SPECIALREPORT

Alternative Reimbursement Models

A Tool for Hospital Admissions Related to COVID-19

B·H·F Board of Healthcare Funders

PRESS RELEASE

BHF launches alternative reimbursement model tool to manage risks associated with Covid-19 claims

10 June 2021: The Board of Healthcare Funders (BHF) in collaboration with the Industry Technical Advisory Committee (ITAC) has developed an Alternative Reimbursement Model (ARM) tool for the healthcare sector in response to the ongoing impact of the Covid-19 pandemic in South Africa and in particular its management from a health financing perspective. The alternative reimbursement model tool is aimed at assisting medical schemes managing the risks associated with Covid-19 claims. An ARM is a type of payment improvement method that considers both quality and total cost of treatment when determining reimbursement for healthcare services.

An effective alternative reimbursement model seeks to align high-quality, cost-effective, integrated treatment with a focus on improving patient outcomes.

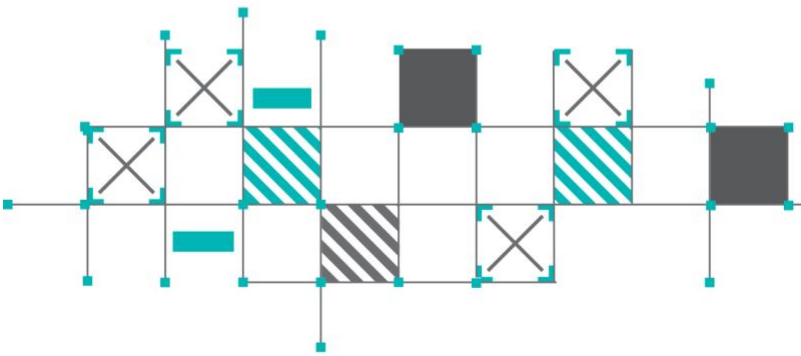
Speaking at the launch of the ARM, Charlton Murove, Head of Research at the BHF said, "The alternative reimbursement model tool was developed in response to the Covid-19 hospital admissions to assist member schemes with the management of the ever-changing risks associated with Covid-19 claims, and associated hospital costs thereto."

Murove explained that, "When the Covid-19 pandemic started, the possible exposure of medical schemes to the costs was identified as a risk. Furthermore, when Covid-19 was classified as a prescribed minimum benefit (PMB), this increased the risk exposure of medical schemes. This ARM tool was developed as a possible solution to mitigate some of this risk."

The alternative reimbursement model tool includes a range of alternative structures to the current fee-for-service model which is the primary reimbursement model used, it includes per day (or per diem) rates, which is a fee per day in hospital, fixed fees or global fees, which is an agreed upon fee that encompasses all costs related to the specific treatment or health event, pay for performance or value-based reimbursement, which measures outcomes and creates incentive structure for positive outcomes.

Murove highlighted that while initially a global fee structure was considered, on collation of data the alternative reimbursement model provided better outcomes in managing the risk associated with managing the constantly changing Covid-19 risks and treatment protocols.

The alternative reimbursement model tool has been widely welcomed by the industry.



Vishal Brijlal, Senior Director at the Clinton Health Access Initiative said, “It is important that we constantly look at different imbursement models for the changing needs of the population over time.

He noted that, the process of developing reimbursement systems is a complex and complicated one, and the work that the BHF has done in this regard comes at a crucial time in the country as it will help inform a broader policy debate around how we can achieve universal healthcare coverage.

“This is a significant dent in breaking the barriers of understanding what needs to happen in the overall healthcare system,” said Brijlal.

Shivani Ranchod, Actuary and CEO of Percept said, “Alternative Reimbursement Models should be about patient outcomes, supporting better lives and well being: patient outcomes should be at the heart of everything that we do in the health system”.

She noted that, ‘We have observed that the biggest challenge that healthcare has faced since the start of the Covid-19 pandemic is the extent of mistrust between the private and public sectors, has seen during the Covid-19 vaccine rollout programme. Transparency fast-tracks trust and the more the industry engages in a transparent manner, the better we will perform, and these efforts lay some of the foundations needed to create a more transparent platform for engagement among the different healthcare stakeholders.’

Neil Nair, CEO of the National Health Networks - a network of primarily black-owned hospitals said, “The alternative reimbursement model is a win for the entire healthcare industry and not for one individual as it will enable fairer competition and equity for the 234 hospitals represented by the National Health Networks.”

He noted that, “The alternative reimbursement model should be seen as an investment into the future of the healthcare system rather than an opportunity for windfalls with clear winners and losers.”

Speaking about the impact of the alternative reimbursement model on medical schemes, Dr Simon Mangcwatywa, Principal Officer of Sizwe Medical Scheme noted that, “The initial administration of Covid-19 costs posed a risk to medical schemes, and the development of an alternative reimbursement model is a significant achievement and milestone as it will mitigate some of that risk. This model will enable alignment between funders and providers.”

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