

HMI Seminar on Tariff Determination



Presented by NHN

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Introduction to NHN

INTRODUCTION TO THE NHN

ESTABLISHED IN 1996

Non-Profit

A Voluntary Association of Independent Private Health Facilities

Facilitates negotiations between Members and Funders

20% OF INDUSTRY BEDS & 10 – 15% OF ADMISSIONS

10 OCTOBER 2014 NHN GRANTED SECTION 10 EXEMPTION



The Case for the Reintroduction of Collective Bargaining

- Tariff parity
 - Tariff disparities between facilities
 - Independent facilities penalised in tariff terms
 - Disparity between NHN facilities and Group facilities
 - Inordinate bargaining power of the large Funders
 - A return to good faith negotiations
 - Notwithstanding the HMI views that negotiating power vests in the Groups, this is not the case for the NHN who are price takers



The Case for the Reintroduction of Collective Bargaining cont.

- The impact of the above serves to suppress competition
 - Independent facilities face equal or higher cost of investment and not dissimilar overhead costs
 - The lower tariffs worsens the business case for the facilities which in turn prevents new market entrants and stifles transformation in the industry
- Level playing fields
 - Tariff parity means that facilities compete on quality and clinical outcomes
 - All facilities begin on the same base and future increases are determined on performance
 - This will benefit consumers



The Tariff Bargaining Regulator

- Independence
 - Must be independent of government intervention
- Team profile
 - Full-time
 - Multidisciplinary
 - Straddles all stakeholders in the Private Healthcare sector
 - Experience in this sphere of industry matters



The Tariff Bargaining Regulator cont.

- Roles of the Regulator
 - Developing, maintaining and standardizing equitable coding systems
 - Research into inflationary cost drivers to determine a true medical inflation cost basket
 - The custodian of “big data” to be shared with all stakeholders to eliminate information asymmetry
 - Standardizing of efficiency scoring methodology
 - Standardizing and tracking of quality and utilization metrics
 - Fair and scientific determination of tariffs



Provider Networks

- Networks and evergreen contracts
- Networks not determined solely on price
- Limited participation for independent/smaller facilities
- Lack of transparency in network determination
- Lack of access to network facilities for patients
- Discounted fees for non-network participants
- Networks represent barriers to entry for new market participants stifling competition and BEE transformation
- Instances where network participants are appointed without due process



NHN – The Benefit to the Facilities and the Consumer

- Member facilities benefits
 - NHN has 212 facilities covering all disciplines with 10,514 beds
 - Notwithstanding the NHN challenges noted earlier, members are better off in the NHN than out of it
 - NHN, although lower than the Group tariffs, is still higher than the independent tariffs
 - Facilities face a better chance of network inclusion when in the NHN
 - Instances have been noted where members left the NHN and returned as a result of the benefits of membership of the NHN
 - NHN members have access to experience and skills not readily available in some of the smaller independent settings:
 - Access to efficiency scores
 - Quality scoring/interventions



NHN – The Benefit to the Facilities and the Consumer cont.

- Assistance with reimbursement issues
- Should the NHN exemption be extended to procurement, members will gain purchasing leverage
- Actuarial assistance
- Legal assistance
- Consumer benefits
 - Improves access to members, particularly in outlying areas
 - Promotes competition and BEE transformation
 - Benefit from cost efficiencies through reduced contributions
 - Quality and efficient hospitals – 8 out of the Discovery top 20 SA hospitals are NHN facilities



Thank You

