THE POTENTIAL ROLE OF SUB-ACUTE HOSPITALS AND PUBLIC-PRIVATE PARTNERSHIPS IN THE SOUTH AFRICAN PRIVATE HEALTH SECTOR

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Ferdi T Preller
Private hospital cost increases represent the most important contributor to medical scheme cost increases over the past fifteen years.

*Council for Medical Schemes*

*Research Brief No. 1/2008*
Hospital-based utilisation patterns in the South African private hospital sector run counter to international (OECD) trends due to:

- Increasing ratios of beds and high technology equipment to the insured population (over-capitalisation)
- Non-price competition between hospitals to attract specialists to private hospitals via the purchasing of expensive high technology equipment
- Market concentration or oligopoly in the private hospital sector
- Supplier-induced demand for high technological diagnostic and treatment modalities

Council for Medical Schemes
Research Brief No. 1/2008
AGENDA

- Role of SAFs in the “Hierarchy of Healthcare”
- SA Sub-Acute Sector: Facts and Figures
- Problems and Challenges
- The “Ideal”: National Network of High Quality SAFs
- PPP Models for SAFs
- Recommendation
A SAF can be defined as a self-contained and functionally independent nursing facility that treats “stable” patients that need hospitalization but do not (and are unlikely to) require high technological diagnostic procedures and treatment or surgery in the immediate future.
LICENCING AND ACCREDITATION

- Regulation 158
- Provincial Departments of Health
- Operational 24/7
- Practice Number by BHF
- Types of SAFs
ROLE OF SAFs IN HIERARCHY OF HEALTHCARE

- Unattached Operating Theatre
- ICU
  - High Care
  - General Ward
  - Sub-Acute
  - Home-Based
  - Self Care
- Frail Care

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PATIENTS

- Stable
- Acute conditions
- Rehabilitation
- Nursing and supplementary Services
- Chronic conditions (HIV/AIDS)
- Psychiatric
- Admission criteria (ICD 10, Acuity)
It is important to note that the role of SAFs is considerably wider than just the provision of post-operative care and therefore the term “step-down facility” is a misnomer. SAFs should be seen as a cost-effective alternative for many patients that are currently being treated in “unnecessarily” sophisticated acute care hospitals.
# SAFs – FACTS AND FIGURES

<table>
<thead>
<tr>
<th>BEDS / FACILITY</th>
<th>NO. OF FACILITIES</th>
<th>TOTAL NO. OF BEDS</th>
</tr>
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<tbody>
<tr>
<td>&lt;12</td>
<td>12</td>
<td>76</td>
</tr>
<tr>
<td>12-24</td>
<td>22</td>
<td>405</td>
</tr>
<tr>
<td>&gt;24</td>
<td>7</td>
<td>357</td>
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<tr>
<td>TOTAL</td>
<td>41</td>
<td>838</td>
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### SAFs – ACUTE CARE HOSPITALS

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>ACUTE HOSPITAL B thermostat(^1)</th>
<th>SUB-ACUTE B thermostat(^2)</th>
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<tbody>
<tr>
<td>Eastern Cape</td>
<td>1 433</td>
<td>34</td>
</tr>
<tr>
<td>Free State</td>
<td>1 908</td>
<td>40</td>
</tr>
<tr>
<td>Gauteng</td>
<td>13 237</td>
<td>442</td>
</tr>
<tr>
<td>Kwazulu-Natal</td>
<td>3 636</td>
<td>93</td>
</tr>
<tr>
<td>Limpopo</td>
<td>352</td>
<td>18</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>980</td>
<td>45</td>
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<tr>
<td>North West</td>
<td>1 401</td>
<td>43</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>365</td>
<td>0</td>
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<tr>
<td>Western Cape</td>
<td>4 131</td>
<td>123</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>27 443</strong></td>
<td><strong>838</strong></td>
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</table>

**Notes**
- 2006 HASA data
- Latest available (2008) data

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## International Comparison USA

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>NUMBER</th>
<th>BEDS</th>
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<tbody>
<tr>
<td>Acute Hospital Nursing Homes</td>
<td>5 764</td>
<td>965 526</td>
</tr>
<tr>
<td></td>
<td>16 323</td>
<td>1 756 699</td>
</tr>
</tbody>
</table>

**Ratio Sub-Acute: Acute Hospital Beds**

|         | USA 1.8:1 | RSA 0.03:1 |

**Average Size Sub-Acute Facility**

|         | USA 106 Beds | RSA 20 Beds |
SAFs vs ACUTE CARE HOSPITALS: TARIFFS

<table>
<thead>
<tr>
<th>Sub-Acute Facility</th>
<th>752.20 – 833.30</th>
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</thead>
<tbody>
<tr>
<td>Acute Care Hospital</td>
<td>1003.80 – 1750.00</td>
</tr>
</tbody>
</table>
SAFs: PROBLEMS AND CHALLENGES

- Lack of national footprint
- Economies of scale
- Paucity of management skills, systems and QM
- Sub-acute/Frail care demarcation
- High capital costs and low margins
The “Ideal”: National Network of High Quality Sub-Acute Facilities as soon as possible
Private SAF serving public patients

Outsourcing of under utilized public hospital/ward

Relative urgency

National footprint
RECOMMENDATION

The South African Private Healthcare Funding Sector (and BHF) should strongly and actively support the development of a National Network of High Quality Sub-Acute Facilities, inclusive of PPPs.
“We will not reduce costs and improve access to private healthcare by reducing doctors’ consulting fees or regulating private hospital tariffs; what we need is a different delivery mechanism”.

Neville Koopowitz