

You're paying more for less when it comes to medical aid. Here's why

What are your chances of ending up in a hospital? Higher than you'd think if you are a medical aid member in a large city - and the reason reveals some never-before-seen truths about the country's private healthcare sector.



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A lack of competition within the private healthcare market is fuelling an epidemic of overtreatment — and mystery medical bills — in South Africa, the [Competition Commission](#) revealed on Thursday.

Supply-induced demand

As part of a four-year investigation into private healthcare costs, the Competition Commission looked at hospital admission rates among patients treated in nine specialised areas of medicine. People who had insurance and lived near more hospitals were more likely to be admitted than people with similar conditions that lived farther away from lots of empty beds, the statutory body found.

This correlation also held true when the body looked at intensive care unit (ICU) admissions.

It's a phenomenon known in healthcare as “supply-induced demand” or the premise that the more supply you have of beds, doctors, medicine, the more people use them regardless of whether they need them or not.

But too much of anything can be a bad thing, including medicine — especially when it comes to your medical aid premiums.

The commission analysed hospital claims and found that almost a third of claim costs couldn't be explained by factors such as a patient's age or disease. These mysterious costs were being passed onto consumers in the form of increased premiums, the commission argues.

The unchecked rise of overtreatment is just one of the ways private healthcare isn't working for South African consumers, the commission found. The [report](#) was released as part of the country's first inquiry into the private healthcare market.

The body also argued that although South Africans are paying more for private healthcare than ever before — via nearly 300 medical aid benefit plans — they are getting less for their money. This is partly because the plethora of options makes it impossible for consumers to compare value for money.

Little market pressure

Meanwhile, with a few companies dominating sectors, including administrators, medical aid schemes and hospital groups, there's little market pressure for companies to curtail unnecessary costs, explains the commission in its report.

“All schemes have failed to manage supply-induced demand adequately. We would expect medical schemes to force their administrators to actively manage this in the interest of protecting scheme members' health and the financial sustainability of the scheme,” the commission writes.

“The widespread inability to manage supply-induced demand suggests a lack of effective competition in the market for administration.”

Private hospital groups

Discovery Health and Medscheme have cornered about 76% of the medical administration market based on contributions. Discovery Health Medical Scheme dominates 55% of the public medical scheme market. When it comes to hospitals, the big three — [Netcare](#), [Mediclinic](#) and [Life Healthcare](#) — own 83% of private hospitals beds nationally.

“Competition [among medical aids] is simply not as rigorous as it should be and appears to be almost non-existent,” said inquiry chair and former Chief Justice Sandile Ngcobo.

Hospital groups compete to attract healthcare workers, particularly specialists — dynamics that may be fuelling the over-treatment of South Africa, the report says.

“There is an alignment of interests between facility and practitioner where both stand to benefit from higher treatment volumes and intensity.”

The uninformed patient, the report states, “assumes that these arrangements are always to his/her advantage and is not concerned with the longer term financial impact on medical scheme cover.”

Standardised medical aid benefits

Health Minister Aaron Motsoaledi initially approached the commission to investigate high private healthcare costs soon after taking office in 2009. He has viewed the commission's work as crucial to helping make private healthcare cheaper and eventually allowing the government to purchase affordable services from the private sector as part of the [National Health Insurance](#).

“Let me start by thanking you because, as the department of health, you have given us more than what we asked for,” said

Motsoaledi, speaking at the report's release.

Among the commission's recommendations is the creation of a basic medical aid benefit option standardised among all schemes to help consumers better navigate benefits as well as the increased use of cost-effective measures such as creating specialist groups to treat patients as a team. This concept is already being explored by companies including [Discovery Health](#) and healthcare management firm PPO Serve, which argue it could bring down costs but also improve patient care.

The commission will accept public comment on the report before releasing its final document in November.

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