Arresting health provider's greed

Samwu takes action

According to the South African Municipal Workers Union (Samwu) health providers are charging excessive amounts, which puts a huge burden onto its medical scheme. **Neil Nair** explains why Samwumed will challenge a ruling by the Council for Medical Schemes supporting excessive billing. He puts forward ideas for the prevention of such profiteering.

As the health-care debate rages on how to accommodate the state, medical schemes and health-care providers, it seems the needs of the most important players, the people we serve, are being sidelined.

This despite the recognition that private health-care in South Africa is characterised by soaring costs borne by consumers while private hospital barons, hospitaliers and medical specialists, enjoy enormous profits.

We have heard much debate in the media, but this amounts to little more than a continuous moaning about the symptoms which seldom helps to point us in the direction of lasting solutions.

That private health-care is exploitative is self-evident. It is highly regulated on the demand (user) side, but exposed to market frailties on the supply side. It is managed in a questionable way with reports of erroneous billing, perverse incentives and rebate schemes. And it is discriminatory.

APPEALING SUPRISING JUDGEMENT

Samwumed is a national medical scheme organised by Samwu. It is the only union medical scheme in South Africa. Our board is composed of 50% union trustees and 50% member elected trustees (all Samwu members). It is a restricted, worker-based scheme for municipal staff.

Samwumed is set to challenge a judgement by the Council for Medical Schemes (CMS) in an attempt to deal with "carefully orchestrated profit mongering by certain health service providers".

The appeal is against a CMS judgement in a complaint lodged by an anaesthesiologist who claimed payment for services far in excess of the tariff paid by the scheme. The scheme tariff is premised on the national health reference price list, adjusted for inflation in 2007. The cartel-like activities of some specialist groups is cause for grave concern and the ruling by the CMS' Registrar seems to support these questionable practices.

Our appeal is set against the backgoround of the quadrupling in recent years of health costs, and the Competition Commission's ruling against price setting in the health sector as well as drives by government to further commodify health services. Government policies contradict ANC policy and our own constitution.

The ruling by the Registrar, if not challenged, will allow some providers to continue taking advantage of the system to enrich themselves at the expense of medical schemes and their members.

Prescribed Minimum Benefits (PMB) legislation details that medical schemes must pay costs on an unlimited basis for any PMB classified condition. This was intended to protect members from out-of-pocket payments.

But the legislation fails to indicate what the minimum of this tariff should be, creating a wonderful money-spinning opportunity for some health-care providers. Some specialists, under the protection of this unclear legislation, are billing schemes in excess of 300% of acceptable tariffs.

The Council's judgement was surprising given that the Registrar of Medical Schemes, Patrick Masobe, had noted in a circular last year that schemes were facing high charges for PMBs. He said that the provision for full payment of PMBs was about guaranteeing access to health-care, and not about providing a 'blank cheque' to providers.

Despite this, Samwumed has been slapped with a judgement compelling it to pay the specialist's bill, despite "the obvious moral bankruptcy of its submission".

Masobe noted that the practice of excessive billing is not being championed from the quarters one would expect. The Board of Healthcare Funders (BHF) made their commitment to equitable health-care questionable by not challenging the Competition Commission's ruling against tariff setting.

Interestingly, the Minister of Health drew similar conclusions to Masobe at the BHF annual meeting last year. She said that the fee for the service model had been recognised internationally as unsustainable, unaffordable and not ethically justifiable. She stated that there was inadequate ownership and competition and that the private sector needed a coherent regulatory framework to ensure it operated in the best interests of the citizens of the country and not just of its shareholders.

At the same conference, Dr Zokufa, CEO of the BHF reiterated that if there was to be self-regulation within the provider sector, "it would have to be within a legislated framework that creates the necessary incentives and discourages undesirable behaviour".

He noted that the balance of power between funders and providers needed to be equalised: medical schemes are heavily regulated but providers are not. There needed to be detailed transparency on revenue streams and estimation of tariffs and that broker reimbursement should be transparent, performance-based and provide value for money.

Significantly, the BHF acknowledged that it is not sustainable for medical schemes to have extensive prescribed minimum benefit (PMB) obligations while at the same time face no limits on what providers can charge.

"Allocative efficiency needs to be dealt with by restoring the general practitioner as the gatekeeper and by regulated benefits that create the right mix of incentives to ensure the primacy of primary healthcare in the system," said the BHF.

IMPORTANCE OF REGULATION

In analysing private health-care issues it is important not to become a victim of technical detail and so miss simple solutions.

First, as a basic right health-care is too important a social issue to self-regulate. Self regulation tends to 'commoditise' health-care creating high supplier costs.

Consider that medical schemes collect approximately R60 billion a year to manage seven million lives. The public sector spends about R40 billion to manage over 35 million lives, excluding the spill-over effects of medical aid members who may have exhausted their benefits, as well as those seeking treatment for PMB conditions.

Official data suggests that 40% of private health-care spending is on private hospitals, a market controlled largely by three groups. The coffers of these groups enjoy inflows from medical aids to the tune of R20 billion a year. A private medical aid patient costs on average four times as much as a state patient, for the same outcome.

In this context it is notable that medical schemes are compelled to pay an unlimited benefit for some 270 PMBs plus unlimited treatment for some 26 chronic conditions in an unregulated tariff environment.

To prevent this 'lawless' environment and to achieve equitable access to quality healthcare we need to:

- regulate the pricing of health-care – a simple yet far reaching and practical solution. This will achieve best practice universal access to health-care within a regulated market economy;
- create healthy and viable social institutions, such as Nedlac (National Economic Development and Labour Council), for an effective and consultative process of setting tariffs, benchmarking and ensuring best practice by stakeholders;
- make membership to medical schemes for all working South Africans compulsory within a broad framework of affordability based on the formulation that if we control the costs we can make it affordable;
- make the setting up of medical schemes across defined sectors compulsory such as the sectors identified for SETAs (Sector Education and Training Aurhtorities). There is no need for open competition in a not-for-profit environment as medical schemes are non-profit entities.

It is important to note that in all of the above the ultimate goal is to see health-care as a public good and service and not as a commercial enterprise.

The effort to bring about a better, fairer and sustainable health-care dispensation should be driven from the bottom up. It is time for the collective voice to challenge government's intransigence and assert over big business a common sense of a brighter future. Let's move forward to a National Health Insurance model that ensures universal access to all citizens. LB

Neil Nair is fund officer at Samwu's National Medical Scheme. The views expressed here are shared by Samwu and Samwumed.