

REF functional group

Objectives

- Costing of the essential comprehensive package
- Develop or identify REF risk factors
- REF weighting and expected rate tables

The REF group will collaborate closely with RETAP (technical sub-committee?)

Final recommendations will be considered by the REF steering committee and the full RETAP committee



Guiding principles

REF formula

- Equalisation of risk profiles
- Non-equalisation of actual costs
- Impartial
- Cost Containment
- Proportion of risk to be equalised
- Non-equalisation of benefit levels
- Non-equalisation of variability in experience
- Practicality
- Dynamic
- On-going validity
- Encourage competition and new entrants
- Maintain cross subsidies
- Equity



Guiding Principles

REF risk factors

- Validity
- Reliability
- Availability
- Feasibility
- Measurable and Auditable
- Invulnerability to Manipulation
- No Perverse Incentives
- Legislative Consistency
- Privacy



Data source

Depends on the structure of the PMB package

Clearly defined

- Can get away with aggregated data
- Easier to work with, but aggregated data is not as powerful as data at the lowest level

Not clearly defined

- Need raw claims data to do the costing
- Time consuming exercise (volume, IT resources, etc.)



Data source

Follow an iterative process

- Use the current REF industry community rate of R276,65 per beneficiary as a starting point
- Get preliminary estimates for new “items” to be added from the industry
- Subtract current “items” that are considered not be included in the new package
- Only when we have a reasonable idea of the structure of the PMB package, we then collect data to do the final costing of the PMB package



Data source

REF Study 2005

- Discovery Health (Pty) Ltd
- Medscheme (Pty) Ltd
- Old Mutual Healthcare (Pty) Ltd
- Metropolitan Health Group (Pty) Ltd

Alternative(s)

Stratified random sample of participating medical schemes
(Stratify by age, gender, Open/Restricted, Option type, etc.)

The sample should be representative of the industry especially in
the older age bands

Multi-stage sampling?



Data specification

(PMB package not clearly defined - unknown budget constraint)

- **The dataset should be comprehensive**
 - ❑ Beneficiary information (demographic/risk factors)
 - ❑ Claims data at line item level (risk and savings)
- **One outline for all the schemes/administrators**
- **Confidentiality (encrypt personal beneficiary information)**
- **Should be able to slice and dice the dataset to calculate the cost for different “PMB packages”**



Data specification (2007 data)

Claims file

- Scheme ID
- Benefit option ID
- Member number or beneficiary number (encrypted)
- Dependant number (0 = principal member, etc.)
- Practice number of healthcare provider
- Claim number
- Treatment date (date of service)
- Payment date
- Claim amount
- Benefit amount
- Insured amount
- Savings amount or member portion
- Benefit flag (DTP, CDL or related)
- Current PMB (Yes/No)
- Tariff code
- ICD-10 code
- Nappi code
- ?



Data specification

Beneficiary file (per month; active beneficiaries)

- Scheme ID
- Benefit option ID
- Member number or beneficiary number (encrypted)
- Dependant number (0 = principal member, etc.)
- Year and month
- Gender
- Date of birth
- Type of dependant (principal, adult or minor)
- Individual or company
- Monthly risk contribution (Cross-subsidisation)
- Monthly savings contribution (Cross-subsidisation)
- Other demographic information (REF risk factors)?



Time frames

Data-collection and cleaning of the data

Approximately 4 months

Analysis of the data (different scenarios and to come up with a weighting table)

Approximately 8 months

Finalise weighting table

Report, presentations to all the stakeholders: Approximately 1 month

Turnaround times are also dependant on activities in the industry cycle



Suggestions

