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## PRESS RELEASE

### PSEMAS UNSUSTAINABLE, BUT ON SUPPLY SIDE

The main strategic goal of PSEMAS is to remain sustainable, and thus continue to provide all government employees access to private healthcare.

Talking about the “sustainability” of PSEMAS when referring to costs, is a misnomer. PSEMAS is not a conventional medical aid fund. A conventional medical aid fund can only pay claims up to the total amount of contributions received, while PSEMAS contributions only cover up to 18% of the claims paid. The rest of the claims, i.e. 82% of total claims, are paid directly from tax revenue.

When referring to input costs, the “sustainability” of PSEMAS is therefore only dependent on tax income from a healthy economy. As the economy declines, so does tax revenue, and PSEMAS faces a “sustainability” risk. Even after doubling member contributions, tax payers will still pay at least two thirds of all medical expenses of government employees, apart from the total salaries of government employees already being paid for by tax payers.

Government makes a big fuss over dishonest medical service providers. However, after many millions spent on investigations, it was identified that only 0.47% of claims were identified as being “fraudulent”. We are not aware of any judicial rulings against any healthcare providers, but assuming government figures and facts are correct, it follows that 99.53% of claims against PSEMAS are provided by honest healthcare providers who meticulously follow the rules.

The biggest risk to PSEMAS’ sustainability is however not on the cost side, although a ballooning public services sector has placed a massive burden on the cost of PSEMAS lately. The biggest risk to PSEMAS is 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. As PSEMAS continues to expose private healthcare providers to financial risk, low tariffs and deplorable inefficiency in renewal of contracts, access to private healthcare services to PSEMAS patients will decline sharply.

## **NPPF SURVEY**

The Namibia Private Practitioners' Forum (NPPF) recently distributed a survey to 1,017 private sector healthcare providers and received 361 completed replies.

Following are the results of the survey:

- 80% of respondents are contracted with PSEMAS.
- 88% regard the current PSEMAS tariffs (set at 2014 NAMAFA Benchmark Tariffs) as insufficient to sustain a private healthcare practice.
- 28% indicate that they will not register as PSEMAS providers next year
- Those healthcare professionals who will not register with PSEMAS next year indicate the following as their main 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 SERVICE DELIVERY**

PSEMAS does not pay a healthcare provider who is not contracted with PSEMAS. PSEMAS has in the past refused payment to healthcare providers who, *bona fide*, treated PSEMAS patients while waiting for PSEMAS to confirm contract renewals.

The official position of PSEMAS is that current contracts expire on 30 April 2019. At this late stage, healthcare providers have still not received confirmations of their contract renewals. Rumour has it that the current contracts will be extended until June 2019; another rumour has it that the contract will be extended until next year.

PSEMAS provides no official communication on this. Numerous enquiries on the deadline and several other technical problems regarding contract renewals, to PSEMAS as well as the Executive Director of Finance, remain unanswered.

This adds to the utter frustration of those private sector healthcare providers who are still willing to treat PSEMAS patients.

## **PSEMAS PAYMENTS**

As almost half of healthcare providers indicate, PSEMAS rarely or never pay them within the contractually agreed 60-day period (from date of claim). Enquiries with the administrator, Methealth, confirms that the bottleneck is not with the administrator, but with PSEMAS, as PSEMAS often fail to release payments to Methealth in time.

As healthcare providers purchase medical supplies they use for, and medicines they provide to PSEMAS patients, which supplies and medicines must be paid by the healthcare provider within 30 days of purchase, healthcare providers are effectively bankrolling PSEMAS from their own pockets. As PSEMAS delays payments, healthcare providers often need to take up or extend credit facilities with their banks, on which loans they need to pay interest and administrative charges. This exposes healthcare providers to substantial financial and sustainability risk. This is apart from the 81% of healthcare providers who fear that PSEMAS may at one point completely default on payment.

## **UNSUSTAINABLE TARIFFS**

PSEMAS currently pays claims based on 2014 NAMAFA Benchmark Tariffs. 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.

Based on a 2014 cost study by Healthman (Pty) Ltd, and adjusted for annual inflation in Namibia, which is far lower than medical inflation, a government employed doctor earns about 40% more (or the equivalent of N\$395,20) than a private healthcare provider earns on the current PSEMAS tariff. Take into account that government doctors are not exposed to the financial risk associated with setting up a private practice.

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

Further, again adjusted for annual inflation, the Healthman cost study indicates that a private sector General Practitioner should earn at least N\$587.69 per consultation to be sustainable. This is 109% more than PSEMAS currently pays. In 2014 this difference was 50%. The stress between a sustainable tariff and the tariff paid by PSEMAS is therefore increasing substantially.

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

PSEMAS has been informed of this problematic situation in 2014 already, but nothing was done to address this sustainability risk the scheme is exposed to.

## **CONCLUSION**

As PSEMAS is concerned with “sustainability” on the cost side, which is almost solely dependent on a healthy free market economy in any event, PSEMAS fails to observe and act on the real risk it faces on the supply side.

Paying tariffs that has become unsustainable for private healthcare providers, requiring healthcare providers to wait for payment for 60 days and longer, and the deplorable service provided by the Ministry of Finance, will have imminent, dire consequences.

Not only does close to a third of healthcare providers intend to stop treating PSEMAS patients, but those who are contracted with PSEMAS will increasingly reduce their exposure to PSEMAS, and thus PSEMAS patients.

PSEMAS patients will increasingly become second rated patients as healthcare providers increasingly prefer to treat private patients first, in an attempt to keep their practices sustainable.

If government intends to keep its promise to government employees, it needs to give urgent attention to this real sustainability risk PSEMAS faces.

### Editor’s Note:

The Namibia Private Practitioners’ Forum (NPPF) is a non-profit organisation. Its members are all healthcare providers, of all healthcare disciplines, in private practice in Namibia.

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