



Health Market

Inquiry:

Licencing of Hospitals

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The South African Medical Association



SAMA background

- Medical Association
- Representing about 15 000 doctors in both public and private sector
- We unite Doctors for the Health of the Nation



Issued raised

- Inconsistent licencing processes across various Provinces.
- Challenges with licencing which created barriers to entry
- Outdated Regulations
- Certificate of Needs
- Licencing of Health Professionals by different bodies
- Regulations stifle entry of innovative markets
- Lack of coordination between HPCSA, CMS, OHSC



Licencing a requirement for quality

- Principle support of licencing of health practitioners and establishment as means to protect the public and ensure good quality of care
- Cognisant that the quality assurance mechanism is still in the infantile stage and hence supports requirements for post-licensure monitoring through regular review
- OHSC need to be capacitated to ensure that private establishments comply with the prescribed health standards
- Good quality of care requires appropriate **evidence-based financing**
- Support standardised and revised licencing mechanism
- Licencing alone cannot achieve distribution of resources
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Licensing: a possible tool for equitable distribution

- What are the factors that could contribute to inequitable distribution of Hospitals?
 - What are the competing priorities and trade-offs
 - Upstream causes of inequitable distribution of Health Facilities
 - Is licencing effective in addressing inequitable distribution of facilities within current market forces?
- Is the distribution of Private Health Facilities?



Four competing priorities

- **Competition**
- **Equity**
- **Efficiency**
- **Sustainability**



Competition

- Open entry and competition perpetuates inequities and inefficiencies in health care.
- Licencing is well known to create barriers to entry, can create oligopolies therefore stifle competition.
- This can distort prices in health care e.g. price rigidity
- Licencing also protect market space of players
- Barrier to entry for new small players

Licencing has created market failures within the private market space.

Will the proposed changes have effect on **oligopolies and price rigidity?**



Equity

- Justice and Right-based theories
- Health remains a right and it needs to be distributed in a just manner.
- The inequitable distribution of hospitals can be as a result of **health system design (commercialisation)** or due to factors outside the health system (SDH)
- The Health system design is characterised by inequitable past and slow but progressive redistribution.
- Efficiency vs. equity



Efficiency

- **Utilitarian approach:** Maximising benefits of health care inputs
- Trade-offs between efficiency and equity in health care.
- Conflicts are common phenomena encountered during health policy formulation
- policies that are designed to improve operational efficiency often have the potential to increase health inequalities, or they may improve fairness while challenging efficiency
- Public Sector PHC approach: Equity based
- Public Sector hospitalisation: Efficiency based

A licencing Framework that focuses on equity only may result in unintended inefficiencies



Sustainability

- Health System is responsive to needs of the society
- Embrace ethical innovation
- Can attract and retain health professionals and investors
- Responsive to societal needs
- Delivers high quality of affordable health care to its citizens
- Profitable to private business (Doctors and Hospitals)

Revision of Licencing regulation and Processes needs to take into consideration the above



What are SDHs

- The conditions within which people are born, and determines their health status.
- These conditions determines how long a person will live, their quality of life and access to health amenities etc.
- Inequalities in health outcomes are often explained by differences in distribution of SDH

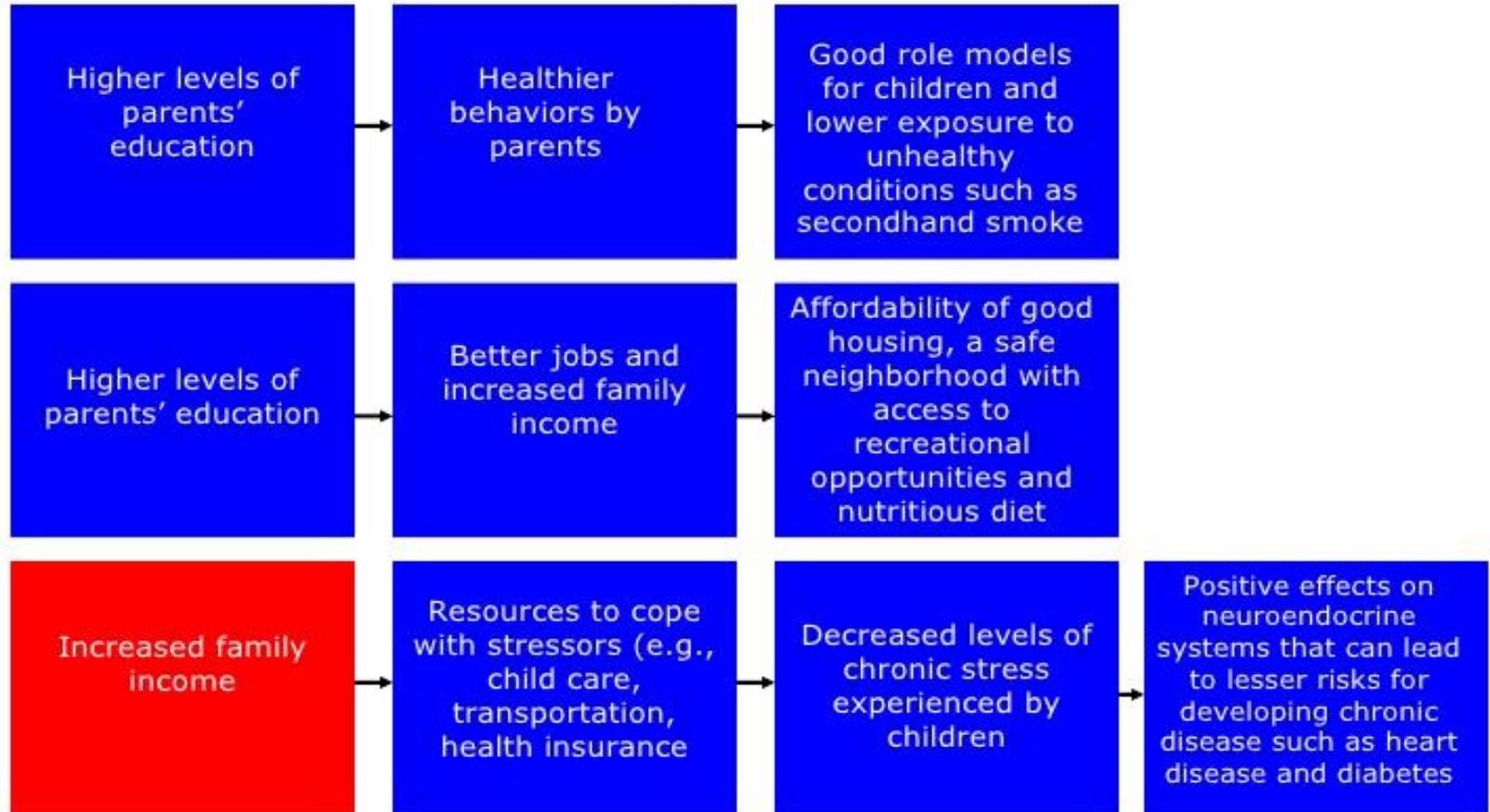


- **Inverse Care Law**, first defined by Hartman states that that: "*The availability of good medical care tends to vary inversely with the need for it in the population served. This ... operates more completely where medical care is most **exposed to market forces**, and less so where such exposure is reduce*
- Geoffrey Rose, a well-known epidemiologist argued that the best prevention strategy is to address the **causes of causes**



Community Behavior...

How economic & social advantage shapes health





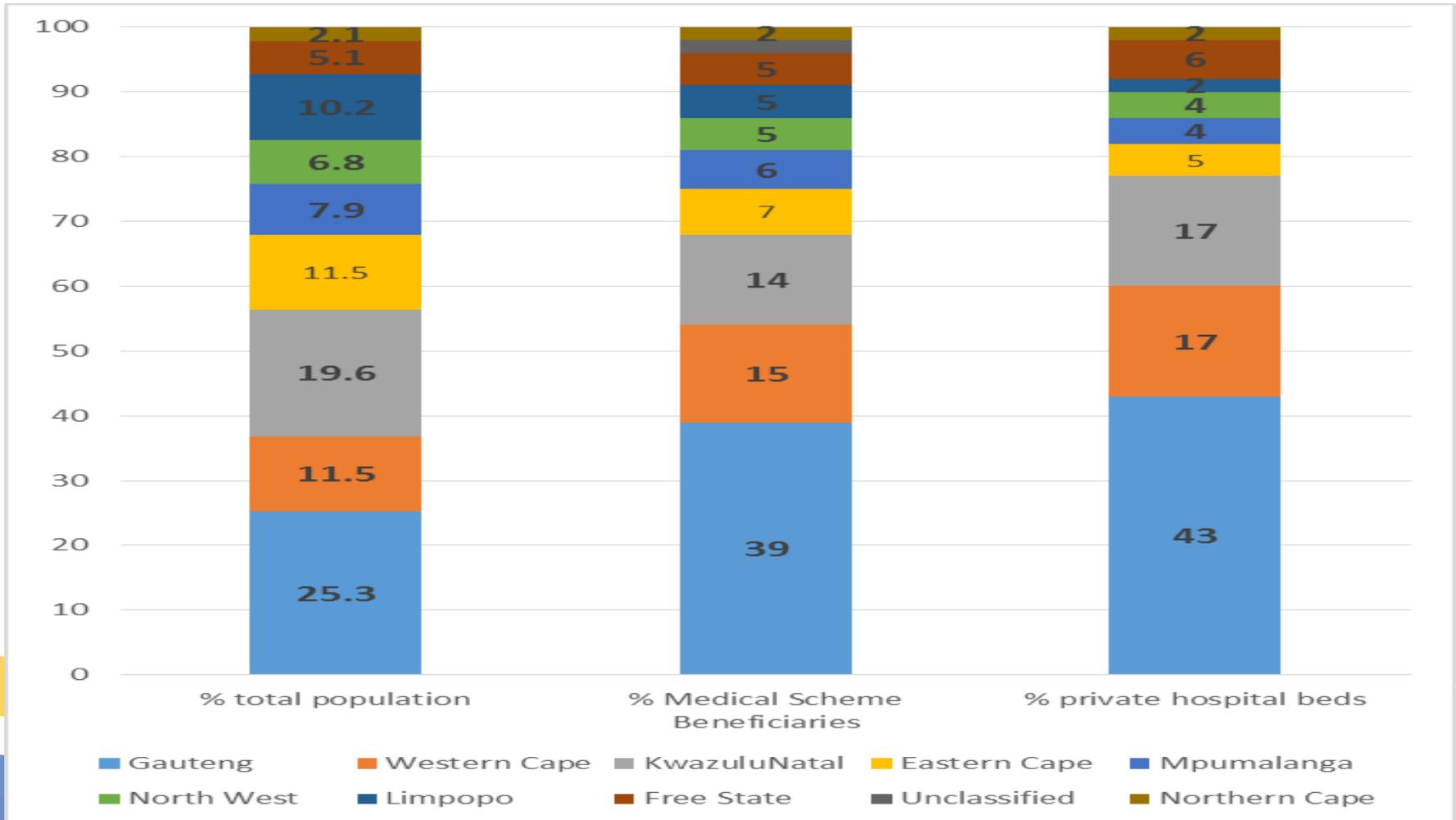
Social Determinants Of Health: Income and wealth Inequality In SA

Wealth and income distribution

- Increased Gini Co-efficient
- 10% earn 60% of all income vs. 20-35% in advance economies
- 10% own 90%-95% of the wealth
- **Human Development Index:** South Africa's HDI has slightly increased over the years,
- inequalities the HDI falls from 0.66 to 0.435 > unequal society
- **Inclusive Indices** shows that the growth and development of the country has not been inclusive.
- Therefore, any business entrant will target the high income market resulting in skewing of resources to the affluent population

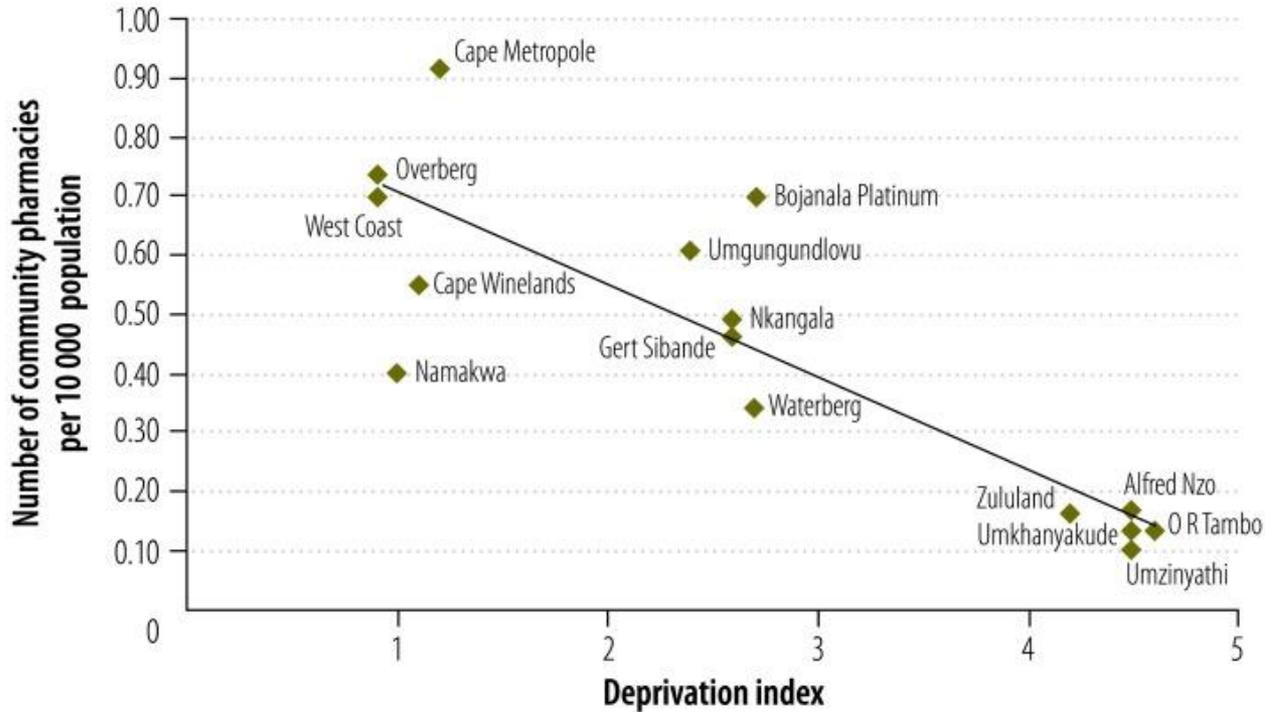


SDH: Access to Medical Scheme determines Private Hospital Distribution





Consequences of opening market to corporate pharmacies





Licencing to address Bed Distribution of Hospitals

- Rural populations widely dispersed
- Geographical and infrastructural barriers could reduce penetration
- To improve efficiencies services, public and private sector hospital services tends to be centred around business districts. Private hospitals have capacity to assist with specialist attraction to underserved areas
- Thus, licencing to promote equity goals can compromise efficiency



Certificate of Need

- CON seeks to improve equitable distribution of health facilities and staff
- On its own, the CON cannot achieve this objective
- Need to address other SDH
- Overall improvement in rural infrastructure: Water and sanitation, Roads, Schooling, more likely to attract health professionals and business
- Evidence shows that incentives work better in attracting professionals to underserved areas rather than enforcements



Market and Health Inequities

Markets bring health benefits in the form of new technologies, goods and services, and improved standard of living

But

Can generate negative conditions for health in the form of

**economic inequalities,
resource depletion,
environmental pollution,
unhealthy working conditions**

Commercialisation of Goods such as health, education, water and sanitation increases inequalities



SDH

WHO recommendations to address

- 1. Tackle the inequitable distribution of power, money, and**
- 2. Resource- DAILY LIVING CONDITIONS:**
 - Housing, roads, water, sanitation and tele-communications**
 - Decent, Fair and safe work**
 - Early childhood development and good quality education**
- 3. SDH in all government policies**
- 4. Fair Financing: Progressive taxation, rates, Universal**
- 5. Coverage, Social Security**



Potential Government Policies to Address upstream Inequities

- Government Growth and Development Plan inclusive of vulnerable communities
- Rural and Peri-urban infrastructure development
 - Water and Sanitation (progressive rate taxation)
 - Road infrastructure, Transportation
 - Housing
- Improvement of education in the rural and vulnerable communities
- Increased **social protection : universal Health Coverage, social security**
- Improve implementation of pro-equity policies across all sectors



Conclusion

- Licensing is necessary
- Licencing alone will not address maldistribution of health care facilities unless accompanied by other measures to address inequalities in SDHs
- Licensing should consider and balance the following competing priorities
 - **Promotion of competition**
 - **Improve equitable access**
 - **Increase efficiencies**
 - **Sustainable and innovative health care delivery**