

Health Market Inquiry

Regulatory Framework Governing Provider Networks and Medical Fund Administrators

1. It is clear that the entities of Provider Networks (PN) and Medical Fund Administrators (MFA) are recognised stakeholders in the provision of health care in South Africa be it as for-profit entities.
2. What is of grave concerns however is the lack of a regulatory framework governing the above mentioned entities. Especially in the light of their for-profit involvement it is of paramount importance that sound regulatory frameworks are put in place to ensure the elimination of anti-competitive practices that leads to the disadvantage of both medical scheme members and service providers alike.
3. The regulatory framework will give clear guidelines along which both PN and MFA's will function and what requirements have to be met to enter the market. Some very important issues that are currently not addressed due to the lack of regulations is the following:
 - 3.1 Some entities functioning as a PN or MFA also has vested financial interests in the very service provider it has to reimburse. This is clearly anti-competitive because of the overlap of information about claims and services rendered in different locations. In the optometric industry for example the company KFML owns Preferred Provider Network that manages optical benefits for several medical aids as well as Specsavers that is a service provider to many members of said medical schemes. Rules against such conflicting interests should be part of the regulatory framework.
 - 3.2 The accountability of the PN or MFA if it delivers poor service or no service to scheme members or providers is lacking. These entities should be as accountable as any other for-profit service provider and proper processes should be put in place to protect both scheme members and service providers dealing with PN and MFA's. It is proposed that PN and MFA be registered with the proposed SSRH with their own set of regulations stipulating levels of service and dispute remedies.
 - 3.3 PN and MFA should not be able to set their own pricing structures as well as coding that supersedes that of the proposed SSRH. Currently the PN and MFA's does exactly that and both medical aid members and service providers are at their mercy. This adds to the administrative load of service providers. Furthermore, it makes it impossible for the scheme member to make meaningful price comparisons between service providers.
 - 3.4 Standardized minimum benefits for prescriptions should be implemented and applied to all PN and MFA.
 - 3.5 In some cases PN and MFA's, by virtue of their agreement with the medical scheme, become a supplier of goods to the service providers. This creates anti-competitive issues by locking in both the scheme members as well as the service providers with little control over the quality and availability of the product.
4. Transparency and understandability of the benefits offered through PN and MFA should be emphasised. In most cases the medical aid members do not understand what the real benefit is in relation to what the real cost of service or product is in the market and are shocked to find out that their benefits towards services or products are only a fraction of actual market costs.