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Speech by the Chief Executive Officer of the Association of Healthcare Funders of Zimbabwe, Mrs. Shylet Sanyanga at the Annual All Stakeholders Conference, at the Elephant Hills Hotel 2 September – 5 September 2014.

- The honourable Deputy Minister of Health and Child Care, Dr Paul Chimedza,
- The Chairman of the Parliamentary Portfolio Committee on Health, Dr Ruth Labode,
- Senior Government officials present,
- The Chairman of the Association of Healthcare Funders of Zimbabwe, Mrs Caecilia Nyamutswa,
- The members of the Executive Committee of AHFoZ
- Delegates from Botswana, Namibia, South Africa, Malawi, Kenya, Nigeria, and India,
- The president of the Zimbabwe Medical Association, Dr Enock Tatira
- The Chairman of the Private Hospitals Association, Mrs Merissa Kambani
- Invited Speakers
- Distinguished guests
- The media fraternity
- Ladies and Gentlemen

It is a privilege for me to stand before you to give you an overview of the Medical aid industry in Zimbabwe. Currently AHFoZ has a total of 31 members including 3 affiliate members. Collectively funders under the umbrella of AHFoZ cover 1.5 million lives of

the 13million Zimbabweans. In comparison, medical schemes in South Africa collectively cover 16% out of the population of about 52million lives.

The theme for this year is *"Healthcare puzzle: Retracing the steps and sustaining the momentum.* The theme follows on last year's theme which was *"Healthcare puzzle: finding the missing pieces"*

As we gather for another two days of deliberations, it is necessary to take a few steps back and retrace our footsteps to see where we lost the pieces and regain the momentum. This requires honest introspection by all stakeholders in the healthcare supply chain. Regrettably, due to the macro economic conditions prevailing, our healthcare sector is not any better as it continues to limp on together with the rest of the economy.

The main issues raised from the 2013 conference include the following among others:

a) Cost, access and quality of healthcare
b) Healthcare wastages
c) Review of certain sections of the legislation
d) The need for all healthcare value chain players to collaborate in as the industry seeks to find mutually beneficial solutions to the challenges it continues to face.
e) ICD10 coding structure
f) Sustainable Public- Private Partnerships (PPP

Whilst AHFoZ creates the platform for discussing issues affecting the sector, it is the responsibility of all stakeholders in the healthcare industry to play their part towards putting together the pieces of the puzzle. It is impossible for AHFoZ to unilaterally get all the pieces in place. We believe that collective effort would see the success of amalgamating the pieces towards a viable healthcare sector.

Due to the numerous challenges owing to the macro environmental factors, the industry has spent energies operating in fire fighting and survival mode. There has not been room to collaborate and move the sector forward especially on the issues

previously identified. As a result, we are still saddled with those issues and do not seem to be anywhere near solving the puzzle; As a matter of fact, more problems have cropped up into prominence, hence this year's theme which seeks to retrace the steps.

The positives achieved since the previous conference include the fact that the regulator has continued to closely monitor the sector. This includes stringent monitoring of the medical aid societies' compliance with the regulations. This saw improved turnaround of claims to at least 60days as stipulated in the Medical Services Act. In some instances the liquidity crunch affecting the economy has been affecting the smooth implementation of this provision as some employer organizations battled with remitting subscriptions on time. This has been a major challenge which saw some employer organizations being terminated whilst some entered into arrangements where they would commit to payment plans for subscriptions. Medical aid schemes had to accept the offered payment plans as they realized that the operating environment required flexibility. Failure to be flexible meant that medical aid societies would terminate many firms and this could have damaged the sector beyond repair. Medical aid societies believe that all these firms are going to recover and as such it would be myopic to deregister them now because of the liquidity crunch affecting the entire economy.

Medical aid societies have continued to submit their financials to the supervisory body in line with the regulatory requirements. This requirement has enabled the regulator to closely monitor the financial status of funders and to correct irregularities.

AHFoZ has continued to consistently engage the regulator on issues affecting the sector. These are mainly a product of the prevalent economic environment . The challenges include the following:

- The liquidity crunch affecting the entire economy
- The expected economic growth which was reviewed to 3% is an indication of the constrained macro-economic environment affecting all sectors and all classes of patients.

- The country is going through deflation due to lack of demand for goods and service as a result of lack of disposable income
- Reports that at least 10 companies have been closing down each month since the beginning of the year due to the harsh economic climate. This affects the membership base as people are laid off from formal employment
- Many employers have not been increasing salaries
- The environment cannot sustain any increases of subscriptions as this would push many members who perceive themselves to be in good health to drop off medical aid. Adverse selection tendencies could result in having those who feel they are generally unwell and the old remaining on medical aid without the well and younger members to cross subsidise them. Such a situation is not sustainable.

Regrettably, tariff negotiations have continued to take considerable amount of time for the Joint Advisory Council which should be advising the Minister on policy issues. There is need to move from the fire fighting mode to an approach which attempts to tackle issues holistically. Despite the worsening macro economic challenges, the healthcare sector continues to experience comparatively high costs of healthcare which have continued to drive increased outward bound medical tourism. In order to come up with policies that address this challenge, it is necessary to identify the underlying factors that are driving the costs. This would require that service provider groups transparently prepare motivation papers on their cost built up and how they come up with their fee structures. This would help examine areas where costs can be reduced in the respective costs built up structures. The interventions would include areas where the regulator can come in with a relief. Where consumables are involved the possibility of bulk purchasing can be explored among other cost cutting strategies. Discussions on pricing structures would only make sense with transparency of all parties involved.

In order to find a lasting solution to the issue of fees it is recommended that the regulator establishes an "Expert Group" on Tariffs. The expert group would comprise of experts such as economists, actuaries, accountants, doctors and any other experts that the Minister recommends to determine an annual inflation index to be used to adjust tariffs annually. This will remove the interested parties from engaging in tariff negotiations, a process which has been futile in the past few years.

Consumers and payers often do not have the information they need to know about the value and cost of medical services. Improving cost transparency would allow consumers, employers, and public programs to make more informed purchasing decisions.

Another area to be considered in dealing with costs is addressing the supply side. Many doctors are failing to attract big volumes of patients to enable them to benefit from economies of scale. There is need to look at how to increase volumes. If costs are reduced, patient volumes will increase and vice versa; it's a vicious circle. We should thoroughly study how India, is able to offer high quality low cost healthcare services so that we copy aspects of the model and customise for Zimbabwe. In addition to that, we should proactively engage the Indian investors to invest into our healthcare sector. With the requisite investment in the healthcare sector, Zimbabwe can be become a medical tourism destination. Instead of having many small units (sole traders) which are on the increase, there is need to pool resources together as well as attract partners to help put up modern state of the art specialist units. These should ideally be big units capable of accommodating huge numbers and they should be multispecialty one stop shop units. Both providers and funders should be able to recognize opportunities for collaboration or mergers, instead of viewing all opportunities as potentially for competing. One speaker once said black Zimbabweans do not trust each other and do not form proper partnerships! (*Is this true? - Food for thought)*

Providers should probably consider to invest in practice redesign and embrace the concept of group practice. This could make practices more viable as opposed to the

sole traders paradigm. Perhaps this is an area that the regulator should consider looking into. Minimum criteria for a group practice could be set i.e the number of GPs and specialists.

It is also important to restore Primary health care system which has been eroded. This is a crucial component in managing costs as conditions are closely monitored before they worsen. There is therefore need to promote "Family practitioners concept".

In addition to other cost cutting initiatives, there is need to focus on improving quality at a competitive price. This calls for discussion on alternative reimbursement models such as those based on Managed care. These initiatives will include provider networks which is the practice in developed countries. Medical schemes in most of the developed countries (including South Africa)contract service providers based on price and quality whilst others prefer capitation. The "Fee for service" model which is used in Zimbabwe is viewed as the least preferred and uncompetitive reimbursement model. The concept of Provider networks promotes good quality and competitive pricing. This subject needs to be discussed and demystified instead of dismissing it. Our system must move away from the antiquated, disjointed fee-for-service payment system to one that better rewards value and quality.

It is estimated that 20 to 30 percent of all health spending goes to care that is wasteful, inefficient, or redundant, our system could therefore be generating unwarranted costs each and every year.

On the other hand, innovative product design by medical schemes should be based on what the consumer wants to purchase. Instead of selling the entire package as either take all or none, consumers should be able to chose according to affordability and priority e.g hospitalization only package. This would make subscriptions more affordable and increase numbers covered. In Switzerland for example, Dental is not covered by medical aid. It is an out of pocket expense.

The possibility of obtaining feedback from the recipients of the service should be explored. In this age of IT, and social media, transparent ratings can be introduced through reviews online. This promotes accountability and quality - **consumerisation of healthcare** .

There is need to reduce preventable hospital admissions, overall readmissions and emergency room visits in order to improve quality and control costs.

In addition to that, funders should consider including packages that cover prevention, Nutrition and elimination of bad habits ***There is need to create health not wait for "sick care"***. Healthcare funders should look at their products and proactively promote prevention and wellness e.g products that subsidize healthy purchases from supermarkets, and gym subscriptions among others. There is need to educate consumers so that consumers are informed and can actively make informed decisions pertaining to their health.

There is need to promote sustainable Public Private Partnerships. In the Middle East, for example, Government is using the private sector to manage public hospitals. This has brought efficiencies into the public institutions. Public sector initiatives should build upon the successful efforts in the private sector.

I am happy to say that following a presentation from SAZ at the previous conference, a number of healthcare funders are working towards being certified with 10.5% of our members having been already certified whilst 52.6% are at planning stage and 5.3% have commenced the process.

Regrettably with regards to IT and adopting the common switch, this is taking longer to take off due to technical issues on the ground. However in principle AHFoZ members are still committed to being connected to a common switch . This is the 21st century way of doing business as one speaker from US Kaiser Permanente group once said "*no member steps out of the 21st century into the 19th or 20th ,century, for purposes of dealing with Kaiser"*

During year 2013, collectively, AHFoZ members paid **$341 657 735.04** to various service providers (see slides) compared to **$173,961,362** the previous year and $**154,769,842** in 2011. Of the 2013 figure, the largest chunk of **$92,193,449.47 (27%)** went to Private hospitals while the least amount of **$3,414,656.92** 1.0% went towards foreign treatment.

A general increase of doctors and new hospitals' registrations for AHFoZ payee numbers has been recorded though membership growth has been stagnant at around 1.5 million. Increased service provider registrations means more players coming up to share from the membership cake which is not growing.(see slides)

In conclusion, the main challenge threatening the healthcare sector today is that of healthcare costs, viability and sustainability hence the need to seriously explore strategies that cut costs.

I THANK YOU