

GAUTENG DEPARTMENT OF HEALTH

PRIVATE LICENSING SEMINAR

Addressing regulatory failures relating to the
Licensing regime, response to HMI proposed
interventions on Licensing

Ms. Ntamane



OUTLINE

- Section 44 of Health Act 63, 1977 (wholly repealed in 2012)
- Regulation 158 of 1980 amended in 1993
- R152 of 1994 delegating provincial authority by the President of the Republic of SA
- White Paper for the Transformation of the Health System in SA, April 1997, prescribed the public : private bed ratios and beds availability per 1000 population – 3:1000
- The Charter of the Public and Private Health Sector of the Republic of South Africa, July 2005, enforces BBBEE conformance.
- **National Health Act 61, 2003 (Section 36 a- m) Certificate of Need not applicable yet).**

CIRRENT BED RATIO – PRIVATE VS PUBLIC

- The availability of hospital beds is significantly higher in the private than the public sector
- The ratio of uninsured to insured people in Gauteng is 75:25
- •The ratio of public to private hospital beds in Gauteng should be 75:25 but is 50:50

PUBLIC VS PRIVATE BEDS

| Districts | No. Private Health Facilities | No. of private beds | No of Public beds |
|------------|-------------------------------|---------------------|-------------------|
| COJ | 63 | 6477 | 6 046 |
| West Rand | 17 | 1870 | 2 095 |
| Sedibeng | 11 | 933 | 1 174 |
| Ekurhuleni | 32 | 2992 | 3 177 |
| Tshwane | 46 | 4780 | 6 341 |
| Totals | 170 | 17052 | 18 833 |



private beds are selective to the affluent of the Gauteng Province, namely:

- Pretoria East
- Centurion
- Sandton & Midrand
- Johannesburg
- Kempton Park

To the exclusion of West Rand, Soweto and Sedibeng, former Metsweding

GAUTENG PRIVATE HEALTH FACILITIES

- Increasing number of private sector hospitals over the years in Gauteng:
- 2006: 95 hospitals
- 2015: 154 hospitals
- 2017: 170 additional hospitals
 - 96 Acute Hospitals
 - 49 Day Hospitals
 - 25 SubAcute Hospitals
- Excluding 48 approved but not yet built



GROWTH OF UPCOMING GROUPS

| Hospital Group | Distribution percentage |
|------------------------------------------|-------------------------|
| Akeso | 2% |
| Life | 14% |
| Netcare | 23% |
| Mediclinic | 7% |
| Lenmed | 2% |
| Care Cure | 1% |
| Independents incl. NHN & Advanced Health | 43% |
| Cure Day | 2% |
| Intercare | 3% |
| Clinix | 3% |

Barriers to entry and expansion for smaller facilities

- Licensing in Gauteng is favourable to market entry, because
 - There are currently 48 approved facilities, but not yet built, totalling 2796 beds and 306 theatres.
 - Out of the above only (5) are currently under construction with only 420 beds and nine (9) theatres
 - There has not been restriction of merging of groups, whether successful or not, namely:
 - Leboneng and Mediclinic
 - Life Health Care and Genesis
 - Netcare and Akeso

(Needless to say that the Department is usually informed at the latter part of the negotiations)

Private Licensing Sub- Directorate

- The Sub-Directorate (Administrative Office)
 - All new private hospitals and extensions to existing already registered hospitals;
 - All private unattached theatre units.
 - SubAcute Health Facilities
 - Mental Health Day Centres
- Receives and processes licensing applications
- Co-ordinates the adjudication of licensing applications
- Compiles and maintains information on the licensing process
- Carries out prescribed inspections – in loco site, annual inspections, post commissioning inspections, pre-occupation inspections and unannounced inspections.



APPLICATION PROCESS

Applicant submits a letter of intent to the Private Licensing Directorate



Applicant is issued an application form and a tracking number



Applicant returns completed application form to the Licensing Directorate



Adjudication Committee assesses applications based on key considerations and makes recommendations to Head of Department (HOD)



The HOD makes a final determination.



The outcome of the application is communicated to the applicant



Successful applications undergo a further process (verification of the facility location, human resource, building plans)

Due process needs to take place for each application – this takes time

Adjudicating applications: key considerations

- Residential growth and development in planned area of entry
- Indication of the insured population in the area – LSM and medical aid membership
- The promotion of equitable distribution of healthcare services
- Promoting the appropriate mix of public and private services
- Service demand
- Health need (epidemiological profile in the proposed area)
- Fair distribution of the proposed facility and relation to existing hospitals
- Demonstration of availability of human resources and training of health personnel
- •Financial sustainability

Transparency

- At time of application, applicants are duly informed of:
 - The process of application
 - Required documentation needed in support of the application
- The key considerations are reflected on the application form as direct requests for information such as:
 - Population to be served
 - Epidemiological profile of catchment population
- Location of other private facilities in proposed location
 - Demand for services
- Post adjudication, applicants are duly informed of:
 - Success or failure of application and the main reasons thereof
 - Offered an alternative to appeal the outcome to the MEC

Main grounds for Rejection

Reasons for approving (3)

- **Planning to render services to an underserved area.**
- **Planning to render services in an area where the nearest hospital (different hospital group) has a high bed occupancy rate.**
- **Planning to cater to underserved health needs in the area.**

Reasons for not approving (8)

- **The proposed hospital would be too close to existing hospitals within the same hospital group.**
- **The proposed hospital would be too close to other existing hospitals in another hospital group .**
- **A lack of information to illustrate or indicate demand hospital.**
- **Previously approved facilities are uncompleted and applicants are seeking approval for new facilities.**

Barriers to entry

- Cannot be guaranteed because of the following
 - Oversupply of private health care beds way above 3:1000
 - Steady increase over the years with no real proof of matched demand
 - Hospitals have low bed occupancy rates which indicate underutilization
- Therefore the big question is “Is there real demand for private hospital beds, or is this supplier-induced demand?” in selected affluent areas
- Hospital beds concentrated in geographical areas with high population incomes and bed densities
- In conclusion the licensing framework has not adequately regulated the profit-driven conduct of hospitals, but has allowed for monopoly and poor distribution more than barriers to entry in Gauteng



GAUTENG PROVINCE

HEALTH
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Together, Moving Gauteng City Region Forward

THANK YOU