



An EVA® Company

Hospital Costs – The Emerging Challenges for 2007



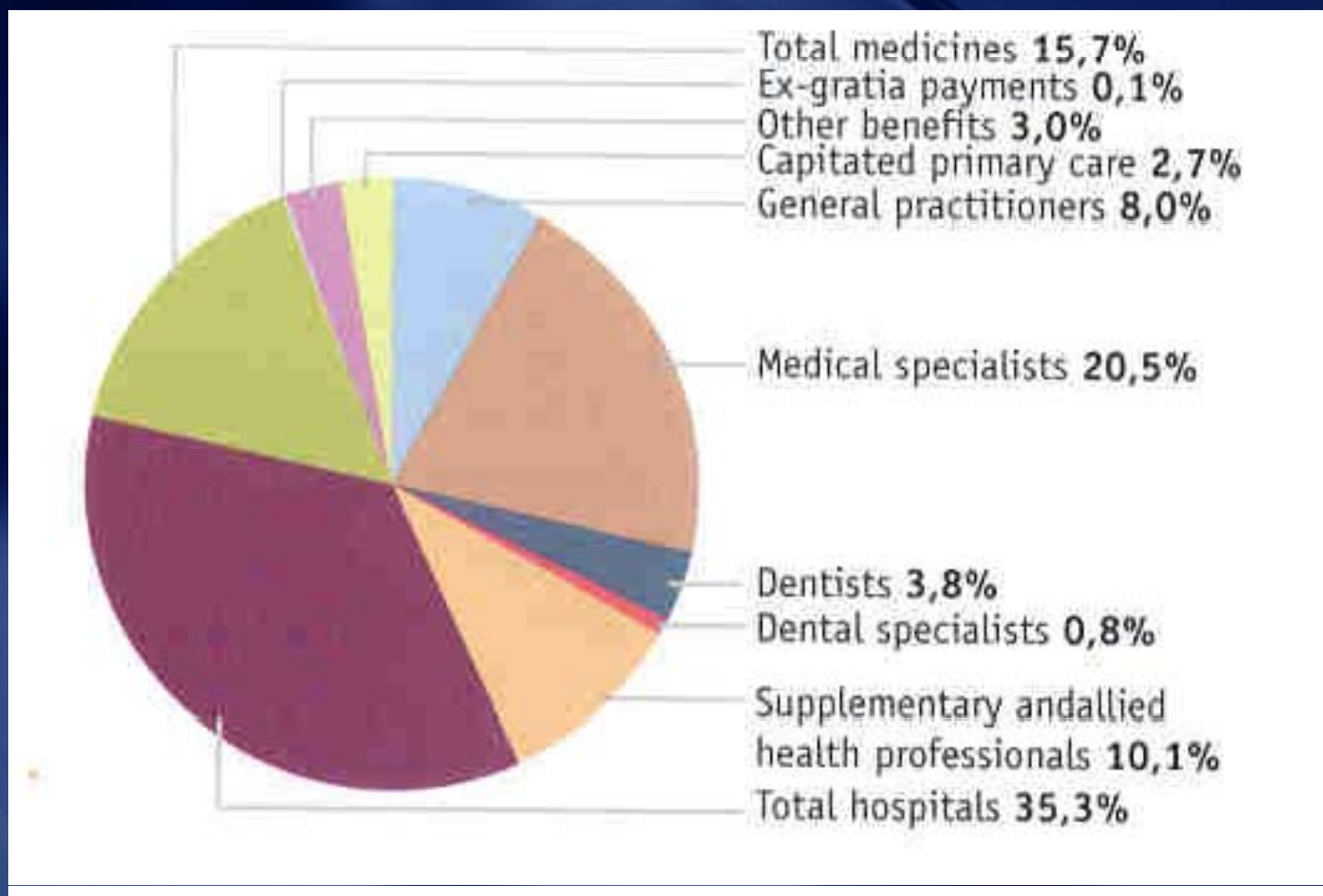
A QUICK LOOK BACK ...

- Competition Commission Ruling on Tariff Negotiation
- ARM's
- Introduction of SEP
- PMB's
- DSP's
- Regulation of Payment Days

THE CURRENT CHALLENGES

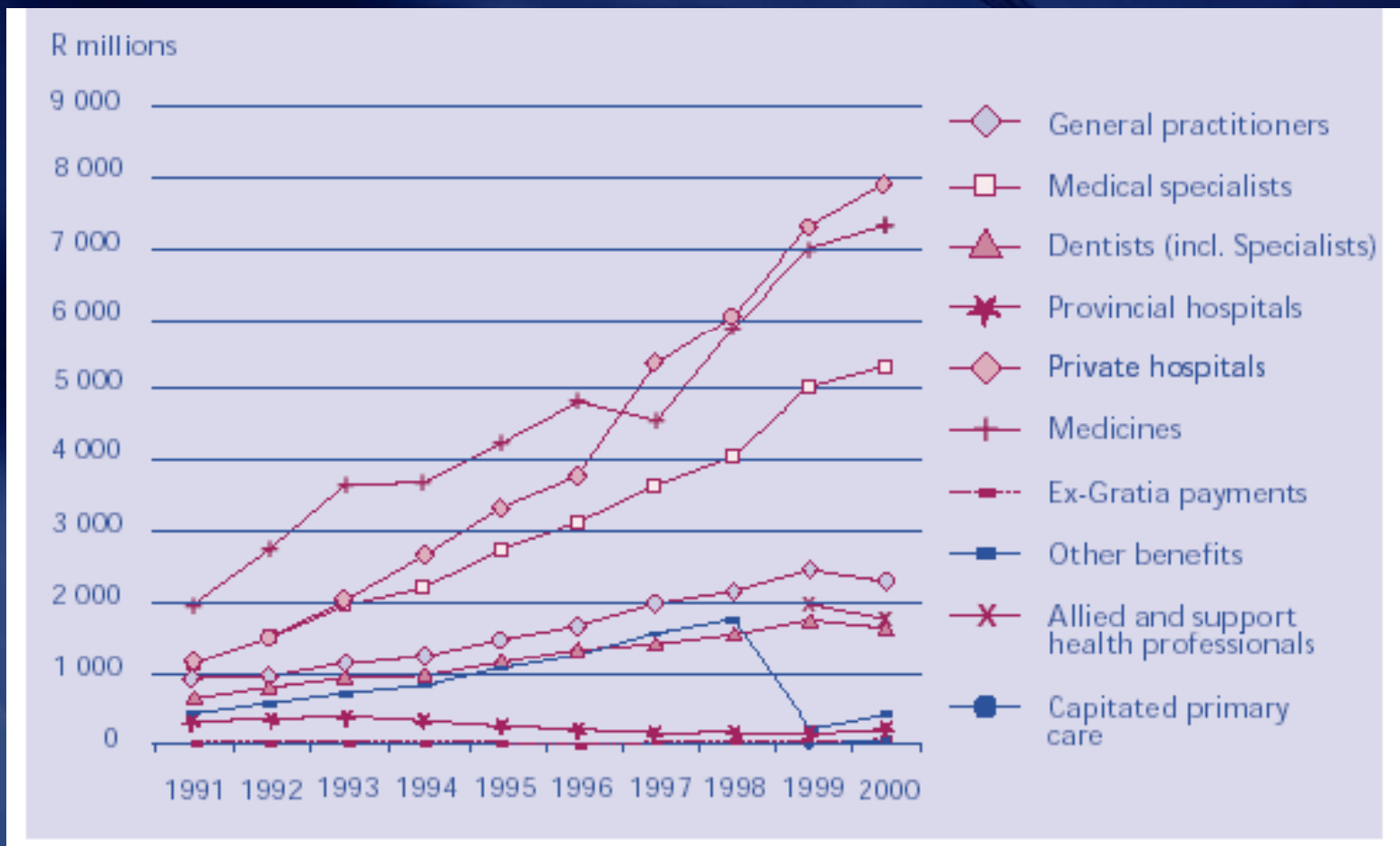
- Hospital Inflation
- Hospital Contracting
- Utilisation
- Cost Drivers

HOSPITAL INFLATION



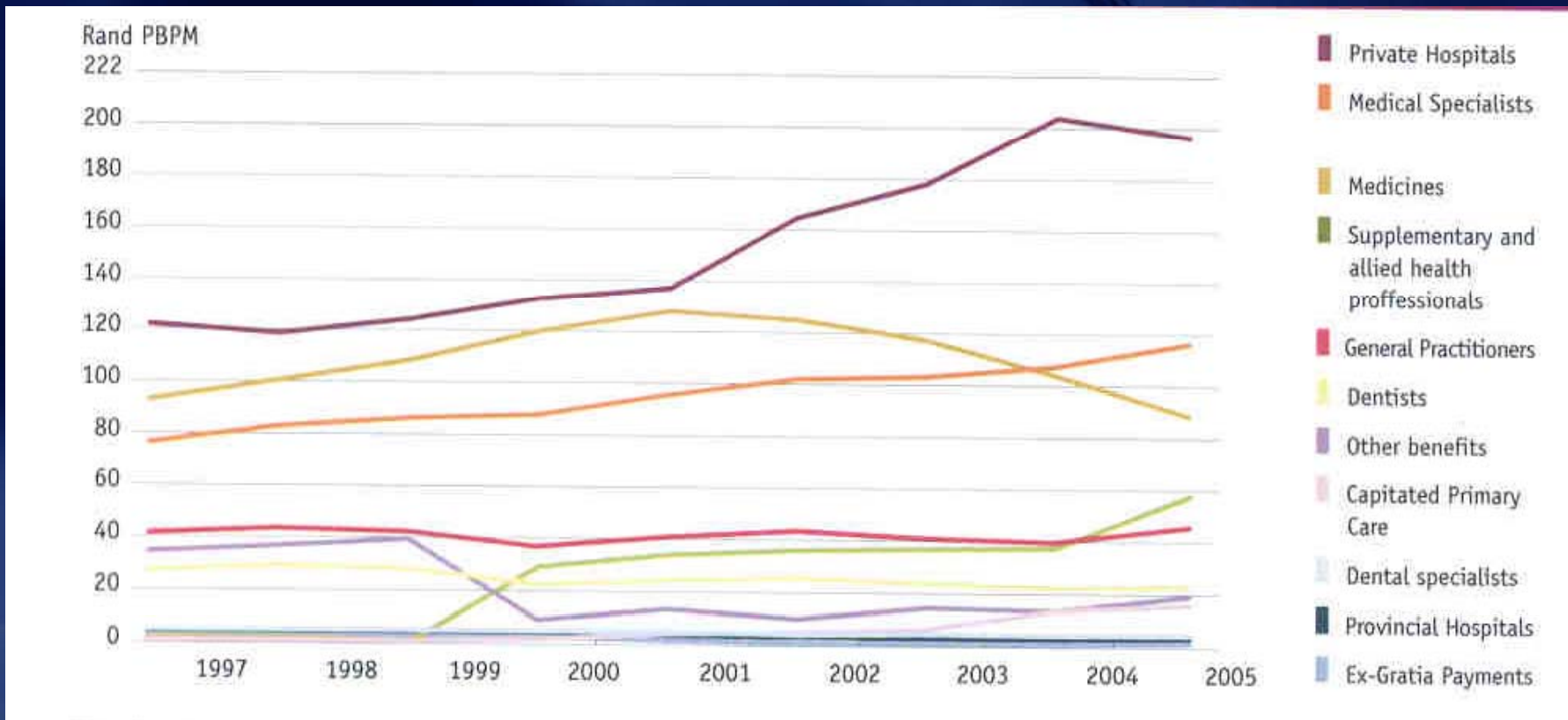
SOURCE: Council for Medical Schemes Annual Report 2005-6

TOTAL BENEFITS PAID (1991 – 2000)



HOSPITAL INFLATION

PAID PER BENEFICIARY



SOURCE: Council for Medical Schemes Annual Report 2005-6

HOSPITAL INFLATION 2005 - 2006

Industry = 16%

MSO Universe = 3%

BUT

Individual scheme experience from 23% to 1%.

The Cost Drivers:

• Utilisation = -11%

• Cost per Incident = +15%

BUT

Highest Inflation Scheme

• Utilisation = +12%

• Cost per Incident = +9%

HOSPITAL INFLATION 1st QTR 2007 - 2006

Industry	=	15%+
MSO Universe	=	9%
Highest Scheme	=	26%
Lowest Scheme	=	1%

THE COST DRIVERS

• Utilisation	=	3%
• Cost per Incident	=	3%

THE 2007 PRINCIPLE COST DRIVERS

- Diseases of the Digestive System

Cost per Life = +21%

Cost per Incident = +12%

Utilisation = +5%

- Diseases of the Genitourinary System

Cost per Life = +17%

Cost per Incident = 11%

Utilisation = 8%

- Diseases of the Circulatory System = +5% (cost per life)

- Diseases of the Musculoskeletal System = +1% (cost per life)

THE CURRENT CHALLENGES

- Hospital Inflation
- Hospital Contracting
- Utilisation
- Cost Drivers

CONTROLLING HOSPITAL INFLATION IN 2007

- Continuous, scheme specific data analysis
- Tailored interventions – protocols and complimentary product design