



# Improved health pricing model needed, say experts

Decision-making on annual health benefit and price changes in SA would be better served by a proper price index for medical scheme contributions, a new study has revealed.

By [Evan Pickworth](#) 10 Nov 2011

The report by the School of Management Studies at the University of Cape Town was presented to the Actuarial Society of SA conference on Wednesday, and made some startling revelations that cut to the heart of the medical inflation problems in the country.

With gross contributions received by medical schemes totalling close to R90 billion and health expenditure making up 9% of GDP (58.4% in the private sector), it is hard to believe effective tracking of medical scheme contribution increases is not taking place.

Simply put, the Council for Medical Schemes, which approves annual medical scheme contribution increases, would benefit greatly from an accurate and more representative benchmark.

Shivani Ramjee, one of the authors of the report, points out that the council could use such an index as a high-level tool to monitor the affordability of coverage, as could labour unions in wage negotiations, as well as the National Treasury, as contributions are partially tax deductible.

Employers and employees, of course, could rework packages around improved data too.

This comes as SA moves to a 14-year rollout of a National Health Insurance system many think is unaffordable, while the future of medical schemes in this new paradigm remains unclear.

But the study notes that as the system will take 14 years to implement, the continued existence of medical schemes is implied "for some time to come".

Medical scheme coverage is unaffordable for the vast majority of South Africans as only 16.25% of the population is covered by a scheme, while rising costs have been put forward as a reason for the implementation of NHI.

While Statistics SA does include medical scheme contributions in its "Miscellaneous goods and services" index, there is no sub-index reflecting only medical contributions.

The researchers' independently compiled index is consistently lower than the CPI version. A major problem remains a lack of data, as scheme information is not made public.

The research report notes that existing Council of Medical Schemes price data mask movement between schemes and options.

Their results therefore differ, with the research showing that medical inflation in 2009-10 was 11.45% versus the one used from council data of 14.3%.

But there were years, like 2006-2007 where the council data was lower than the compiled price index data

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