This presentation is based on preliminary views and calculations, and should in no way be construed as findings of the Health Market Inquiry.
Introduction to the South African Healthcare System

- Regulators
- Healthcare Practitioners
- Healthcare Facilities
- Healthcare Financing
- Suppliers and Supporting Players
HEALTHCARE IN SOUTH AFRICA

Section 27 of the Constitution guarantees the right to access to healthcare services, including reproductive healthcare.

The majority of the population in the country make use of healthcare services provided by the State (Public Sector).

However there are also private sector players that provide healthcare services.
THE PUBLIC SECTOR

The public healthcare system is funded through tax

The sector has been under pressure due to a number of factors including:

- Quadruple burden of disease i.e. HIV, tuberculosis (TB), non-communicable diseases and violence and injury
- Insufficient infrastructure
- Shortages of key medical personnel
Who uses it:

- Approximately 8.81 millions (16% of South Africa’s population) through medical schemes
- Those with health insurance products
- Those that pay out of pocket
- The Road Accident Fund and Compensation Fund
Who does it consist of:
- Healthcare service providers,
- Financers,
- Product suppliers and
- Supporting industry players
According to the National Development Plan

- Private sector expenditure for 2013/2014 was estimated at R146 billion
- Public sector expenditure for 2013/2014 was estimated at R140 billion
The South African consumer either needs to access healthcare services through the Public Sector or purchase services from the Private Sector.

It is generally accepted that the ability of consumers to make decisions is affected by –

- their needs and resources;
- the quality of information at their disposal; and
- the incentives and actions of those they interact with.
A consumer who is able to purchase private healthcare is also faced with various decisions including:

- What medical scheme to join?
- Which doctor / specialist to consult?
- Which hospital to go to?

**PROBLEM**
Consumers don’t often have enough information or understand the information about the healthcare services and products they are buying and/or using.
A consumer chooses a medical scheme or health insurer

The medical scheme or health insurer is then responsible to cover the costs of the healthcare services and products based on the type of cover

These consumers may not generally interact with the cost of services and products at the time of the transaction, as this is paid for by a third party
Consumers are not covered (fully/partially) when:
- a patient’s scheme benefits are insufficient or exhausted, or
- when a patient has no scheme or insurance cover at all

Consumers that are not covered have to pay for the private healthcare services, out-of-pocket or make use the public healthcare system or they don’t get any care.
CONSUMERS INTERACT WITH THE SECTOR

Patient

- Practitioners
- Financing
- Facilities
- Regulators
- Suppliers
Regulators

- Healthcare Practitioners
- Healthcare Facilities
- Healthcare Financing
- Suppliers and Supporting Players
The legislative mandate of the NDoH is derived from the Constitution, the National Health Act, 61 of 2003 and several pieces of legislation passed by parliament.

- Key among these includes: the Medicines and Related Substances Act, 101 of 1965, the Health Professions Act, 56 of 1974 (as amended), as well as the Medical Schemes Act, 131 of 1998.
OTHER REGULATORS

There are also provincial and district departments, sector / profession related regulators which operate on the basis of empowering legislation.
Introduction to the South African Healthcare System

Regulators

Healthcare Practitioners

Healthcare Facilities

Healthcare Financing

Suppliers and Supporting Players

Practitioners
HEALTHCARE PRACTITIONERS

Theory of Harm 3 in the Statement of Issues relates to market power and distortions in relation to healthcare practitioners.

Healthcare Practitioners comprise a wide range of professionals including:

- General Practitioners (GPs)
- Specialists
- Nurses
- Pharmacists
- Physicians
- Dentists
- Physiotherapists etc.
A number of Acts govern health practitioners. These Acts identify, classify and state the roles of the different practitioners. This section considers the following Acts, as amended:

- The Health Professions Act No. 56 of 1974
- The Allied Health Professions Act No. 63 of 1982
- The Nursing Act No. 33 of 2005
- The Pharmacy Act No. 53 of 1974
- The Dental Technicians Act No. 19 of 1979
REGULATORS

- Health Professions Council of South Africa (HPCSA):
  general medical and dental practitioners, specialists, optometrists and radiographers

- Allied Health Professions Council of South Africa (AHPCSA):
  chiropractic; homeopathy; osteopathy; therapeutic aromatherapy; therapeutic massage therapy
REGULATORS

- The South African Nursing Council (SANC): professional nurses, midwives, staff nurses and auxiliary nurses
- The South African Pharmacy Council (SAPC): pharmacists and pharmacy support personnel
- The South African Dental Technicians Council (SADTC): dental technicians
A number of practitioner associations, forums and groups exist to represent the interests of practitioners. Practitioners employed in the public sector may also participate in the private sector. Healthcare practitioners may operate in different forms of practices: solo practices or group practices, which include partnerships, associations and incorporated. Practitioners require the relevant training and education before practicing. A number of practitioner associations, forums and groups exist to represent the interests of practitioners. Overview: Practitioners
HEALTHCARE FACILITIES

Theory of Harm 2 from the Statement of Issues relates to market power and distortions in relation to healthcare facilities.

Healthcare facilities refer to areas where various healthcare services are provided:

- Hospitals;
- Day clinics;
- Sub-acute;
- Specialised care centres; and
- Other similar facilities.
REGULATORS

- Provincial Departments of Health – Health Facility Licensing
  - Development, renovations and amendments of facilities etc.
  - Various provincial regulations
    - R187 (Western Cape);
    - R158 (Other provinces)
- Office of Health Standards Compliance (OHSC)
  - Monitor compliance with norms and standards for healthcare delivery
  - The role of the OHSC:
    - inspection of facilities basic health standards including: cleanliness, infection control, attitude of staff, safety and security of staff and patients, waiting times and drug stock-outs.
DISTRIBUTION OF FACILITIES

- Wider distribution of public facilities across the country.
- Concentrated distribution of private facilities in large metropolitan/urban areas.
DISTRIBUTION OF FACILITIES AND BEDS

**Facilities**

- Public: 359,000
- Private: 36,400

**Beds**

- Public: 36,700
- Private: 36,100
The ratio measures the number of facility beds available relative to the total population in a specific geographical area.

Estimation is based on:
- Insured population that uses private facilities
- Un-insured population that uses public facilities
- However:
  - Designated Service Provider arrangements between medical schemes and public facilities.
  - Out of pocket uninsured consumers using private facilities.
BED PER 1000 POPULATION OECD BENCHMARKS
PRIVATE SECTOR FACILITIES (6 MAIN GROUPS)

- Listed on JSE
- Operates a number of facilities in SA including managed primary care through Primecure.

- Formerly Afrox, grew through a series of mergers & acquisitions
- Listed on JSE in 2010, after delisting of Afrox.

- Independent black owned group
- Servicing largely the underprivileged and emerging markets of South Africa.

- The NHN is a group of competing 181 independent facilities
- Operating under an exemption granted by the Competition Commission in terms of section 10.

- Listed on the JSE
- Operates a number of facilities in SA.

- Predominately doctor & black owned.
- Life health was formerly a joint shareholder.
OTHER PRIVATE SECTOR FACILITIES

- Mining facilities
  - Anglo Ashanti
  - Harmony Golds
  - Gold fields

- Religious/NGO based facilities

- Generally not competitors – different dynamics, e.g.
  - Disease profiles differ: injuries, HIV, TB.
  - Direct employment of practitioners
INDUSTRY ASSOCIATIONS

- Hospital Association of South Africa (HASA)
  - 212 member facilities, representing ± 80 per cent of private facility beds.

- Day Hospital Association of South Africa
  - DHASA represents day surgery facilities; and
  - DHASA members are also members of the NHN.
DISTRIBUTION OF PRIVATE FACILITIES PER PROVINCE

Number of facilities

Provinces

EC  FS  GP  KZN  LP  MP  NW  NC  WC
ESTIMATION OF PRIVATE FACILITIES’ MARKET SHARE

Netcare Limited 23.71%
Mediclinic 19.43%
Life Healthcare 21.48%
National Hospital Network 23.71%
Clinix Health Group 3.41%
JMH 1.26%
Mining hospitals 2.79%
Other 4.21%
Mining hospitals 2.79%
Other 4.21%
JMH 1.26%
Clinix Health Group 3.41%
National Hospital Network 23.71%
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Mediclinic 19.43%
Introduction to the South African Healthcare System

Regulators

Healthcare Practitioners

Healthcare Facilities

Healthcare Financing

Suppliers and Supporting Players

Financing
HEALTHCARE FINANCING

Theory of Harm 1 in the Statement of Issues relates to market power and distortions in healthcare financing.

- Medical schemes
- Medical scheme administrators
- Managed care organisations
- Health insurers
- Brokers
- (Road Accident Fund and Compensation Fund)
Medical schemes are an essential pillar of the financing of private healthcare.

They are “not for profit” entities.

Individuals contribute a monthly fee to the medical scheme. The medical scheme pools these contributions to pay for members that have healthcare expenses.

Healthy members subsidise the sick.

This practice is commonly known as risk pooling.
TYPES OF MEDICAL SCHEMES AND THEIR OPTIONS

Open medical schemes
- Any member of the public can join
- There are 23 open medical schemes

Restricted medical schemes
- Membership is limited to a select group of people
- There are 60 restricted schemes

Within each medical scheme, there are typically a range of benefit options from basic cover to comprehensive cover
MEDICAL SCHEMES AND THEIR MEMBERS

CMS Annual Reports 2013/14 and 2014/15

Open schemes
Restricted schemes
Total

Number of beneficiaries (millions)

Year


Open schemes
Restricted schemes
Total

0.00 1.00 2.00 3.00 4.00 5.00 6.00 7.00 8.00 9.00 10.00


CMS Annual Reports 2013/14 and 2014/15
## TOP TEN MEDICAL SCHEMES BASED ON THE NUMBER OF BENEFICIARIES

<table>
<thead>
<tr>
<th>Medical Scheme</th>
<th>Type</th>
<th>Number of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discovery Health Medical Scheme</td>
<td>Open</td>
<td>2,634,819</td>
</tr>
<tr>
<td>Government Employees’ Medical Scheme</td>
<td>Restricted</td>
<td>1,838,199</td>
</tr>
<tr>
<td>Bonitas Medical Fund</td>
<td>Open</td>
<td>656,527</td>
</tr>
<tr>
<td>South African Police Service Medical Scheme</td>
<td>Restricted</td>
<td>494,602</td>
</tr>
<tr>
<td>Momentum Health</td>
<td>Open</td>
<td>226,487</td>
</tr>
<tr>
<td>Medihelp</td>
<td>Open</td>
<td>223,131</td>
</tr>
<tr>
<td>Bankmed</td>
<td>Restricted</td>
<td>203,625</td>
</tr>
<tr>
<td>Bestmed Medical Scheme</td>
<td>Open</td>
<td>191,902</td>
</tr>
<tr>
<td>Medshield Medical Scheme</td>
<td>Open</td>
<td>161,456</td>
</tr>
<tr>
<td>Fedhealth Medical Scheme</td>
<td>Open</td>
<td>148,345</td>
</tr>
</tbody>
</table>

CMS Annual Report 2014/2015
REGULATION OF MEDICAL SCHEMES

- Medical Schemes Act No 131 of 1998 as amended

Purpose of the Act includes:

- Establishment of the Council for Medical Schemes and to appoint the Registrar of medical schemes
- Makes provision for the registration and control of certain activities of medical schemes
- To protect the interests of members of medical schemes
- To provide measures for the coordination of medical schemes
Medical schemes are required to provide minimum benefits, regardless of benefit option.

The aim is to protect members against catastrophic health expenses.

The Minister of Health prescribes the list of minimum benefits.

Medical schemes have to cover the costs related to the diagnosis, treatment and care of:

- Any emergency medical condition
- A set of 270 medical conditions
- 25 chronic conditions
Community Rating

- Medical schemes cannot differentiate members contributions based on age or health status.
- This removes the medical schemes ability to risk rate

Open enrolment

- Medical schemes cannot deny membership to applicants.
- Therefore medical schemes cannot risk select meaning they cannot only select to cover the young and healthy

- However medical schemes can charge a late joiner penalty and/or implement a waiting period
Self-administered medical schemes conduct all their administration functions in-house.

Many medical schemes opt to contract their administration functions to third party administrators.

Third party administrators are “for profit” entities and require CMS accreditation.
The CMS identifies a number of administrative services including:

- Membership record management
- Contribution management
- Claims management
- Financial management reporting
- Information management and data control
- Customer service
## MEDICAL SCHEME ADMINISTRATORS

### Five largest medical scheme administrators (based on number of beneficiaries)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Medical Scheme Administrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Medscheme Holdings (Pty) Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Discovery Health (Pty) Ltd</td>
</tr>
<tr>
<td>3</td>
<td>Metropolitan Health Corporate (Pty) Ltd</td>
</tr>
<tr>
<td>4</td>
<td>Momentum Medical Scheme Administrators (Pty Ltd)</td>
</tr>
<tr>
<td>5</td>
<td>Strata Healthcare Management (Pty) Ltd</td>
</tr>
</tbody>
</table>

### 17 active administrators

### 13 self administered medical schemes

### 5 largest self administered medical schemes (based on number of beneficiaries)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Medical Scheme Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bestmed Medical Scheme</td>
</tr>
<tr>
<td>2</td>
<td>Medshield Medical Scheme</td>
</tr>
<tr>
<td>3</td>
<td>SAMWUMED</td>
</tr>
<tr>
<td>4</td>
<td>Platinum Health Medical Scheme</td>
</tr>
<tr>
<td>5</td>
<td>Umvuzo Medical Scheme</td>
</tr>
</tbody>
</table>

Source: CMS Annual Report 2014/2015
Managed care organisations aim to control healthcare costs and quality of care.

They are also “for profit” entities.

There are currently 42 registered MCOs.
MANAGED CARE ORGANISATIONS

The CMS classifies managed care services into seven categories:

- Hospital benefit management services:
  - Pre-authorisation services
  - Case management
  - Clinical audits

- Pharmacy benefit management services

- Active disease risk management services

- Disease risk management support services

- Dental benefit management services

- Managed care network services and risk management

- Healthcare services
### Some examples of health insurance products

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dread disease or critical illness cover</td>
<td>Provides a defined cash payout usually in the form of a lump sum if the insured is diagnosed with a specified critical illness (for example, cancer, heart attack, stroke etc.)</td>
</tr>
<tr>
<td>Gap cover</td>
<td>Pays the difference between the amount the service provider charges and the amount the medical scheme pays</td>
</tr>
<tr>
<td>Hospital cash plans</td>
<td>Provides pre-define benefits in the event of hospitalization. Benefits can differ for different levels of hospital care. The policyholder receives the direct payment for these benefits</td>
</tr>
<tr>
<td>Primary health plans</td>
<td>Provides cover for primary (day to day) health services such as GP visits, basic dentistry, and basic radiology and pathology</td>
</tr>
</tbody>
</table>
HEALTH INSURANCE REGULATION

Regulated by:

- Long Term Insurance Act No. 52 of 1998
- Short Term Insurance Act No. 53 of 1998

Financial Services Board

- Unlike medical schemes, health insurers are not required to cover PMBs and they can risk rate
Brokers provide advice to members and employers on their choice of medical scheme and benefit option, as well as health insurance policies.

There are various types of brokers:

- Independent brokers contract with more than one medical scheme.
- Tied brokers have a contract with a particular scheme and only promote products of that particular scheme.
Brokers require accreditation from the CMS and a licence from the FSB.

The Medical Schemes Act stipulates the amount that medical schemes can pay brokers from the members’ monthly contributions.
Road Accident Fund

- The RAF provides personal insurance cover to accident victims or their families and indemnifies the guilty party should an accident occur.
- The RAF pays for victims’ medical and related expenses.
- Contributions come from the fuel levy.

Compensation Fund

- The Compensation Fund provides compensation for occupational injuries, diseases sustained or contracted, or for death from injuries or diseases.
- The Compensation Fund generates revenue from levies employers pay.
Suppliers and Supporting Players
Suppliers of healthcare products, provide products including:

- medical devices;
- technology;
- pharmaceuticals;
- consumables
**REGULATORS**

- The Medicines Control Council (MCC), regulates clinical trials and registration of medicines. It is soon to be replaced by the South African Health Products Regulatory Agency (SAPHRA)

- The South African Bureau of Standards (SABS) is the relevant certification body

- The National Regulator for Compulsory Standards (NRCS), which acts on behalf of the government to regulate and comply with obligations set out by the World Trade Organisation (WTO) and

- The South African National Accreditation System (SANAS), which accredits certification bodies in the medical device industry
SUPPORTING PLAYERS

- **Medical switches**
  - The role of medical switching companies is to process claims between healthcare providers and healthcare financers, in real time

- **Practice Management Services**
  - The function of a medical practice manager is to create an efficient and cost-effective environment within which the healthcare service provider can offer a service to the patient

- **Software vendors**
  - Vendors of software that deals with the day-to-day operations and various aspects of managing a medical practice
SUPPORTING PLAYERS

- Clinical coding companies
  - Clinical coding is the transformation of narrative descriptions of diseases, injuries, and healthcare procedures into numeric or alphanumerical codes

- Malpractice insurers
  - Malpractice insurance covers healthcare providers in the private and public sectors for malpractice claims due to medical negligence leading to poor outcomes
THANK YOU
Health Market Inquiry

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