

# MEDIA STATEMENT

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## **LONG TERM VISION AND INCLUSIVE APPROACH REQUIRED FOR SUSTAINABLE HEALTHCARE REFORM**

*Mediclinic Southern Africa (MCSA) welcomes the National Health Insurance green paper as a positive step towards creating the forum for establishing a sustainable long-term approach to healthcare delivery. In the period preceding the release of the green paper on 12 August 2011 and undoubtedly for the foreseeable future, issues pertaining to healthcare and associated reforms have been and will remain high on the agenda. As a private hospital group that has been operating sustainably and effectively in the country for over 28 years with proven expertise, MCSA has for some time contended that sustainable solutions can be effected through a systematic, informed, collective and scientific approach.*

In our view the NHI green paper document indicates, as did the Minister in his comments, the important role of private healthcare providers as well as medical aid schemes, and how achieving the goals of the NHI will involve greater cooperation and consultation between the public and private sectors. It's clear that in order to realise the vision of increasing access to quality healthcare for the entire population South Africa will need both the public and private healthcare systems.

To this end, we look forward to the opportunity of playing a bigger role, specifically through Public Private Partnerships, while the public sector remains the backbone of healthcare services in the country.

Mediclinic supports a multi-tier healthcare system as the most optimal way to ensure universal access to quality healthcare for all. Developing countries by their very nature cannot afford single tier healthcare systems. Research shows that given the income distribution in the country and the resultant narrow tax base, funding from taxes will not be adequate to provide care to meet the demands of everyone. This is further evidenced by the successful healthcare reforms in Mexico, Thailand, Colombia and Brazil which are all based on multi-tiered systems.

Detail on the proposed funding of NHI is a critical aspect that is yet to be addressed. We further look forward to providing valuable inputs on this as well as the opportunity to engage with the Minister and the Department on the issue of costs in the private sector and the possibility of developing lower cost models.

When considering the issues at hand and how a different perspective can promote a more constructive vision one of the most critical to address would be the issue of pricing and regulation. The private hospital sector has published a great deal of research and statistics over the past few years to expose the myths that private hospitals charge inflated fees and make excessive profits.

Private hospital tariff increases are driven by increases in underlying input costs such as equipment costs and nursing salaries, yet prices have remained contained, despite high medical inflation. Based on replacement cost, the listed private hospital groups in South Africa show returns that are below the average on the JSE Securities Exchange. Hospitals are extremely expensive to build – costs are now about R2 million per bed – and are labour-intensive to operate, because of increasingly high nursing costs. This is also the case internationally. Hospital returns must be evaluated against the high capital investments that are required to develop and maintain our hospitals.

On this basis, the return on investment cannot be classed as exceptional. But, without profits, there would not be the investment in hospitals, medical equipment and staff that are needed to maintain and expand the services the private hospitals offer.

Mediclinic annually negotiates prices with every medical scheme and is bound by these agreed rates, contrary to assertions that private hospitals have no limits on fees. In addition, it is deceptive to compare rates charged in the public sector to private hospital rates. Public sector charges are heavily subsidised by taxpayers, whilst the private sector charges for the full cost of providing the service. Indeed, other factors preclude the uniform comparison of financial costs of health services provided in the public and private sector. Private hospitals do not receive drugs at the substantially lower State tender prices as the public hospitals do, private hospitals pay VAT and have to recoup the cost of debt and equity required to maintain high quality infrastructure. It is therefore important to first assume a level playing field by considering all of the above before comparing fees between public and private hospitals.

Mediclinic and the private hospital sector as a whole have often been accused of an unwillingness to engage collectively and discuss pricing matters. As a collective, HASA (The Hospital Association of South Africa) has expressed the view that if pricing guidelines or cost benchmarking is introduced, the following should be guiding principles in the process; firstly, the process must be transparent and fair and inputs from various providers must be properly considered. Secondly, tariffs must be calculated using scientific methodology that takes into account the real costs of developing and operating a hospital. Lastly, there should be an independent and neutral tariff determination process.

The private hospital sector can significantly contribute to achieving the goals of the proposed National Health Insurance. It is important to remember that some of the problems facing the private and public sector are common and can only be overcome by working together.

The severe shortage of healthcare professionals affects both sectors and will remain a critical obstacle in realising the goals of the NHI. Here too we can provide significant support towards realising the intentions of developing training programmes and opening up training opportunities for healthcare professionals that can meet the requirements of all South Africans.

To overcome the shortage of nurses Mediclinic took the deliberate step to become a registered tertiary-education institution and currently has six learning centres and two satellite campuses where more than 1 000 nurse practitioners are trained every year. However, it is critical that the new nursing scope of practice be finalised as soon as possible in order to address the backlog in training.

Mediclinic is also interested in expanding its support for training by partnering with the government to train doctors. It already contributes to various academic institutions to this effect. Other possibilities for public/private partnerships include the state's outsourcing of the management of hospitals and clinical services to the private sector which is its core competency. Additional solutions include assisting and designing data administration systems and transferring hospital management expertise.

The private hospital sector is a national asset and while Mediclinic Southern Africa supports the government's policy to increase access to affordable quality healthcare services for all citizens, this policy can only be realised by harnessing the skills of all role players.

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*\* For additional media information, interview requests and to access the webcast recording of the 19 August media forum, please visit our dedicated industry affairs website – [www.futureofhealth.co.za](http://www.futureofhealth.co.za)*

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