RAMS

Representative Association of Medical Schemes

10 September 1998

Dr Anette van den Merwe
HASA

Dear Dr van der Merwe

ANNUAL REVIEW OF THE RAMS RECOMMENDED SCALE OF BENEFIT

As you are aware, I am required by decision of our Annual General Meeting to publish the results of the annual review of the RAMS Recommended Scale of Benefits by 15 September each year.

This year I intend to publish the result in the Sunday Times, Rapport and City Press of Sunday 13 September 1998. It is also possible that this information may be published in the media prior to Sunday.

I wish to stress for both our benefits that this process is not a negotiation - being a demand of the opinion of the Competition Board. In the case of HASA this year, it is also not the result of any form of consultation. We regret that we cannot enter into meaningful dialogue with you over issues as critical as recommended scales of benefit as these are issues which are critical to the continued operation of our member schemes and their members on the one hand and your members on the other. We look forward to the day when, after the Competition Board have given clearance, when we can again build a relationship based on mutual trust and respect and ultimately for the good of our member and your patient.

The review of the recommended scales of benefit for 1999 has been particularly difficult. With the devaluation of the Rand, we will face increases in medicine costs through imported inflation in the region of 15 - 20%, excluding increased utilisation. Medicine is not the only factor which will affected by the imported inflation as medical equipment and consumables are also involved.

On the other hand, with high interest rates, lower disposable income, inflation at a low level of around 7% but increasing, and salary and wage increases in the region of 7 - 8% (with exceptions at both above and below those figures) the question of affordability to the average man in the street - the employee and also his employer, is paramount.

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We have estimated that the absolute maximum increase in terms of affordability for members and employers is 10%. From this figure must be deducted the imported inflation on medicines. Medicines account for some 35% of our expenditure and if this is increased by 20% before a utilisation increase, and deducted from the maximum affordability, we are left with a figure for distribution amongst all the various provider groups with whom we relate.

In line with national health policy, we are desirous of reducing the mark-up on medicines and consumables in hospital down to the wholesale figure and in fact once the new Act has been enacted, looking at true exit prices. We are fully appreciative that the medicine component cross-subsidises your theatre and wards. In an effort to reduce the mark-up of medicines which, as you know, we look upon as a perverse incentive, we will be happy to look at increasing the ward and theatre fees by an equitable amount. This would be in line with the calculations recently presented to RAMS.

This is the message that will be conveyed to the media, emphasising once again that we look to a new relationship once the legislative framework is in place for us to be able to have meaningful discussions.

With kind regards.

Yours sincerely

Declan

D M BRENNAN
EXECUTIVE DIRECTOR