Private health sector 'must be reined in' – IOL 8 October 2019

THE CHAIRPERSON of the Health Market Inquiry, Judge Sandile Ngcobo, addresses the Competition Commission's media briefing on the release of the inquiry's report earlier this week. Karen Sandison African News Agency (ANA)
Almost six years after the Health Market Inquiry was instituted, the Competition Commission has finally submitted its report to the Trade and Industry Minister.

The commission has concluded that private healthcare is plagued by high and rising costs of medical cover, significant over-utilisation without a demonstrative improvement in health outcomes - and a "milking of the system" due to a lack of controls by the Department of Health.

It says the department has not reined in the private sector, hasn't used existing powers to manage the market, failed to ensure regular reviews, and not held regulators, such as the Health Professions Council of SA and the Council for Medical Schemes, sufficiently responsible, which has enabled "uncompetitive and inefficient behaviours within the sector".

Viewed as a lead-in for the establishment of the National Health Insurance (NHI), the report has identified features in the market preventing, restricting or distorting competition, including "highly concentrated funders and facilities markets, disempowered and uninformed consumers, a general absence of value-based purchasing, and practitioners who are subject to little regulation and failures of accountability at many levels".

The commission says a more competitive private healthcare market is essential to lowering costs, giving consumers better value for money, and promoting innovation. And with the state due to become a purchaser of services from the sector, interventions such as the establishment of a supply-side regulator, which will regulate health facilities and practitioners, pricing, and service monitoring; a standardised single obligatory benefit package; a risk adjustment mechanism and a system to increase transparency on health outcomes are essential to greater competition and efficiency.

The panel notes: "We are concerned that although the National Health Act was enacted 16 years ago, its key provisions - in particular, those relating to the licensing of facilities, reference lists, the creation and publication of a national database on financing and pricing of healthcare goods and services - have not yet been implemented."

Regarding the medical scheme industry, the panel has called on the commission to review its approach to mergers to address high levels of concentration and provide guidance to practitioner associations. It says since 2000, the scheme market has experienced significant consolidation, with the total number of schemes decreasing from 163 to 81 in 2017.

The panel also flagged unintended supply-side consequences of prescribed minimum benefits (PMBs). It said that while having had a positive impact in giving members a minimum level of coverage, PMBs have affected competition and contributed to "undesirable market outcomes", with patients unnecessarily admitted to hospitals in order to qualify for treatment. It says the PMB structure has not been meaningfully reviewed since introduction almost 15 years ago - despite a legal obligation to do so every two years. The Council for Medical Schemes is currently reviewing the PMBs.

Inquiry panel member Dr Lungiswa Nkonki says the investigation looked into why medical scheme premium increases were above Consumer Price Index inflation. “Industry players said it was age, disease burden, the cost of technology, increasing demand for medicines, and incomplete regulatory framework. The high costs can be explained by age and burden of disease, but a huge portion cannot be explained. We believe the driving cost is supply-induced demand, inappropriate care or excessive utilisation.”

She says once Parliament has adopted the report, the commission will begin talks with the health department and other regulators. With the amendments to the Competition Act this year, their recommendations are binding and enforceable. But it’s a phased process, likely to be completed over five years.

Nkonki says the panel found high concentration levels in the market. “Both Netcare and Mediclinic say we used outdated data, which is simply not true. They say there are other entrants in the market, and that it is moderately concentrated (which we found in last year’s preliminary report). We then worked on updated data, which showed it is still highly concentrated compared to international standards.”

The panel also flagged the role of medical scheme brokers: they found brokers rarely communicate with clients, despite earning monthly commissions of 3 percent plus VAT on members’ contributions. And yet - when consumers approach schemes directly, that commission isn’t applied, so they’re subsidising broker fees for other members.

“Brokers are paid by the scheme: consumers don’t know they are paying for this. This is inappropriate. Brokers are earning and interest is aligned with their administrators, not members. We propose an opt-in system where they decide to use a broker - if not, they should pay less.”

Public health-sector problems have received widespread attention, but Nkonki says this is the first process that has been evidence-based about the issues in the private sector.

“We have found high and rising costs. The recommendations will reduce costs and prices in the private sector, allowing the NHI to purchase services at a reasonable rate. Commissioner Tembinkosi Bonakele said the NHI needs competent negotiators. Other state-owned entities are single purchasers but haven’t been able to get lower rates. The NHI needs a private sector context where competition is effective.”