**Board of Healthcare Funders of Southern Africa**
Non-Profit Company Registration No. 2001/003387/08

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**Press Release: 7 December 2016**

## Escalating private healthcare costs in SA under the spotlight

***Escalating private healthcare costs are a universal problem and therefore not unique to South Africa. Increases in costs are the result of high demand, the development of more treatment options - which cost more - and the ageing population, said Dr Anna van Poucke, Head of Healthcare at KPMG in The Netherlands.***

Dr van Poucke was the guest speaker at a workshop facilitated by the Board of Healthcare Funders (BHF) of Southern Africa. The aim of the workshop, held on 6 December in Rosebank, Johannesburg, was to bring stakeholders together to discuss ways to curb increases in medical costs.

Recent announcements of double-digit increases in membership fees by several of the country's biggest medical schemes, came as a huge shock to consumers and it is therefore imperative that collaborative solutions are sought to prevent a similar scenario in 2017, said Dr Clarence Mini, Managing Director of BHF.

Dr van Poucke said although escalating costs are a universal problem, the driving forces behind increases differ from region to region. In most developing countries, access to healthcare is the biggest challenge, while in more developed countries, the ageing population is the main driver.

Dr Mini said escalating healthcare costs in South Africa are mainly due to an increase in hospital admissions, gaps in the current regulatory structure, as well as fraud, waste and abuse.

Some of the country's biggest medical schemes have expressed concern about the rapidly expanding supply of private hospital beds. Since 2008, 23 new private hospitals were opened in South Africa and while this has improved access to healthcare, it has also led to more hospital admissions which increased the number of medical scheme claims, and this in turn impacts member contributions.

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Detailed analysis by medical schemes showed that the availability of empty beds makes it easier to admit patients who could otherwise most likely be treated in an out-of-hospital setting. The availability of additional hospital beds not only led to more admissions, but also influenced the average length of stay in hospitals.

Prescribed minimum benefits (PMBs) have been a bone of contention in the private healthcare sector for a number of years. Medical schemes claim that the current structure, as set out in the Medical Schemes Act, is open to potential exploitation. Under this structure, funders have to pay for some 270 PMB conditions regardless of the plan that members are on. BHF has welcomed the Council for Medical Schemes' (CMS) recent announcement that it is reviewing the PMB structure. BHF has pledged its full support and resources for this initiative.

Another controversial issue, which contributes to increases in member fees, is broker commission, said Dr Debbie Pearmain, an independent legal consultant and extraordinary lecturer in the Department of Public Law at the University of Pretoria.

This issue was addressed in the Demarcation Regulations tabled by Treasury in Parliament on 28 October. The aim of the regulations was to clearly separate the responsibility for medical scheme and health insurance products, and to ensure that the latter do not undermine the medical scheme environment.

According to Dr Pearmain, brokers earn almost double the commission on the sale of cash back plans compared to medical scheme membership, which clearly undermines the business of funders.

**Solutions**

Dr van Poucke shared some of the lessons learned from reforms made to the Dutch healthcare sectors in 2006. Since the introduction of these reforms, The Netherlands have managed to substantially reduce healthcare costs and are currently rated as one of the countries with the best healthcare services in the world.

Reforms to the Dutch healthcare sector were driven by escalating healthcare costs, said Dr van Poucke. As part of its healthcare reforms, the country introduced a private healthcare system. A very important characteristic of the Dutch healthcare system is that it is managed by foundations and non-profit organisations, she noted. All profits are used to improve the healthcare system and are not cashed-out.

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Other countries such as Israel and the US have also successfully introduced various measures to contain healthcare costs. These include for example the introduction of well-managed competition between private providers, coordinated care (home-based care provided by trained professionals) and the effective use of data and analytics to spot trends.

Workshop delegates identified five key areas that can potentially curb healthcare costs in South Africa. These include: integration of coordinated care; lobbying for regulatory changes and greater collaboration between the industry and the regulator; taking a strong stance against fraud, waste and abuse; restructuring benefits to draw new members (e.g. low cost benefit options); and improved management of cost drivers (e.g. restructuring PMBs).

Working groups have been established to pursue these areas further and to come up with workable solutions. Consultation and collaboration between the different stakeholders will be key to the success of these efforts and the BHF is committed to work with industry to bring some relief to the South African consumer, concluded Dr Mini.

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Word count 858

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