

Privatisation: The various interested parties

Privatisation of health care in South Africa is an attempt to shift state responsibilities for welfare and essential services to private enterprise. This move is politically and economically advantageous to the state and private enterprise.

Political aspects of privatisation

Privatisation in South Africa depoliticises health by shifting the emphasis on the racial inequalities within the state health care delivery system to a class-based system. The latter would cater for those who can pay high fees or who are fully covered by medical aid schemes.

Economic issues in privatisation

Economically, privatisation means that health care becomes a commodity. The profit motive is introduced into the previously state-provided sector. Introducing the element of profit as a motive for health care delivery raises certain issues, such as the following:

- what type of health care will be offered?**
- where will these services be made available?**
- to whom will these services be available?**

Prognosis for privatised health care

If the concept of privatisation conforms to the principles of capitalist accumulation then the type of services provided will most likely depend on



A patient recuperating from an open chest operation at a private clinic
profitability and patients' ability to pay. In that case, these services will be predominantly urban-based, curative, sophisticated, and expensive. The private sector, despite its overtures for preventive and essential programmes, is unlikely to be prepared to provide low profit services.

Privatisation vs. the existing health care delivery system

The argument for privatisation is a convincing one in the light of the inadequacies of the existing health system in this country. It captures the attention of many people who, like the advocates of privatisation, are reluctant to see the health problem as an integral part of the political, social, and economic structures in South Africa. Yet the arguments for greater efficiency and cost containment, convincing as they might seem, are addressing the symptoms and not the causes of the health problems in this society.

Privatisation and free enterprise

The proponents of privatisation interpret the concept according to the interests of



Privatisation addresses symptoms, not causes of health problems

those groups advocating the "free market solution". These groups reason that health is a privilege, not a right and therefore can be distributed according to the supply and demand forces of the market.

The privatisation lobby

The private sector which advocates privatisation of health care consists of private health industry and services (eg private practitioners and hospitals, medical aids and pharmaceutical companies) and economists and business management consultants who support this sector.

These interest groups support privatisation on the basis that health care for profit will be more cost effective/efficient and more efficiently delivered than health care in the public sector. The market, it is claimed, introduces competition which in turn will promote a high standard of service. The profit motive will

ensure competent and appropriate costing strategies. To achieve these ends, health institutions, like any other business, will be run by business managers.

Some advocates of privatisation also promote the idea of "freedom of choice" in health, i.e. that patients will be able to shop around for the best care available, rather than being forced to utilise public services with all their inconveniences. This attitude seems to indicate the target population envisaged by the private health industry, for only the affluent or insured would be in a position to make this choice.

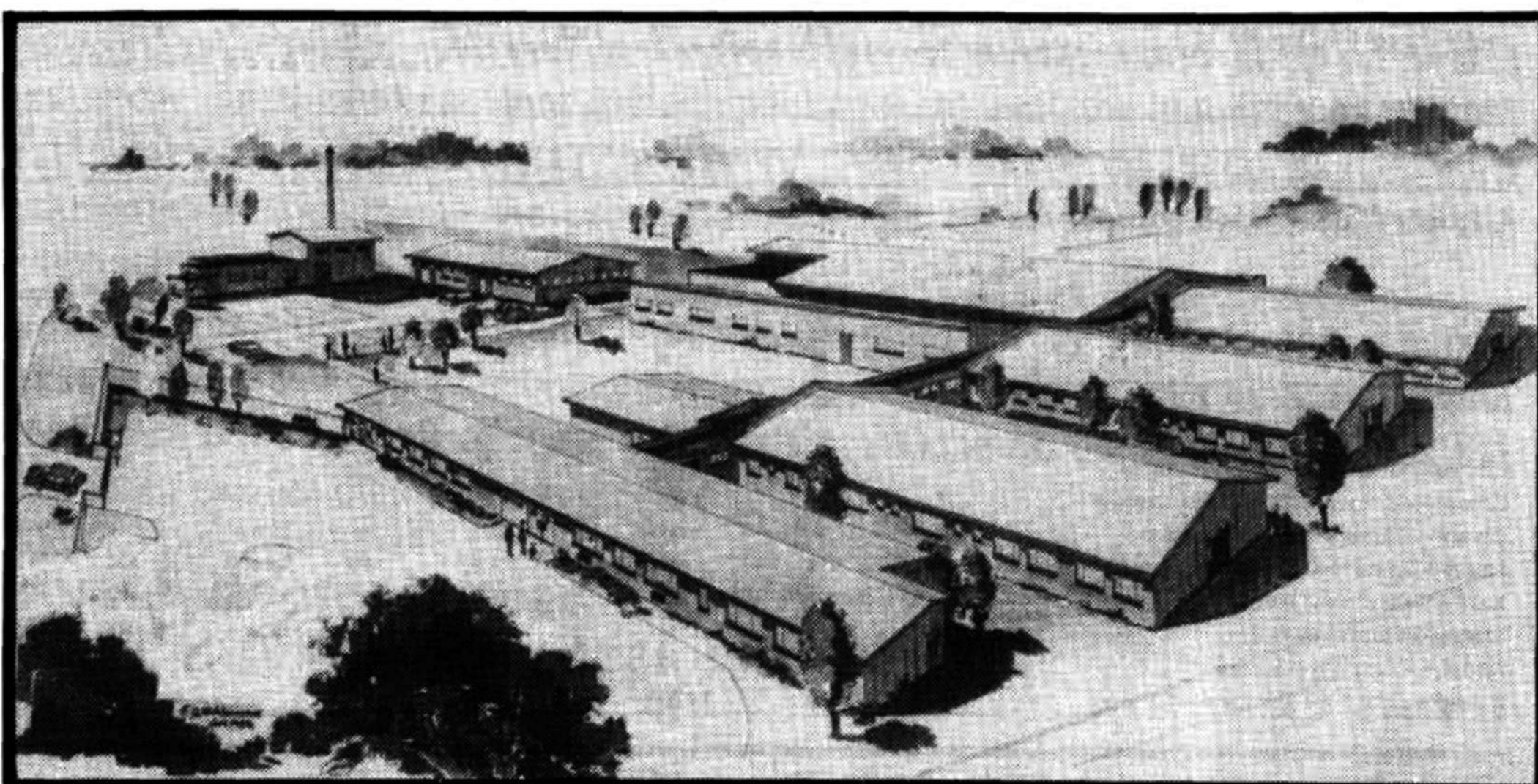
Proposals made by the privatisation lobby

Various strategies are proposed to "overcome" the limited access to private health care. The private sector is lobbying for deregulation and changes in legislation to "free" health services from the restraints of the present system. For example:

1. Changes are being sought to allow for the introduction of group health practice such as the health maintenance organisations (HMO's) of the USA. These HMO's are pre-paid membership schemes which offer services to members in accordance with a subscriber's level of contribution.

These pre-paid schemes are being promoted as an alternative to the fee-for-service model applied in South Africa. It is claimed that the fee-for-service practice, rather than encouraging cost containment, encourages over-utilisation of services by doctors and patients.

Health maintenance organisations, it is claimed, have inbuilt incentives for cost containment, e.g. patients are entitled to treatment only in accordance with pre-paid contributions; physicians are paid per enrollee not service; and physicians



An artist's impression of Lesedi Clinic

Subsidiary companies

	Nature of business*	Issued share capital		Effective Percentage holding		Book value of the company's interest			
		1986 R	1985 R	1986 %	1985 %	Shares		Indebtedness	
						1986 R	1985 R	1986 R	1985 R
Subsidiaries incorporated in South Africa									
Afrox Limited	G	100	100	100	100	100	100	(1 085 781)	(713 154)
Afrox Finance Limited	F	60 000	60 000	100	100	60 000	60 000	(54 930 162)	(63 026 135)
Amalgamated Medical Services Limited	H	3 400 000	3 400 000	85	85	17 450 798	17 450 798	5 006 013	387 101
Ammed Medical Systems (Pty) Ltd	H	270	—	60	—	162	—	179 923	—
ACL Performance and Educational Services (Pty) Limited	I	200	200	100	100	200	200	(671 895)	236 340
Brenthurst Clinic (Pty) Limited	H	10 000	10 000	85	85	—	—	—	—
Brenthurst Dispensary (Pty) Limited	H	200	200	85	85	—	—	—	—
Die Eugene Marais Gedenkhospitaal Apteek (Edms) Beperk	H	499	499	57	57	—	—	—	—
Dowson & Dobson Limited	F	1 000 000	1 000 000	100	100	3 674 208	3 674 208	(4 534 027)	(6 087 255)
Entabeni Hospital Limited	H	1 183 860	1 183 860	76	75	8 120 575	8 063 829	1 827 599	2 475 115
Florence Nightingale Nursing Home Limited	H	2 000	2 000	85	85	—	—	—	—
Glynnwood Nursing Home (Pty) Limited	H	1 000	—	85	—	790 892	—	(825 505)	—
Glynnwood Properties (Pty) Limited	H	6 000	—	85	—	533 963	—	—	—
Harris Welding Equipment Co. (Pty) Limited	W	2	2	100	100	2	2	1 185 034	1 406 191
Home & Hospital Dispensaries (Pty) Limited	H	20 200	20 200	80	80	16 000	16 000	1 137 158	400 000
Industrial Research & Development (Pty) Limited	I	6 000	6 000	100	100	594 496	594 496	(441 177)	(379 797)
Industrial & Petroleum Valves Holdings (Pty) Limited	F	20 000	20 000	100	100	372 242	372 242	2 149 150	3 725 816
Industrial & Petroleum Valves International (Pty) Limited	F	100	100	100	100	—	—	—	—
Jomoru Investments (Pty) Limited	F	100	100	85	85	—	—	—	—
Kwest (Pietersburg) (Pty) Limited	F	1 000	1 000	100	100	46 973	46 973	3 963	44 429
Lady Dudley Nursing Home Limited	H	63 500	63 500	85	85	—	—	—	—
Les Marais Verpleeginstellings (Edms) Beperk	H	499	499	55	55	—	—	—	—
Nasionale Sweisware (Edms) Beperk	W	2	2	100	100	2	2	(21)	(21)
Nicoweld (Pty) Limited	W	1 200	1 200	75	75	21 446	21 446	53 910	(137 410)
Northern Dispensary Limited	H	200	200	85	85	—	—	—	—
Princess Dispensary (Pty) Limited	H	4	4	85	85	—	—	—	—
Randburg Nursing Home (Pty) Limited	H	100	100	44	44	—	—	—	—
Sapego Company Limited	I	10	10	85	85	—	—	—	—
The Princess Nursing Home Limited	H	10 785	10 785	85	85	—	—	—	—
United Medical Services Limited	H	37 000	37 000	85	85	—	—	—	—
Welding Electrode Manufacturing Co. (Pty) Limited	W	60 000	60 000	100	100	563 140	563 140	(4 164 635)	(2 752 679)
Subsidiary incorporated in South West Africa									
South West African Oxygen (Pty) Limited	G	280 000	280 000	100	100	280 000	280 000	1 349 610	1 487 764
Subsidiary incorporated in Malawi									
Industrial Gases Limited	G	K2 133 334	K1 866 667	75	75	318 054	318 054	—	—
Subsidiary incorporated in Swaziland									
Swazi Oxygen (Pty) Limited	G	E8	E8	100	100	—	—	782 578	659 497
						32 843 261	31 461 498	(52 898 246)	(62 274 179)
Non-trading companies						1 345 554	1 345 554	(887 352)	(858 321)
						34 188 815	32 807 052	(53 785 598)	(63 132 500)

Unlisted associated companies

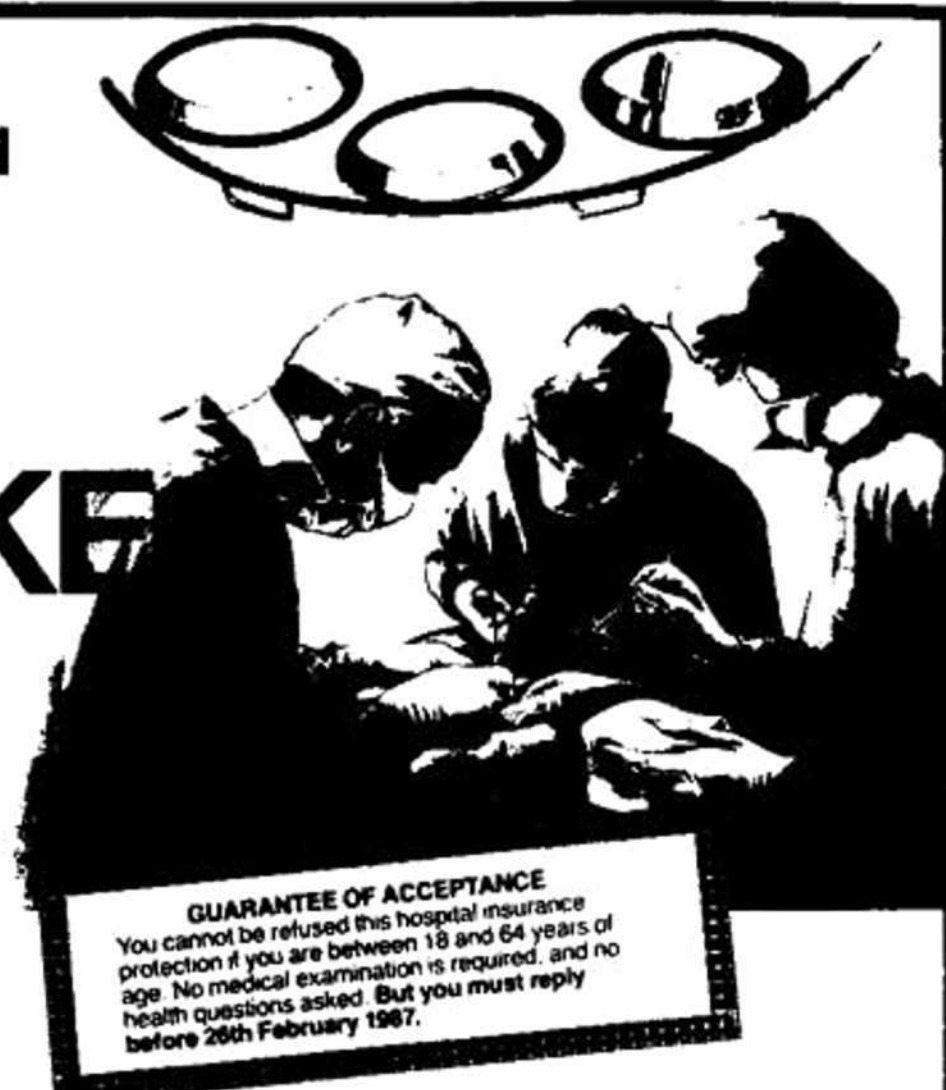
	Nature of business*	Issued share capital		Effective Percentage holding		Book value			
		1986 R	1985 R	1986 %	1985 %	Group		Company	
						1986 R	1985 R	1986 R	1985 R
Bendoc (Pty) Limited	H	4 000	—	20	—	32 245	—	32 245	—
City Park Hospital (Pty) Limited	H	—	4 000	—	50	—	2 000	—	2 000
City Park Medical Centre (Pty) Limited	H	—	4 000	—	50	—	2 000	—	2 000
Glynnwood Nursing Home (Pty) Limited	H	—	1 000	—	42.5	—	266 255	—	266 255
Glynnwood Properties (Pty) Limited	H	—	6 000	—	42.5	—	58 600	—	58 600
Hiway Medical Holdings (Pty) Limited	H	951	951	34	34	400	400	150	150
Les Gaz Industrials Limited	G	RS 13 056 960	RS 13 056 960	34	34	85 401	85 401	85 401	85 401
Magnolia Clinics Limited	H	1 000	1 000	32	32	814 016	814 016	814 016	814 016
Nedpark Clinic (Pty) Limited	H	100	100	32	32	32	32	32	32
Rainspray Holdings (Pty) Limited	F	19 200	19 200	50	50	—	—	—	—
						932 094	1 228 704	931 844	1 228 454

A large number of private hospitals are AFROX business ventures

Here's THE plan to help you get the money you'll need if you go to hospital anywhere in the world for

HEART ATTACK, CANCER, STROKE SURGERY, or any other serious illness.

PLUS...an extra R10 000 paid in the event of accidental death.



GUARANTEE OF ACCEPTANCE
You cannot be refused this hospital insurance protection if you are between 18 and 64 years of age. No medical examination is required, and no health questions asked. But you must reply before 26th February 1987.

Ask yourself now before it is too late...when you're in hospital, who will pay for those costs not paid by medical aid?

Even if you have medical aid, and you go to a state hospital, you will have to pay a portion of the costs. The amount will vary according to your income, but you will still have to pay

Many people want the more individualised treatment and care provided by private clinics. But to get them you must pay an even more significant amount of the costs for:

- the portion of your daily room cost not paid by medical aid
- laboratory fees and tests
- fees of doctors and surgeons
- drugs, anaesthesia, therapies, etc.

Whether you go to a state hospital or a private clinic, there

providing for the expenses that arise when there's no one left at home to take care of your household

Cash Benefits paid directly to you

Your cash benefits are paid directly to you - not to a doctor or a hospital.

You are the best judge of what your needs and extra expenses are, and The Hospital Insurance Plan allows you to use your cash benefits as you see fit.

Also, these cash benefits are paid in addition to any benefits you may receive from any other insurance...regardless of the actual amount of your hospital bill! When you make a claim, no questions are asked about any other insurance.

You pay only R2.00 for your first month's cover - so the more cover you choose, the more money you save

Monthly* Premiums for	Age at last birthday				
	18-29	30-39	40-49	50-64	
PLAN A pays you R80.00 a day					
R100.00 a week	Individual only	15.15	26.45	39.77	44.86
	Individual and spouse**	18.65	34.20	47.75	53.65
R2 790.00 a month up to R32 850.00 in cash for each covered hospital stay	Individual and children***	26.10	48.20	67.90	70.35
	Entire family	40.20	63.95	83.55	90.05
PLAN B pays you R50.00 a day	Individual only	10.45	19.30	26.80	29.65

One suggested measure of cost-containment is separate catastrophic cover

are subject to peer review. All these suggestions are cited as solutions to "overtreatment" of patients.

2. Changes in the medical aid structures are suggested as part of the cost containment strategy. The call is for flexibility of schemes and pre-paid health insurance. Both of these may offer packages to suit the patient's predicted requirements and both offer levels of entitlement in accordance with contributions. The lower the premium the more basic the care, the higher the investment the greater the care available.

Incentives such as no claim bonuses, co-payment by patients and separate catastrophic cover are also being suggested as methods of cost containment in health care delivery. All of these proposals are based on the assumption that the patient can predict their disease profile.

Private doctors, medical aids, and the pharmaceutical industry

A local financial newspaper reported in November 1985, that medical aid tariffs had increased 500% since 1975.

The cost of private health care in South Africa is very high. The causes of this cost escalation are being debated by the private health industry, each sector blaming the other for this state of affairs.

Private practitioners are "over-servicing", patients are "over-using", pharmaceutical companies are "over-marketing", private clinics and medical aids are "over-charging".



Medical schemes, in their search for cost containment measures, are lobbying for legislative changes which will allow for flexibility of medical cover and the removal of guaranteed payments. Medical aids blame doctors' tariffs, over-usage of services and drugs by doctors and patients, and the high cost of medication for the increases in medical aid contributions.

Doctors, in turn, lay much of the blame for their problems on the medical aid system. They are reluctant to forego guaranteed payment as a means of containing costs. Instead they are suggesting alternative methods of cost containment, e.g. responsible self medication, co-payment by patients and subsidised care for those who cannot afford expensive care.

This merry-go-round fails to address the fundamental causes of and solutions to health and ill-health.

Conclusion

All of these debates and "solutions" reflect the different interests of the various sectors of the private health industry. The privatisation platform is debating health care at the level of symptoms and not the causes of health care deficiency in South Africa. The primary aim of the interested parties is cost and efficiency. This is in stark contrast to the fact that the health care deficiency is caused by disproportionate distribution of the human and material resources of health.

<p>The Officially Recommended Hospital Insurance Plan</p>  <p>of Barclays Bank</p> <p>gives you the money you'll need if you're hospitalised for Heart Attack, Cancer, Stroke, Surgery, or any other serious illness.</p> <p>Plus ... an extra R25 000 paid in the event of accidental death.</p>	<p>If you're under 65, your acceptance is guaranteed for the highest daily benefits Crusader has yet offered.</p> <table border="0"> <tr> <td data-bbox="714 1944 1018 2270"> <p>High cash cover Up to R700 a week ... if you're hospitalised for any reason</p> <p>This plan pays cash directly to you, to spend in any way you choose. You receive your benefits from the very first day if you're hospitalised due to an accident the fourth day if you're hospitalised due to illness. And we continue paying these cash benefits for a full year if necessary for each and every hospital stay. That could amount to up to R36 500 if you choose Plan 700. These cash benefits are paid to you in addition to any other cover you might have.</p> </td> <td data-bbox="1050 1944 1375 2270"> <p>Special high benefits Up to R1 050 a week ... when you need them most</p> <p>We've increased cash benefits to a full 150% to help fight the more costly bills associated with heart attack, cancer, stroke, or coronary artery disease. Added cash to help pay for specialists, lab tests, special medications, treatments and private nurses - anything that is needed at such a critical time. Again, these benefits are payable for a full year - so if you were to choose Plan 700 you would get R54 000.</p> </td> </tr> </table> <p>Plus ... R25 000 Accidental Death Benefit</p>	<p>High cash cover Up to R700 a week ... if you're hospitalised for any reason</p> <p>This plan pays cash directly to you, to spend in any way you choose. You receive your benefits from the very first day if you're hospitalised due to an accident the fourth day if you're hospitalised due to illness. And we continue paying these cash benefits for a full year if necessary for each and every hospital stay. That could amount to up to R36 500 if you choose Plan 700. These cash benefits are paid to you in addition to any other cover you might have.</p>	<p>Special high benefits Up to R1 050 a week ... when you need them most</p> <p>We've increased cash benefits to a full 150% to help fight the more costly bills associated with heart attack, cancer, stroke, or coronary artery disease. Added cash to help pay for specialists, lab tests, special medications, treatments and private nurses - anything that is needed at such a critical time. Again, these benefits are payable for a full year - so if you were to choose Plan 700 you would get R54 000.</p>	<p>The Officially Recommended Hospital Insurance Plan</p>  <p>of Barclays Bank</p> <p>gives you the money you'll need if you're hospitalised for Heart Attack, Cancer, Stroke, Surgery, or any other serious illness.</p> <p>Plus ... an extra R25 000 paid in the event of accidental death.</p>
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Medical aids are primarily available to salaried, skilled, white employees