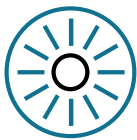


Medical aid rates and private practice costs: The hard facts that expose the unethical rates at which medical aids reimburse doctors

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Background

This document is designed to briefly explain why a medical aid rate is unreasonably low. It is not only an unethical rate, but has in fact been deemed illegal, not covering cost of practice and dismissed in a court of law in 2009.¹ Medical aids, however, continue to ignore this and increase premiums, while simultaneously decreasing the benefits of the practitioner, and of course, keeping what and how they reimburse medical professionals unreasonably low and unethical.

Let us start with the concept of RVU (rand value unit). This is essentially what a medical aid pays a specialist per minute of service delivered. Most medical aids base this reimbursement model on a defunct RPL (reference price list), which has not been changed, or adjusted for inflation, since the 1970s. Below are two tables showing what the medical aid reimburses clinicians for consultations and surgery (*Tables I and II*). Note that most medical aids do not pay for complexity, or time of consultations, and therefore, the reimbursement decreases with severity/complexity of the problem as well as the extra time spent by the patient with the practitioner.

Table I: Consultations based on time and complexity

CODE severity	RPL	DHMS217%!!
0190 Low	R296.20 = R14.81/min	R739.10 = R39.95/min
0191 Moderate	R9.54/min	R24.67/min
0192 High	R6.58/min	R16.42/min
Surgery	R11.05/min	R23.90/min

Also note that medical aids reimburse other medical professionals differently (*Table II*).

Table I indicates consultations based on time and complexity as follows:

- 0190 is 0–30 min
- 0191 is 30–45 min
- 0192 is 45 min–1 hour
- Note that medical aids reimburse the same fee irrespective of time or complexity (the surgeon is not paid after 30 minutes).
- The second column indicates a payment arrangement with Discovery Health (DHMS) and their reimbursement rates.

Table II compares medical specialists to other medical disciplines and their reimbursement rates. Note that homeopathy, audiology, speech therapy and psychiatry are not only reimbursed at a higher rate than surgeons, but also extra time is paid for.

So what do all these numbers mean?

- Your medical aid reimburses a surgical specialist with **14 years of training** at **R11.05/minute** for surgery and at

R19.74/minute for consultations.

- Healthman, an independent advisory service for private practice, indicated that a specialist practitioner should be reimbursed at **R37.90/minute, which is 300%** of what your medical aid is currently reimbursing doctors at.

Let us put this into perspective and see what the principal officers (POs) for the six top medical aids in the country reimburse themselves at, or what they feel they are worth (*Table III*).

Table III shows the remuneration of POs and their rate per minute. Compare this to what they pay specialists for surgery: on average three to four times more! So their service to the medical aid is 300% to 600% more than what they are prepared to reimburse specialists at.

Also note that the 2013 *Government Gazette* shows that an architect with six years of training was reimbursed at R31.25/min, approximately 300% more

Table II: Medical specialists are compared to other medical disciplines and their reimbursement rates

Consult	Surg	Homeo	Audio	Speech	Med/Cardio	Podiatry	Psych
31-45mins	261.70	250.60	281.60	285.80	400.30	412.00	734.50
46-60mins	261.70	350.90	394.30	400.20	400.30		964.10
Telephone	184.70				277.20		



than a specialist surgeon, and an architect specialist at R40.00/min, three to four times what surgery is reimbursed at medical aid rates.

Private practice costs

The average surgeon works **80 000 minutes per year** (excluding after hours), and the average surgical practice has **overheads** of approximately **R900 000 per year** (some, including ophthalmology, are much higher). Cost studies show that a medical aid rate reimbursement will not cover costs, once tax and VAT have been deducted.

So if a medical aid reimburses a surgeon R11.00/min., which they do for surgery, then you will be generating R880 000 per annum, which will not cover costs (as declared by the Court in 2009).¹

This shows that medical aid fees are based on what a newly qualified intern earns in the province, and remember interns pay no VAT and have no practice costs.

In summary, a medical aid rate does not cover the costs of a surgical practice, nor does it generate any income.

**What you should know about your designated service provider
What is a designated service provider (DSP)?**

- This is a doctor/specialist who has agreed to charge a medical aid’s contracted tariff, which is usually slightly above the standard medical aid rate, but still nowhere near the Healthman’s cost-based tariff.
- Your medical aid will tell you to see their DSP based purely on fees charged.

- There are absolutely no outcomes and quality based referral from the medical aid.
- So a DSP may provide poor or good quality care, but medical aids do not measure this. There are no quality measurements done when appointing DSPs.

What is the essence?

Private fees are a reasonable fee for service, based on experience and costs of private practice.

When your medical aid tells you they pay 100%, please note that this is usually 100% of their scheme rate, and on average about one-third of what they should be paying. This depends not only on your scheme, but also your plan.

Medical aids, however, hold the cards when it comes to fees and reimbursement models, but it is important for you, as the patient, to understand the implications of private healthcare costs, private practice costs, and why medical aid tariffs are both unethical and unreasonably low.

Reference

1. The Hospital Association of South Africa Ltd/The Minister of Health, in the High Court of South Africa (North Gauteng Division, Pretoria), 2009.

Scheme	PO remuneration	Increase % 2013-2014	Rand Unit Value Equivalent
Medihelp	6,070 000.00	80	75.87
Bestmed	5,684 000.00	31	71.05
Discovery	5,399 000.00	34	67.48
Polmed	5,204 000.00	52	65.05
Liberty	3,993 000.00	15	49.91
GEMS	2,989 000.00	71	37.36