South Africa: Healthcare Market Inquiry

1. The Commission initiated a market inquiry into the state of competition in the private healthcare sector on 29 November 2013. The publication of the final report was delayed due to legal and technical challenges from stakeholders as well as budget constraints which caused the Commission to suspend its work for a period of time. The final report, which was eventually published on 30 September 2019, recommended a package of interrelated interventions designed to promote systemic change.

2. In summary, the Commission found that the South African private healthcare market is characterised by high and rising costs of healthcare and medical scheme cover, highly concentrated funder and facilities markets, disempowered and uninformed consumers, a general absence of value-based purchasing, practitioners who are subject to little regulation and failures of accountability at many levels. The Commission recommends the establishment of a dedicated healthcare regulatory authority to oversee a number of the issues identified by the Commission.

Key recommendations

3. For effective and efficient regulatory oversight, the Commission recommends the establishment of a dedicated healthcare regulatory authority, the Supply-Side Regulator of Health (SSRH). The Role of the SSRH will include regulation of suppliers of healthcare services, which includes health facilities and practitioners.

   (A) The SSRH will have four main functions: healthcare facility planning (which includes licensing), economic value assessments, health service monitoring and health services pricing.

   (B) In relation to the SSRH’s proposed health services pricing function, the recommendation is that the SSRH sets up a multilateral negotiating forum for all practitioners to establish a maximum price for Prescribed Minimum Benefits (PMB) and reference prices for non-PMBs which will ensure that PMB prices for practitioner services balance market forces and that the regulations do not artificially shift market power to either participant, with an arbitration mechanism to break deadlocks.

4. The Commission also recommends a number of interventions to promote competitive contracting and a move away from fee-for-service contracts including to allow practitioners who do not want to engage in fee-for-service contracts to be encouraged to enter into bilateral negotiations with funders.

5. The creation of an Outcomes Monitoring and Reporting Organisation (OMRO) is recommended as a platform for providers, patients and all other stakeholders in the provision of healthcare to generate patient-centred and scientifically robust information on outcomes of healthcare. This is intended to serve two purposes: first, to provide practitioners and hospitals with relevant outcome information and ways to improve clinical quality; and, second, to provide patients and funders with relevant choice information on health outcomes. In the first phase of OMRO, participation by providers will be
voluntary, however, in the second phase, reporting of outcome data by providers will be a condition of receiving a practice number.

6. The Commission indicated that changes are needed to the Health Professionals Council of South Africa’s ethical rules to promote innovation in models of care to allow for multidisciplinary group practices and alternative care models so that fee-for-service ceases to be the dominant payment mechanism.

7. To increase comparability between schemes and to increase competition in the funder market, the Commission recommends the introduction of a single, comprehensive, standardised base benefit option, which must be offered by all schemes. This will enable consumers to compare products, reward those funders who are able to innovate by offering lower prices and/or higher quality and, thereby, both discipline and reward the market.