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Newsletter 2010 January

Dear Colleagues.

Surgicom Directors extend our Best Wishes to you and your family and practice for 2010.

We face numerous serious crises and challenges in the Health care in South Africa. These include the world-wide economic downturn, unemployment, HIV, spiralling costs of private medical care, state health care suffering in many areas, health care worker shortages and strikes and National Health Insurance (NHI).

TARIFFS, CODING AND PRACTICE COST STUDIES IN THE DOLDRUMS

Our private health care system is a mess because the economic behaviours driving it are irrational, often perverse and counterproductive. Unchecked spiralling costs and dominance by medical schemes and administrators under the guise of managed health care (MHC) are some of the vices. The health care marketplace is distorted by third-party reimbursement that does not reward rational behaviour by either consumers or producers, and in many cases actually penalises it.

We have stagnated since third-part payors started calling the shots and the competition commissioner reigned in the abilities of service providers to negotiate fees. The surrogate replacement process to determine a cost-based Reference Price List (RPL) has turned out to be slow, laborious, expensive and flawed. Our painstaking private practice cost studies have been vilified by the Department of Health (DOH). The most basic of concepts, that of tiered consultations, has been stalled for more than five years. There are major stumbling blocks in brokering remuneration and a new coding and billing structures. Non-implementation of cost-based reference pricing threatens the sustainability of private practice in South Africa.

NATIONAL HEALTH REFERENCE PRICE LIST (NHRPL) 2010

Updated practice cost studies and revised tariff structures were re-submitted to the National Dept of Health (DOH) early in 2009. They were based on larger samples of the actual costs of practices. The reports calculated dependable and conservative rand conversion factors ("RCF") for use in generating tariffs for medical services for general practitioners and 18 specialist associations, including Specialist Surgeons.

A conservative approach was followed to practice costing. One of the main objectives of the NHRPL process was to determine average costs of private practice across all disciplines and all regions of the country. The submissions calculated the individual RCFs for the 18 disciplines covered. However, it was recommended *that only two RCFs be used: one for surgical disciplines and one for consulting disciplines.* This results in large underlying samples, is easier for funders to apply and avoids the problem of pricing the same procedures when done by different disciplines. The table below summarises results.

	SURGICAL	CONSULTING
Practice cost study RCF 2010	R 27.26 per minute	R 26.52 per minute
<i>"HPCSA" (CPIX adjusted for 2010)</i>	<i>R 22.12</i>	<i>R 22.12</i>
<i>"RPL" 2010</i>	<i>R 8.39</i>	<i>R 13.56</i>

Table 1. Rand Conversion Factors as calculated, compared to benchmarks

The data prove that the current “NHRPL” level of remuneration is approximately one third (1/3!!!) of what the cost studies have indicated was required to attain a level of remuneration on par with that of a senior specialist in full-time State employ.

Legal action. After four years of major confusion, general chaos and broken promises by DOH relating to the implementation of a cost-based RPL, private health care providers had had enough. The newly-formed South African Private Practitioners Forum (SAPPF) brokered a legal challenge against DOH on the grounds that they had failed to apply their minds to the process and had flouted their own guidelines and regulations. SAPPF, supported by the 22 practitioner associations and SAMA (representing thousands of specialists, general practitioners and allied health professionals), launched its legal action in April 2009, claiming that the 2009 RPL was unlawful, procedurally unfair and unreasonable because the DOH did not comply with its own regulations. The court date for the SAPPF-led application was originally set down for 22 September 2009 after the DOH indicated that it was not going to oppose the matter. But before it could be heard, DOH changed its mind and decided to contest the application, requiring the case to be moved to the opposed role, the earliest date only in 2011.

In the mean time the Hospital Association of South Africa (HASA) and Emergency services (Netcare 911 and ER24) launched their own legal challenges against the RPL and DOH. HASA stated that their legal recourse was a last resort to enforce a review of the RPL regulation after private hospitals’ attempts to engage DOH on the matter had failed. They complained that regulations failed to address the input costs and operational realities specific to the range of hospitals.

Considerable legal haranguing led to the decision that all three applications would be heard in the High Court on the same date in February 2010 and DOH was prohibited from publishing RPL before end of February 2010!

Legal costs incurred by the Specialist groups represented by SAPPF are challenging and will increase significantly if the cases actually go to court. The SAPPF has appealed to all specialist disciplines to contribute towards the current and anticipated legal costs. Surgicom has committed R100,000 towards these costs.

Out-of-court settlement possible. The new Minister of Health, Dr Motsoaledi, has instructed that the matters be settled out of Court. Settlement negotiations are under way.

However, on 21 Dec 2009, the Council for Medical Schemes released Circular 40, ref CMS_21_12_2009, indicating that the Minister of Health, the Honourable Dr. A. Motsoaledi, had announced a 7.9% tariff adjustment as an interim and temporary measure in as far as the RPL is concerned. SAPPF and Surgicom are concerned that they were not party to the negotiations on the increase and that the developments seemed contrary to the settlement process and that a much larger increase should have been considered.

RECOMMENDATIONS FOR BILLING FOR 2010

Whilst there is no single benchmark by which a practice should increase / set its fees, the following are guidelines which will assist a practice to individually set its fees:

- The current Statistics South Africa CPI was approximately 5.8% for November 2009.
- Individual practice costs should form the basis for setting fees.
- We regard the 2009 RPL as irregular and thus cannot be used as a basis to set fees or increases.
- The Department of Health had agreed NOT to set 2010 RPL tariffs pending the High Court hearings into the 2009 RPL. These proceedings are set for 22-24 February 2010.
- Practice cost studies indicate that the current RPL tariffs are set too low, varying between 60%-200%, depending on whether it is a consultation or a procedure and the type of procedure.
- The RPL fee structure does not accommodate time-based (tiered) consultations. We recommend that practices bill according to time spent with patients under appropriate circumstances.
- There is a historical backlog in the RPL fee structure. This needs to be corrected and it is, therefore, our view that 2010 tariff adjustments for individual practises should be set at no lower than 9%. Each practitioner should, however, review their own specific circumstances.
- IT IS IMPORTANT ONCE AGAIN TO POINT OUT THE DIFFERENCE BETWEEN A MEDICAL AID "BENEFIT" & THE PROVIDERS FEE THAT IS CHARGED.

- We continue to engage Medical Schemes directly, but most have indicated that they are unable to offer more than 10% increase. Medical Scheme premiums for members will go up between 8% and 28.5%.
- HPCSA retracted their statements that they regarded the current illegal RPL as an ethical maximum. However, informed consent must be obtained from a client if the practitioner wishes to charge above the “RPL” or the fee that is guaranteed by their medical scheme.
- Low income medical scheme options and National Health Insurance (NHI) are under consideration to facilitate universal access to quality care.
- We recommend the Discovery Payment Arrangements be used as benchmark tariffs, taking the following comments as additional guidance:
 - Out of Hospital tariffs – 160% of DH Rate/ RPL but with full tiered consultations.
 - In Hospital tariffs – 215% of DH Rate/RPL in order to accommodate for the unjustified differential in consultations and procedural Rand Conversion Factors (RCF).
 - Discovery Health Medical Scheme is offering an additional 2% for practices on their Payment Arrangement Programmes. Details of the Discovery Health Direct Payment Arrangement Options and Rates for 2010 are set out below:

PREMIER RATE PAYMENT ARRANGEMENT	or	CLASSIC DIRECT PAYMENT ARRANGEMENT
Essential / Coastal and Classic Plans		Essential and Coastal Plans
A) 160% of the 2010 DH Rate for out of hospital claims and 135% of the 2010 DH Rate for in hospital claims.		100% of the 2010 DH Rate for both in and out of hospital claims. Specialists have the option of balance billing members directly for amounts above the DH Rate.
OR		Classic Plans
B) 145% of the 2010 DH Rate for both in and out of hospital claims.		100% of the 2010 DH Rate for out of hospital claims. Specialists have the option of balance billing members directly for amounts above the DH Rate. 215% of the 2010 DH Rate for in hospital claims. No balance billing above the 215% of the DH Rate
Executive Plan		Executive Plan
300% of the 2010 DH Rate for both in and out of hospital claims.		300% of the 2010 DH Rate for both in and out of hospital claims. No balance billing above the 300% of the 2010 DH Rate.

Specialists on the Premier Rate agree not to balance bill members on any Discovery Health Plan. These payment arrangements apply to all the Health Plans on the Discovery Health Medical Scheme, with the exception of the KeyCare Plans.

OTHER SCHEME TARIFFS 2010

We will advise you as more details become available but in general expect a **7.9% increase** in tariffs.

Surgicom members enjoy **Spesnet** benefits (plan 3). Please make use of their services and website - www@spesnet.co.za. The Funder’s file has a wealth of detailed information on benefits allocated to specific Funder plan option. The Funders File details the different divisions within the different schemes which have to be contacted for a different reason i.e. claims pre-authorizations or chronic medications. A scheme has the option to self administer such a function or to outsource it to a third party - in both instances the Funders File will indicate the appropriate name and contact details for such enquiries. Where certain preferred service providers are in place, SpesNet has attempted to create links directly to these parties and provided contact details. The list of DSP’s of schemes is a continuously changing target that is updated regularly.

PMBs: Schemes are legally bound to pay at the level that the practice “usually” bills - see these guidelines. The Council of Medical Schemes has vowed to act tough in instances of Schemes shirking their legal obligations regarding PMBs.

Medihelp: sadly the **CPT contract** has been **discontinued** due to lack of support for CPT as a future billing structure, the difficulties many surgeons endured in trying to bill according to CPT rules and the fact that only 50% of surgeons had stayed on the contract. Medihelp only offered a 6% increase for 2010; effectively this would have led to a 8.5% increase as a revised CCSA 2010 was introduced this year. This would have meant further time and expenses on a new Surgicom CPT billing guide. For 2010 Surgeons should therefore bill in accordance with the SAMA guide, but we recommend that the erstwhile CPT contract levels (approximately 35% above RPL) be used as a guide. Medihelp will pay the insured benefit direct to the practice.

Medscheme: 2009 + 7.9% tariff adjustment as an interim and temporary measure in as far as the RPL is concerned (Bonitas, Fedhealth, Oxygen, AECl, Barloworld, BMW Employees, Eyethumed, Massmart, MB Med, Metrocare, Parmed, SABC; Sasolmed, Siemens; University of Witwatersrand, Johannesburg Staff Medical Aid Fund; Xstrata).

Clinical Partners 2010 Reimbursement: Netcare Medical Scheme: Surgicom members will be reimbursed at **RPL + 42%**. This is adjusted to reflect the overall performance for the period of 2009. Clinical Partners remain committed to participating with our Specialist Partners in providing cost effective and appropriate care to the members of the Netcare Medical Scheme and to reward practitioners accordingly. Please note that, since the 2010 RPL has not been published, the 2009 RPL tariffs inflated with CPI (6,7%) will represent the 2010 tariff until further notice. For queries please contact Clinical Partners on 011 301 0262 or e-mail colleen.jones@netcare.co.za or Surgicom secretariat.

Providence (Minemed, Goldfields): 8% increase on 2009 RPL, requires signing of a preferred provider agreement.

Prime Cure and other low benefit options - unable to offer significant increases and request that their clients are not made to pay out of pocket.

Momentum Health Associated Specialist Arrangement: effective 1 January 2010, Momentum Health will be paying claims directly to participating specialists based on the following rates per option:

High Income plan (Summit) - 200% of Scheme rate for in-hospital claims, 215% of Scheme rate for out-of-hospital claims.

Middle Income plans (Custom, Incentive and Extender) - 135% of Scheme rate for in-hospital claims, 150% of Scheme rate for out-of-hospital claims.

Low Income plans (Base and Access) - 100% of Scheme rate for in-hospital claims, 100% of Scheme rate for out-of-hospital claims.

85% of members are currently on middle income plans and the remainder on the low and high income plans, respectively.

Conditions apply:

1. Bill according to the rates stipulated above; do not split or balance bill.
2. Normal scheme rules and administration protocols; Abide by standard ethical and appropriate billing principles. Billing queries should be forwarded to Surgicom.
3. Signed agreement required. See the full contract and details on the Medmall server: http://www.medmall.co.za/Medmall/2006/Medmail/marketresearch/momentum_englishnew.asp?qq=%id%

In summary, the situation regarding billing and tariffs is chaotic and tense at the moment and we face the prospects of a very difficult New Year. As always, Surgeons deliver high quality ethical care, but are denigrated by the paltry reimbursement and hassles of dealing with Schemes and their Administrators.

Please report any problems to our Surgicom Secretariat - they will receive our urgent and diligent attention. We continue to engage with Schemes, Administrators and other role players. We trust that SAPPF and our efforts in the legal battles will prevail.

Yours Truly

Jan Mook, Surgicom Chair