

On the Brink....



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The past year has been one of unnecessary acrimony, with a tsunami of negativity, largely targeting the private healthcare sector. However, it must be said that the public sector also received its fair share of criticism.

Despite this deluge of finger-pointing in the media, private health continued to deliver world-class service to an inordinate number of patients. This was achieved with little acknowledgment and gratitude (with the exception of our patients), to the number of private hospitals and health professionals that continued to work in this environment despite the negativity. Nurses, in particular, went beyond the call of duty, often working long hours under difficult circumstances and with increased patient needs. Without these efforts, there

would be no healthcare service delivery to address the ever-increasing health needs of our people.

The source of our *annus horribilis*, to borrow from Her Majesty, Queen of England, was not these negative opinions, but rather the missed opportunities to improve access and affordability. Animosity and battles do not make for good working relationships and partnerships. Any sector that elevates the negative above anything else, does so at the expense of solutions and innovation. This is a sad indictment on our health care when considering the extent of our people's needs, and we should all take note.

IMPORTANT TRENDS

Embarking on a "truth of data" exercise, where all stakeholders unite to discuss a uniform methodology on how important trends are measured, is long

overdue in the healthcare sector. It makes no sense that important concepts – such as medical inflation, utilisation, ageing and expenditure – are measured differently by stakeholders, resulting in confused findings and reporting. It is paramount that these trends be accurately measured and universally accepted, if solutions are to be found for our country's healthcare needs.

PUBLIC VS PRIVATE HEALTHCARE EXPENDITURE

It is, in particular, claimed that the total public healthcare budget is spent servicing 80% of the population, whereas the total private healthcare sector budget is spent servicing the remaining 20%. These figures are based on the 7 478 040 medical scheme beneficiaries¹, as a proportion of the 48 687 323 SA population². This deduction contradicts Statistics South Africa's (Stats SA's) findings, which annually measures healthcare utilisation in its General Household Survey.

While the General Household Survey does not provide us with a comprehensive and detail-specific analysis of the exact service points of the public and private healthcare sectors, it does suggest that about 43% of healthcare users (including the uninsured) obtain their healthcare services from the private sector. This casts significant doubt on the 80/20 split theory as currently espoused.

More importantly, Stats SA attempts to

measure actual utilisation, which is, in our opinion, the most vital of all measures. We cannot assume that every man, woman and child in SA utilise healthcare services. As such a measure of actual utilisation would give a more accurate account of expenditure. In turn, this provides a better basis to understand expenditure, utilisation and the impact of each of these factors on the overall budget and specific medical schemes.

The healthcare user served by private hospitals includes all medical scheme beneficiaries and the uninsured population that pay "out-of-pocket". The "out-of-pocket" group also includes foreign patients entering SA to access healthcare, as well as many "public sector" users that elect to receive treatment privately. The General Household Survey, which specifies the number of people (both covered and not covered by medical aid) that visited a private hospital in the month of the survey, shows that 15% of the medically insured and 2% of the uninsured visited private hospitals.

Whatever the concrete public/private split may be, what remains clear is the current and historic inequity between the public and private sectors. This cannot be disputed, just as the value of the private healthcare sector should not be understated or ignored. Private health does not only provide valuable services to a significant number of patients, but also attracts both foreign direct investment and tourism, while making the country globally competitive.

TABLE 1: PEOPLE WHO WERE SICK/INJURED AND CONSULTED A HEALTH WORKER IN THE MONTH PRIOR TO THE INTERVIEW, BY PLACE OF CONSULTATION AND MEDICAL SCHEME COVERAGE.³

Place of Consultation		N (1000)		
		Covered	Not covered	Total
Public Sector	Total	60	2 281	2 349
	Public Hospital	29	777	811
	Public Clinic	26	1 481	1 511
	Other in Public Sector	*	22	27
Private Sector	Total	848	922	1 776
	Private Hospital	139	59	198
	Private Clinic	81	55	137
	Private doctor/specialist	589	702	1 295
	Traditional healer	*	33	36
	Pharmacy/chemist	29	52	81
	Health facility provided by employer	*	*	14
	Alternative medicine, eg homoeopathist	-	*	*
	Other in private sector	*	13	14
Unspecified/don't know	Total	12	54	67
	Unspecified/don't know	12	54	67

* For all values of 10 000 or lower the sample size is too small for reliable estimates. Due to rounding, numbers do not necessarily add up to totals. Totals include those 'don't know' and 'unspecified' categories of medical aid coverage variables.

Source: Statistics SA

THE POPULATION OF SA

The general population has enjoyed growth over the years and each age group’s utilisation of healthcare services is measurably diverse. For this reason there is a need to analyse the unique utilisation differences (if any) between the medically insured and the uninsured by age, together with multiple utilisation trends where applicable. In this regard, the entire population should be broken down into age bands, and the growth of these bands measured over a period of time. This, in turn, should be measured against actual utilisation. This is something that Stats SA seems to be taking the lead on.

Their research indicates a significant growth in the older age bands when compared to the younger. For instance, there is an increase of 12,3% in the 45 to 49 group, 18,4% in the 50 to 54 group and 21,6% in the 60 to 64 group over the period measured.

Older patients tend to utilise healthcare services more and, if anything, health becomes a significant consideration for all people as they get older. In the CMS 2008 Annual Report, an attempt has been made to understand the age of beneficiaries, unfortunately without investigating its impact on the utilisation. Nonetheless, baby steps are important and whilst Table 2 as done by

Stats SA (albeit limited) provides an important glimpse into the general population and its ageing, the medical scheme population has yet to be measured in a similar fashion.

The report of the council does, interestingly, concede that “increases in the number of beneficiaries were seen across all age groups, except for the 85+, which decreased by 0,8%”. Unfortunately, it has not measured who amongst those age groups utilised services, and how many times. What the CMS figures do show, is that the majority of beneficiaries fall within the 30 to 65 age bands, with a peak in the 35 to 49 band. It would be interesting for CMS to consider allocating actual numbers to the specific age bands to provide a basis for understanding trends in the utilisation of benefits in terms of age.

The British National Health Confederation⁴ investigated utilisation trends of healthcare benefits and found that 10% of in-patients accounted for 55% of overall in-patient days and 5% of in-patients accounted for 42% of total in-patient days.

A similar study in South Africa’s (public and private healthcare sectors) will be of immeasurable significance.

In terms of the number of medically insured, both the Western Cape (24,9%) and Gauteng

TABLE 2: TOTAL POPULATION OF SA, BY AGE BAND, INDICATING GROWTH TRENDS OVER AN EIGHT-YEAR PERIOD.²

Age	2001	2002	2003	2004	2005	2006	2007	2008	Growth
0-4	5 334 521	5 327 410	5 313 817	5 300 349	5 285 196	5 248 329	5 197817	5 139 845	-3,6
5-9	5 275 919	5 291 475	5 298 529	5 291 317	5 275 393	5 273 139	5 266681	5 254 200	-0,4
10-14	5 092 441	5 133 803	5 171 484	5 207 085	5 235 124	5 257 358	5 272253	5 278 808	3,7
15-19	4 692 289	4 765 090	4 846 363	4 935 420	5 032 473	5 075 121	5 115828	5 152 680	9,8
20-24	4 435 733	4 484 922	4 526 825	4 556 295	4 571 300	4 633 569	4 704277	4 783 489	7,8
25-29	4 145 171	4 193 083	4 212 568	4 228 096	4 256 646	4 296 056	4 334740	4 367 376	5,4
30-34	3 156 173	3 335 990	3 526 706	3 694 253	3 817 848	3 887 343	3 912753	3 913 476	24,0
35-39	2 659 429	2 658 133	2 663 699	2 694 417	2 761 875	2 868 815	3 005229	3 147 326	18,3
40-44	2 394 330	2 421 617	2 437 991	2 444 127	2 442 663	2 429 199	2 407265	2 390 145	-0,2
45-49	1 994 786	2 055 859	2 114 337	2 163 963	2 201 194	2 225 319	2 238361	2 240 476	12,3
50-54	1 640 720	1 678 468	1 715 800	1 755 603	1 799 610	1 847 524	1 896863	1 942 823	18,4
55-59	1 315 803	1 355 627	1 395 971	1 435 199	1 472 385	1 506 308	1 537496	1 567 981	19,2
60-64	1 026 723	1 055 064	1 083 354	1 112 855	1 144 333	1 177 937	1 213169	1 248 785	21,6
65-69	741 657	768 728	796 365	823 734	850 339	875 821	900567	925 413	24,8
70-74	493 931	511 483	529 618	548 756	569 108	590 860	613776	637 240	29,0
75-79	296 223	308 736	321 404	334 270	347 342	360 586	374150	388 347	31,1
80+	232 947	241 627	251 125	261 350	272 262	283 853	296095	308 913	32,6
	44 928 796	45 587 115	46 205 956	46 787 089	47 335 091	47 837 137	48 287320	48 687 323	8,4
	22 464 398	22 793 558	23 102 978	23 393 545	23 667 546	23 918 569	24 143660	24 343 662	

Source: Statistics SA

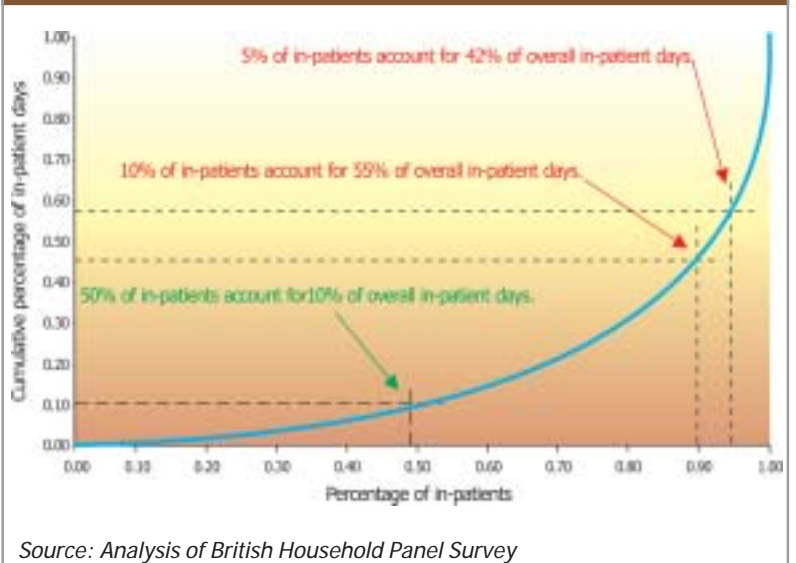
(28,2%) have the best representation, and collectively account for 53,1% of the total medically insured population. This would account in part for the higher private hospital bed numbers, although, in order to understand capacity, one needs to know what beds are being referred to. More specifically, one should make a distinction between bed types (psychiatric, surgical, medical, maternity and others) and then consider whether bed representation within those provinces are proportional to need.

THE PRIVATE HOSPITAL SECTOR

Hasa has commissioned significant research into the private hospital sector through independent consultants such as Deloitte, Genesis Analytics and PricewaterhouseCoopers, to address claims regarding private hospitals. We remain concerned, however, of persistent claims by some stakeholders about the “over-supply” of private hospital beds without any attempt to qualify it (comparatively or methodologically). More often, private sector beds are collated without any consideration of the type of bed, and this, in our opinion, distorts our understanding of ‘spare’ capacity. Most private sector beds are for specific interventions and cannot be used interchangeably.

For example, the Western Cape has 4 841 000 people of which 1 209 703 are medically insured (see Tables 6 and 7). The total number of private sector beds (of all types) is 4 317, a ratio of 1/280. However, 344 are psychiatric and rehabilitation beds used exclusively for such patients. Assuming these 344 beds service the medically insured exclusively (which is in doubt), the ratio will be 1/3 556 (1 209 073). Clearly there is a need for a far more qualified approach to understanding capacity and representation in the private and public sectors. This is particularly true when considering the mental healthcare needs of the population, which arguably has been historically under-funded and under-supplied. The result is an ever-

GRAPH 1: PERCENTAGE OF THOSE ADMITTED AS IN-PATIENTS, BY CUMULATIVE DAYS SPENT AS IN-PATIENTS, WITHIN THE BRITISH HOUSEHOLD PANEL SURVEY.



Source: Analysis of British Household Panel Survey

TABLE 3: DISTRIBUTION OF BENEFICIARIES IN REGISTERED MEDICAL SCHEMES 2005-2007⁵

Scheme type		2007	2006	2005
Open	Members	2114 986	2 099 247	2 004 466
	Dependants	2836 331	2 951 191	2 901 086
	Beneficiaries	4951 317	5 050 438	4 905 552
Restricted	Members	1063 941	886 103	807 617
	Dependants	1462 782	1 190 802	1 122 452
	Beneficiaries	2526 723	2 076 905	1 930 069
Consolidated	Members	3178 927	2 985 350	2 812 083
	Dependants	4299 113	4 141 993	4 023 538
	Beneficiaries	7478 040	7 127 343	6 835 621

Source: Council for Medical Schemes

TABLE 4: DISTRIBUTION OF BENEFICIARIES IN REGISTERED MEDICAL SCHEMES 2007, WITH GENERAL POPULATION NUMBERS PROVIDED

Region	Medically insured	General population	Percentage medically insured
Beneficiaries outside RSA	11 391	N (1 000)	This does not account for uninsured patients accessing health in the private sector
Beneficiaries inside RSA	7 478 040	47 851 000	15,6%

Source: Council for Medical Schemes

increasing need to provide appropriate care, treatment and rehabilitation to a demanding population.

This is also true when considering that little attention has been given to the provision of care

for minors within facilities that are designed specifically for their needs. Ironically, the country concedes that substance abuse and mental health concerns among minors has grown significantly in the past few years, and yet there has been no defined and strategic effort to address it. Thus, to better understand capacity, Hasa has for the first time broken down actual bed types with reference to geographic location and number (see Table 7).

PRIVATE HOSPITAL GROUPS VS INDEPENDENTS

Over the past three years, two of the large hospital groups made significant purchases internationally, resulting in an extraordinary global investment. Netcare, through its United Kingdom operations, has a significant hospital spread with at least three of these hospitals in direct partnership with the National Health System. Similarly, Medi-Clinic has made purchases in Switzerland, which together with its operations in the United Arab Emirates, has seen a local company establishing itself in the global market. The result of these purchases has seen South African-based healthcare companies launching themselves as significant hospital networks and future international companies.

Locally, things have been somewhat different, with the Competition Commission approving the

TABLE 5: TOTAL NUMBER OF PRIVATE HOSPITAL BEDS PER PROVINCE - JUNE 2007

Province	Hasa Members	Known non members
Eastern Cape	1537	15
Free State	1528	687
Gauteng	13 055	1700
KwaZulu-Natal	4 162	89
Limpopo	303	83
Mpumalanga	939	55
Northern Cape	309	44
North West	830	526
Western Cape	4 221	96
TOTAL	26 884	3 295
Lesotho		32
Namibia	55	
Swaziland		81
TOTAL (South Africa)	30 179	
Total Southern Africa	30 347	

Source: Health Annals 2008

purchase of the Community Health Group by Netcare. This has seen both the size and spread of the independent hospital sector reduced (see Table 8). At the same time, it has been encouraging to see the emergence of smaller groups. Some of these independent groups have extended their investments to other southern African countries. With such international and southern African developments, it is ironic that public-private partnerships (as seen in this international involvement by South African groups) have not

TABLE 6: PRIVATE MENTAL HEALTH ESTABLISHMENTS AND SUBSTANCE ABUSE CENTRES, PER PROVINCE, WITH REFERENCE TO POPULATION TRENDS.

Province	Medically Insured ¹ * 11391 (beneficiaries outside the Republic)	General Population ² N (1000)	Private bed numbers* (Mental Health Establishments and Substance Abuse Centres)
South Africa	7 478 040	47 851 000	1 347
Western Cape	1 209 703	4 841 000	344
Eastern Cape	644 387	6 908 000	102
Northern Cape	158 226	1 101 000	0
Free State	345 571	2 966 000	126
KwaZulu-Natal	1 145 014	10 011 000	130
North West	394 000	3 395 000	29
Gauteng	2 732 777	9 690 000	641
Mpumalanga	511 160	3 536 000	24
Limpopo	325 811	5 403 000	0

* Some ordinary hospitals licensed under regulation 158 may have a few psychiatric beds allocated to their license. These numbers however, are in the opinion of Hasa insignificant and will not materially impact on the graph above. Every effort has been made to identify non members of Hasa, It may be possible that some establishments have not been included.

Source: Health Annals 2008

TABLE 7: PRIVATE HOSPITAL BEDS BY TYPE AND GEOGRAPHIC LOCATION, INCLUDING NUMBER OF THEATRES AND SPECIALISED THEATRES (WHERE APPLICABLE)

Province	Total Beds	Grand Total	Medical Beds	Surgical Beds	Maternity Beds	Neonatal ICU Beds	ICU Beds	Specialised ICU Beds	Oncology Beds	High Care Beds	Paediatrics Beds	Psychiatric Beds	Day Ward Beds	Total number of Theatres	Number of Specialised Theatres
GP	14 747	14 747	3 968	4 923	1 103	335	880	173	0	526	1 239	663	937	533	88
KZN	4 222	4 222	1 198	1 384	366	68	188	24	10	168	357	130	329	144	15
EC	1 553	1 553	387	569	152	34	62	16	0	50	121	102	60	59	0
LP	386	386	99	135	54	12	14	0	0	5	53	0	14	13	0
MP	939	939	230	319	107	34	30	12	0	25	116	24	42	28	3
FS	2 247	2 247	689	813	102	24	93	16	0	160	136	126	88	53	4
NC	353	353	79	174	36	7	16	0	0	3	32	0	6	12	0
NW	1 356	1 356	476	559	82	14	50	0	0	19	107	29	20	38	3
WC	4 362	4 362	971	1 413	480	81	220	58	0	116	423	280	320	152	8
Total	30 165	30 165	8 097	10 289	2 482	609	1 553	299	10	1 072	2 584	1 354	1 816	1 032	121

Source: Health Annals 2008

been embraced with significance within SA. Hopefully, with the advent of National Health Insurance, this will change.

Netcare remains the largest of the groups with 8 177 beds. Life Healthcare follows with 7 142 beds and Medi-Clinic is strong at 6 685 (excluding 55

Namibian beds). Of the smaller hospital groups, Clinix is the largest with 1 154 beds. Melomed is second with 388 beds and JMHS is at 362.

Lenmed, the smallest, is unique in its effort to branch into other countries, and is currently looking to establish additional facilities in Mozambique. If we were to add all the independent hospitals (including smaller independent groups but excluding mining sector beds) the total number of beds that would be defined as independent would be 6 323, a significant market share, albeit reduced from the previous year.

TABLE 8: BREAKDOWN OF OWNERSHIP BY GROUPS AND INDEPENDENTS (INCLUDES MINING SECTOR HOSPITALS)

Total AngloGold	688
Total Clinix	1 154
Total Community Health	297
Total Goldfields and Harmony	1 181
Total Independent	3 928
Total JMHS	362
Total Lenmed	194
Total Life Healthcare	7 142
Total Medi-Clinic	6 685
Total Medi-Clinic Namibia	55
Total Melomed	388
Total Netcare	8 177
Total Swaziland	41
Grand Total	30 292

Source: Health Annals 2008

References

- ¹ Council for Medical Schemes Annual Report, 2007-08. Council for Medical Schemes, September 2008, Hatfield.
- ² Population Figures 2007. Statistics South Africa, 2007, Pretoria.
- ³ General Household Survey 2007. Statistics South Africa, 2008, Pretoria.
- ⁴ Analysis of British Household Panel Survey. As presented by Dr. Gill Morgan of the NHS Confederation.