



**COUNCIL FOR MEDICAL SCHEMES**

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**To:**

**All medical schemes, administrators, health  
care providers and other interested parties**

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## **CIRCULAR 67 OF 2005**

### **NATIONAL HEALTH REFERENCE PRICE LIST: DIRECT MATERIALS CODES**

1. The National Health Reference Price List (NHRPL) is primarily a set of procedure codes with corresponding reference prices. The NHRPL costing model has, in our view, responded reasonably satisfactorily to the challenge of developing a methodologically sound approach to costing procedures – which includes the costs of indirect materials. However, the formulation of NHRPL codes for direct materials remains unsatisfactory, and there is not absolute consistency between schedules on how this matter is dealt with.
2. We therefore invite your comment and suggestions in relation to three areas of the NHRPL, where we are looking for improvements to formulation and approach:
  - a. revision of the formulation around material and supplies codes in general (and a specific proposal by SAMA and other stakeholders in this regard);
  - b. reference pricing in relation to medication used by allied health professionals such as homeopaths and phytotherapists; and
  - c. revision of the formulation around X-ray codes.
3. The general principle is that practices should generate their income through professional services rather than trading in materials – and that provision should just be made for cost-recovery on materials (although a proportionate allocation of overheads was made to materials in the case of optometry because it would otherwise have made optometric professional service prohibitively expensive). In costing guidelines for 2007, handling expenses on materials will explicitly form part of overhead costs and it will therefore be appropriate to restrict material codes to net acquisition price (subject to the outcome of regulatory changes in relation to dispensing fees on medication).

Chairperson: Prof. Nicky Padayachee Vice-Chairperson: Ms Gando Matyumza Chief Executive & Registrar: Patrick Masobe

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4. In the meantime, certain proposals for revision to material codes have been made by SAMA in consultation with various other industry stakeholders. We request your input on the merit of these proposals, as well as on the feasibility of implementation and the period required by funders, switching companies etc to make such changes from an IT systems perspective. SAMA has proposed replacing the current “SECTION II: MEDICINE, MATERIAL, SUPPLIES AND USE OF OWN EQUIPMENT OF THE DOCTORS’ BILLING MANUAL” in the medical practitioners’ schedule with the following formulation:

## II. MEDICINE, MATERIAL, SUPPLIES AND USE OF OWN EQUIPMENT

### Guidelines for medicine, material, supplies and use of own equipment:

- For practices not licenced as dispensing practices refer to item 0198 for once-off administration of dispensed medicine, material and/or unregistered/unscheduled products.
- For medicine, material and/or unregistered/unscheduled products used during treatment refer to items 0201 and 0212, irrespective of licencing status.
- For licenced dispensing practitioners dispensing medicine, material and/or unregistered/unscheduled products refer to items 0197 and 0195.
- Please note that items 0201 and 0212 should not be used for any dispensed medicine, material and/or unregistered/unscheduled products, but is applicable for items used during treatment.
- Items 0212 and 0195 may only be used for the management of active treatment for cancer to ensure the correct benefit allocation.
- NAPPI codes:** Each item must have a NAPPI code in order to identify the particular item. The appropriate Ethical Medicine NAPPI code(s), selected from those codes commencing with 7 or 8 (provided that it is not a reference code), should be added applicable to the medicine and/or unregistered/unscheduled product used.; while the appropriate Surgical and Material NAPPI code(s), starting with 1 to 6 for the material used, must be provided. Please note that the NAPPI code for all products, per medicine and/or material item, must be provided since the principle of NO NAPPI code, NO PAY is followed by medical schemes.
- Application of Value Added Tax (VAT):** Since the Single Exit Price (SEP) is VAT inclusive, VAT should, not be added to the SEP.
- Items 0197 and 0195:** Applicable to licenced dispensing medical practitioners
- Item 0198: Once-off dispensing to a patient:** Please note that item 0198 is used when, in the case when emergency medicine, material and/or unregistered/unscheduled products are dispensed (to take home) as a once-off occurrence. This might mean that, for example, a full course of antibiotics is dispensed to a patient to ensure that the treatment is completed.  
According to Section 18(8) of the Medicines and Related Substances Act (Act 101 of 1965) compounding and dispensing does not refer to a medicine requiring preparation for a once-off administration to a patient during a consultation.
- Item 0201: Medicine, material and/or unregistered/unscheduled products used during treatment and/or consultation:** Item 0201 is used when medicine, material and/or unregistered/unscheduled products are used during treatment and/or a consultation. For example when a Voltaren injection is administered during a consultation, the substance (Voltaren), needle, syringe, gloves, etc. are all charged under item 0201.
- Item 0212: Cost for the active treatment of cancer:** Item 0212 is used when medicine, material and/or unregistered/ unscheduled products are used in the active treatment of cancer. Please note that this item is also applicable for isotopes and/or materials used in brachytherapy.
- Reflection of NAPPI codes on electronic and paper claims:**
  - For electronic claims each NAPPI code should be reflected on its own line followed by consecutive columns: the Single Exit Price (SEP) (VAT inclusive) of the specific medicine, the handling fee and the total amount reflecting a VAT inclusive amount.
  - For paper claims it is acceptable to reflect the information on two lines where the SEP and the handling fee may be displayed combined on a second column.

Licenced practitioner in licenced area:		
Applies to material and/or unregistered/unscheduled products	Dispensed	Used in treatment (not dispensed)
Scheduled 1 – 8	0197/0195	0201/0212
Unscheduled, Schedule 0/Unregistered	0197/0195	0201/0212

Unlicenced practitioner OR Licenced practitioner in unlicenced area:		
Applies to material and/or unregistered/unscheduled products	Dispensed	Used in treatment (not dispensed)
Scheduled 1 – 8	0198	0201/0212

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Unscheduled, Schedule 0/Unregistered	0198	0201/0212
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		SPECIALISTS UNITS	GENERAL PRACTITIONERS UNITS
<b>II.</b>	<b>Medicine, material, supplies and use of own equipment</b>		
<b>II.a</b>	<b>Medicine, material and/or unregistered/unscheduled products</b>		
<b>II.a.1</b>	<b>Dispensing of medicine by licenced dispensing medical practitioners</b>		
0197	<b>Licensed dispensing medical practitioners:</b> To be used for dispensed items where the practice is a licenced dispensing doctors practice. This code will be used for medicine, material and/or unregistered/unscheduled products that are dispensed. The pricing of these items will be dependent on whatever the relevant legislation at the time specified e.g. schedule based and where not governed by legislation, then it is up to the medical practitioner to determine an appropriate handling fee. The appropriate NAPPI code(s), where applicable, must be provided. Refer to item 0195 for dispensed medicine, material and unregistered/unscheduled products for the management of active treatment for cancer.		
<b>II.a.2</b>	<b>Once-off dispensing of medicine, material and unregistered/ unscheduled products</b>		
0198	<b>Once-off dispensing of medicine, material and unregistered/ unscheduled products:</b> To be used for the once-off dispensing of medicine, material and/or unregistered/ unscheduled products as a once-off occurrence in the event of an emergency where the practice is not a licenced dispensing practice. The pricing of these items will be dependent on whatever the relevant legislation at the time specified e.g. schedule based and where not governed by legislation, then it is up to the medical practitioner to determine an appropriate handling fee. The appropriate NAPPI code(s), where applicable, must be provided.		
<b>II.a.3</b>	<b>Active treatment of cancer</b>		
0212	<b>Cost for the active treatment of cancer:</b> To be used for the cost of medicine, material and/or unregistered/ unscheduled products used in the active treatment for cancer. The use of this item will assist in the correct benefit allocation for this treatment, subject to scheme rules and managed care requirements. Pricing of this item is not governed by legislation therefore it is up to the medical practitioner to determine an appropriate handling fee. The appropriate NAPPI code(s), where applicable, must be provided. When claiming Section 21 products, use the Section 21 non-specific NAPPI code.		
0195	<b>Active treatment of cancer by licenced dispensing medical practitioners:</b> To be used for dispensed items where the practice is a licenced dispensing doctors practice. This code will be used for medicine, material and/or unregistered/unscheduled products that are dispensed, e.g. hormonal and/or oral products used in the active treatment of cancer. The use of this item will assist in the correct benefit allocation for this treatment, subject to scheme rules and managed care requirements. The appropriate NAPPI code(s), where applicable, must be provided		
<b>II.b</b>	<b>Prosthesis and/or internal fixation</b>		
0200	<b>Prosthesis and/or internal fixation:</b> This item provides for a charge for prosthesis and/or internal fixation. Charge for prosthesis and/or internal fixation at cost price PLUS an appropriate handling fee. (Where applicable, VAT should be added to the above). The appropriate NAPPI code(s), where applicable, must be provided.		
<b>II.c</b>	<b>Medicine, material and/or unregistered/unscheduled products used during treatment</b>		
0201	<b>Medicine, material and/or unregistered/unscheduled products used during treatment:</b> To be used for all medicine, material and/or unregistered/unscheduled products using in treatment. The appropriate NAPPI code(s), where applicable, must be provided.		
<b>II.d</b>	<b>Setting of sterile tray</b>		
0202	<b>Setting of sterile tray:</b> A fee of 10,00 clinical procedure units may be charged for the setting of a sterile tray where a sterile procedure is performed in the rooms. Cost of stitching material, if applicable, shall be charged for according to item 0201 (Cost of material used in treatment), as appropriate	10.00	10.00
<b>II.e</b>	<b>Own equipment used in treatment</b>		
5930	<b>Surgical laser apparatus:</b> Hire fee for own equipment	109.00	109.00
5932	<b>Candella laser apparatus:</b> Hire fee for own equipment (Rates by arrangement with the scheme concerned)		

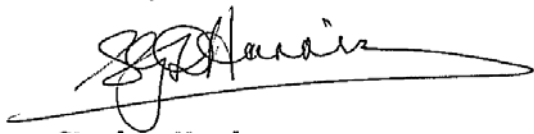
5. Preparations used by allied health professionals such as homeopaths and phytotherapists pose particular difficulties as we understand that NAPPI codes do not exist for either compounded medicine or any non-proprietary Homoeopathic Medicine. The above approach suggested by SAMA can therefore not be applied to these medications. As an interim measure we have retained historical homeopathic medicine prices in the schedule (subject to further review of the cost basis of these prices), and included reference prices of phytotherapists based on declared material costs. The preferred approach would be to omit values altogether on these codes and to provide for billing in relation to unspecified cost of material – but this becomes problematic in relation to the absence of NAPPI codes. We would welcome suggestions in this regard.

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6. An additional problematic area relates to X-ray film costs. Modifier 0084 in the medical practitioners' schedule provides as follows: **"Film costs: In the case of radiological items where films are used, practitioners should adjust the fee upwards or downwards in accordance with changes in the price of films in comparison with November 1979; the calculation must be done on the basis that film costs comprise 10% of the monetary value of the unit (This information is obtainable from the Radiological Society of SA)".** The problem is that, with the revision of the radiology schedule, we understand that this information is no longer available from the Radiological Society. A similar problem applies in respect of other schedules which refer to film costs. Again, we urgently seek suggestions in terms of how to address this issue.

Your inputs in relation to any or all of these issues would be appreciated by no later than **Friday, 20 January 2006**. Please email them to [s.harrison@medicalschemes.com](mailto:s.harrison@medicalschemes.com).

A handwritten signature in black ink, appearing to read 'S. Harrison', with a long horizontal flourish extending to the right.

**Stephen Harrison**  
**SENIOR SPECIALIST: POLICY AND SPECIAL PROJECTS**