# Cost, Quality and Value of Healthcare

## Drivers of Medical Inflation

# Why are we here?

| | |
|---|---|
| **9** | Medical Aid Funds |
| **12.36%** | YoY increases over the last six years |
| **204K** | Beneficiaries |
| **89K** | Families |
| **N$3.5bn** | Benefits paid in 2018 |

# What are you buying?

# Traditional insurance

- Infrequent occurrence

- Protection against adverse events

- Restoration to prior status

- Not urgent

- Insurer will get involved in "purchasing" decision (Assessor)

- Quotes will be obtained

- Options will be considered

# Healthcare insurance

- Can occur frequently
- Protection against adverse events
- Restoration to prior status, but not always
- Mostly urgent
- Insurer not involved in "purchasing" decision
- Quotes are not obtained
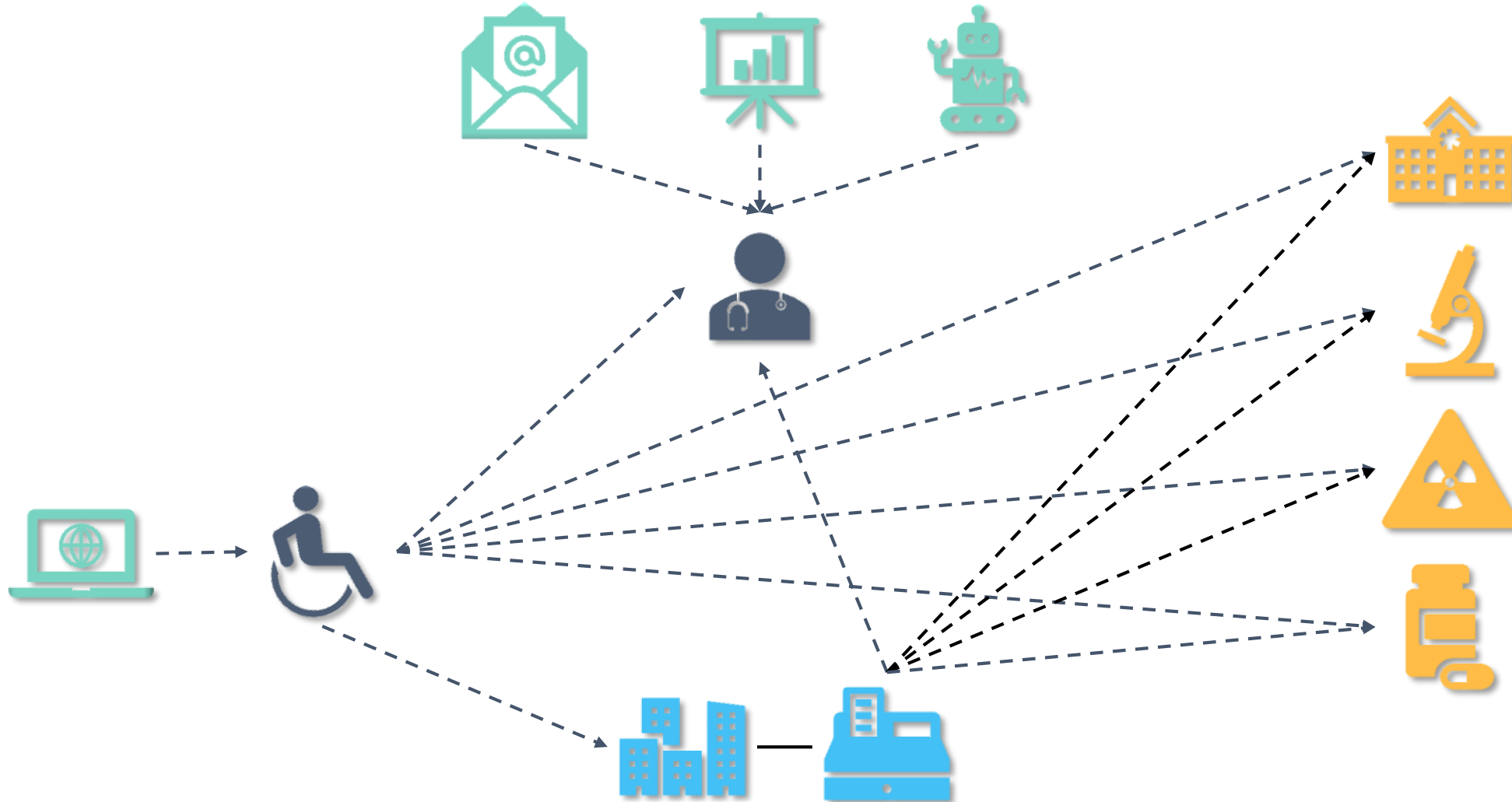- Options seldom considered

# Assessment of value

## Short-term insurance

- Premiums payable
- Customer service
- Excess amounts
- Low or absent error rate
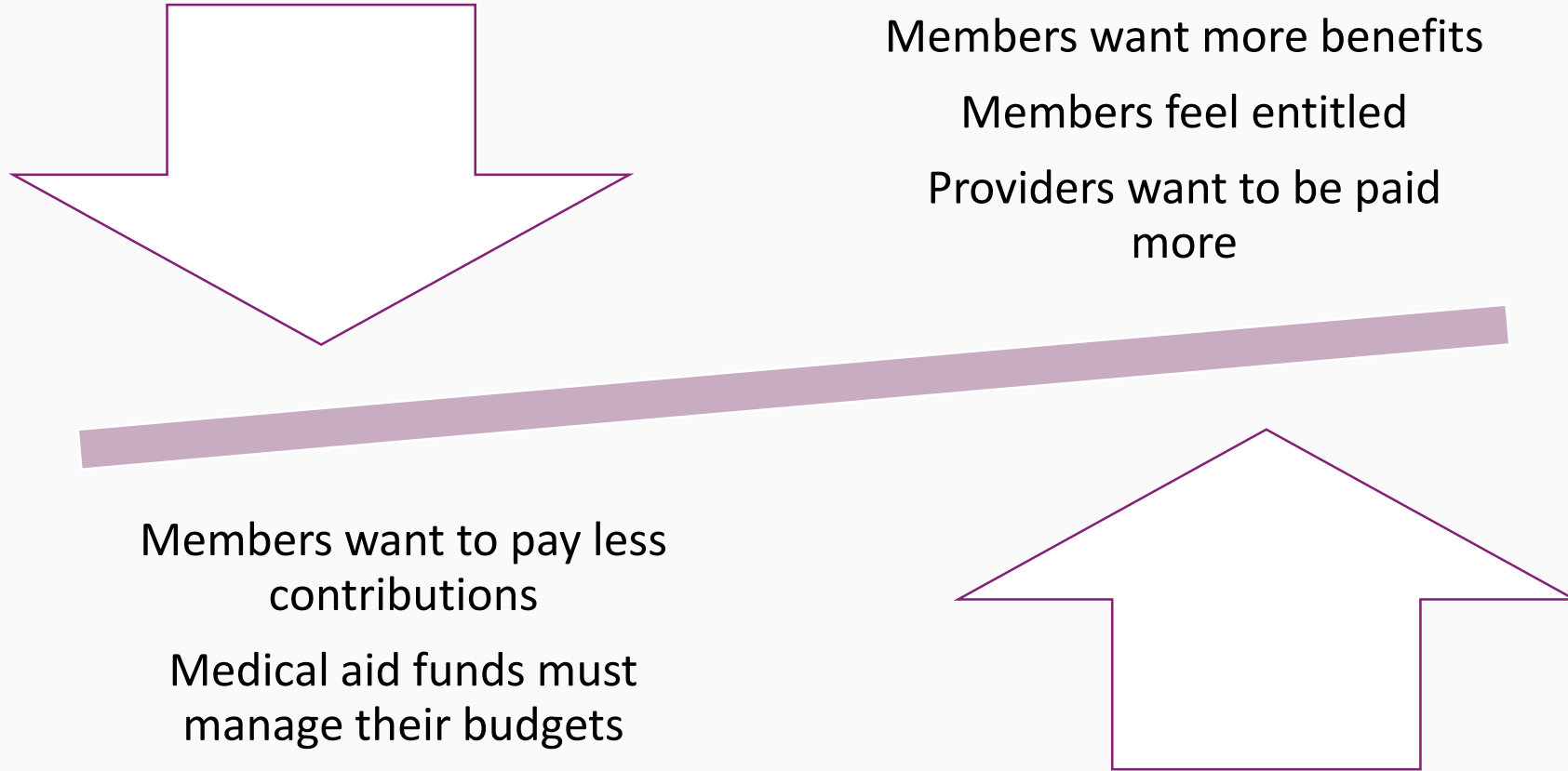- Restoration of prior state
- Tangible result

## Healthcare insurance

- Contributions payable
- Customer service
- Co-payments
- Restoration of prior state – not always
- Minimisation of pain and discomfort
- Feeling of well-being
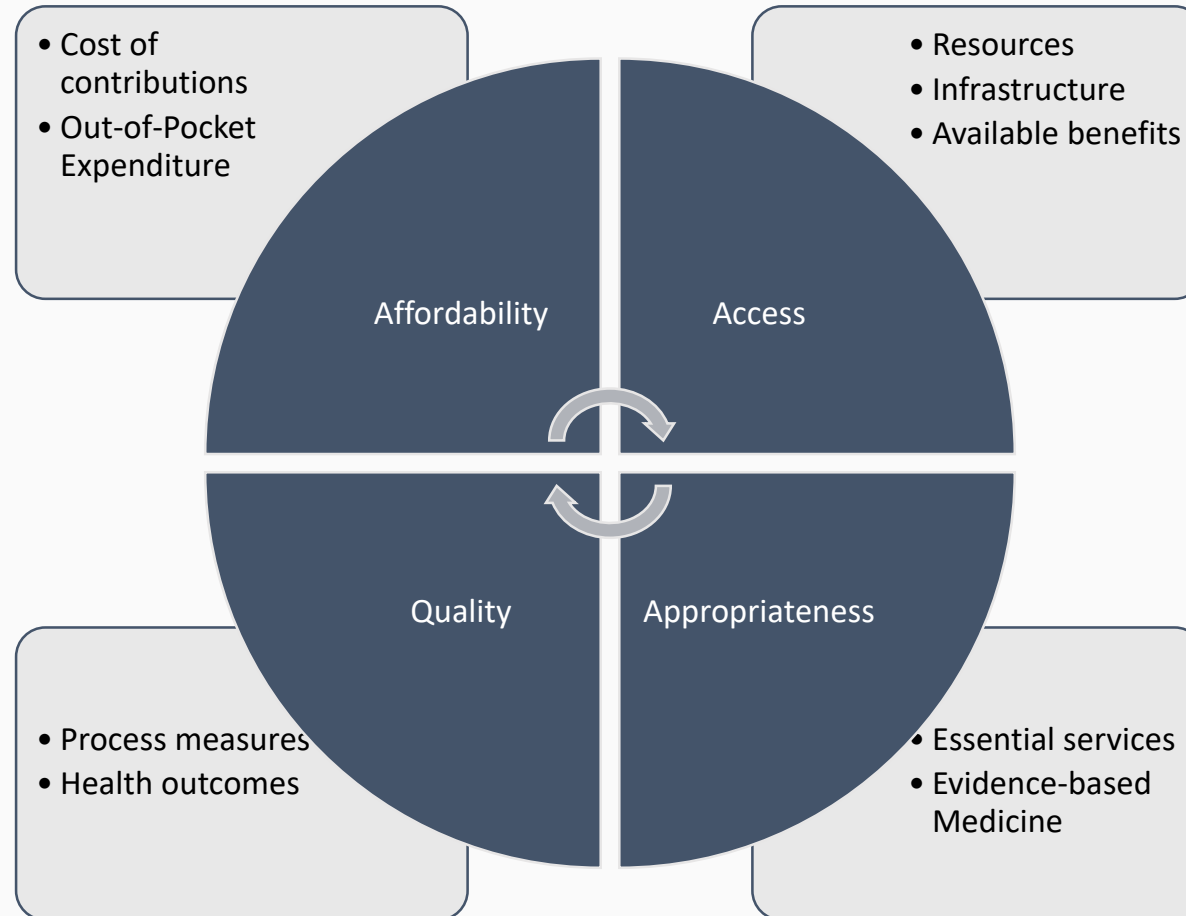- Expectations met
- Result often intangible

# Purchasing process

# Constant tension

Members want more benefits

Members feel entitled

Providers want to be paid more

Members want to pay less contributions

Medical aid funds must manage their budgets

# Provision of healthcare



- Cost of contributions
- Out-of-Pocket Expenditure

Affordability

- Resources
- Infrastructure
- Available benefits

Access

Quality

Appropriateness

- Process measures
- Health outcomes

- Essential services
- Evidence-based Medicine

# Assessment of Value

# Ultimate goal

$$Value = \frac{Quality}{Cost}$$

# Drivers of cost

$$Cost = Price \; X \; Volume$$

$$Volume = Claiming \; lives \; X \; Line \; items$$

# Quality of care
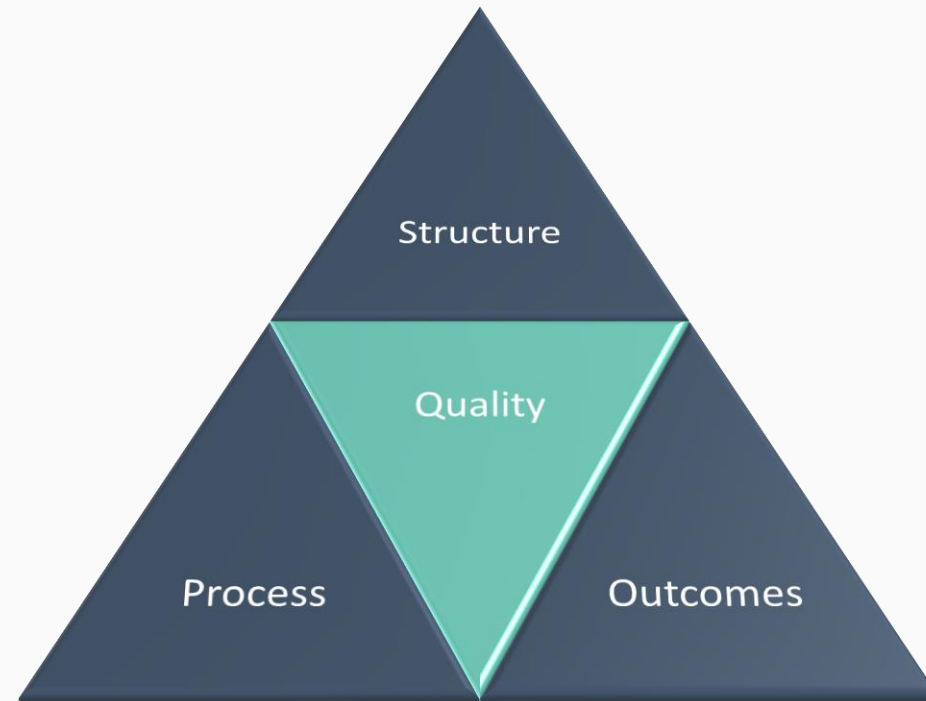
# Health outcomes

- Proxy outcomes – evidence suggest that the right care will lead to optimal health outcomes

- Actual outcomes
  - Clinical outcomes
  - Patient reported outcomes
  - Financial outcomes

- Quality Adjusted Life Years (QALY)

Quality of life

0.6

0.4

QUALY gain

Life expectancy [in years]
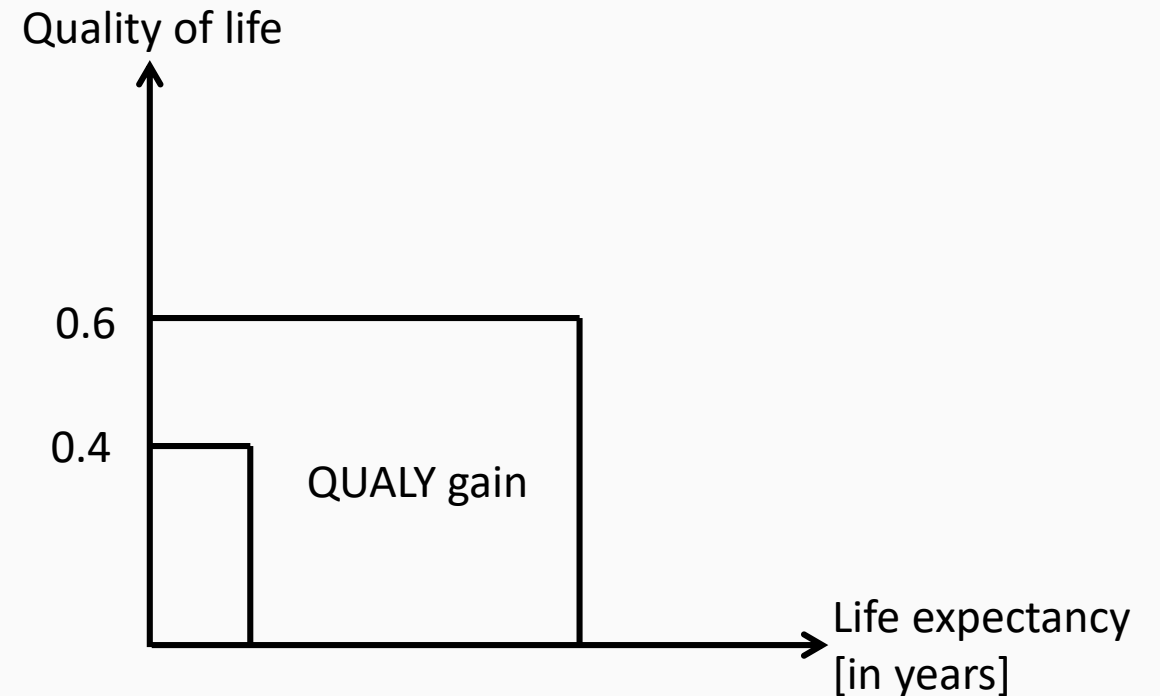
# Key equations



$$Value = \frac{Cost}{Quality}$$

$$Cost = Price \; X \; Volume$$

$$Volume = Claiming \; lives \; X \; Line \; items$$

# Questions?