

Health inquiry puts Discovery on the spot

CAPE TOWN - The Competition Commission's Health Market Inquiry flexed its muscles and asked SA's biggest medical scheme administrator, Discovery Health, to submit its contracts with private hospital groups, along with the records of their price negotiations.



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At issue is whether any of these parties enjoy dominant market power, and how this affects their capacity to determine prices. It is one of the central questions occupying the inquiry, which was established due to concern over high prices in private healthcare. It is holding hearings to establish the nature of the relationships among role players.

Discovery Health, Medscheme and Metropolitan are the three biggest administrators, while the private hospital sector's biggest players are Netcare, Mediclinic International, Life Healthcare and the National Hospital Network, which represents smaller groups and independent hospitals.

Is it a fair fight?

"When Discovery sits with Life, Mediclinic or Netcare to negotiate tariffs, is it a fair fight?" panelist Ntuthuko Bhengu asked Discovery Health CEO Jonathan Broomberg.

"Definitely," Dr Broomberg said, arguing that Discovery Health's investments in systems and analytics had enabled it to

achieve countervailing power against the private hospital groups.

Private hospitals had an "implicit weapon" because they could refuse to admit members of the schemes Discovery Health administered, while Discovery Health had extensive data and large numbers of members on network plans in its corner, he said. Network plans restrict medical scheme members to specific hospitals.

Discovery Health was willing to provide the information requested by the panel, said Dr Broomberg.

No interest in denying claims

In his submission, Dr Broomberg sought to rebut some of the charges levelled against medical schemes in the first two weeks of public hearings, during which patients and doctors painted schemes and their administrators as obstructive and uncaring.

"Contrary to what you have been led to believe, medical schemes and their administrators have no interest in denying claims to medical scheme members. All other things being equal, our first choice would be to pay everything, but of course we can't," he said.

The role of medical schemes was to provide affordable cover, and therefore, they could not meet everyone's needs, he said.

Source: Business Day/Tamar Kahn

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