



## MEDIA RELEASE

For immediate release

27 July 2015

### **Private healthcare in crisis – what is the solution?**

**27 July 2015:** South Africa's private healthcare system is in crisis. Dr Brian Ruff, CEO of PPO Serve, made no attempt to sugar-coat the pill when addressing delegates at the 16<sup>th</sup> annual Board of Healthcare Funders conference earlier today. "Our existing market-driven system needs urgent reform," he said.

"Currently it produces suboptimal outcomes, its capacity is poorly used. It's 'hospicentric', with weak community level services, which means that there are many avoidable admissions to hospital. This wasteful use of resources leads to poor scheme benefits and high premiums, which contribute to keeping many potential members out of the system, notably the so-called 'gap market' who are not quite in a position to afford medical aid cover. The good news is that there are solutions.

"To help address these issues, it's critical there's a plan to match the local burden of illness/demand with the clinicians and beds available. Also, incentives need to be put in place for consistent evidence-based clinical care. Providers in complete local systems need to compete based on their reputation for excellence. Fair negotiations around payment will lead to affordable premiums and new entrants into the system. By getting the type and price levels right along with reasonable utilisation, more young and healthy people will enter the risk pool, that will help to counteract the current scenario whereby there are insufficient insured lives to justify the number of beds and clinicians in the system and the fact that the stagnant number of insured lives is skewed in favour of the old and sick.

"We need to treat the right patient at the right time in the right place using the right services. To minimise the risk of provider-induced demand, schemes need to match their population's needs to the capacity of the providers with whom they contract, and contract in a way that is financially viable for them and restores their clinical autonomy. This requires a greater focus on system management and commissioning supply side engineering. At present there is no policy or regulator on the supply side, hence the growing mismatch between the limited number of scheme members and the supply of beds and clinicians. The fee for service remuneration model also exacerbates matters, promoting individual rather than team practice and unnecessary and fragmented care."

The system therefore needs urgent transformation to become more efficient, ensuring universal access to good quality care. Dr Ruff believes that Obamacare is showing the way. He quoted Dan Berwick, advisor to President Barack Obama as follows. "We need shared goals for the whole system. We need to build trust among all stakeholders. We have to develop new business models that combine competition and co-operation. It's important to mobilise to defeat the preservation of institutional self-interest, and this includes community mobilisation."

Regulator support is necessary to enable corrective regulation on both the demand and supply side. Reform of the latter especially is key and requires strong investment in community level primary services. State-provided subsidies to the 'gap market' in the form of top-ups will help them to afford scheme products. "If we can achieve all of this, we will in due course have a homogenous system that produces better more cost-effective outcomes for all South Africans."

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**Issued by:** Magna Carta **on behalf of:** Board of Healthcare Funders of Southern Africa

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