



# Pharmacy DSP Networks

2007 Benefit Design Workshop



Fifth  
Quadrant

Actuaries & Consultants



## Agenda

- Definitions
- Objective
- Issues to consider
- Available options
- Role of pharmacies

# Designated Service Providers



## Definition

**“designated service provider”** means a health care provider or group of providers selected by the scheme concerned as the preferred provider or providers to provide to its members diagnosis, treatment and care in respect of one or more prescribed minimum benefit conditions;

# Designated Service Providers



## Core elements

- Selection by the scheme concerned
- Preferred providers
- Prescribed minimum benefit conditions
- Condition specific

# Prescribed Minimum Benefit Conditions



- Diagnosis Treatment Pairs
- Chronic Disease List
- Emergency Medical Conditions

# Prescribed Minimum Benefits



- A medical scheme must pay in full, without use of co-payments or deductibles, the diagnosis treatment and care costs
- But the rules of the scheme may provide that:
  - Costs are only covered in full if services are obtained from a designated service provider in respect of that condition; and
  - A co-payment or deductible may be imposed if the services other than a designated service provider is voluntarily used by the member.
- Schemes are not prevented from employing appropriate interventions aimed at improving the efficiency and effectiveness of health care provision:
  - Pre-authorisation
  - Treatment protocols
  - Formularies

# Treatment protocols

## Definition

**“Protocol”** means a set of guidelines in relation to the optimal sequence of diagnostic testing and treatments for specific conditions and includes, but is not limited to, clinical practice guidelines, standard treatment guidelines, disease management guidelines, treatment algorithms and clinical pathways;

# Treatment protocols

## Requirements

- Must be developed on the basis of evidence-based medicine
- Must be provided to stakeholders upon request
- Provisions for exceptions, without penalties

# Formularies



## Requirements

- Must be developed on the basis of evidence-based medicine
- Must be provided to stakeholders upon request
- Provisions for exceptions, without penalties



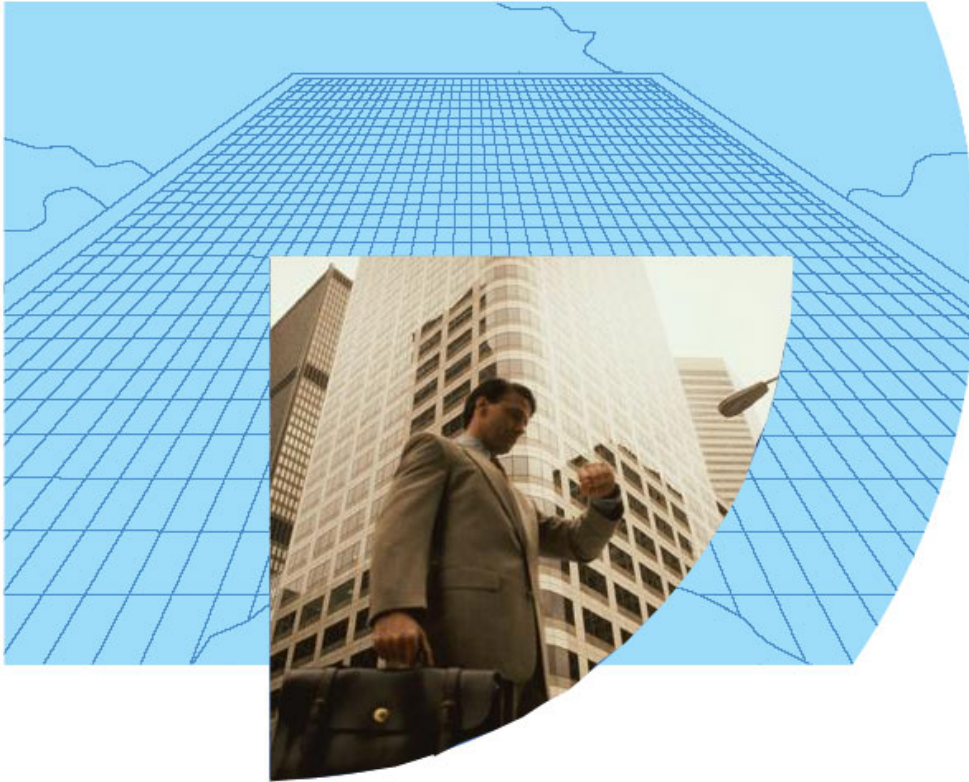
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# Business of a medical scheme



- Undertaking of liability in return for a premium or contribution:
  - Provision for the obtaining of a relevant health service;
  - Granting of assistance in the defraying of expenditure incurred;
  - Rendering of a relevant health service.



## Limitation of liabilities

- Benefit structuring
- Managed health care interventions
- Pricing arrangements

# Objective



- Regulation of minimum benefits to be provided by any medical scheme
- Parity with the entitlements in terms of services available to public hospital patients
- Provision of unlimited benefits with respect to services that are obtained from public hospitals, where these services comply with the general scope and level of the prescribed minimum benefits



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# Issues to consider



- “Selection” criteria
  - Condition specificity
- Designated service providers vs. Participating providers
- Regulation of relationship between the scheme and designated service providers
- Role of scheme rules
- Management of cost
- Application of interventions
  - Pre-authorisation
  - Treatment guidelines and protocols
  - Formularies

## Definition

**“participating health care provider”** means a health care provider who, by means of a contract directly between that provider and a medical scheme in terms of regulation 15A, or pursuant to an arrangement with a managed health care organisation which has contracted with a medical scheme in terms of regulation 15A, undertakes to provide a relevant health service to the beneficiaries of the medical scheme concerned;

# Available Options

<b>Designated Service Provider</b>	<b>Participating Provider</b>
Selected according to specific criteria	Appointed in terms of a contractual arrangement
Provider not legally bound	Provider legally bound
Scheme liable for costs without recourse	Scheme liable for costs, but with recourse
Costs not clearly defined	Costs clearly defined
Only applies to prescribed minimum benefits	Applies to all contracted health services
Scheme has to ensure adequate availability	Provider has to ensure availability
State can be selected	State can be contracted



## Contract

- Price (Cost)
- Coverage/availability
- Treatment guidelines and protocols
- Formularies

# Pharmacies



# Pharmacies

## Costs

- Single Exit Price
- Dispensing fees
- Prohibition of discounting

# Pharmacies



## Coverage/ Availability

- Large groups
- Corporate and individually owned
- Ranging between regional and national cover

## Treatment guidelines and protocols

- Tendency toward a single pharmacy
- Electronic records
- Application of substitution policies
- Monitoring of compliance to guidelines and protocols
- Monitoring of patient compliance
- Pre-authorisation

# Pharmacies

## Formularies

- Well-developed systems
- Application of substitution policies
- Pre-authorization

# Designated Service Providers



## Optimal solutions

- Decide what you need
- Beware of terminology and its real meaning
- Beware of the “small print”
- Develop relationships with those that can assist in managing your liabilities
- Formalise those relationships
- Pharmacies are an important link in the health care value chain



## Discussion?

# Contact Us



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