



QUANTIFYING RISK, ENABLING OPPORTUNITY

Actuarial Society Health CPD Day

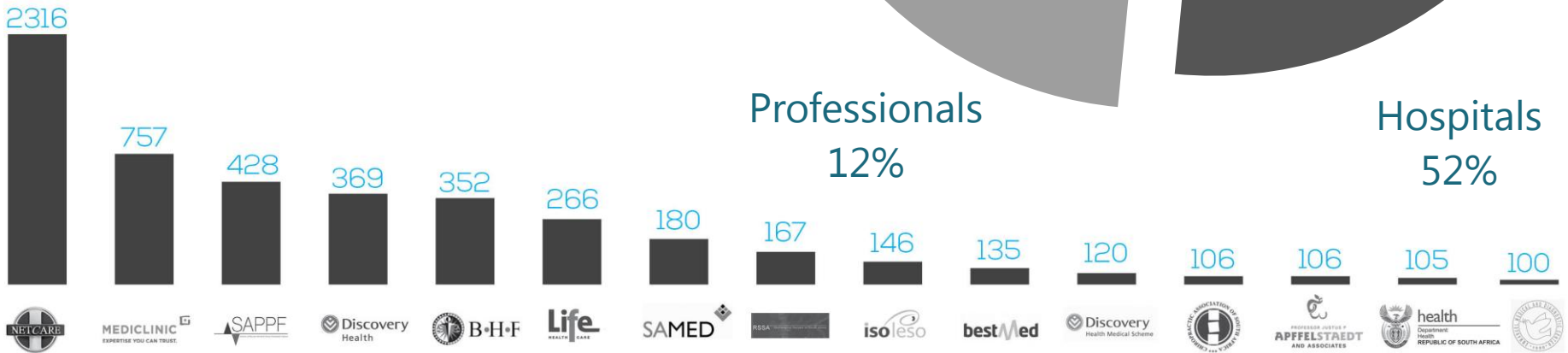
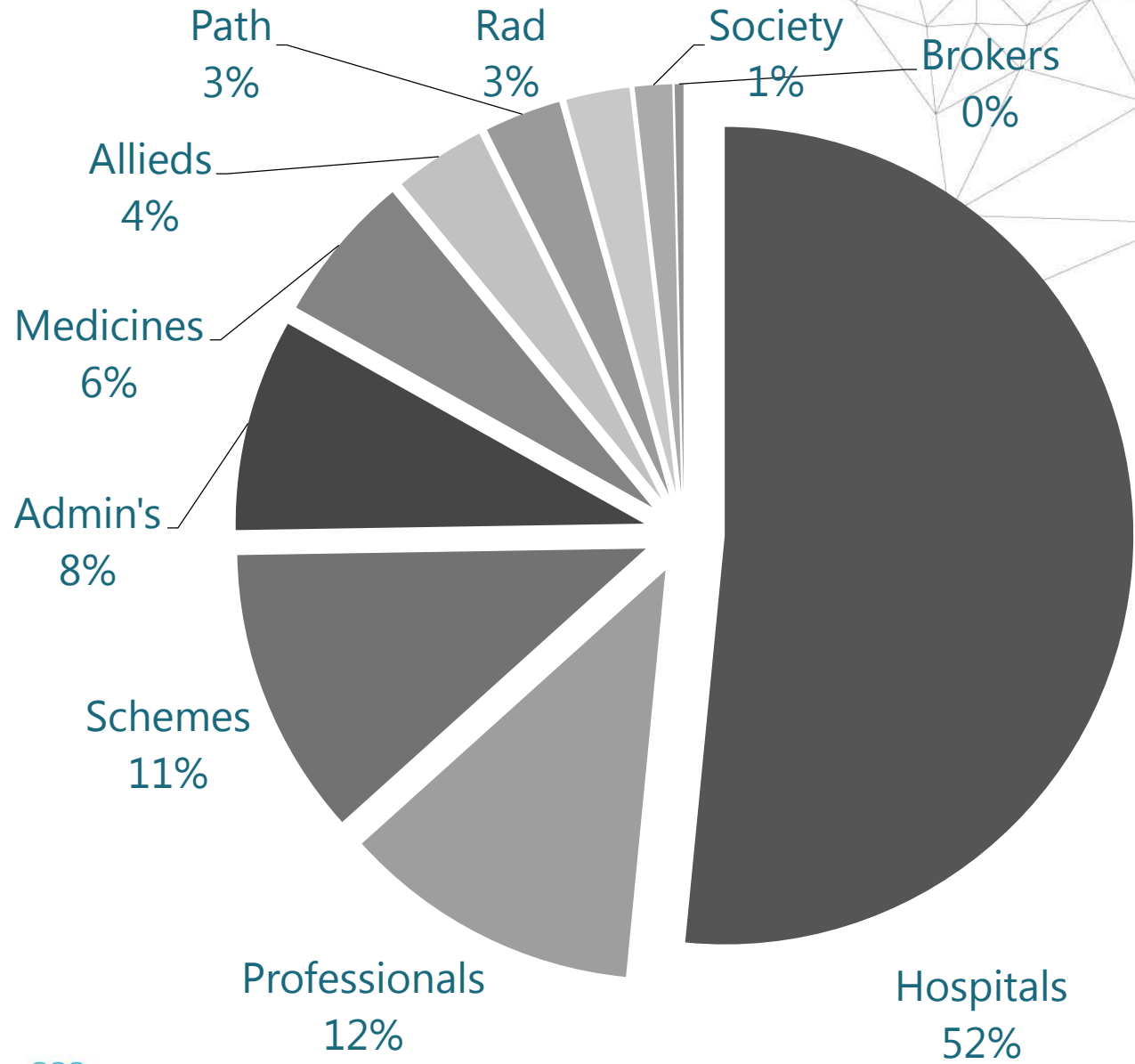
Cape Town | May 2015

Barry Childs

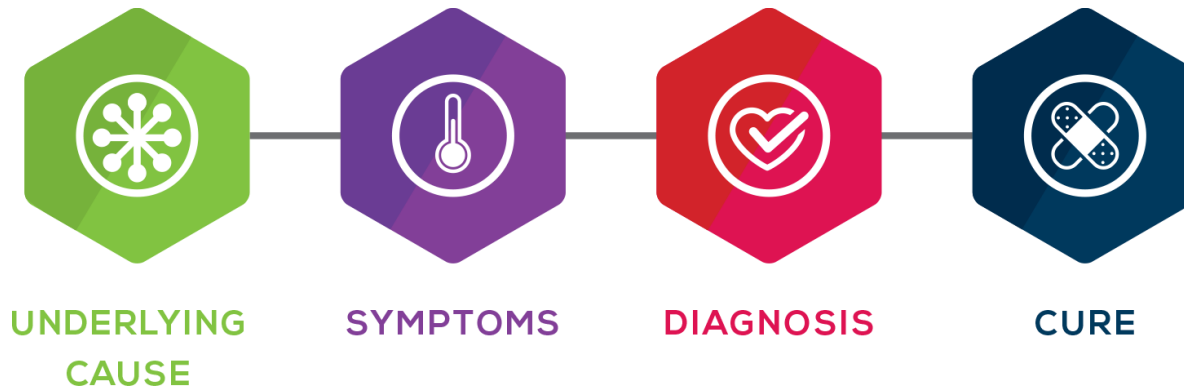


*Update on Competition
Commission submissions*

66 Publicly released Submissions



Wide-ranging commentary of the submissions



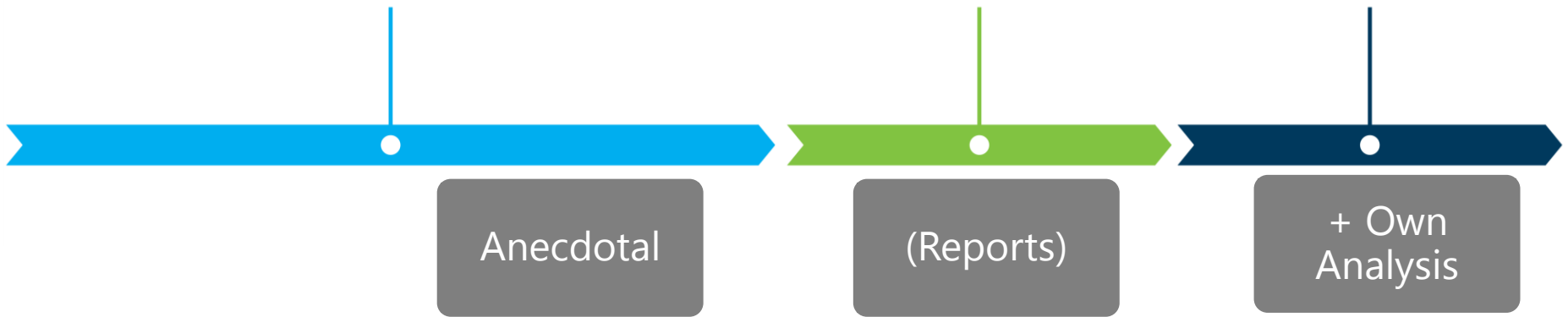
Wide-ranging nature of evidence provided



UNSUBSTANTIATED

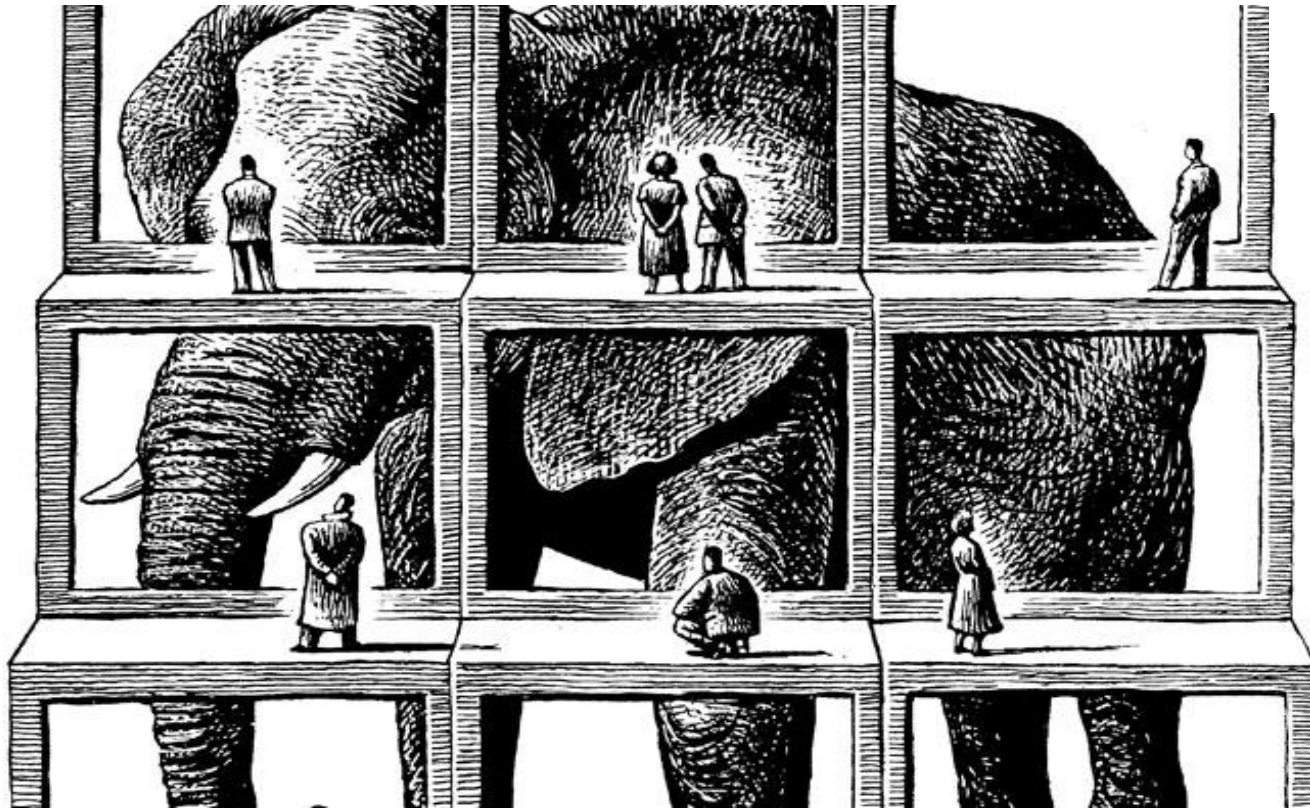
INTERNATIONAL
LITERATURE

LOCAL
LITERATURE



- Replicable?
- Correlation as opposed to causality
- Relevance of international research
- Appropriateness of analysis
- Conflicting evidence

Differing perspectives and...





IDEOLOGY (IES)

(Mutuality / Solidarity)

(For-profit / Not-for-profit)

(Market mechanism / Regulation)

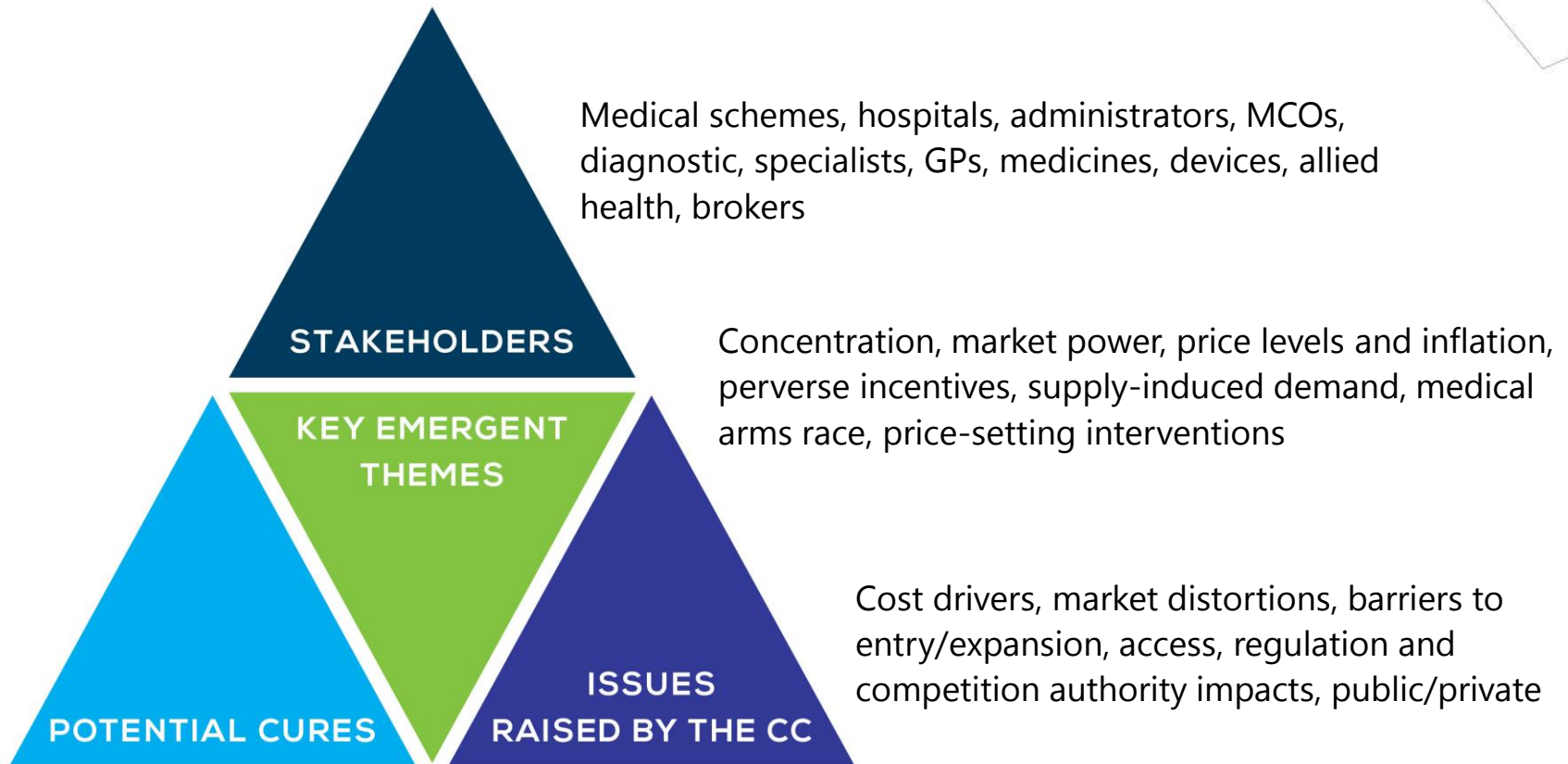
(Clinical / Financial Motivation)

(Public / Private)

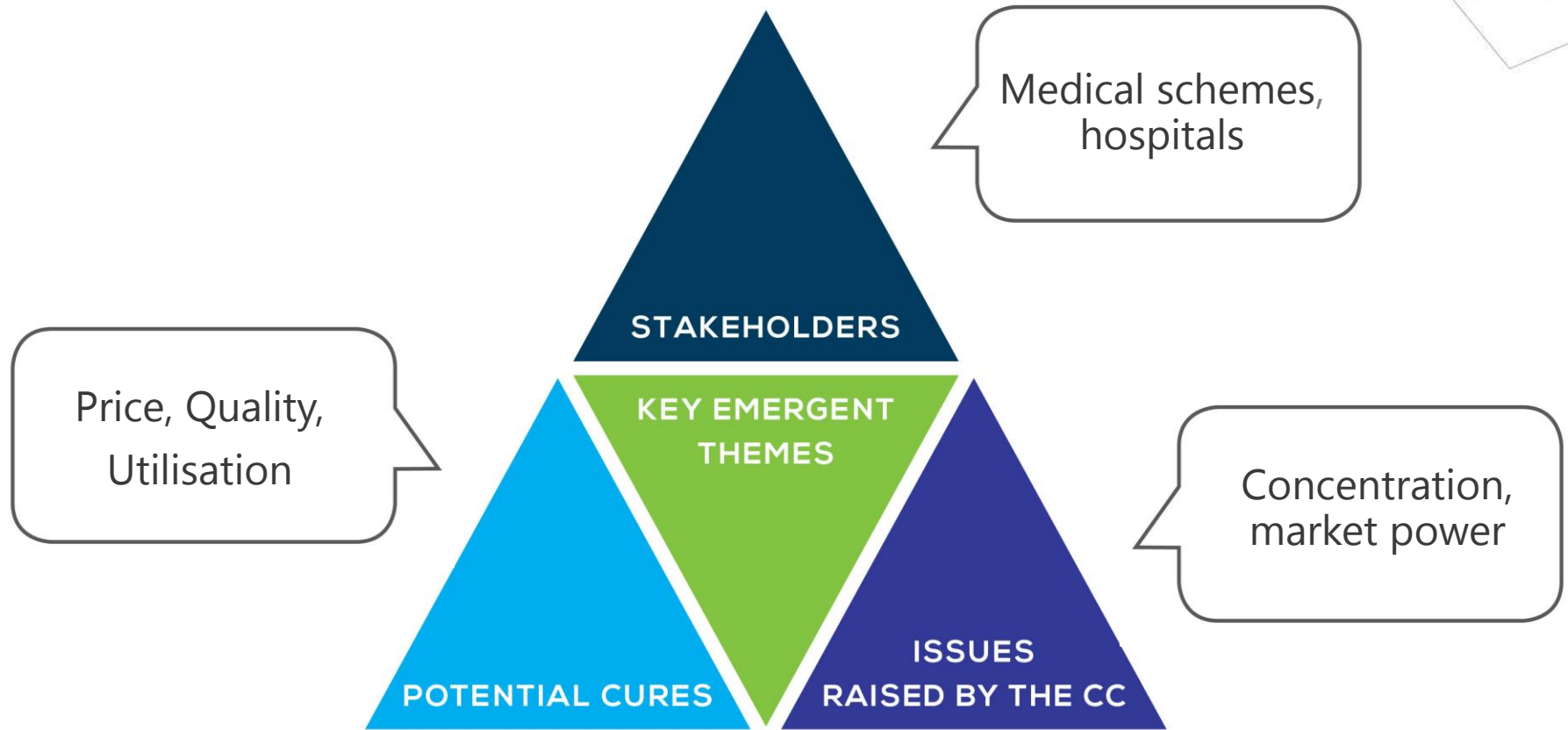


Hence the need for more diagnostic work

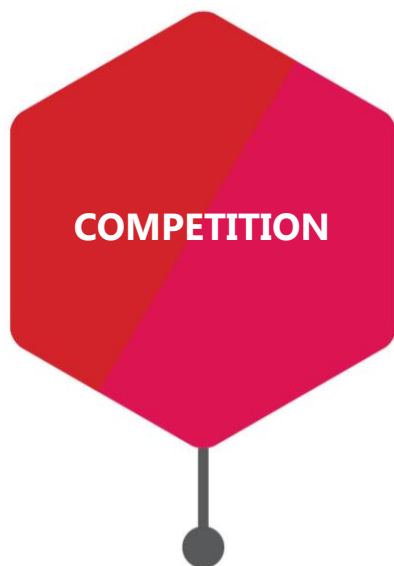
Ways of slicing and dicing the submissions



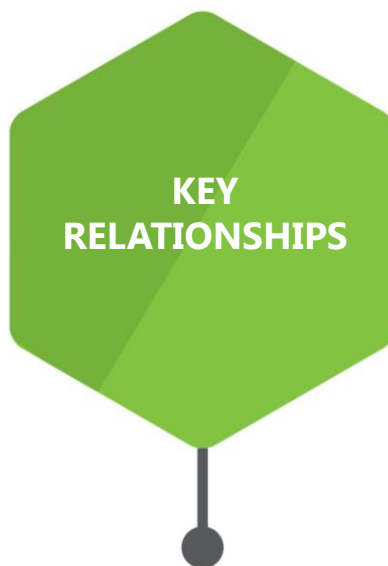
Ways of slicing and dicing the submissions



KEY STAKEHOLDER: Medical Schemes



- ~ Between open schemes for members
- ~ Between schemes and insurers
- ~ Between administrators for schemes

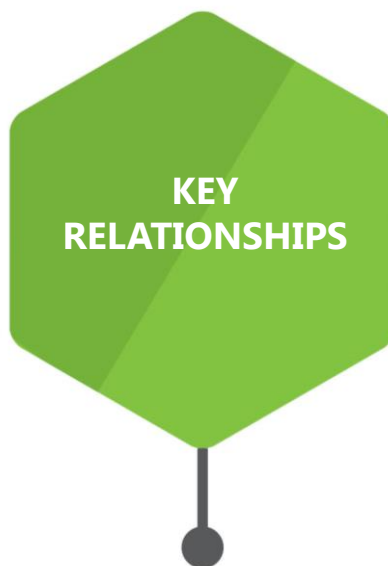


- ~ Providers
- ~ Administrators
- ~ Brokers



- ~ PMB's (Hospi-centric | At cost)
- ~ Risk pooling at option level
- ~ Solvency
- ~ REF + Compulsion

KEY STAKEHOLDER: Hospitals



- ~ Between acute hospitals and day hospitals

- ~ Schemes
- ~ Administrators
- ~ Specialists

- ~ Market Concentration
- ~ Price Setting
- ~ Supply Induced Demand

KEY THEME: Concentration and Market Power



WHICH PARTS OF THE MARKET?

- ~ Much focus on hospitals
- ~ Some commentary on rad & path
- ~ Differing views on other specialists (scarce but weak co-ordination)



UNDERLYING REASONS FOR CONCENTRATION

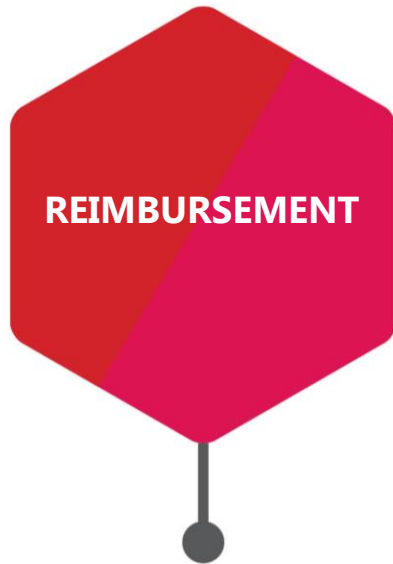
- ~ Barriers to entry (economic & regulatory)
- ~ Differentiated Services
- ~ Anti-competitive behaviour



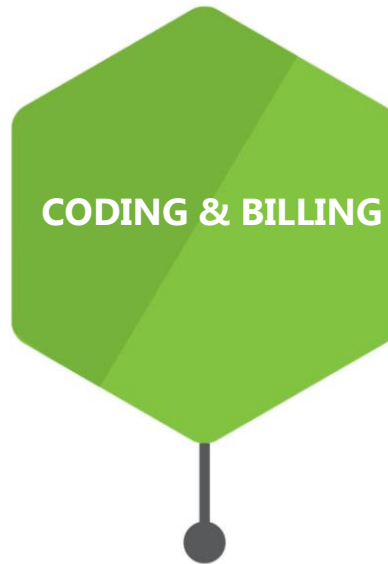
CONSEQUENCES

- ~ Bargaining power
- ~ Networks / DSP's
- ~ Price setting
- ~ Non-price power (eg. Data)

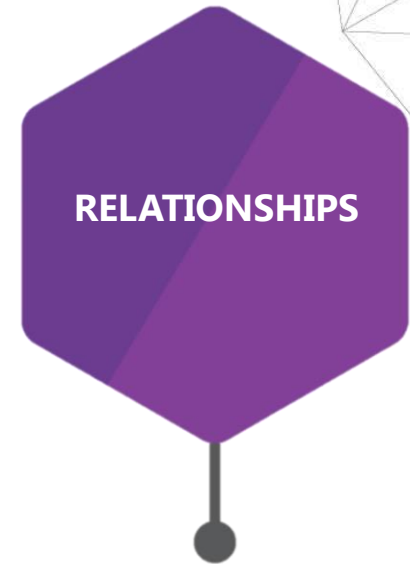
KEY THEME: Perverse Incentives



- ~ FFS
- ~ PMB's at cost



- ~ Ownership of billing codes
- ~ Unbundling, upcoding.



- ~ Hospitals & Specialists
- ~ Hospitals & Path Labs
- ~ Group Practices & Employment

KEY THEME: Quality / Outcomes



- ~ Argued that competition for patients is currently not on the basis of quality
- ~ Agency problem + lack of quality information



- ~ Measurement
- ~ Reporting
- ~ Information price negotiations & value based contracting



- ~ Regulatory barriers designed to ensure patient safety & quality care
- ~ HPCSA rules
- ~ Price versus quality

CURE: Price, Quality and Utilisation



- ~ Collective Bargaining vs. price regulation
- ~ Separation of coding and pricing
- ~ Balance billing/recording of OOP expenditure



- ~ Transparency & reporting
- ~ Industry work vs regulated



- ~ REF
- ~ Mandatory membership
- ~ Alternative reimbursement

CURE: Price determination

FREE MARKET

- ~ Price discrimination and price dispersion
- ~ Who gains?

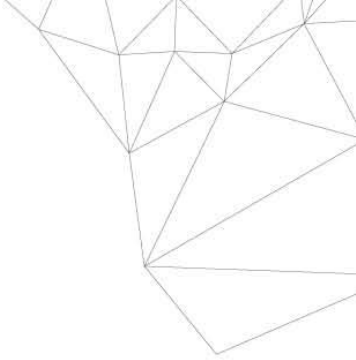
PRICE REGULATION

- ~ Adverse unintended consequences
- ~ Utilisation controls?
- ~ Sustainability
- ~ Roleplayer exit

COLLECTIVE BARGAINING

- ~ What is the process?
- ~ What are the rules?

- ~ What is an excessive price?
- ~ What are the consequences of a price that is too low





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