

Interview on the hospital crisis

The following interview on the hospital crisis was conducted with Max Price of the Centre for the Study of Health Policy. It deals with the causes and possible solutions.

Q: Much publicity has been given recently to the current 'crisis' in certain of the public hospitals in South Africa. How do you view the crisis and what are your opinions of the cause of the crisis?

A: Firstly, the problem in the public sector and the reason for the crisis is that not enough money is being allocated to health. The health budget has not kept up with the population growth, increased urbanisation, the increased number of older people in the population, medical inflation, nor with people's expectations. Instead the government is spending more money on defence and on the maintenance of apartheid.

Secondly, some of the money that has been allocated has been used inefficiently. It is wasted on the upkeep of large bureaucracies, fragmentation of services into fourteen Departments of Health and on the maintenance of segregated facilities. There is the Johannesburg Hospital which is under-utilised but which still must be run. Staff, electricity and heating and loan repayments must still be paid. These expenses do not go down just because it is less occupied.

The problem is that the government is not committed primarily to the provision of health. Health needs are secondary to the maintenance of apartheid.

Thirdly, management systems of public sector hospitals are inadequate. Proper costings of operations for example, are not done and therefore the hospitals are not in a position to make proper decisions. The separation of the siamese twins at Baragwanath is an example. Was this an ethical distribution of resources in a country where people do not have access to basic life saving health care?

There are too few adequately trained people in positions of management and planning in the public sector. However, their problems of co-ordination and planning are compounded not only by the fragmentation into fourteen departments of health, but also fragmentation of curative care (which falls under the province) and preventive care (which up until April 1988 was under the state and the municipality). Resources could not be allocated from one service to the other as

they were under separate authorities.

The lack of adequate incentives within the sector to ensure efficiency and appropriate use of resources, is also problematic.

Fourthly, staff shortages are a problem. Working conditions for nurses are poor. The private sector can offer wage incentives to counter this. A vicious circle emerges where the working conditions in the public hospitals worsen as the nursing shortage worsens.

These problems are not insoluble. Yet other problems may be more complicated, such as the attitudes and incentives of some health personnel. Doctors, for example, expect to earn a large amount of money and can do so in private hospitals or overseas. Since the public sector cannot afford to spend as much on doctors as the private sector spends, this also leads to shortages of doctors in the public hospitals.



Squatters In the Eastern Cape: Health budgets have not kept up with Increased urbanisation

Q: What solutions do you see to the nursing shortage?

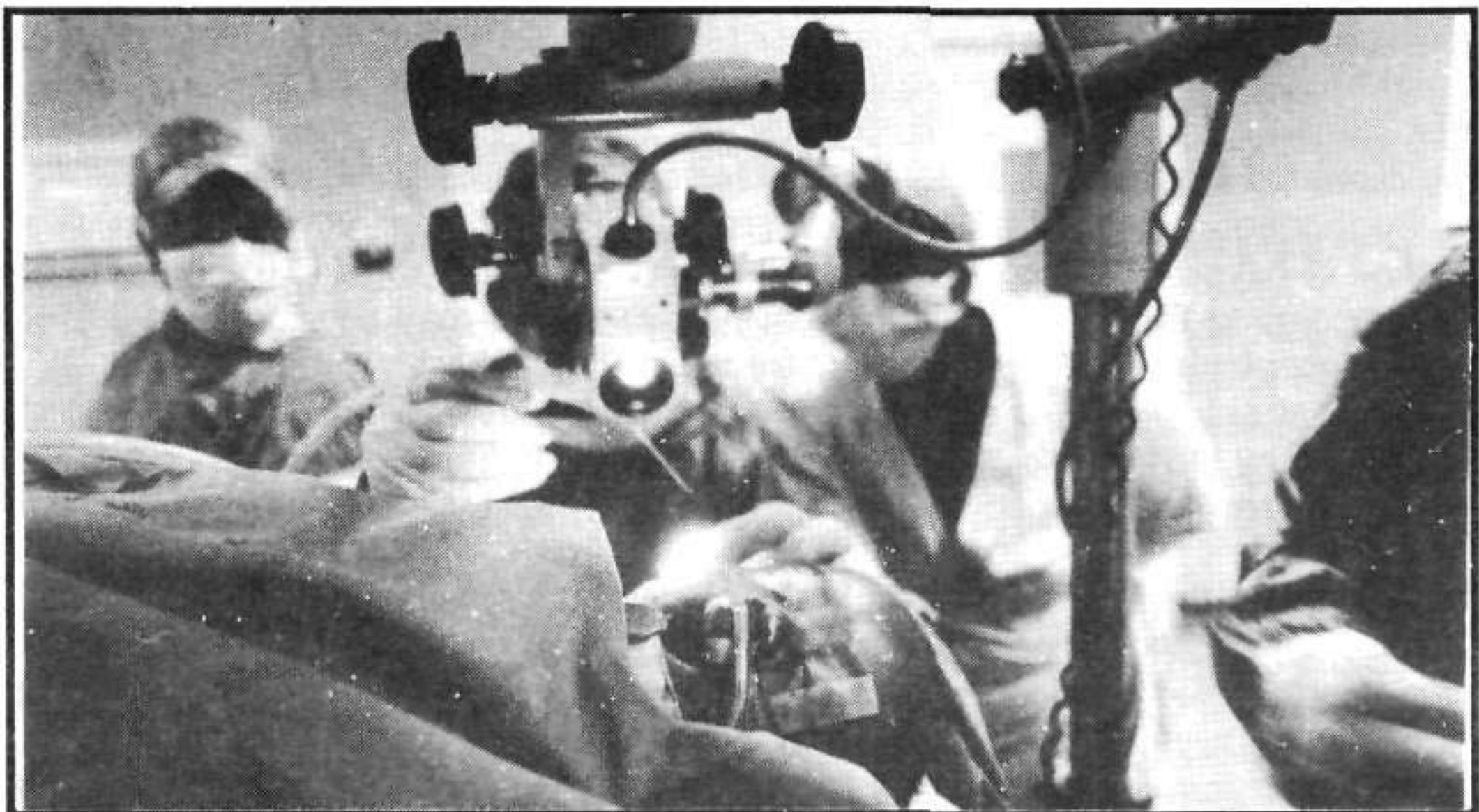
A: A solution to this is difficult. Obviously, nurses need to get paid more. One solution would be to 'de-skill' certain nursing functions or to change the qualification requirements. Nursing is becoming more professional, training is now four years as opposed to three. Perhaps some nursing work could be done by less trained people and the money saved on training and salaries could be used to pay nurses more. The large private sector actually aggravates the problem in the public

sector. Part of the difficulty in recruiting nurses to the public hospitals are the incentives provided by the private hospitals. The private sector can always maintain nurses' salaries at 10% above that of the public sector. The private hospitals however, are not involved in the training of nurses and don't carry those costs. They also do not add to the total pool of nurses.

Q: Private hospital representatives often claim their hospitals are run more efficiently than public hospitals. What evidence is there for this?

A: It is very difficult for the private hospitals to compare their running costs to those of the public hospitals. Public hospitals do not have records of amounts spent on individual operations, procedures etc. In other words there is no evidence from which a comparison could be made so I don't know on what basis private hospital representatives make these claims.

Comparing the total budgets of public and private hospitals of equal size is also hazardous. The public hospitals perform certain functions that the private sector does not provide. For example, public hospitals usually treat the most severe cases and perform most of the very 'high-tech' medicine. Also, tertiary hospitals are responsible for the teaching of health workers which is very expensive. The cost of running a public hospital includes medicines and staff salaries. The cost of private hospitals does not include this; the patient is billed separately for them.



80% of cases in private hospitals are surgical. These are more profitable than medical cases

In addition, 80% of cases in private hospitals are surgical. They tend to take on fewer medical cases which require longer periods of hospitalisation and which don't pay back as much. Most of these cases are sent to the public hospitals.

Theoretically, it is likely that private fee-for-service hospitals are less efficient and push costs up more rapidly than public hospitals. This is because it is more expensive to administer a fee-for-service system where each item is separately billed than to administer a fixed budget fee. Also, the fact that private hospitals are there to make a profit implies that the net proportion of expenditure going to health care activities is less.

The arguments used by the private sector to defend the efficiency of the private hospitals relate to the competitive nature of the market which should force hospitals to give the best care at the lowest cost. I do not believe this argument is valid but we can come back to this later when we talk about privatisation.

Q: Do medical aid schemes provide a solution for those "non-indigent" patients who have to pay for their own care?

A: I don't think they provide a long-term solution because they contribute to rapid cost escalation and over-utilisation of the health services. The reason is that medical aids are what economists call a 'third party' method of payment. This means that when the service is used, neither the patient nor the provider is aware of the costs and so the price mechanism can't act as a disincentive at all. As a result, providers provide as much care as possible and users use as much as they can. People feel they have paid and should try to get something for it every month. Medical aid schemes are thereby fuelling the spiralling costs of medical care and some are running into financial problems because of this.

Furthermore, medical aid schemes are inequitable compared with taxes as a method of payment; someone with a low income may have to pay 10% or more of their income to the scheme, while a business executive may pay less than 2% of his/her income. It is not a good system for redistributing health resources.

Medical aids will also not cover people for treatment of conditions they had before joining the scheme and for expensive chronic conditions. Instead of being a system where healthy people pay for the sick, the high risk cases are often excluded.

At present, there are very few alternatives and the schemes, for all their faults, do have some good aspects. For example, they must continue to cover members once they become pensioners, usually at a reduced premium. They must offer a minimum package of benefits and may not discriminate on the basis of income. The schemes are, by law, non-profit services although the administration of the schemes is often performed by a profit-making company. Even then, the proportion of revenue spent on administration is restricted by law and is usually 5-7%.

Q: What do you see as possible short and long-term solutions to the present crisis?

A: In the short term, remove all subsidies of the public sector by the private sector; increase expenditure on public health services; desegregate the hospitals; combine health services into a single department of health; decentralise health service to geographically appropriate regions with more power being given to the local authorities responsible for health in the area. The local health service managers should be able to be more flexible with the given health budget; they should be able to determine pay incentives for certain areas, overtime incentives, bonuses could be introduced for clinics with good evaluations from users, etc. In the final analysis, the public health service can be changed to make it more efficient. The answer lies in this and not in privatisation.



Money that could be spent on health is used for the maintenance of apartheid

Some of the long term possibilities have already been suggested such as a form of nationalised health service. It may be appropriate that, while using the national health service, wealthier patients have to pay in order to subsidise the poorer patients. However, the state must be committed to an increase in expenditure so that any money saved does not get rechannelled into defence but is used to upgrade the health service and other essential services.

Workers who are presently thinking of going onto medical aids could also look at long term solutions which would promote alternatives to private medicine and would be consistent with a future national health service. Trade unions could run their own health services or contract with independent providers to provide services to their members. Two important conditions would be that they maintain control over their health services and that providers would not be paid on a fee-for-service basis as this leads to inefficient cost increases.