Rising health fees, aging members

Chris Bateman | Mail & Guardian | 16 April 2021

THE 18 percent of South Africans who can afford private healthcare get excellent value - but already high medical aid membership costs will continue to rise as medical scheme overheads, and structural issues become increasingly difficult to manage. A combination of an outdated regulatory environment well behind the global cost-efficiency curve, ineffective fee-for-service structures, high specialist and hospital costs, plus an ever-ageing medical scheme membership create what one funding expert calls a "death spiral".

These facts emerged from a canvassing of several leaders in healthcare funding and regulation this week. A review of 2021 membership hikes for the eight top medical schemes - excluding Discovery Health, the largest, which has deferred a maximum 5.9% increase to July this year - reveals an average cost increase of 5.94percent (or R171.13) per month. This is despite medical scheme coffers having swollen recently due to two Covid-19 infection surges, causing people to defer elective procedures and avoid treatment.

According to experts, this will prove a short-lived respite for funders. For many scheme members, their medical conditions will worsen, with claims increasing in frequency and severity when the Covid infection threat abates. The average medical aid increase for 2020 was 8.2 percent, double the inflation rate.

Not enough new members

According to Paresh Prema, the immediate former general manager of benefits management at the Council for Medical Schemes (CMS), one of the biggest problems is that not enough new lives are joining medical schemes to cross-subsidise the current member base. The average age of scheme members is increasing year on year. This principle of social solidarity is not being achieved, and with the constant increase in medical costs, schemes remain unaffordable to many new entrants into the market. Prema describes medical schemes as "price takers," dependent on hospitals and specialists whose prices are uncapped and unregulated – hence the emergence of ubiquitous gap cover, which plugs the shortfall between what service providers charge and what schemes will pay.

Some specialists charge 300 percent or more above the medical aid payment ceiling for a particular procedure or consultation.

Deon Kotze, the head of research and development for Discovery Health, argued that gap cover has given people the opportunity to cover the cost of procedures in full where the medical scheme does not. He said sometimes it's as blunt as a scheme putting a cap on what they pay a service provider (doctor or hospital).

HPCSA 'failed to give guidance'

Schemes cannot fund unlimited amounts. The value lies in one's ability to insure the gap. That is why it is an additional cost. For the sake of affordability, Kotze said, medical schemes don't cover that gap. Asked why specialists and hospitals are permitted to continue charging such high fees, Prema said the Health Professions Council of South Africa (HPCSA) - tasked with providing ethical guidelines - has "failed to give guidance to these healthcare providers". He said a complicating factor was that doctors were so varied in their qualifications and specialities that it was difficult to regulate prices or agree on a fair tariff.

This was considered in the hefty 2019 report prepared by the health market inquiry conducted for the Competition Commission. The report recommended that a supply-side regulator be established to run a tariff negotiating forum to resolve this issue. Prema argues that what is lacking is that doctors are not being reimbursed for the quality or value they offer medical schemes or patients. The fee-for-service system does not incentivise value but rather the greater servicing of patients. He said this gradual upward pricing did not happen overnight. Medical schemes contributions increase every year because they must pay for the increasing use of healthcare providers. In addition to the rising costs of

healthcare services, medical schemes also must deal with utilisation which further drives up the cost of healthcare and medical scheme contributions.

Prema added that there had to be a review of the regulatory system to provide healthcare coverage to the sector of the population that cannot afford the current level of medical scheme contributions. He said the schemes have been engaging with the regulator to explore alternative options that provide essential benefits at better value, but this process has not yet yielded any results.

However, Dr Kgosi Letlape, the president of the Association of Medical Councils of Africa and the former president of HPCSA, rejected Prema's claim that the association had failed to provide ethical costing guidelines. Letlape said the HPCSA'S statutory role was to make sure healthcare professionals were competent, properly registered and licenced within the proper scope of what they were qualified to do. He said issues of pricing have nothing to do with the HPCSA.

Letlape said the Competition Commission caused the problem and after destroying the private healthcare platform, they now finally understand and want to go back to what they stopped. He admitted that structural reform was critically needed but said that costing was not part of the HPCSA's remit.

Clinician, academic and sometimes patient, Professor Marietjie de Villiers, the former deputy dean of the medical school at Stellenbosch University and former deputy chairperson of the Medical and Dental Professions' Board, said medical aids have turned into a business science. She said the days are long gone when medical aids were to make it easier to pay and for doctors to collect money, now they are entrepreneurial businesses and a focus on the client or member is no longer the point.

Regulatory space has not evolved in line with requirements

De Villiers said medical aids seem to cover catastrophic diseases quite well, but when you are healthy, it all seems to come out of your medical savings plan. Discovery Health recently tried to introduce a pre-paid voucher system to encourage the lower-income end of the market to access private healthcare - and have for years lobbied for cyber consultations. The prohibition against online consults ironically was relaxed due to the significant impact of Covid-19 - potentially dragging South Africa into the modern cyber age. Prema said our regulatory space has not evolved in line with the requirements of not just medicine, but what our population needs.

Discovery's Kotze said other factors driving high medical aid costs include expensive new medical technology and rampant civil litigation driving up doctors' indemnity insurance costs. Gynaecologists, for example, pay R1-million in indemnity costs annually and need to deliver at least a baby a day to cover overheads. Prema described the incipient National Health Insurance (NHI), where implementation has slowed due to Covid-19, as "an opportunity to restructure and fix things that have failed in our current system." His caveats to this include strong doubts about the affordability of an NHI, its implementation structure, benefit design and how to transition from the current system to the envisaged system. Prema said there are currently many people involved with different agendas and plans which are not in the best interests of most of the population that needs access to healthcare.

Kotze's said Discovery's view on the NHI was that any attempt to address the quality of, and access to, healthcare in either sector was the correct approach.