

**Opening Address by the Minister of Health at the Launch of  
the 2007 South African Health Review (SAHR) Cape Town, 05  
December 2007**

Thank you Programme Director

The Honourable Mr James Ngculu, Chairperson of the Portfolio  
Committee on Health

Mr Patrick Masobe, Chairperson of the Health Systems Trust  
Board of Trustees and other Board members present

Members of the media

Honoured Guests

Ladies and Gentlemen

Good Evening,

It gives me a great pleasure to address you tonight as we launch the 12<sup>th</sup> edition of the South Africa Health Review (SAHR). The Health System Trust (HST), through all of its work, including the annual publication of the South African Health Review has assisted the Department to build our national health system.

The Annual review – which is an external review of our health system – is in its 12<sup>th</sup> year. The editors can correct me but I don't think there are many countries in the world that have such a review done, independently and annually for such a long time. When we are criticised for not being transparent we need to hold up examples such as this as evidence of our democracy!

As you know, I have expressed my concern about the slow pace of transformation of the private health sector as well as issues of cost escalations, lack of transparency in pricing, its contribution to inequities etc. To address these challenge, we called a private health sector indaba a few months ago at which all stakeholders admitted that all was not well in the sector. At the meeting there was consensus that government had to strengthen its regulation of the private sector. The Department is currently in the process of examining ways of doing this.

This report therefore is timeous in that it both provides empirical evidence of the challenges that we face as well as some suggestions of what needs to be done.

Whilst there are challenges in the private health sector, we view the sector as a significant part of our national health system as it plays a significant complementary role to the public health system. We need to ensure that it plays a constructive role in strengthening the national health system as outlined in the White Paper for the Transformation of the National Health System as well as in the National Health Act.

As you are all aware, the ultimate responsibility for a country's health system performance lies with government. To us, the health of our people will always be a national priority and as the Minister of Health I have a responsibility to safeguard the health of all communities in South Africa.

The inequities in our system, particularly between the public and private health sectors should be a concern of all of us. It cannot be just or ethical for the per capita expenditure in the private sector to be 7-8 times that of the public sector. It cannot be just that the overwhelming majority of doctors, pharmacists, and dentists are in the private sector.

We have, over the past years, exercised stewardship over the private health sector through a number of legislative changes.

There has been extensive transformation on the funding of our health care system. The Medical Schemes Act of 1998 and its accompanying Regulations were introduced as a cornerstone to regulate the financing of the private health care industry. The objectives of the legislation are clear:

- ❖ First, we wanted to reverse the risk rating that had come to characterise the sector, and we re-introduced community rating. We took the view that cross-subsidisation should be re-established as the basis for the operation of the health care market.
- ❖ Second, we introduced open enrolment, to improve access to medical schemes for people who were previously excluded.
- ❖ Third, we introduced solvency and other financial and governance requirements to improve financial management and governance of medical schemes.
- ❖ Finally, we mandated a Prescribed Minimum Benefit Package to be funded by all medical schemes. This

intervention was for us, fundamental to the reorientation of the private health care sector.

Similarly we also introduced a number of reforms that changed the way that pharmaceutical companies have done business. We introduced the issue of generic prescriptions and single exit pricing which reduced the prices of drugs. We also abolished bonussing and other perverse incentives that characterised the relationship between the industry and health service providers.

Despite these achievements, the private health sector is still faced with a number of challenges, including:

- Significant increases in expenditure on private hospital. Actually, when we introduced measures to decrease profits on pharmaceuticals, some players in the industry looked for other places to increase profits – such is the logic of the private sector!
- There is also an increase in specialist costs. To address this, we may have to consider re-establishing the role of general practitioners as gatekeepers into the system.
- Last amongst these challenges is the increase on non health care items such as administration fees, managed care and broker fees.

Because of the high cost of medical aid membership, there has been a very limited increase in medical aid membership. In fact, the only reason there is an increase in total medical scheme

membership in the country, it is because of the introduction of the Government Employees Medical Scheme – GEMS!

The private healthcare sector urgently requires a coherent regulatory framework to ensure that it operates in the best interests of all the citizens of the country and not just its shareholders.

Next year, we will be using legislative changes and other means available to ensure that the private health industry genuinely contributes to the realization of the right of access to health care as enshrined in our Constitution.

As we develop a regulatory framework for the private health sector, we will ensure that our processes take cognizance of the views of all the affected parties.

Therefore, the information being presented this evening comes at the right time and I am happy that it is aimed at informing and influencing policy for the creation of a 'better health for all'.

I thank you.