices. Motsoaledi told the Board of Healthcare Funders conference last week that "some service providers are making me look unreasonable". But, he said, he wanted the cost of healthcare to be manageable. He plans to oppose the 2004 competition commission ruling outlawing meetings of healthcare funders and service providers to set prices. The commission viewed these meetings as anti-competitive, but Motsoaledi wants all the providers in the healthcare supply chain to engage on prices. He has already applied for the health sector to be exempted from competition law in this respect. Motsoaledi frequently uses the cost of circumcision as an example of how a lack of consultation on prices causes huge disparities in medical procedure charges. This is highlighted by the fact that SA's 8,1m medical scheme members contribute an annual R85bn to 110 schemes, while government spends an estimated R100bn to provide healthcare for about 80% of the population. Motsoaledi says the Hospital Association of SA (Hasa), which represents private hospitals, responded to an invitation to participate in price negotiations with a letter from its lawyers threatening legal action. Hasa chairman Nkaki Matlala rejects this, saying the letter said Hasa could not participate because it was illegal. He said that once the commission approved an exemption of the industry, meetings could take place. Matlala said that the Minister also had the choice to meet listed private hospital groups such as Netcare, Medi-Clinic and Life Healthcare individually, an option he had not exercised. Matlala said Motsoaledi's blanket accusation that all private hospitals were overcharging was unfounded and that private hospital price increases had averaged an annual rate of seven percent. He said medical schemes were under pressure, faced with ageing members who needed more treatment. However, he added that there were delinquents in the industry who were overcharging. He said the Minister should tell the association where, so that it could intervene and assist. Industry players in support of Motsoaledi's plans for a pricing forum question Hasa's defensive approach.

Norman Mabasa, chairman of the SA Medical Association, which speaks for doctors and specialists, said any service provider's reluctance to engage in a consultation process was suspicious. He said everyone was aware of the commission's ruling. The challenge for Hasa, he said, was simple: if it was truly supportive of a process of engagement, it must show its willingness by approaching the commission in support of Motsoaledi to change the competition law. Humphrey Zokufa, MD of the Board of Healthcare Funders said the lack of tariff negotiation in the private healthcare industry and the resulting high prices threatened to bankrupt some schemes. They are pressured by the Council for Medical Schemes to pay in full for
prescribed minimum benefits. Zokufa said the call for a bargaining forum was an opportunity for all parties to come together and look at how the structure should be run, and determine who should champion the process. He said the commission's ruling was a nice excuse to hide behind, adding that the BHF was affected by the same judgment but was prepared to meet. The BHF said in a pricing forum the medical schemes would have the benefits of scale to negotiate fair pricing with service providers.

Wits adjunct professor and health economist Alex van den Heever said Motsoaledi must establish a regulator's process to control private healthcare spend. He said the Minister should introduce in interim structure that would help close the pricing gap that has existed since 2004. Van den Heever said the current situation was a failure by government to intervene and introduce legislation to the market as it was the only party that could deal with the problem. He said the process, however, needed to be well thought through, as it was not a one-off issue, but required a continuous consultative process. Any changes to the competition law, and possible threats to the competition authorities' independence that could come as government works to establish a healthcare pricing forum, are likely to meet with opposition. Also, many of the hospital providers are listed companies, and there is likely to be an outcry from some in the investment community. But SA would not be the first country to step in where it feels some companies are exploiting their market position, particularly when it is in an area such as the provision of healthcare. Van den Heever said the health sector had various stakeholders and the Ministry must move forward with caution and sensitivity. The process must keep stakeholders in the industry, he said.

_Xolile Bhengu: The Financial Mail, 15 July 2011_