



Provider engagement, Benchmarking & Reimbursement models

Dr Simon Strachan



Agenda

- 💡 Background
- 💡 Managing Costs and Quality
- 💡 Generated Claims Costs
- 💡 Potential Savings
- 💡 Way Forward

Paediatric Management Group

About PMG



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**The Paediatric Management Group
intends working with funders to
illuminate new ways in which to create
a more efficient healthcare system**

Prevailing Strategy



Such a strategy is not without merit



This strategy fails to address the downstream costs which specialists are responsible for and the quality of care

Future Strategy

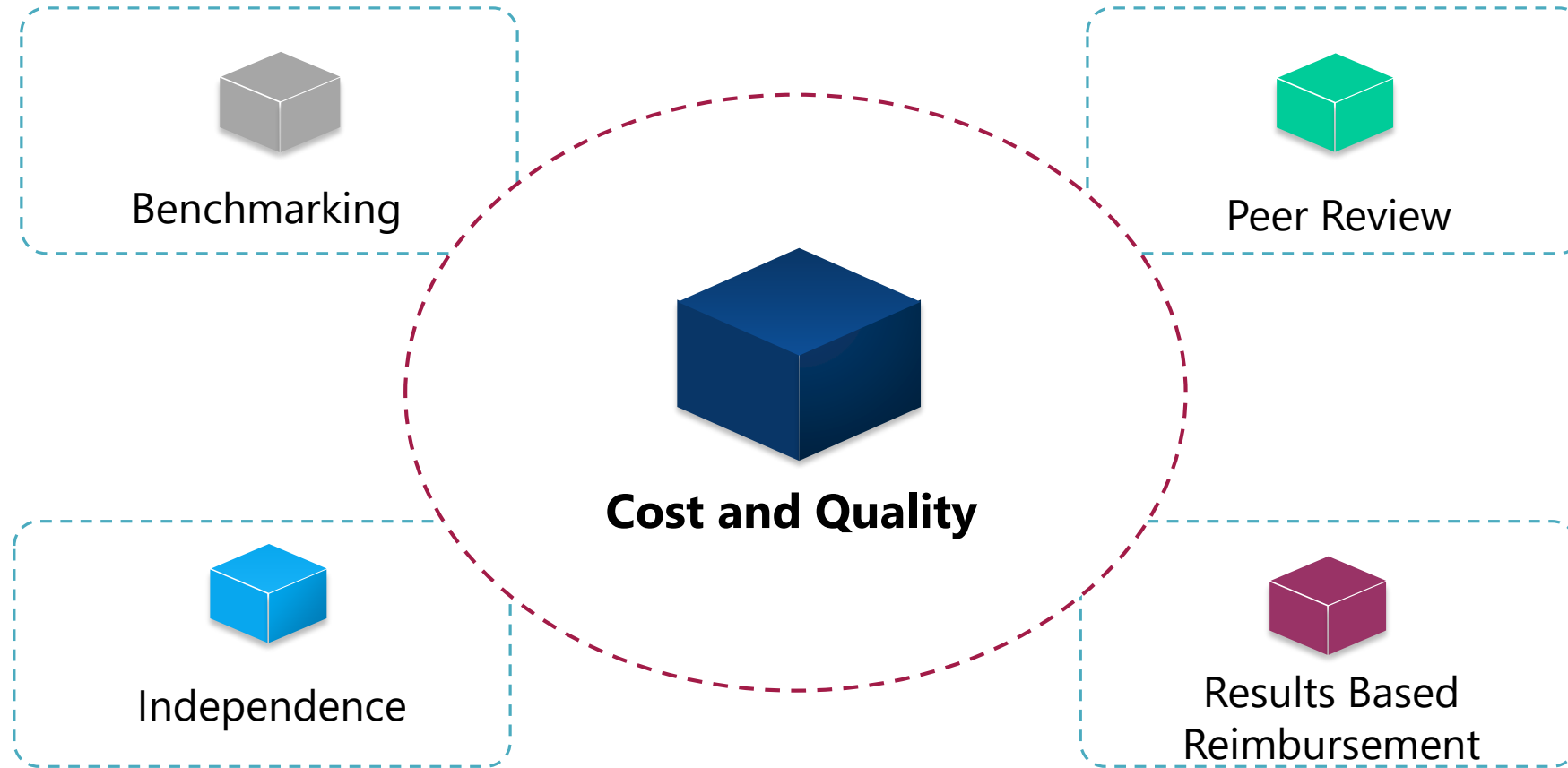
Empower specialists to play a more active role in management of the healthcare system

Align interests and incentives of stakeholders

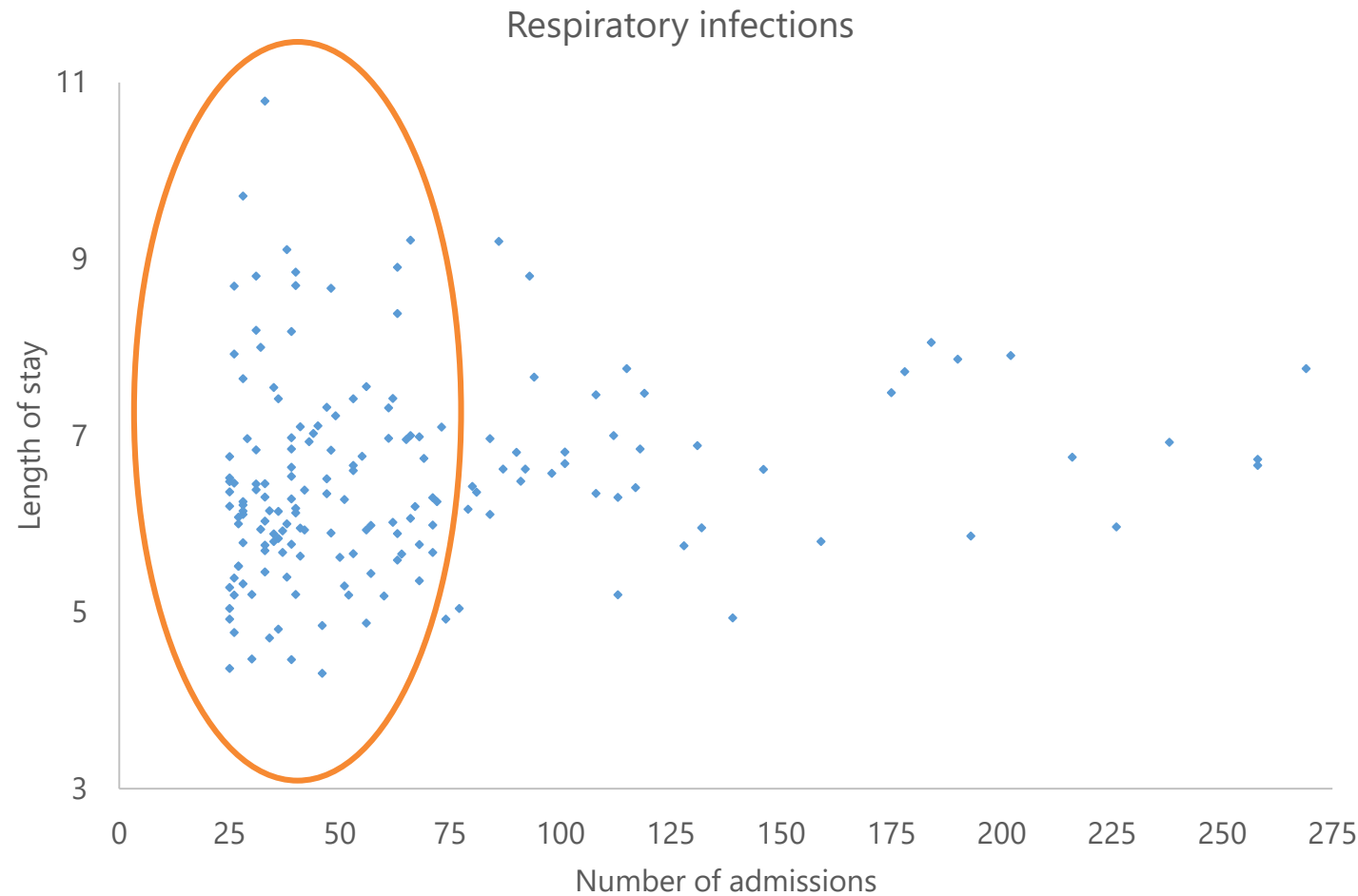


Mechanism
Benchmarking,
Peer review &
Results based
reimbursement

Managing Costs and Quality

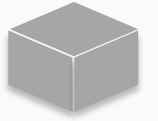


Need for Benchmarking & Peer Review



**Significant cost variations
generated by
different practices
creates the need**

Benchmarking



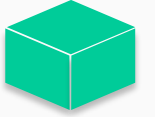
**Profiles provide specialists
with insight into the costs they
generate and downstream costs**

**Profiles benchmark specialists
relative to their peers
in terms of cost and quality of care**

Benchmarks are risk adjusted



Peer review

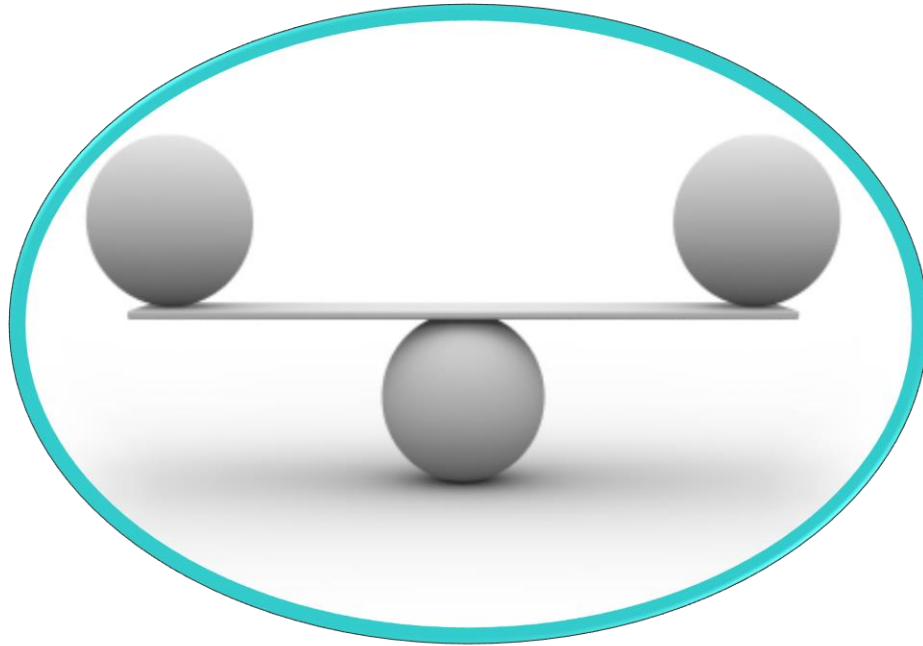


**Opportunity to engage with peers
on how to contain costs and
better quality standards**

**Peer review committee of senior
specialists appointed by the society**



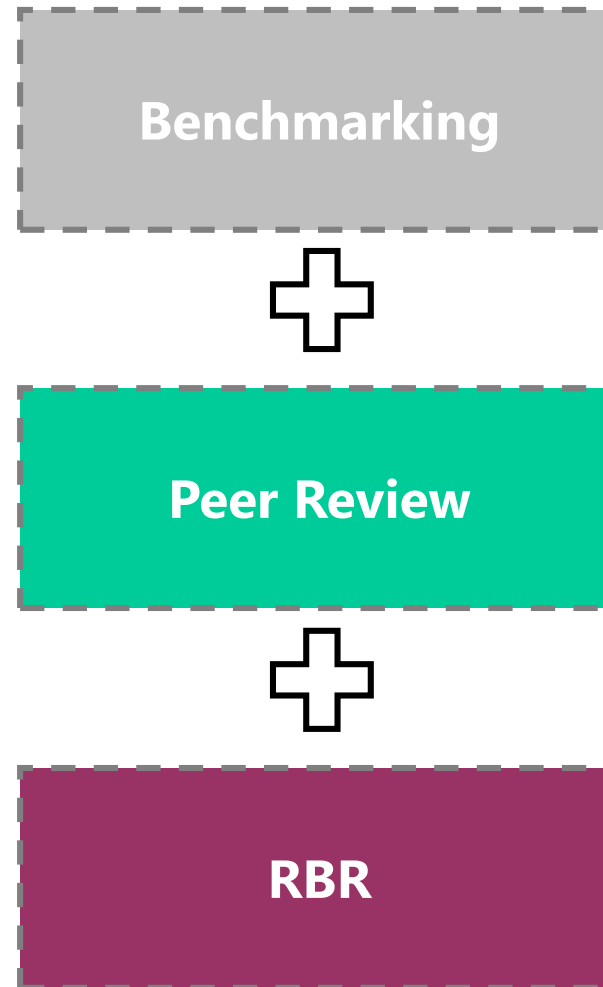
Independence



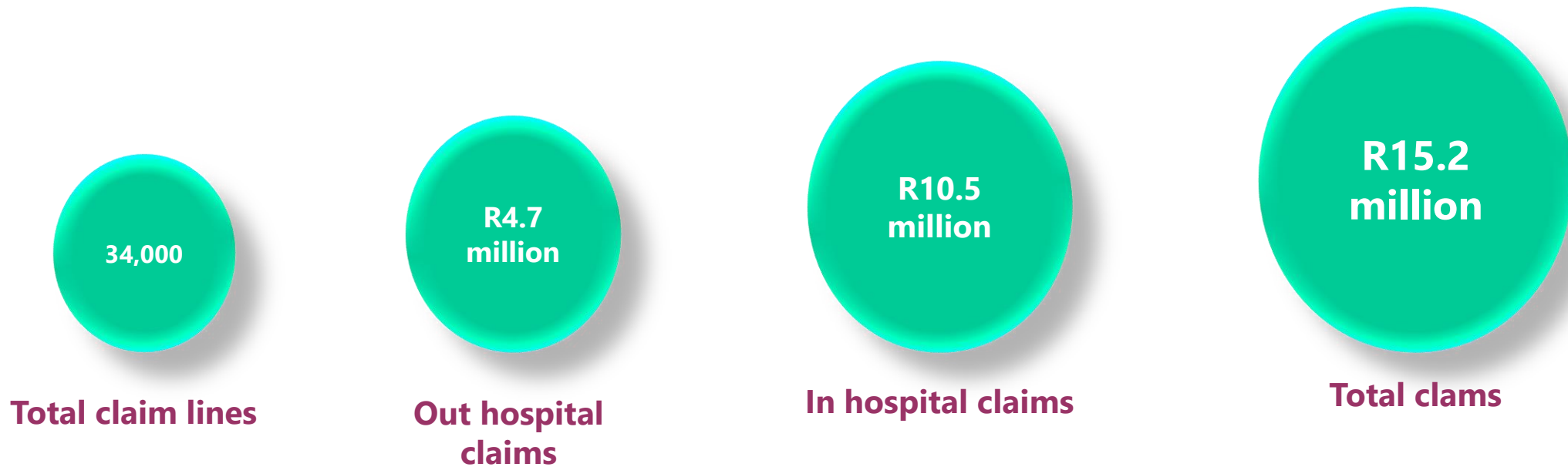
Benchmarking, peer review and results based reimbursement requires that both funders and specialists have confidence in the integrity of profiles and reports.

An independent measurer must be tasked with benchmarking & performance measurement. Independence ensures that discussions of substance can proceed apace.

Results Based Reimbursement

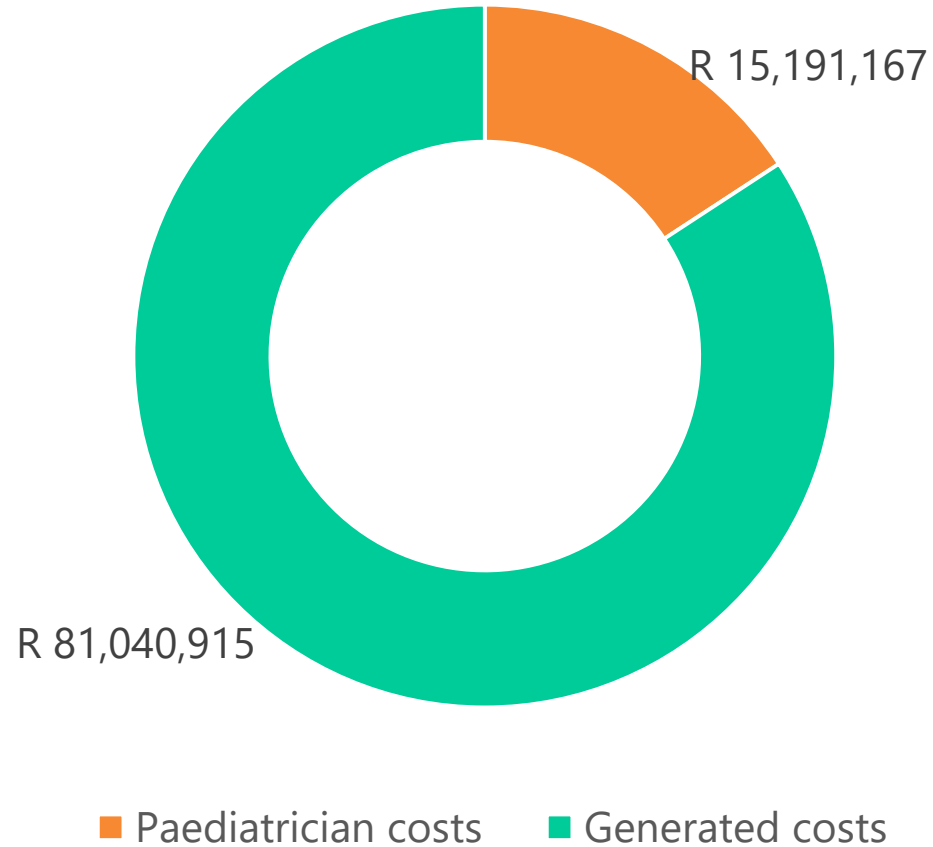


Paediatric Claims



Per 100 000 principal members
per annum

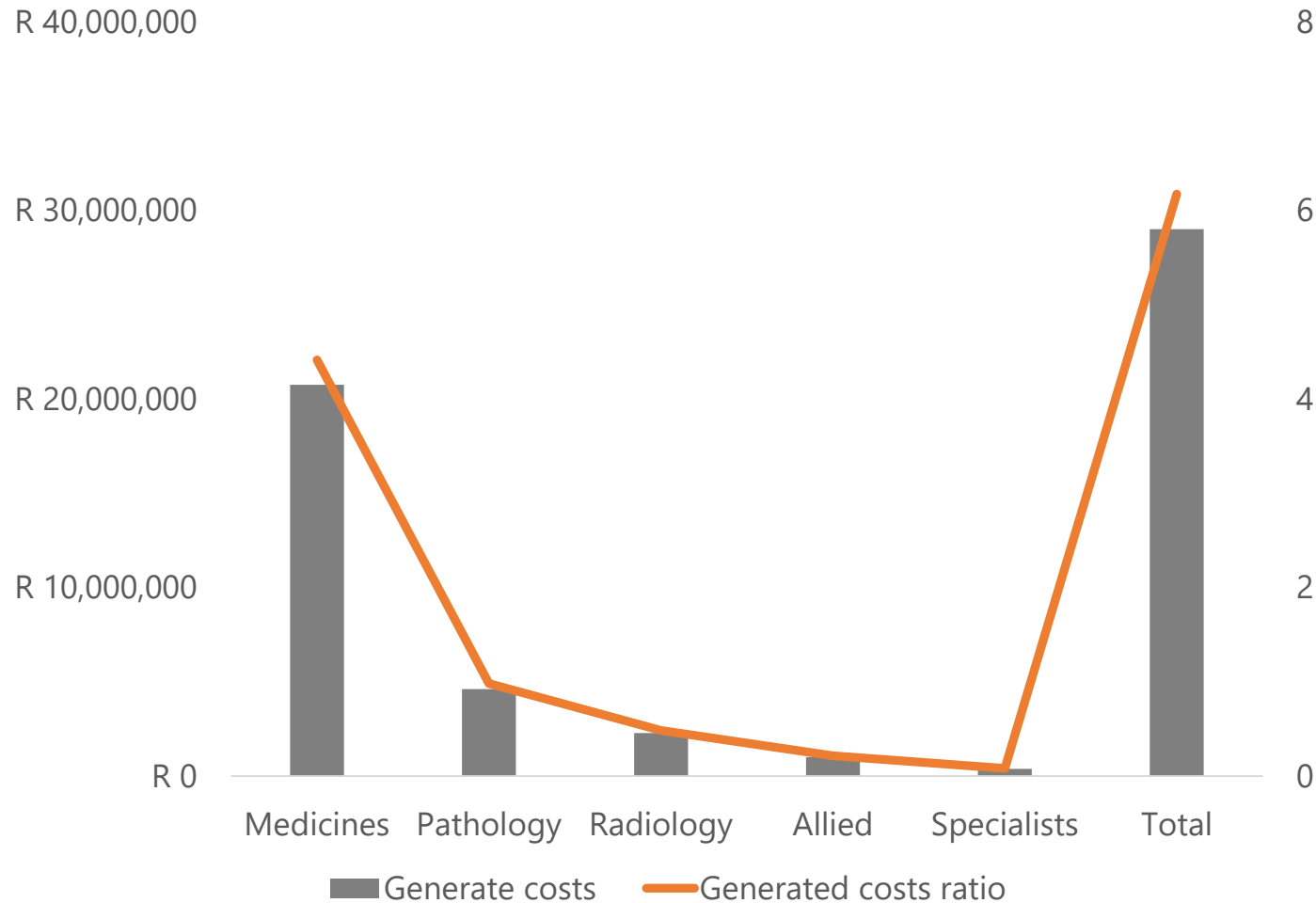
Total Claims



R5.33 in downstream costs for every **R1.00** in paediatrician costs

R81 million
downstream costs

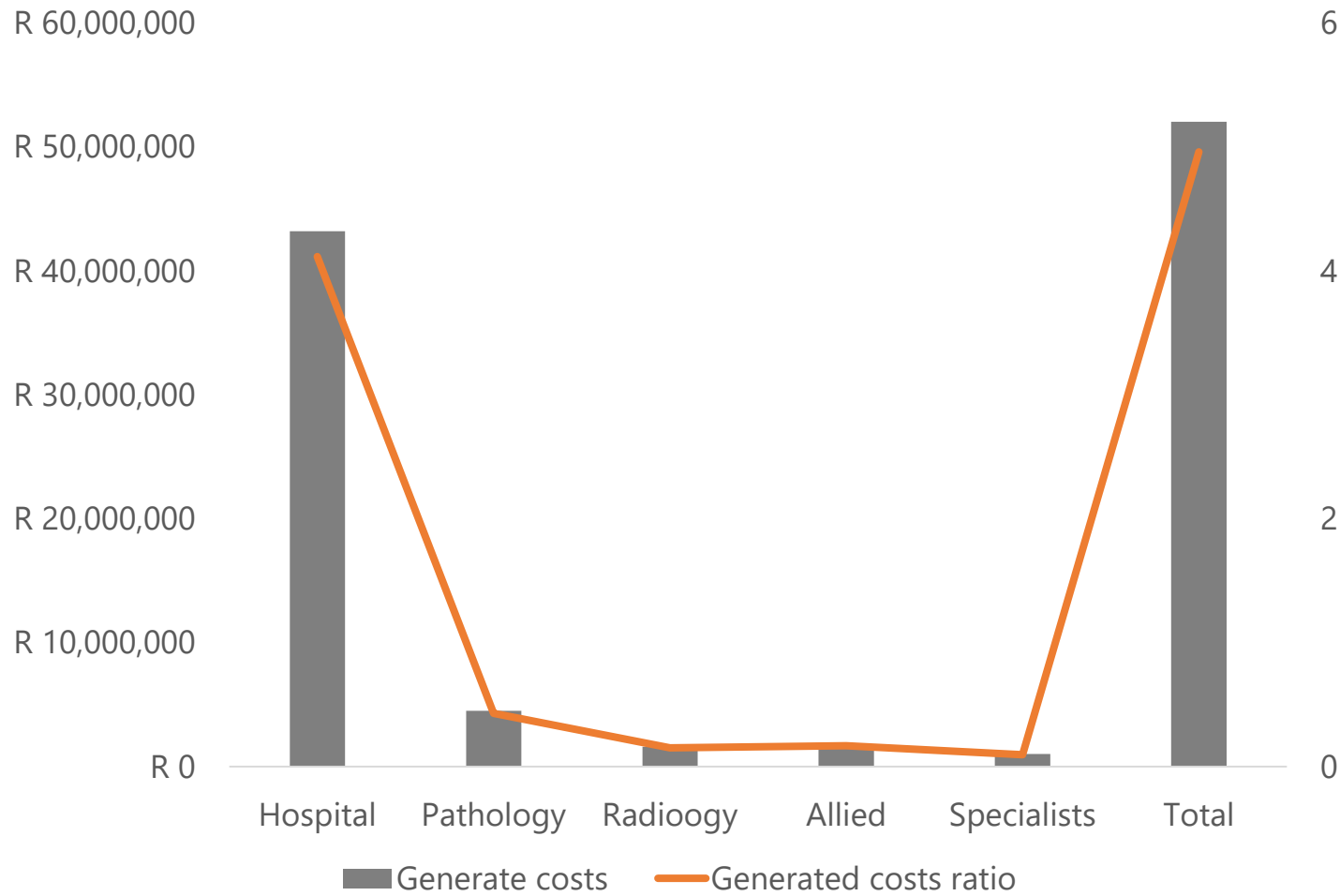
Out-of-hospital Claims



R6.20 in downstream costs for every **R1.00** in paediatrician costs

R29 million
downstream costs

In-hospital Claims



R5.00 in downstream costs for every **R1.00** in paediatrician costs

R52 million
downstream costs

Potential Savings

2% savings in
downstream costs

R1.62m Savings
R0.81m Scheme,
5% tariff increase
Paeds

4% savings in
downstream costs

R3.24m Savings
R1.62m Scheme,
10% tariff increase
Paeds

6% savings in
downstream costs

R4.86m Savings
R2.34m Scheme,
15% tariff increase
Paeds

8% savings in
downstream costs

R6.48m Savings
R3.24m Scheme,
20% tariff increase
Paeds

10% savings in
downstream costs

R8.10m Savings
R4.05m Scheme,
25% tariff increase
Paeds

Potential Savings

Downstream Costs R81,000,000

Paediatrician Costs R15,200,000

	Year 1	Year 2	Year 3	Year 4
Downstream Cost Savings %	2%	3%	4%	2%
Savings (Rands)	R1,620,000	R2,430,000	R3,240,000	R1,620,000
Scheme (50%)	R810,000	R1,215,000	R1,620,000	R810,000
Paediatricians (50%)	R810,000	R1,215,000	R1,620,000	R810,000
Marginal Paed savings	R810,000	R405,000	R405,000	-R810,000
Annual tariff increase %	5.3%	2.7%	2.7%	-5.3%
Cumulative tariff increase %	5.3%	8.0%	10.7%	5.3%

Measuring Savings

- 💡 Savings measured annually
- 💡 Actuarially robust and independent
- 💡 Measurement is risk-adjusted
- 💡 Funders are at no risk
- 💡 Savings will reflect the extent to which increases in the costs generated by paediatricians are lower than expected
- 💡 Out of hospital costs will be measured with reference to the cost per clinical episode;
In-hospital costs with reference to the cost per admission



Agree to a MOU and engage paediatricians with the support of the PMG

Implement Benchmarking and Peer Review – benchmarking system has already been developed

Measure savings, share savings with paediatricians and iterate

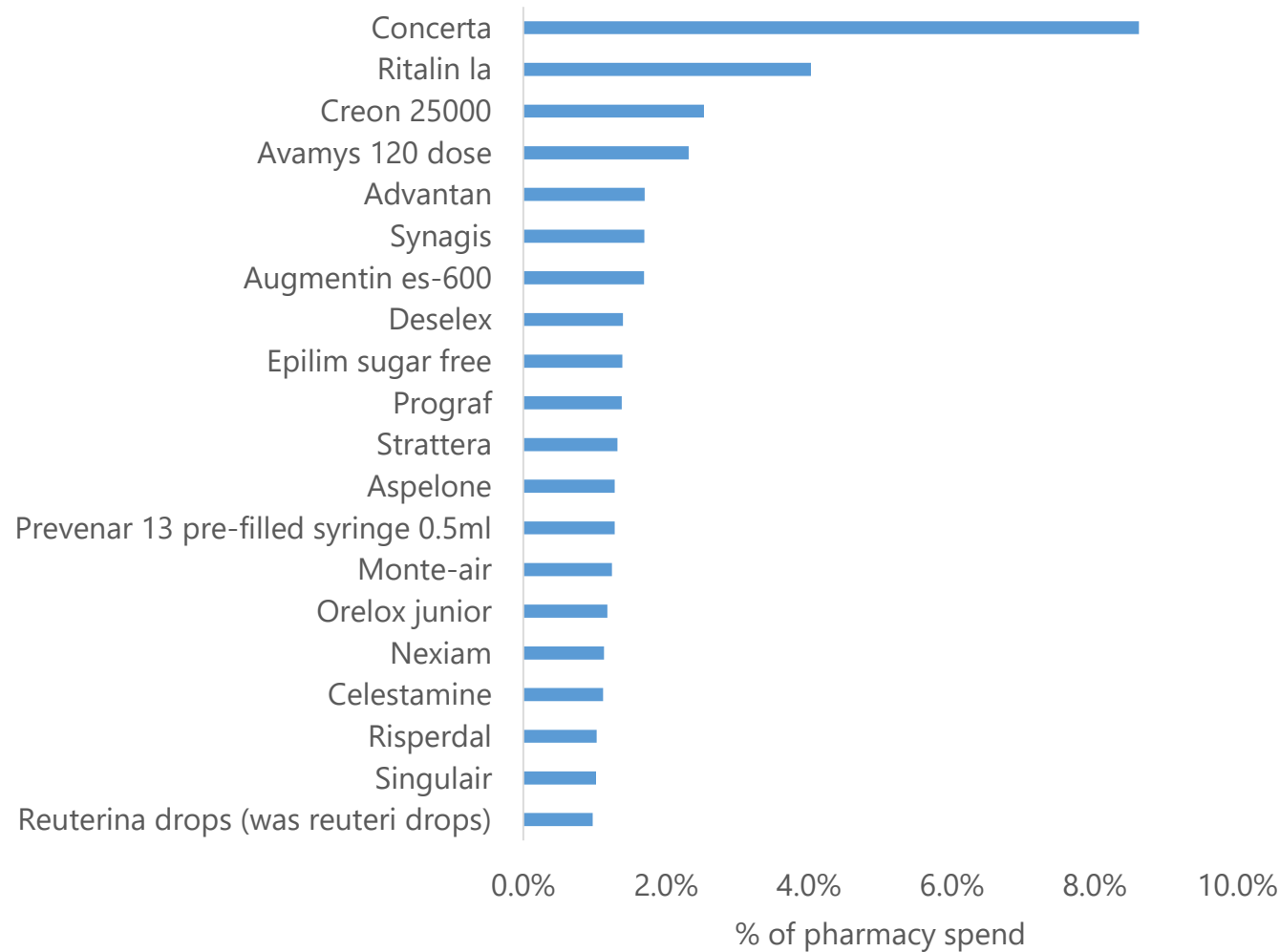
Key to balance cost and quality measurement

Engagement

... Way Forward

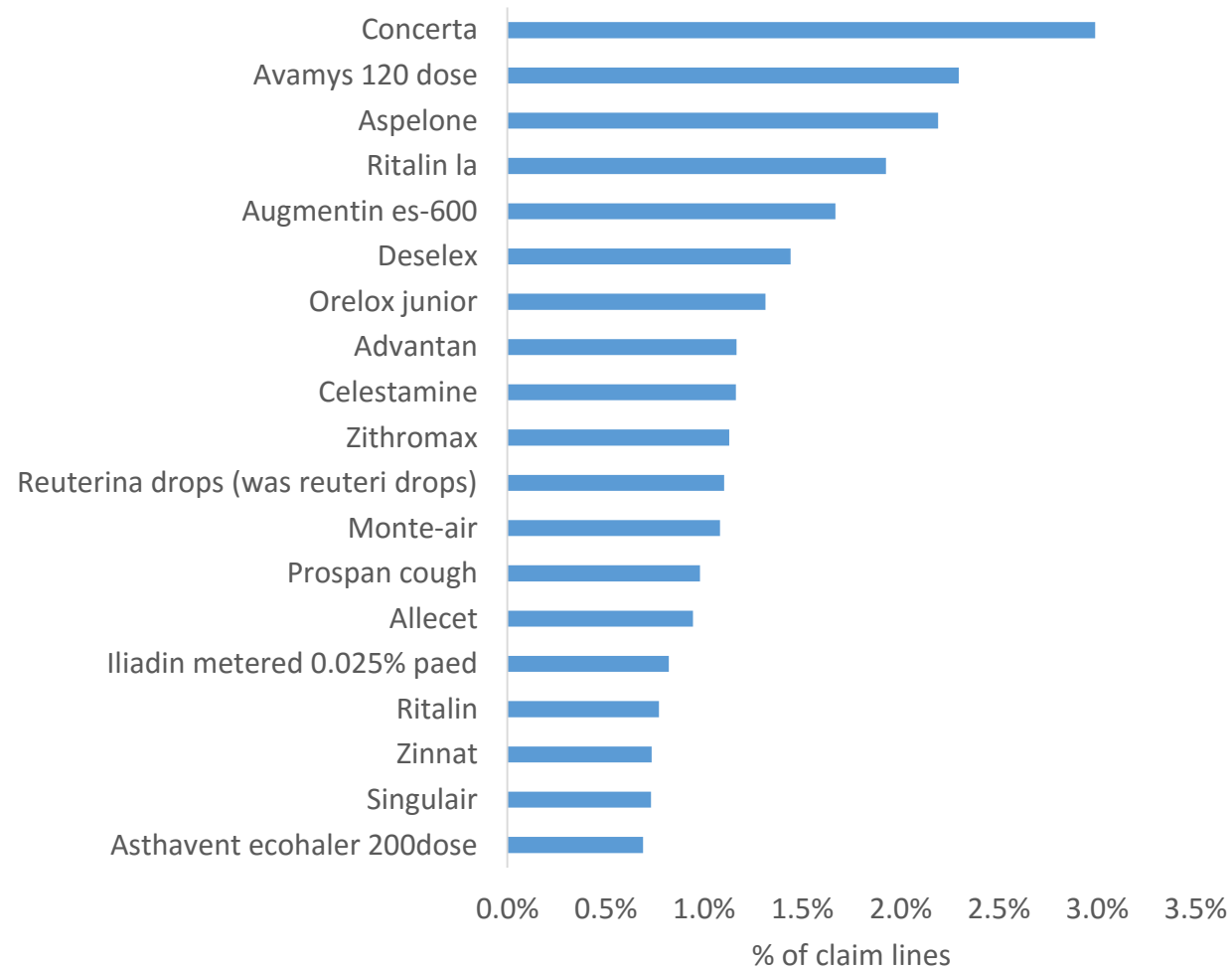


Cost drivers – pharmacy spend



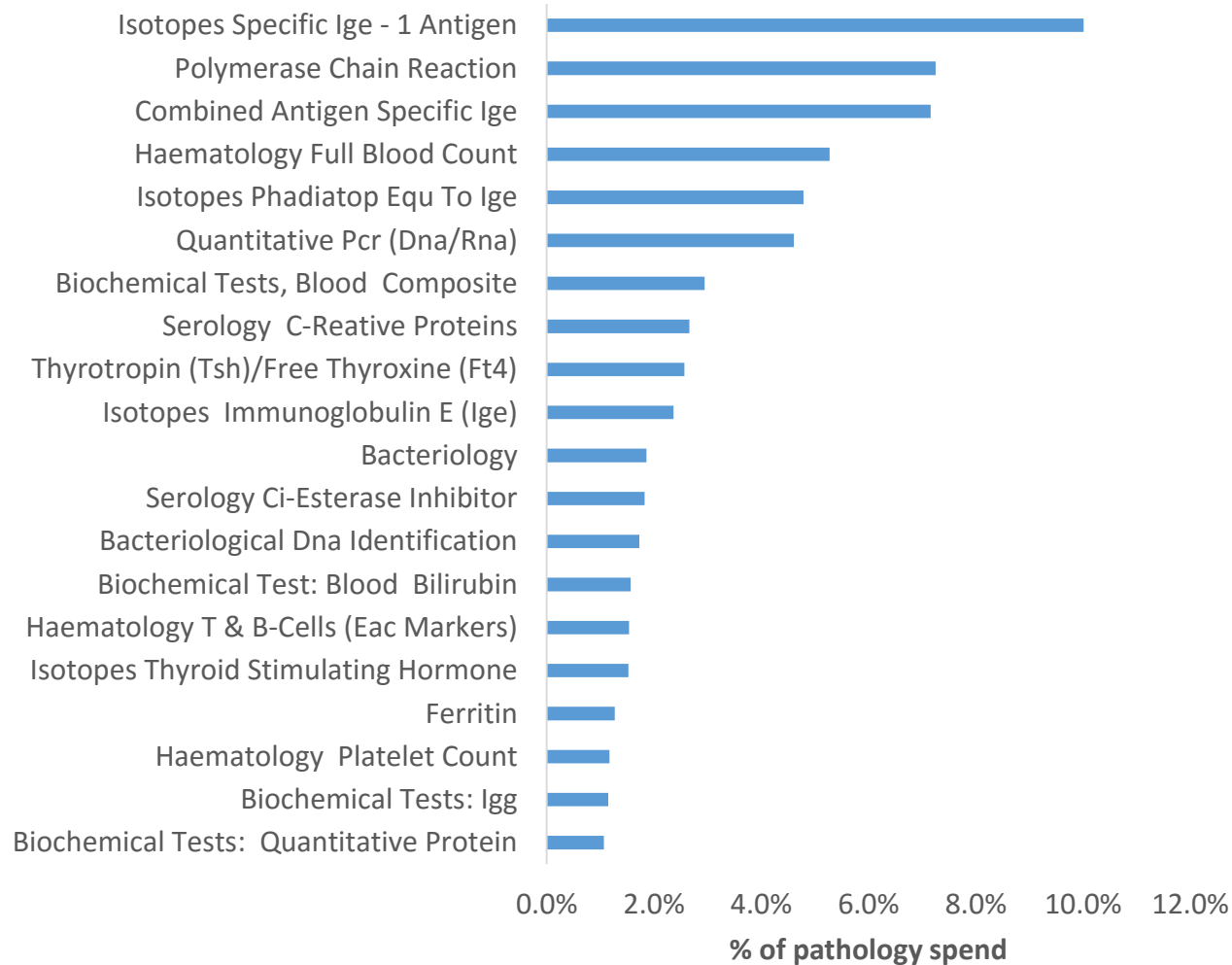
*Top 20 drugs by spend
generated (out of hospital)*

Cost drivers – pharmacy utilisation



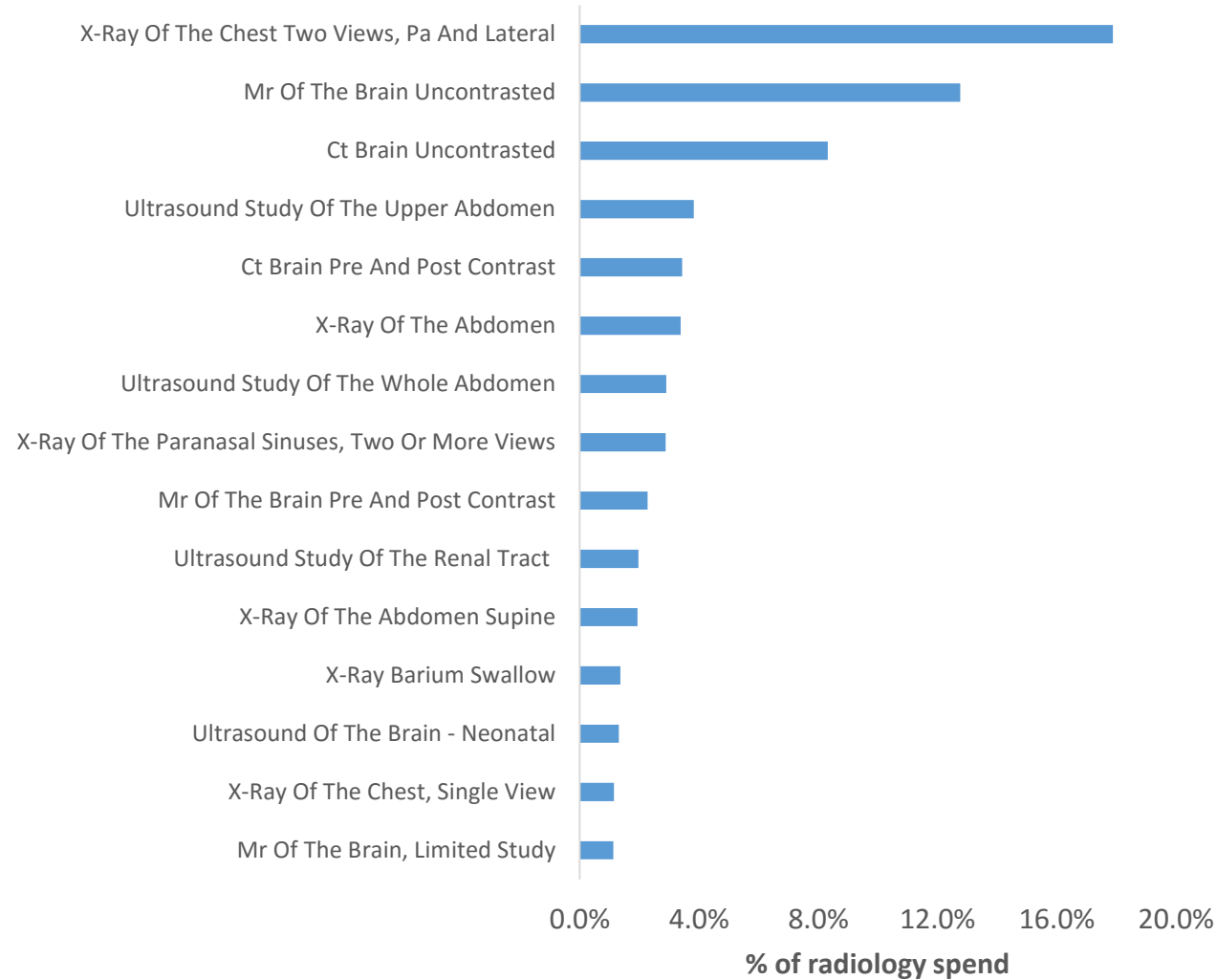
*Top 20 drugs by volumes
generated (out of hospital)*

Cost drivers – pathology



***Top 20 tests by spend
generated (out of hospital)***

Cost drivers – radiology



***Top 15 investigations by
spend generated
(out of hospital)***