

Private healthcare set to face tough challenges in 2013

Chairman of Agility Global Health Solutions, Neels Barendrecht says in 2013 medical schemes will face increasing costs and competition. Those that survive will need to come up with innovative ways to service their members even better.

Increasing costs, more responsibility for members

Advanced technology such as biological medicines, an increased disease burden, shortage of skills, as well as a lack of competition in the private hospital and specialist sector combined with Prescribed Minimum Benefits (PMB) coverage will continue to drive up the cost of medical cover over the next year.

He says in response to high costs, South African medical schemes are likely to follow the global trend where health insurance covers major costs such as hospitalisation, but not day-to-day treatments such as physiotherapy or psychology. "Although it makes sense from a cost point of view, this can impact negatively on the system because these disciplines often offer preventative benefits," he adds. "A member who goes for regular physiotherapy for example may be able to avoid having to go for expensive knee surgery later on."

Most schemes have moved towards savings accounts that shift much of the responsibility for day-to-daycare onto the member. Members then do not want to use these benefits or the benefits are inadequate, which leads to a sicker overall population. "It's the medical scheme industry's regulatory model that focuses on curative care that assists with driving up secondary and tertiary healthcare costs and costs in the industry generally," says Barendrecht.

Increased consolidation

Barendrecht says there are likely to be even fewer medical schemes for members to choose from at the end of 2013 as cost pressures and economies of scale drive consolidation in the industry.

"While it may be better to have fewer medical schemes with better risk pools that are in a stronger position to negotiate prices on behalf of their members, it's important that members still have a good choice of schemes and products to suit their needs. We have witnessed too many 'bigger not better' case studies and it is important that different niche markets are serviced according to their specific needs," he adds.

Policy direction needed from government

Schemes will be looking for more detail on how government plans to roll out National Health Insurance (NHI). Another paper on the topic is due out in April 2013 and Barendrecht hopes this will provide much-needed clarity on the process to help the private health sector plan better.

Prescribed Minimum Benefits (PMBs) will continue to come under review as they have become a major cost driver for medical schemes. By law, medical schemes must cover the treatment of 270 medical conditions in hospital and 26 chronic diseases defined in the Chronic Disease List (CDL), as well as emergency conditions. "PMBs mean the cheapest package a medical scheme cover is able to provide ranges between R400-R570/month, putting private healthcare out of reach of many South Africans," says Barendrecht.

He says schemes could cut their costs if there were fixed tariffs for PMB treatments, rather than medical schemes having to reimburse patients at whatever cost the provider charges. "It would also help if there was a more limited list of PMB treatments or PMB's were subjected to more limited benefits."

Technology will provide a competitive edge

As schemes battle it out to reduce costs and attract members, those which have invested in the latest technology will reap the benefits.

"In an industry where schemes are not able to rate members according to their risk profile, one of the only ways to manage down costs without cutting benefits severely is by introducing strict treatment protocols and managing risk through technology," says Barendrecht.

Treatment protocols not only ensure less cost, but also provide best-evidence treatment for patients and better health outcomes - leading to short and long term savings for schemes.

Skills shortage

A shortage of supply of all healthcare professionals, from nurses, to doctors and specialists will continue to impact the quality and cost of healthcare provision in both the public and private sectors in 2013. Apart from long term training policies at government level that focus on increasing the numbers of those trained in healthcare, medical schemes will have to continue to strike the difficult balance of remunerating medical service providers fairly while protecting their members' wallets.

"If they are to stay in business, schemes will increasingly have to ensure a gate-keeper model by making it more cost-effective for members to visit their GP or primary care provider and thereby controlling access to specialists," says Barendrecht.

He says there is likely to be a mind-shift amongst medical scheme members who see that their healthcare cover can be more affordable if they choose to have access to only certain doctors or hospital networks.

"In 2013 we're likely to see increased innovation as schemes look for new ways to bring down costs for their members."