# HMI Seminar on Tariff Determination



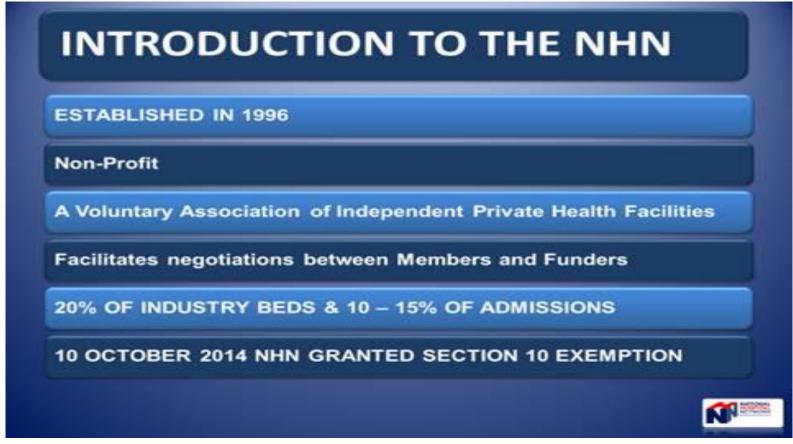
Presented by NHN 13 October 2017

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#### Introduction to NHN





# 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

