



# The cost malady: Foresight is 2020

Vital changes need to be made in healthcare to give patients better value for their money

COMMENT  
**Jonathan Broomberg**

**E**arlier this year, a new breast-cancer drug shown to extend the life of women with advanced breast cancer was rejected by the United Kingdom's National Health Service (NHS) because of its extremely high cost.

The NHS's refusal to pay for this drug at £90 000 a patient, tens of thousands of pounds more expensive than alternative treatments, has sparked yet another furious debate in the UK over the responsibilities of governments and pharmaceutical companies in relation to high-cost drugs.

Is it fair to deny funding for this drug that could prolong a patient's life? Should pharmaceutical companies not lower their prices despite their high investments? How can the NHS continue to expand treatment without becoming an impossible fiscal burden on the economy?

These rancorous debates are raging across healthcare systems around the world, and are becoming more intense as the cost of healthcare consumes an increasing share of gross domestic product. The debates illustrate the dilemma that governments and private funders face the world over — how to meet the understandable demands of individuals and their treating doctors for access to the best that medicine has to offer, while at the same time ensuring that health systems remain affordable and sustainable in the long term, and that healthcare costs do not cripple families, businesses, or even whole economies.

South Africa is no exception to these global trends and the debates that accompany them. Our healthcare costs continue to increase annually at 3% to 4% above the consumer price index, for all the same reasons that drive high medical inflation the world over — primarily the ever-increasing usage of more expensive products and services. Around the world, as here at home, these highly charged debates tempt us to find one or two culprits to blame.

The start of the much-anticipated Market Inquiry into Private Healthcare later this year will no doubt intensify the focus on these issues, and on the search for causes and culprits in our own healthcare system. As tempting as it may be, the fact is that we will not find simple causes or some culprits to take all the blame for high and rising medical inflation. Some of the drivers of high medical inflation are tied to long-term demographic trends.

Our medical scheme population is ageing relatively quickly and, in the absence of mandatory membership, the young and healthy stay out of schemes for as long as possible, or dip in and out.

This leads to “anti-selection” against medical schemes by those with much greater healthcare needs. The number of people suffering from heart disease, diabetes and other



**Spoil for choice: Providing effective medication is a costly balancing act in both the public and private health sectors.** Photo: Philippe Huguen/AFP

chronic diseases of lifestyle continues to increase rapidly. In Discovery Health's population, chronic disease prevalence has increased by 25% in the past four years, and each chronic member costs four times more than a nonchronic member.

To add fuel to the underlying demographic and disease-inflation “fire”, new medicines, technologies and procedures are now being developed at an enormous pace. Many of these are dramatically positive in their clinical impact. But, unlike information or manufacturing technology advances, where new breakthroughs reduce costs, new healthcare technologies are always more expensive than the technologies they replace, often by many multiples.

The new “biologic” medicines for treating some cancers and autoimmune conditions illustrate this well. These new medicines have great clinical impact, saving or extending lives, and improving quality of life.

But the cost of one of these medicines for rheumatoid arthritis is now about R17 000 a patient a month, more than 20 times the cost of medicines that were used in the past for this condition.

The structure of our private healthcare system is also a big part of our “cost disease”. There is now vast global evidence that paying health professionals and hospitals on a “fee-

for-service” basis (as opposed to for instance, monthly salaries) incentivises those providing services to do more, often without adding additional clinical value.

To make matters worse, our system is highly fragmented. Arcane professional regulations preventing “fee sharing” means every health professional works alone and by law they cannot be employed or work in teams. As a result, there is little information flow and co-ordination between providers, and precious little teamwork.

This leads to immensely frustrating and often traumatic journeys for patients through the healthcare system, as well as to medical errors, duplication in testing, and many other areas of inefficiency. Anyone who has been part of the journey of a sick hospital patient, seeing multiple doctors, often with poor communication between them and with the family, will know exactly what I mean.

Finally, the structure and distribution of hospital facilities contributes to cost increases as well. Discovery Health data show evidence of a variable supply of facilities across the country, with shortages in a few areas, which have rapidly growing insured populations, and excess supply in others.

Our hospital system is also heavily biased towards “one-size-fits-all” general hospitals, with too few specialised high-volume surgery and day surgery centres. In the United States, over 70% of all surgery is performed on a same-day basis. In South Africa, the equivalent figure is under 20%. Global evidence shows clearly that quality goes up and costs go down when more specialised, high-volume centres and day surgery centres are used appropriately.

Although the “cost disease” (the structure of our private healthcare system that results in low productivity growth in healthcare and increasing costs in real terms) is likely to be an ongoing feature of our healthcare systems, there are certainly strong reasons for optimism.

Globally, and here at home, healthcare leaders are increasingly focusing on how to restructure healthcare systems to achieve greater value for patients. Value in this context means achieving the highest possible quality of care at the lowest possible cost.

**D**iscovery Health envisions a healthcare system in which integrated primary care teams play a central role as the first point of care and the long-term “medical home” for patients.

By 2020 we see healthcare professionals working together, with highly specialised and focused teams doing routine procedures on a large-scale and multidisciplinary teams with the necessary expertise handling complex conditions, and we see these teams working in appropriate and efficiently managed facilities.

We also see a shift away from the “fee-for-service” payment system to bundled payments based on the quality of care and outcomes achieved, rather than simply the volume of services delivered.

Effective information flow and technology are also fundamental; health professionals and facilities will need to move away from paper records in Manila folders, and start using electronic health records to capture and share clinical information and test results, which should follow patients throughout their healthcare journey.

Today we have nearly 1500 doctors regularly using HealthID, Discovery Health's tablet and web-based application that allows doctors to view Discovery members' full health records and test results.

This will of course also require some key changes to current legislation, including giving medical schemes greater protection against the strong tide of anti-selection they are currently experiencing, and mitigating the inflationary impact of the current prescribed minimum benefit legislation. The laws preventing employment and teamwork among health professionals must also be changed and, finally, health facility licensing needs to take greater account of regional disparities in supply, and to encourage a rapid shift towards more day surgery and specialised high-volume centres.

Although these goals of our healthcare system in 2020 may sound far-fetched, we have no doubt that it can be achieved with sufficient leadership and commitment from all stakeholders, that it has great potential to improve value for patients by improving quality of care, and at the same time reduce costs for consumers and governments.

**Dr Jonathan Broomberg is the chief executive officer of Discovery Health, which manages South Africa's largest open medical scheme, Discovery Health Medical Scheme, and 13 restricted medical schemes**

**This is the first in a series of pieces Bhekisisa will be running on how to curb private healthcare costs. Bhekisisa does not necessarily endorse the views represented**

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