DISCOVERY HEALTH MEDICINE MANAGEMENT OVERVIEW

SA PRIVATE HEALTH INSURANCE

National Health Insurance (NHI) Bill and the Future of Medicine – Technical Workshop

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1 June 2023

Agenda

01 SA Private Healthcare Sector – Medicine Legislation and Access

02 Medical Scheme Administration – Medicine Management

03 Sketch of NHI Potential Structure – Interpretation and Assumptions from the Revised 2019 NHI Bill

04 Proposed NHI Capitation Reimbursement Model - Key Risk Management Considerations

05 Stakeholder Engagement - Next Steps

SA PRIVATE HEALTHCARE SECTOR – MEDICINE LEGISLATION & ACCESS

2-Tiered Healthcare System	Population	Regulation	Access	Cost
Private Healthcare Sector	~15% ~ 9m lives	• Medical Schemes Act 131 of 1998 (Prescribed Minimum Benefits (PMBs), Council for Medical Schemes (CMS) • Medicines and Related Substances Control Act 101 of 1965	• Established supply chain infrastructure • Comprehensive health coverage • Comprehensive administrative management platforms • Extensive data analytics	• Expensive • Co-pays apply based on affordability • Un-adjudicated growing cost of PMBs • High-cost novelty medicines – disproportionate inflationary risk
Public Healthcare Sector	~85% ~ 51m lives	• Essential Medicines List (EML) • Standard treatment guidelines • Tender Pricing System	• Sub-optimal supply chain infrastructure – compromised access • Limited health coverage • Sub-optimal administrative management • Limited data analytics	• Predominantly free access to medicines • Medicine profits cross-subsidized by private sector • Economies of scale provide procurement advantage / better price efficiency

Healthcare is a basic human right and universal healthcare should support efficient affordable access to all SA citizens

SA PRIVATE HEALTHCARE SECTOR – MEDICINE LEGISLATION & ACCESS

Medicine pricing regulatory structure

1. **Fixed Single Exit Price (SEP)**
   - Legislated - May 2004
2. **Removal of perverse incentives**
   - No bonusing, discounting, sampling
3. **Annual SEPA**
   - Pricing Committee (PC) caps annual SEP Adjustment (SEPA)
   - One blanket increase for all medicines
4. **Transparent pricing**
   - Publicly disclosed price (not adjudicated)
5. **Medicines Act price efficiencies**
   - Not applied – only price increases awarded

Private Sector impact of medicine regulation

1. **Pharma sets medicine price**
   - PC does not adjudicate – only caps annual increase
2. **No value pricing assurance for generics / biosimilars**
   - No mandated minimum entry or price differential
3. **No general SEP adjudication**
   - No international price benchmarking (IPB) or mandatory pharmaco-economics
4. **No PMB affordability validation**
   - State tender access mandates Prescribed Minimum Benefit (PMB) funding regardless of SEP
5. **No Section 36 exemption for clinical outcomes**
   - Schemes cannot pay specifically for performance or collect refunds for members for failed treatments

MEDICAL SCHEME ADMINISTRATION – MEDICINE MANAGEMENT

Robust administration, communication and risk management capability

Benefit Design Structure

Benefit Plan Types – Contributions, Network rules and Co-pays, Mandatory PMB, Waiting periods

Scope of Cover – Funded conditions (PMB & Non-PMB) by benefit plan

Clinical Protocols & Clinical Entry Criteria – Evidence based medicine, Clinical guidelines, PMB treatment algorithms

Pre-authorization Application – Applies largely to Chronic, Oncology, HIV, High-cost meds (Including In-hospital)

Strategic Risk Management

Therapeutic Price File – Maintain daily prices + clinical coding, generic medicines, specialty / novelty medicines

Benefit Tools - Formularies , Reference Pricing, Benefit Limits – Acute Co-pay tiers

Health Technology Assessment – Clinical evidence, price efficiency and affordability

Pharmacy Benefit Management (PBM) Claims Adjudication Tool– Price, Max quantity, frequency, Age, Gender ++

Stakeholder + Member Engagement

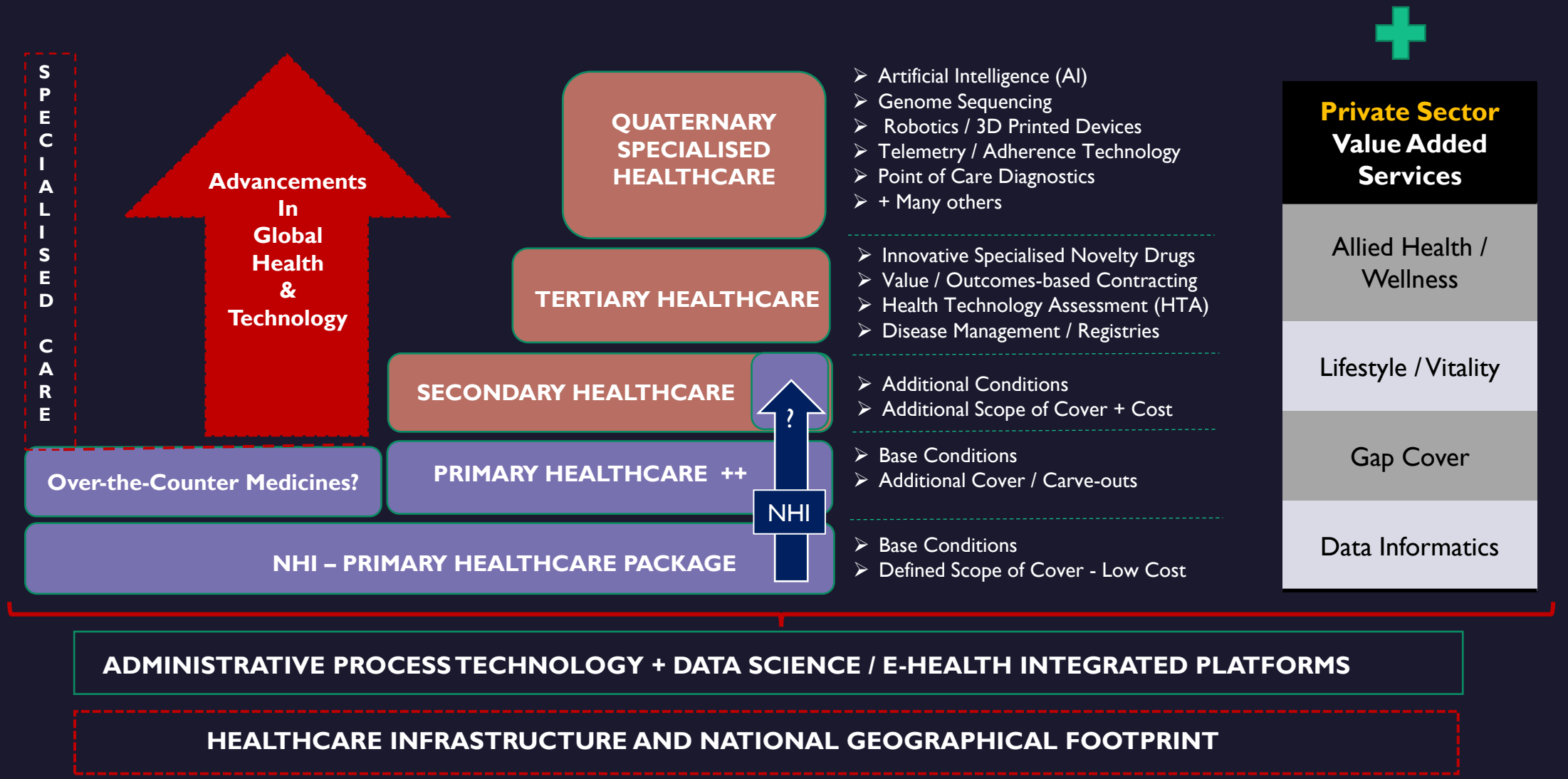
Provider Contracting – Healthcare Practitioners, Hospitals, Pharmacies ++ (Price & service efficiency)

Pharma Price Negotiation – Supports formulary and reference price benefits, informs new benefits

Affordable Medicine Stakeholders – NDoH, CMS, Competition Commission, Patient Advocacy, KOL's

Member Communication – Benefit rules, Letters, Call Center, Delivery, Claims statements, Website + App

SKETCH OF NHI POTENTIAL STRUCTURE – INTERPRETATION & ASSUMPTIONS FROM THE REVISED 2019 NHI BILL



PROPOSED NHI CAPITATION REIMBURSEMENT MODEL – KEY RISK MANAGEMENT CONSIDERATIONS

Learnings from selected private sector capitation engagements including medicines

Extra Reading:
https://www.who.int/health-topics/health-financing#tab=tab_1

Capitation

*Payment or fee of a fixed amount per person, such as one remitted at regular intervals to a medical provider by a Managed Care organisation for an enrolled patient**

1. **Scope of Cover**: Conditions, Drugs, Classes, Frequency, Quantity
2. **Capitation Fee:** Price + Utilisation ; Stop-loss / Profit Cap?
   (Management of excess demand / potential under-servicing / under-utilisation)
3. **Carve-outs:** What Products? ; Who Pays?
4. **Claims Profile**: Volume & Mix Weighted Cost Impact
5. **Critical Mass:** Patient Base (Minimum & Maximum)
6. **E-Health Platform**: Implementation & Monitoring + Clinical Coding
   (Line-item claims data critical to evaluate capitation cost & usage)

Critical Check List For NHI

Priority setting

*The American Heritage Medical Dictionary:
https://ahdictionary.com/word/search.html?q=capitation

NHI – STAKEHOLDER ENGAGEMENT NEXT STEPS

01 Stakeholder Dialogue – sector-wide (Include technical experts on access + cost)

02 Public – Private Partnerships : leverage existing infrastructure + expertise

03 Explore a phased approach to access – measure and monitor impact