

# REPORT AND RECOMMENDATIONS OF THE SUB-COMMITTEE\* OF FEDERAL COUNCIL ON THE ECONOMICS OF MEDICAL PRACTICE

*For and on behalf of the Sub-Committee*

M. SHAPIRO

1. Your Committee has given careful consideration to the Report submitted on investigations made in the United States of America, Canada and England and it has the following comments and recommendations to offer to the Federal Council.

2. With the possible exception of the Canadian Plan, the Plans in those countries do not offer benefits which are as complete as those offered at present by the larger Medical Aid Societies in South Africa. The statistical and other information gathered by the Public Relations Officer during his visit to those countries should, however, be of considerable assistance. Your Committee is of the opinion that the proposed Plan must be comprehensive and it must offer benefits with minimal limitations especially for serious illnesses. It is in the last-mentioned field that the majority of the local Societies fail, as the total benefits in any one year are limited, and in many cases only a percentage of the medical expenses are met. The cost of treating cases of long duration is of necessity very heavy even though these cases form only a small proportion of the total number of cases treated. To the patient, such costs may be crippling.

### *Proposed Plan*

3. It is recommended that the proposed Plan be proceeded with. The Association should sponsor the formation of a non-profit company to be registered under Section 21 of the Companies Act. No fees should be paid to the directors, nor should profits be distributed directly or indirectly to the shareholders or any other persons connected with the Company. The accumulation of funds by the Company should, so far as possible, be restricted to provide for necessary capital expenditure and reasonable reserves to meet its commitments. In the event of the Company being wound-up, it should be provided that any surplus will be distributed amongst charitable or like institutions to be nominated by the Federal Council of the Medical Association of South Africa.

4. It must be the aim of the Company to provide the South African public with a comprehensive service at a reasonable cost, and to pay the medical profession reasonable fees for services rendered. The benefits must provide for treatment in the home, consulting room or hospital. Ancillary services necessary to carry out contemporary medical treatment must also be provided subject to the conditions which are stipulated later in this report.

### *Finance*

5. It is proposed that the Plan should be financed by a small

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interest-free loan being made by each doctor participating. Although the amount required to start the Plan has not been calculated, it is thought that the loan made by each participating doctor should be a minimum of £10. The Plan should attempt to redeem these loans as soon as funds permit, but in the event of any participating doctor resigning from the Plan, the amount standing to his credit on loan account will be refunded.

### *Control*

6. It is recommended that control of the Plan should be vested in a board of directors appointed by the Medical Association of South Africa and the participating doctors. Provision should also be made for the inclusion of directors representing commerce, industry or other interested bodies. The number of directors appointed by the profession shall, however, represent not less than two-thirds of the total number of directors.

7. It is also recommended that the Minister of Health be asked to nominate an observer to attend the meetings of the board of directors.

8. Your Committee is of the opinion that control should be vested in the profession as (i) the provision of medical services is primarily the function of the medical profession, and (ii) the Plan is being sponsored and financed by the profession. Should any crisis arise, it would concern the profession.

### *Fees*

9. In considering this subject, your Committee resolved that the tradition of the profession in accepting lower fees for service to the lower income groups in the community should be maintained. It was considered that the most equitable method of providing this service would be as follows:

- (i) Schedules of fees should be determined for medical services to be rendered to the various groups of subscribers in accordance with their incomes. It is possible that as many as 5 different schedules will be in use. Members should then be classified by the Plan according to their incomes.
- (ii) Members of the Plan should be provided with identification cards, and these cards should not indicate in any way to which particular income group the patient belongs.
- (iii) Fees should be paid to the profession on the basis of per service rendered and in relation to the particular schedule applicable to the member. As the medical practitioner would not normally know in advance which schedule applies, he will merely fill in the nature of the service rendered and the amount due will be assessed by the Plan in accordance with the classification of the member. If a member has misrepresented his income in making applica-

tion for membership, the directors shall investigate the case and take the appropriate action.

10. At present many practitioners complain that the forms which are required to be furnished to Medical Aid Societies when completed are handed or sent to the patients, who are lax in forwarding them to their Societies. It is proposed that the accounts be forwarded directly to the Plan by the medical practitioner as soon as treatment has been completed or at the end of each month.

#### *Specialist Services*

11. Your Committee recommends that the present method of differentiating fees for specialist and general practitioners in the tariffs of fees be retained. For the purposes of this Plan a specialist shall be required to act as a consultant in accordance with existing practice and the policy of the Medical Association of South Africa in relation to Medical Aid Societies.

#### *Participating Medical Practitioners*

12. If any specialist or general practitioner wishes to participate in the Plan now being recommended, he should be required to:

- (i) Enter into a contract with the Plan agreeing to abide by the schedules of fees laid down by his Branch of the Medical Association of South Africa, and in the event of a dispute regarding fees, to accept the determination of the Board of Directors as final;
- (ii) apply for participation annually and pay the prevailing subscription fee;
- (iii) submit to such disciplinary control as may be determined by the Directors; the right of appeal against any such disciplinary action shall be safeguarded.

13. Lists of the names of participating doctors should be available to members. If a person is attended by a non-participating doctor, the member shall be personally liable for the fees, but the Directors may, in their entire discretion, refund to the member an amount not exceeding the scheduled fees.

14. All participating doctors should be required to be members of the Medical Association of South Africa.

#### *Cash Benefits*

15. It is not proposed that any cash benefits such as sick-pay, death or funeral benefits should be paid by the Fund.

#### *Drugs, Medicines and Dressings*

16. Your Committee is of the opinion that the provision of drugs, medicines or dressings should not be a direct liability of this Plan.

#### *Hospital Services*

17. As hospital expenses form a considerable proportion of the costs of the treatment of serious illness, it is recommended that they may be included as one of the benefits provided. The provision of this benefit should, from time to time, be reviewed as the policy of the provincial administration is revealed. If

universal 'free' hospitalization is provided, then subscriptions should be adjusted and the benefit should be discontinued.

#### *Maternity*

18. Confinements can be costly, and for this reason it is recommended that medical fees and maternity hospital charges be met by the Plan.

#### *Dental Services*

19. It is not proposed to include dental services as one of the benefits to be provided.

#### *Limited Benefits*

20. Your Committee is of the opinion that some limitation should be imposed on the costs incurred in radiological and pathological investigations. The final recommendation will depend on meetings which are to be arranged with these groups. Physiotherapy is another benefit which should be controlled by a limitation of some description. The final recommendation should be made after discussion with the group concerned.

#### *Waiting Periods*

21. It is thought that it will be necessary to impose waiting periods on members, as it is certain that some persons may join merely to have certain treatment carried out and then resign. The waiting periods should relate to conditions of long standing, which do not require immediate treatment.

All members should be required on application to make a declaration of the conditions from which they are suffering.

The treatment of congenital deformities should not be paid for by the Plan unless the child was born during the term of the parents' membership.

#### *Commencement of Operations*

22. Your Committee recommends that the Plan be commenced as soon as possible in one area only. It is thought that in view of the financial responsibility involved, it would be unwise to commence operations on a national basis. It is essential to run a pilot Plan in one area in order to train personnel and solve the unexpected difficulties which inevitably arise during the establishment of a new business. The Plan can then be established in other areas which could be supplied with accounting and other information.

23. Once commenced, it would be necessary to coordinate the Plan policies and provide a source from which reliable statistics and trained personnel may be obtained.

24. In advising Federal Council to commence operations as early as possible, your Committee wishes to draw attention to the fact that a considerable amount of work still remains to be done. Actuaries will have to be consulted, an accounting system prepared; and forms and literature drawn up and printed. In addition, the various sub-groups within the Association have to be consulted regarding fees and other matters.

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