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PROPOSAL TO PSEMAS: BALANCE BILLING - CONCEPT PAPER

As PSEMAS is entering the next phase of reviewing the current contract with healthcare providers, we take pleasure in providing you with the following motivation to introduce a new system of balance billing, which we believe will greatly improve PSEMAS' sustainability.

Background

We believe the biggest risk to PSEMAS' sustainability is not on the cost side, but on the supply side.

Private sector healthcare providers have a choice to contract with PSEMAS, or not, and those who are contracted with PSEMAS have direct control over their level of exposure to PSEMAS patients. To think that a contracted healthcare provider has no choice but to treat a PSEMAS patient is in practice a fallacy. Even contracted healthcare providers will reduce their exposure to PSEMAS patients if the financial risk proves to be unacceptably high. A recent survey indicates that healthcare providers willing to treat PSEMAS members are still on the decline. This does not serve the interest of government, PSEMAS members or the private healthcare industry.

A recent survey amongst 1,017 private sector healthcare providers confirms the following:

- Currently, 20% of respondents are not contract with PSEMAS;
- **88% of respondents** regard the current PSEMAS tariffs (set at NAMAFA Benchmark Tariffs 2014) as **insufficient to sustain a private healthcare practice**;
- 28% of respondents indicate that they will not contract as PSEMAS providers next year;

- Those healthcare professionals who will not register with PSEMAS next year state the following reasons:
 1. Risk of **late payment** (87%)
 2. Treating PSEMAS patients is **not financially sustainable** (82%)
 3. Risk of receiving no payment at all (81%)
 4. Burdensome claim procedures (68%)
 5. Burdensome registration / renewal procedures (65%)
- Amongst all healthcare providers:
 1. 86% regard the registration and contract renewal process as burdensome to prohibitively burdensome
 2. 79% regard the 60-day payment period as unfair to extremely unfair
 3. 48% state that PSEMAS rarely or never pay within the agreed 60-day period

PSEMAS currently pays claims based on NAMAFA Benchmark Tariffs 2014. As an example, PSEMAS currently pays N\$281,39 per standard consultation with a General Practitioner; the South African Government Employees Medical Scheme (GEMS) pays 32% more than PSEMAS, at R370,90 per consultation.

Namibian **private medical aid funds** (following the NAMAFA Benchmark Tariffs 2019) currently **pay 46% more than PSEMAS**, at N\$411,20 per consultation.

A professional cost study conducted in Namibia by Healthman (SA) shows that a private sector General Practitioner should earn N\$587.69 per consultation to be sustainable and receive a minimal return on investment. This is 109% more than PSEMAS currently pays. In 2014 this difference was 50% and has now increased to 109%. The stress between a sustainable tariff and the tariff paid by PSEMAS is therefore substantial and increasing.

This explains why 88% of healthcare providers state that the current PSEMAS tariffs are no longer sufficient for private healthcare practices to remain sustainable.

Current dilemma

A conventional medical aid fund can only pay claims and costs up to the total amount of contributions and investment returns received. On the other hand, member contributions to PSEMAS cover only roughly 18% of total claims and costs. The balance of 82% is paid by the tax payer.

Even after doubling member contributions, as was announced by the Honourable Minister of Finance recently, tax payers will still pay at least two thirds of claims against, and costs of PSEMAS.

It is also very possible that the increase in member contributions will lead to further overuse / abuse of PSEMAS by members, as members are likely to use the scheme more (but unnecessarily) to get “more value” in return for higher contributions to the scheme.

Government currently has little leeway when it comes to increasing member contributions to PSEMAS (further), or increasing fiscus contributions towards PSEMAS, in order to cater for increased claim expenses and costs.

On the other hand, as illustrated above, most healthcare providers cannot sustainably continue to treat PSEMAS patients on the current PSEMAS tariffs.

If the current situation continues, government will find itself unable to guarantee civil servants access to private healthcare.

Proposed solution

We propose that PSEMAS adopts a system of **balance billing**. In essence PSEMAS guarantees payment based on set tariffs (currently NAMAFA Benchmark Tariffs 2014), but allows healthcare providers to charge more, within a range, at the low end, the applicable tariff at the time (currently NAMAFA Benchmark Tariffs 2014) and at the high end, and limited to an agreed maximum, or cap.

Any charge above the applicable current PSEMAS tariff (currently NAMAFA Benchmark Tariffs 2014) will be for the account of the PSEMAS member, with a minimum co-payment or excess of 5% of the total bill, and the risk to collect such payment will be for the healthcare provider.

Benefits

The benefits of this systems are numerous:

1. Government continues to make good on its promise to provide civil servants access to private healthcare while incentivising private healthcare providers to treat PSEMAS members;
2. Private healthcare providers enter a competitive environment, as those providers who are willing and able to treat PSEMAS patients at the lowest end, i.e. the prevailing PSEMAS tariff at the time (currently NAMAFA Benchmark Tariffs 2014) will reap the benefit of attracting more patients;
3. A PSEMAS member may now opt for a better service, or for what ever reason s/he may have, and pay an increased excess;
4. The total bill of the healthcare provider will still be capped, the cap to be agreed;
5. PSEMAS members remain far better off than members of private medical aid funds while now being provided the option to pay more for better service / access;
6. Healthcare providers who charge above current PSEMAS Tariffs will have to provide such better service / access to justify a higher charge and ensure they retain PSEMAS patients;
7. Members who are required to pay a higher excess, will be less likely to abuse / overuse PSEMAS, and government's total expenditure on PSEMAS is likely to reduce;

8. As abuse is reduced, PSEMAS can do away with the current limitations on primary healthcare, i.e. number of annual consultations. This will increase access to healthcare for those who really need it, without increasing cost to the scheme (as unnecessary usage / abuse is reduced)
9. Increased excess payments will likely reduce absenteeism in public service;
10. The sustainability of PSEMAS will be improved, for the benefit of government, PSEMAS beneficiaries and private healthcare providers.

Conclusion

We trust that you will appreciate the substantial value this system will add for all stakeholders, and look forward to further discussions to improve the sustainability of PSEMAS.

Regards

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