



COUNCIL FOR MEDICAL SCHEMES

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## PRESS RELEASE

### PRESS RELEASE 8 OF 2007

Friday, 28 December 2007 – For immediate release

#### REGISTRAR OF MEDICAL SCHEMES WARNS HOSPITAL GROUPS OF INTENDED COURT ACTION

The Registrar of Medical Schemes, Mr Patrick Masobe, has warned hospital groups that he intends to take them to court if they persist in their demands relating to 2008 tariff increases.

Representatives of various medical schemes have reported to the Registrar that in addition to general tariff increases in the region of 9-10%, private hospital groups Netcare, Medi-Clinic, Life Healthcare and the National Hospital Network (NHN) are demanding –

- increases on ward and theatre fees ranging from 8% to 33% (depending on the hospital group) to compensate for the loss of profits historically derived from rebates or mark-ups on surgical consumables;\*\* and
- the incorporation of charges for anaesthetic gases in theatre tariffs by adding amounts ranging from R6 to R13 per minute to general theatre tariffs.

\*\* Medi-Clinic is the only major hospital group not proposing tariff increases to compensate for the removal of rebates or mark-ups on surgical consumables, as it had earlier this year confirmed removal of all rebates and discounts on pharmaceuticals and surgicals in 2004.

The Registrar has been informed that a considerable amount of pressure has been applied on representatives of medical schemes in an attempt to secure agreement to these tariff adjustments. These representatives approached the Registrar to intervene as they are of the view that the adjustments may threaten the viability of medical schemes to the detriment of the general public.

In response Gildenhuis Lessing Malatji Inc, lawyers acting on behalf of the Registrar, yesterday sent letters to the private hospital groups advising them that the Registrar –

- considered the adjustments to tariffs based on historical rebates and mark-ups on consumables to be unlawful, on the basis that the historical charging of undisclosed rebates and mark-ups had constituted misrepresentation and in any event that adjustments to tariffs had already been effected as early as 1998 to accommodate removal of mark-ups;



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- was of the view that the adjustment to tariffs in respect of anaesthetic gases constitutes a contravention of the single exit price (SEP) regulations promulgated in terms of the Medicines and Related Substances Act, 101 of 1965, which require anaesthetic gases to be charged at a prescribed value on a per millilitre basis; and
- would seek urgent relief in the High Court if the hospital groups persisted in these adjustments.

The letters also indicated concern at the general tariff increases, and called upon all the groups to provide a full costed motivation for these increases by 15 January 2008, failing which the Registrar would approach the competition authorities to investigate the possibility of abuse of market power or other anti-competitive conduct.

“I can no longer tolerate medical schemes being held over a barrel by hospital groups to implement hugely inflationary increases to the detriment of consumers,” Masobe said.

The Registrar is fully supported in this action by the Board of Healthcare Funders of Southern Africa (BHF).

### Notes to Editors:

1. From 2000 to 2006, medical scheme expenditure on private hospitals per average beneficiary per annum increased by 64.8% in real terms.
2. Contact:
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