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Payroll tax proposal refuels fires

Memories of the outcry following the suggestion by an Australian health economist back in the early 1990s that the only way to solve South Africa's health funding problem would be to enforce a 4% payroll tax, were revived towards the end of April when it was revealed that the government was planning to do just that as part of its Social Health Insurance plan.

Media reports explained that a ministerial task team was developing an SHI plan which would be funded by a 4,4% to 5,2% health tax on all salaried workers. Main aim would be to reduce the reliance on public health facilities from 84% to 65%.

The outcry this time has come mainly from the union federations based on the impact the tax would have on the individual's disposable income.

Cosatu general secretary, Zweli Vavi, was reported as saying that the measure would amount to "massive privatization" and that the medical aids would have "champagne corks popping". The SHI plan would have high earners subsidizing low earners and could see those currently exempt from tax, i.e. earning R2000,00 and under, being taxed.

Government asked to step in on rising litigation

Concern about the rise in legal claims against doctors – said to be doubling in South Africa virtually every two years – was revived at a recent conference on clinical negligence during which it was suggested that it was now time for the government to examine legislation to limit payouts.

Chief executive of the 16 000-strong Medical Protection Society (MPS), Dr John Hickey, was reported in a subsequent issue of the *SA Medical Journal* to have said that this trend had resulted in an increase in doctors practicing defensive medicine and some even contemplating a change in career. It was reported during the conference – attended by judges, lawyers and medical practitioners - that the R2,09 million amount for the top 20 claims in 1995 had jumped alarmingly to R35,22 million for the top 20 claims in 2004.

A direct consequence of this dramatic rise – as reported in *NewsRoom* earlier in the year – was that the MPS had to increase its subscription fees by an average of 23%. GPs' fees went up 12% in January.

Will Certificate of Need survive constitutional challenge?

Will the National Health Act's chapter on the Certificate of Need, one of two chapters not yet signed onto law by President Thabo Mbeki, follow the same course as the dispensing licence legislation, i.e. into the Constitutional Court? And if so, would it survive the challenge…"

When the president omitted to sign Chapter 6 of the Act after signing eight of the other chapters in mid April, it was explained that draft regulations for chapter 6 were still being finalized and would be published "soon" for public comment.

The Certificate of Need (CON) would require doctors, hospitals and any person or facility providing health services, to apply for a certificate to practice in specific geographic areas. In its reading of the situation, the SA Medical Association (SAMA) notes in its *Medigram* of April 15 that the recent court judgment on the dispensing licence issue gives rise to speculation that the CON might not survive a constitutional challenge.

"SAMA," it adds, "has always supported the intention of the CON, namely to provide access to healthcare to all, but had difficulties with the implementation of a system that might infringe on the rights of doctors."

The association is now organizing a multi-stakeholder information session as part of a process aimed at reaching an acceptable and viable solution "in addressing the health needs of the country while considering the impact on individuals and the health industry as a whole".

- Responding on behalf of the private hospitals, Adv Kurt Worrall-Clare, Hospital Association of SA acting CEO, said: "We trust that the legislative proposals around the Certificate of Need are yet to be rigorously debated. It is imperative that all affected stakeholders are given the opportunity to comment on the proposed laws and the significant ramifications. Private hospitals remain particularly concerned with the limited license duration period (up to a maximum of twenty years) as this will necessitate recovering capital investment over a shorter period of time."

  Worrall-Clare said that this could diminish competition, thereby indirectly making healthcare more expensive to the consumer: "We will engage constructively with the State on this matter as we believe the values incorporated within the new law make for an excellent partnership with the State."

Dispensing ruling 'of worldwide significance'

In a formal note of thanks to all the representatives of the National Convention on Dispensing (NCD) constituent groups for their role in pursuing the right to dispense through to the Constitutional Court ruling, NCD chairman, Dr Norman Mabasa, declared that the unanimous judgment was of worldwide significance in that the right of a doctor to dispense is acknowledged purely based on competence.

"The fact that the costs order was set aside," Dr Mabasa added, "implies that the Constitutional Court recognized the merits of our case. If the costs had been awarded against us, it would have bankrupted the NCD."

That the drug policy pronouncement on dispensing was declared uncompetitive and *ultra vires* was also very significant for the future of the profession. Said Dr Mabasa: "All those qualifying in future will now have the right to dispense provided they meet the requirements and licences will be granted irrespective of where dispensaries are situated."

HPCSA official dismissed for falsely registering 10 foreign doctors

The Health Professions Council of SA (HPCSA) has announced that it has dismissed, Ntombi Ramatlo, the official responsible for the registration of foreign doctors, after discovering that 10 foreign practitioners had been registered fraudulently.

"Though they failed their exams," the HPCSA notes in a media statement, "they were mysteriously registered. Some have already paid their current annual fees and have been practicing."

The doctors, mainly of African and Far Eastern origin, now have to meet the HPCSA requirements, i.e. pass the appropriate examinations to qualify for Council registration. They are:

- Mohammed Mezher (MP 0567183)
- Mbambi Jose Nyimi MP 056 7736
- As Usama SirsawyMP0548316
- KirilovYoulian Mitchev MP 0548146
- Im Ibrahim Farhat MP 0562386
- Ahmad Mehboob Wani MP0564702
- Ahmed Akluk MP 0567175
- Naif Adil Alwan MP049 3643
- Velkova Galina Filipova MP 0561207
- Germaine Ditsia Maponda MP0567744
- Ahmed Mahsood MP 0567191

They each have had to cease practising until registered.

Light shed on legal status of doctor groupings

Some light has been shed on the legal status of doctor groupings such as Independent Practitioner Associations (IPAs) and similar provider networks - particularly in the eyes of the Competition Commission – by Council for Medical Schemes (CMS) registrar, Patrick Masobe.

"I would say categorically that IPAs and designated service provider groupings (DSPs) are not illegal," Masobe said in an interview with the GPNet magazine, *Insight*.

"From the competition point of view, there may be instances when specific behaviour or activity may attract attention. But the institutions themselves are not illegal."

The question arose from a point raised by a speaker at a managed care conference towards the end of last year. The speaker alluded to the fact that the Medical Schemes Act supports, or encourages the establishment of Designated Service Provider groups, but that the Competition Commission held the belief that IPAs were anti-competitive and that the Health Professions Council ruled that preferred provider groups were illegal.

Explaining that his Council had already addressed this issue with both the commission and the HPCSA, Masobe said that his Council and the Competition Commission have concurrent jurisdiction on this issue: "So if there is a complaint to the Competition Commission about IPAs and their behaviour, the legislative framework requires that there be concurrent jurisdiction between the two of us. That essentially forces us to work together to resolve any problems or confusion."

ICD-10 coding deadline can't be postponed again

Regardless of how well- or ill-prepared providers are for the scheduled implementation of the ICD-coding system on July 1, the deadline cannot be postponed again.

"If it is postponed again, as has happened frequently in recent years, then it simply won't happen," Eugene Mackay, head of the Board of Healthcare Funders' PCNS division, told funder representatives at the BHF Northern Regional Meeting in Johannesburg at the end of April.

"There will probably be two weeks of real chaos immediately after implementation," Mackay ventured, "but I am sure it won't take long before things start settling down."

Doctors, students included in R1bn empowerment deal

Doctors, medical students and post-graduate associations will be receiving 30% of the R1bn concluded in an empowerment deal announced by Netcare last month.

CEO Jack Shevel told a meeting of interested parties and media representatives at the group's Sandton head offices that a 10% stake in the company will be sold to black investors and employees. The doctors, medical students and post graduate bodies will receive their allocation through the Physician Partnerships Trust, one of five new trusts which will benefit from the deal.

Among the others will be the Mother and Child Trust (7,5%), which cares for selected women's groups and children's organisations in need of healthcare assistance, as well as the Healthy Lifestyle Trust, which promotes healthy lifestyles through mobile clinics and sporting bodies and which will receive 5% of the BEE allocation.

It is anticipated that approximately 8 700 black nurses, paramedics and other caregivers will acquire a 37.5% share through the Patient Care Trust.

Management and staff will receive 20% of the share 20 percent of the BEE allocation, through the Passionate People Trust.

Explaining that Netcare had considered bringing in black-owned companies in the healthcare sector, Shevel said, however, that the group felt it important to bring in as many people as possible. As a result about 45 000 people will now benefit.

Trustees should hold whip-hand in scheme control

There was general consensus that a medical aid scheme's board of trustees, and not the principal officer, should be the controlling body in scheme management.

In answering the question *Have trustees indeed become the guardians of the medical scheme public?* during MxHealth's Quarterly Healthcare Review meeting in Sandton towards the end of April, it was generally agreed by both panelists and delegates that trustees had assumed this role.

Leading the discussion, Council for Medical Schemes advisor, Alex van den Heever, stressed the importance of the need for trustees to act as agents of the members of schemes "and of no other body or person". This, most agreed, had happened to a large extent. Said Fedhealth CEO, Jeremy Yatt: "A large number of trustees take a very real role in management."

It was also noted by Hosmed chairman, Kirsten Nematandani, that more trustees are taking decisions, acting fearlessly and challenging the *status quo*.

In response to a suggestion that the Council for Medical Schemes should introduce a mechanism "to empower trustees to supervise principal officers" in situations in which the principal officer has too large an influence, Van den Heever said: "They (the trustees) have, in fact, a great deal of power. The question is, why don't they exercise it?"

The answer, possibly, could lie in trustee competence. As pointed out by Van den Heever, how trustees were selected for schemes was very important and "needs to be looked at".

Taking this point further, Bathabile Holdings director, Jeanne Swarts, expressed the belief that every board member does not necessarily have to have the same skills but that the sum total of skills should add up to what is necessary.

She added, however, that a lack of skills and experience in the industry could lead to an imbalance between trustees and the principal officer: "The principal officer sometimes has too large an influence on trustees, especially where they don't feel they have the competence," said Swarts. "There should be a balance of executive and non-executive trustees, just as a corporate should ideally have a balance between executive and non-executive directors, as envisaged in the King Report."

While Bonitas trustee, Jimmy Mahlala, agreed that the principal officer, often being very powerful and as such may lead the process and exert undue influence on the trustees, Yatt made the point that the role of the principal officer is and should be to act as servant of the board and of the members.

Resolution Health rating raised by significant notch

Resolution Health has moved a step closer to its goal of becoming the country's primary alternative corporate healthcare funder with its rating being increased from an "A minus" to an "A" by the international rating agency, Global Credit Rating (GCR).

Based on factors such as the operating surplus, the investment portfolio, growth in membership and overall financial performance, the GCR report concludes that the scheme reflects "a superior level of profitability to the industry".

Resolution Health has recorded a strong operational surplus of R36-million over the period and following income from investment, posted a 44% increase in the surplus for the year to R42-million.
A strong surplus for the year led to a 77% increase in the members' surplus to R97-million, while the scheme's statutory solvency ratio (as stipulated in the Medical Scheme's Act) has increased each year during the period under review despite significant growth in membership in the same period.

Resolution Health attained 25% and thus complied with the Act's requirement for 2004.

SAFP Newsroom *is a monthly review of pertinent healthcare issues compiled exclusively for* ***SA Family Practice*** *by Roy Watson, a private and independent health care journalist. Address all correspondence to rwatson@telkomsa.net . Disclaimer: This news feature is a service to the readers and all precautions have been made to accurately report on current health care matters. The views published in this section does not necessarily reflect the views of the Publishers, Medpharm Publications (Pty) Ltd), nor the SA Academy of Family Practice.*