

Note: This glossary is intended to assist stakeholders in their reading of the 'Statement of Issues', 'Terms of Reference' and 'Call for Submissions' for the Market Inquiry into the Private Healthcare Sector. These definitions apply only to the Market Inquiry into the Private Healthcare Sector and do not replace, or intend to replace, any definitions in the Competition Act, 89 of 1998. This document is subject to revision and the latest version will always be that appearing on the health inquiry website (www.healthinquiry.net). Any suggestions or comments can be emailed to submissions@healthinquiry.net.

GLOSSARY OF TERMS:

1. **“Adverse Selection”** arises when one party to a transaction knows things pertaining to the transaction that are relevant to, but unknown by, the second party to the transaction.¹ Adverse selection may result, for example, in individuals who have a high risk of falling ill buying health insurance while those with low risk of illness avoid purchasing health insurance.²
2. **“Balance billing”** arises when the charge for a healthcare service exceeds the amount that medical schemes are willing to pay or reimburse. Consequently, patients (consumers) are required to cover the “balance”; or the amount over and above that which schemes will pay or reimburse.
3. **“Consumer”** means the user of healthcare goods and services.
4. **“Co-payment”** occurs when consumers cover a portion of the total cost of health goods and services which they have utilised as an out-of-pocket payment. A co-payment could be a certain percentage of the total fee or may be a fixed amount.³
5. **“Cost”**, in a broad sense, refers to an expenditure that precedes the acquisition or production of certain materials or items. In business (or in a financial sense), cost refers

¹ Adapted from Kreps, D. 1990. *A course in microeconomic theory*. Published by Prentice Hall.

² According to Gershov (2009), adverse selection is more technically defined as a situation in which an individual (the consumer) who is informed, is able to make trading decisions based on such privately held information that may adversely affect other market participants that are uninformed. See: Gershov, Alex (2009), *Microeconomics: Private Information*, Available from <http://www.econ2.uni-bonn.de/teaching/winterterm-2010-2011/downloads/mold-szech/ie1new.pdf>. Accessed 27th August, 2014

³ Co-payments in European Health Care Systems: the Spanish Approach. G. Lopez-Casasnovas & Ivan Planas-Miret (20th Nov, 2001) at the Workshop organised for the Commission on the Future of Health Care in Canada, Embassy of Canada in Paris

to the monetary valuation of inputs utilised in the production and delivery of goods and services e.g. raw materials, labour resources, equipment/machinery etc.

6. **“Diagnosis-Related Groups (DRGs)”** are a means of classifying patients into medically meaningful groups⁴, where each patient within a group is likely to require a similar level of resources for his/her care.⁵
7. **“Deductible”** is a portion of an insurance scheme member’s health care expenses that must be paid out-of-pocket before any insurance benefit/coverage applies.
8. **“Designated Service Provider (DSP)”** refers to a Healthcare Provider (i.e. a Practitioner or a Facility) that is a Medical Scheme’s preferred provider when its members require diagnosis, treatment, or care for a medical condition.⁶
9. **“Healthcare Expenditure”** refers to the total final consumption of health goods and services, plus capital investment in health care infrastructure. It includes spending on medical goods and services and on administration.⁷
10. **“Healthcare Facilities”** refer to hospitals, day clinics, sub-acute, specialised care centres and other similar facilities where Healthcare Services are provided.
11. **“Healthcare Financers”** refers collectively to Medical Schemes, Medical Scheme Administrators, Managed Care Organisations and Healthcare Insurers.
12. **“Healthcare Insurers”** means a person or firm that is not registered as a Medical Scheme but offers insurance products designed for Healthcare Services.
13. **“Healthcare Practitioners”** means any person, including a student, who is registered with the Health Professions Council of South Africa (HPCSA) in a profession registerable in terms of the Health Professions Act 56 of 1974; as well as allied

⁴ Medically meaningful implies that all patients in the same DRG can be expected to evoke a set of clinical responses that will, on average, result in approximately, equal use of (medical) resources.

⁵ SAMJ Vol 80 16 Nov 1991

⁶ Adapted from the Council for Medical Schemes definition ([here](#))

⁷ Adapted from the OECD definition ([here](#))

professionals registered with the Allied Health Professions Council of South Africa (AHPCSA).

14. **“Healthcare Provider”** refers collectively to Healthcare Practitioners and Healthcare Facilities.
15. **“Healthcare Services”** refers to all services provided by Healthcare Facilities and Healthcare Practitioners including diagnosis, treatment and prevention of illness and disease through primary, secondary and tertiary care.
16. **“Managed Care”** means clinical and financial risk assessment and management of healthcare, with a view to facilitating appropriateness and cost effectiveness of health services within constraints of what is affordable, through the use of rules- and evidence-based clinical management programmes.⁸
17. **“Managed Care Organisations (MCOs)”** refer to a person or firm that has entered into an arrangement or contract with a Medical Scheme, Insurer, Provider or Consumer to provide Managed Care services and is accredited by the Council of Medical Schemes to operate as a MCO. MCOs are commercial entities that determine if the treatment being sought by the patient and his/her healthcare provider is indeed necessary and appropriate, and whether the scheme should fund the treatment or recommend alternative treatment.⁹
18. **“Medical device”** means any instrument, appliance, material, machine, apparatus, implant or diagnostic reagent used or suitable for use in the diagnosis, treatment; or restoring, correcting or modifying any somatic or psychic or organic function; or the diagnosis or prevention of pregnancy, and which does not achieve as purpose through chemical, pharmacological, immunological or metabolic means in or on the human body but which may be assisted in its function by such means; or declared by the Minister of Health by notice in the Gazette to be a medical device and includes any part or an accessory of a medical device.¹⁰

⁸ CMS Circular 13 of 2014 ([here](#))

⁹ CMS News Circular 3 of 2009 ([here](#))

¹⁰ Medicines and Related Substances Control Act 101 of 1965.

19. **“Medical Scheme”** means any Medical Scheme registered in terms of section 24 of the Medical Schemes Act 131 of 1998.
20. **“Medical Scheme Administrator”** means a person or firm accredited by the Council for Medical Schemes in terms of section 58 of the Medical Schemes Act 131 of 1998.
21. **“Medical Scheme Member”** or **“Medical Scheme Beneficiary”** means a person who has been enrolled or admitted as a member of a medical scheme, or who, in terms of the rules of a medical scheme, is a member of such medical scheme; and is entitled to the benefits offered by the Medical Scheme.¹¹
22. **“Medicine”** means any substance or mixture of substances used or purporting to be suitable for use or manufactured or sold for use in the diagnosis, treatment, mitigation, modification or prevention of disease, abnormal physical or mental state or the symptoms thereof in man (*sic*); or restoring, correcting or modifying any somatic or psychic or organic function in man (*sic*), and includes any veterinary medicine.¹²
23. In insurance markets, **“Moral Hazard”** describes a situation wherein consumers may change their behaviour because they have insurance. The problem of **“Moral Hazard”** arises where one party to a transaction (e.g. the insured) may undertake certain actions (e.g. drive more recklessly) that (a) affect the other party’s valuation of a transaction between them (e.g. the insurance company’s valuation of their insurance contract) but (b) the second party cannot monitor or enforce the actions taken by the first party perfectly.¹³
24. **“Nurse”** means a person registered under the Nursing Act 33 of 2005 in order to practise nursing or midwifery.
25. **“Patient”** means any person receiving or in need of a Healthcare Services.

¹¹ Adapted from Medical Schemes Act 131 of 1998

¹² Medicines and Related Substances Control Act 101 of 1965.

¹³ Adapted from Kreps, D. 1990. *A course in microeconomic theory*. Published by Prentice Hall.

26. **“Pharmacist”** means a person registered as such under the Pharmacy Act 53 of 1974.
27. **“Price”** means an amount of money expected, required, or given in exchange or as payment for something (either a good or service).¹⁴
28. **“Prescribed Minimum Benefits”** or **“PMBs”** are minimum benefits which by law must be provided to all Medical Scheme Members. They include the provision of diagnosis, treatment and care costs for any emergency medical condition and a range of conditions specified in Annexure A of the Regulations to the Medical Schemes Act 131 of 1998.
29. **“Specialists”** refer to Healthcare Practitioners that meet the HPCSA’s requirements to be considered as Specialists and are registered as such.
30. **“Sunk costs”** are retrospective (past) costs that have already been incurred and cannot be recovered.

¹⁴ Oxford Dictionary definition.