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**An Evaluation of the Remuneration of General Practitioners and its Impact on Service Delivery:  
A Case Study of Selected Private Practices in  
Kwazulu-Natal**

## Problem statement

The purpose of this study was to evaluate if GPs in private practice:

- Are sufficiently rewarded to ensure quality medical services to their patients;
- Remuneration is a motivator to practice their trade;
- Remuneration affected supply and demand of labour in the SA medical industry;

## Aim of the Study

- To evaluate the remuneration of the GPs at selected private practices in KwaZulu-Natal and the impact on service delivery and motivation.
- The study intended to provide insight into the current remuneration and service delivery issues of the medical profession and to inform the government at a macro level on the choice of healthcare delivery models for the upcoming NHI.



## Background on the National Health Reference Price List Rate

- The NHRPL/RPL was introduced by the DoH in response to the competitions tribunal (Erasmus and Theron 2016:53) adverse report on collusion.
- The methodology to calculate the NHRPL appeared to be reliable but the process to review the rate in subsequent years was inconsistent as it was based on Consumer price index (CPIX).
- The NHRPL pricing system was challenged in the South African high court which ruled the NHRPL invalid in 2010;



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Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CPIX Increase	6.60%	9.30%	6.80%	4.30%	3.90%	4.60%	6.70%	8.50%	7.10%	4.30%	5.00%	5.60%	5.70%	6.10%
Average Contribution	15.30%	14.10%	11.50%	6.80%	6%	6.70%	8.30%	11.30%	13%	9.20%	8.80%	9.70%	8.90%	9.50%

## Factors influencing the National Health Reference Price List Rate

*The final calculated price (P) (VAT Exclusive) service is given by the following formula:*

$$P = (LR + OHR + ROIR) \times UV$$

$$P = (2.851 + 3.507 + 0.445) \times 15 \text{ minutes (example)}$$

$$P \approx R102.00 \text{ (VAT Exclusive)}$$

*Where:*

*LR = Direct labour rate per minute*

*OHR = Overhead rate per minute*

*ROIR = Return on investment rate per minute*

*UV = Average duration of service item in minutes (unit value)*

## Factors influencing the National Health Reference Price List Rate

- Duration of Consultation
- Job Grading
  - Hay Guide Chart Method
  - Peromnes System
  - Paterson Grading System
    - Salary Grade
- Practice Costs
- Premises Size and Cost

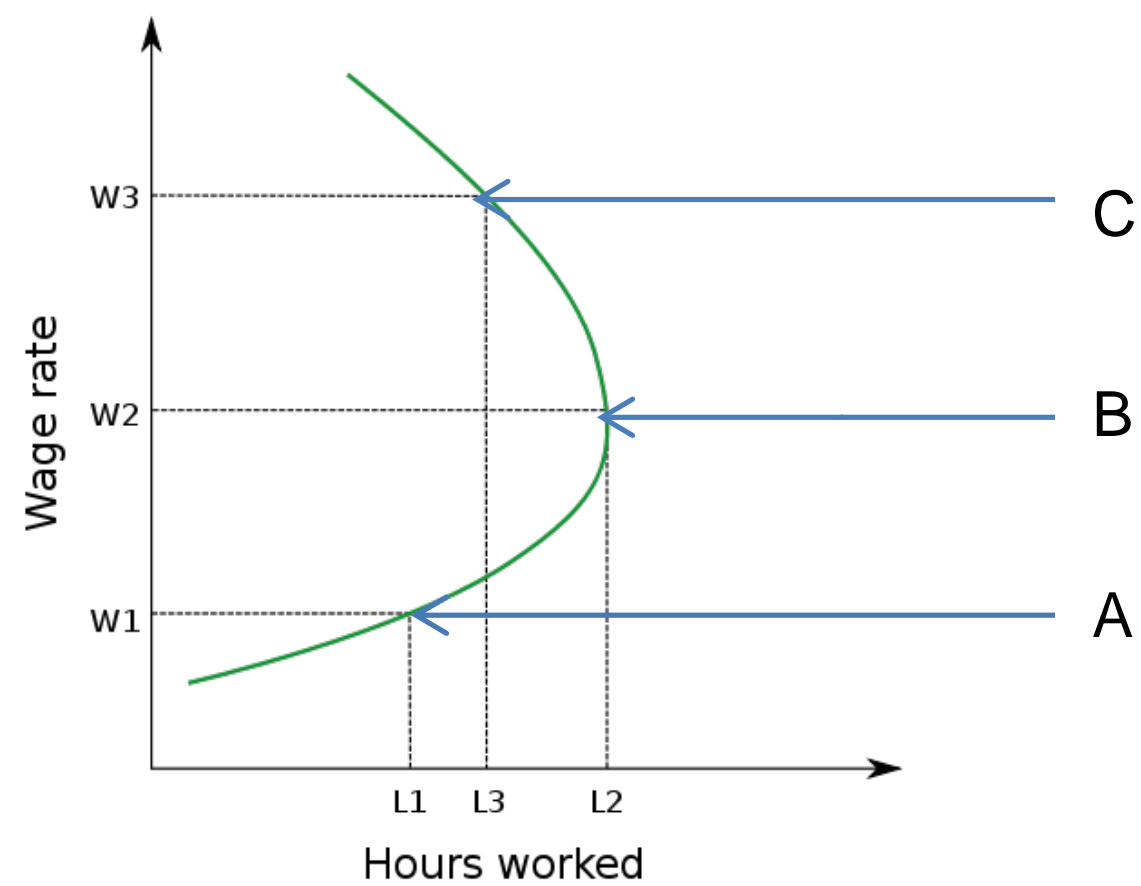


## Motivating Factors

- Intrinsic motivating factors:
  - Altruism
- Extrinsic factors
  - Working conditions
  - Autonomy
  - Remuneration
    - Fees for service
    - Capitation
    - Pay for performance
    - Blended payments



Figure 2.1: Individual Labour Supply Curve



Source: Adapted from Mohr (2015:211) and Pettinger (2012)

## Service Delivery

- Quality healthcare service delivery refers to the ability of the healthcare provider to deliver timely, reliable, comprehensive, safe, cost effective and empathetic treatment, diagnosis and management for a given patient

## Research Design

- Causal-comparative research design to establish whether a relationship between the remuneration of GPs (quantitative variable) and motivation and service delivery (categorical independent variables) existed.

## Sampling Strategy

- The sample frame was all private GPs in the KZN province. The sampling design used was probability design with a stratified random sampling strategy
- All practitioners were grouped into the various regions and classified as:
  - Rural town;
  - Township,
  - Suburb;
  - Small City; and
  - Large City/Metropole.



## Questionnaire Construction

The questionnaire in this study was divided into five sections as follows:

- Section A: Participant Demographics
- Section B: Practice Demographics
- Section C: Practice Cost Information
- Section D: Service Delivery
- Section E: Motivation to Practice Medicine

The Cronbach alpha test was used to prove the internal consistency reliability and found have a reasonably strong  $\alpha$  coefficient of 0,796 for the target questions.

## Limitations to the study

- The study covered remuneration of GPs on the consultative matters only.
- It did not cover cost studies on procedures that are done in the consultation rooms.
- Time taken for house calls was not included in the study.
- To ensure that the study is valid the consultative costs were compared, that is the time taken to see a patient was compared to medical aid rates and the public sector doctor pay for that unit of time in 2016.
- Due to the sensitivity of the remuneration topic, the responsiveness might be bias to a certain degree.



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## Response Rate

$$\begin{aligned}\text{Total response rate} &= \frac{\text{total number of responses}}{\text{Total number in sample - ineligible}} \\ &= 40 / (100 - 3) \\ &= 40 / 97 \\ &= 41 \%\end{aligned}$$



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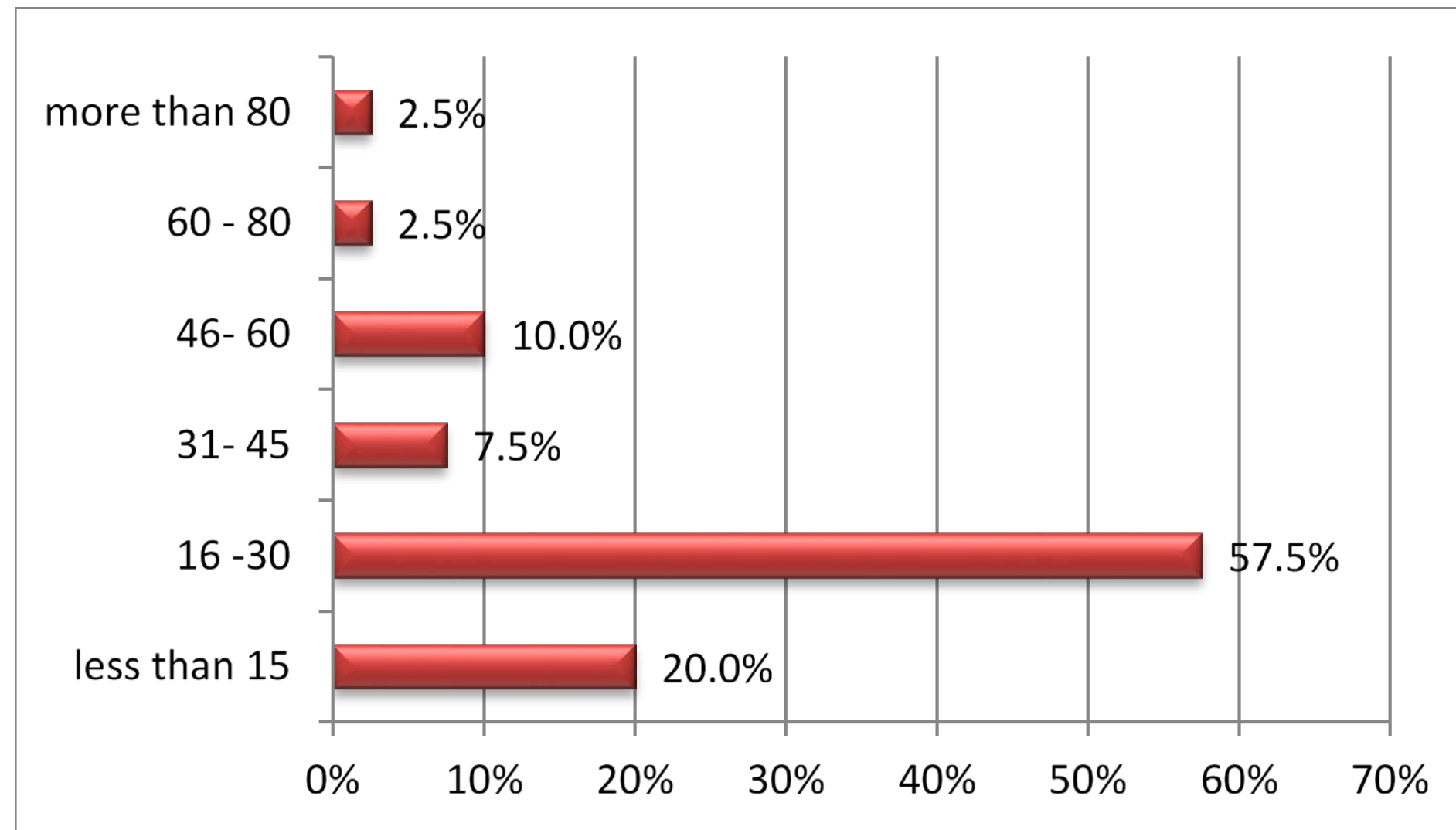
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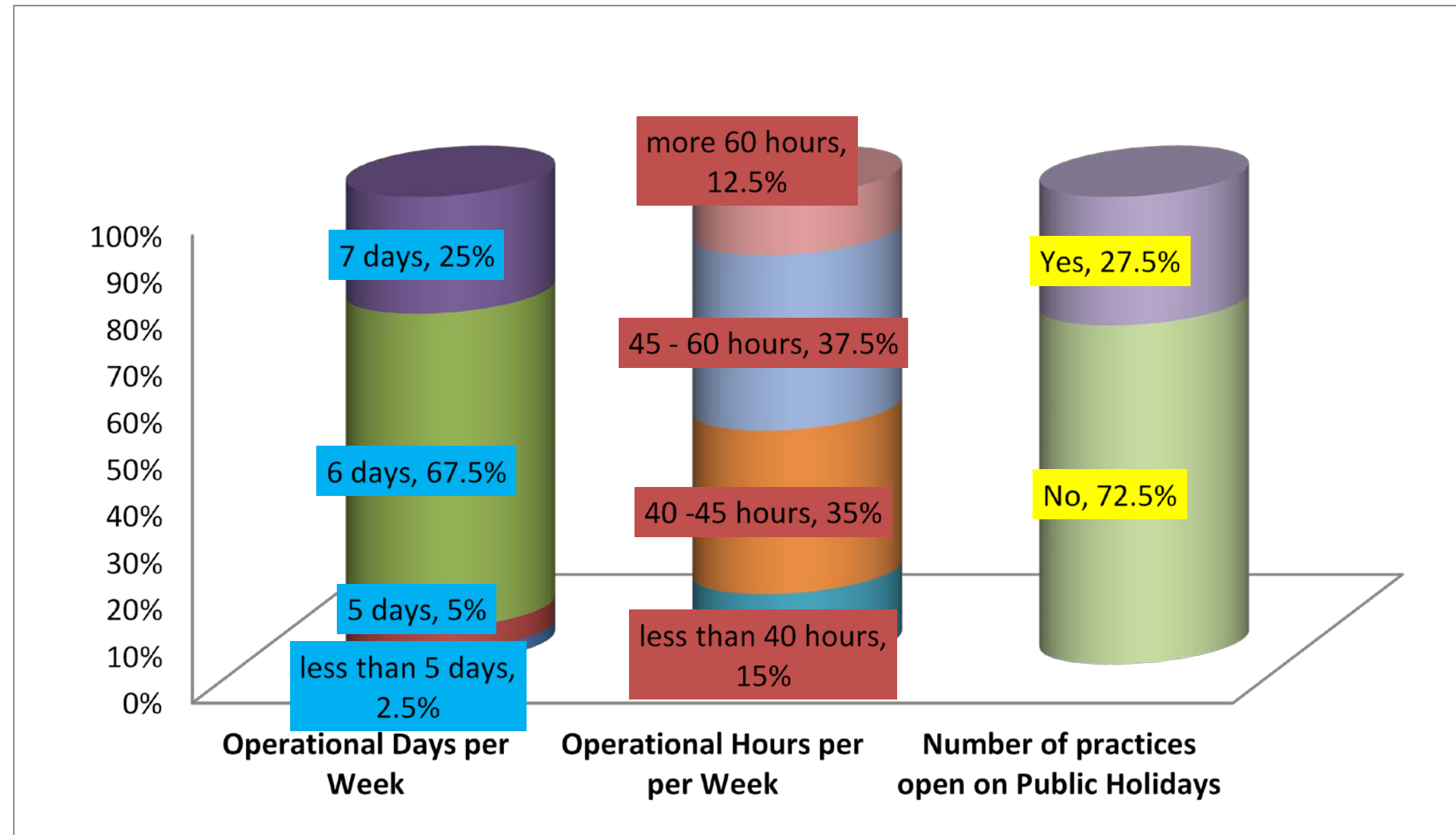


Figure 4.1: Number of Patients seen per Day Distribution Pattern





## Comparison of the Operational Hours of GP Practices





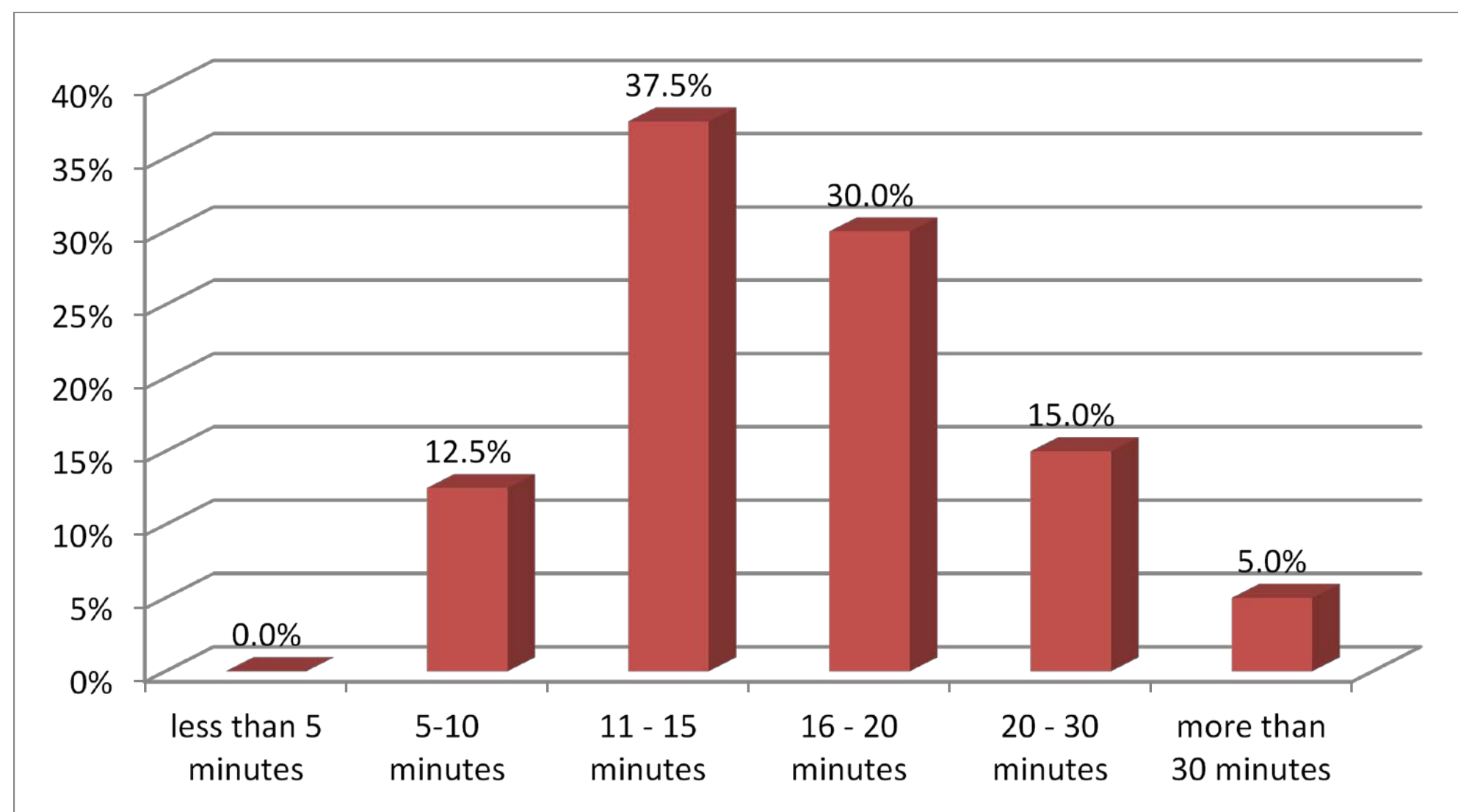
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Figure 4.1: Average Time (minutes) Taken per Patient per Consult

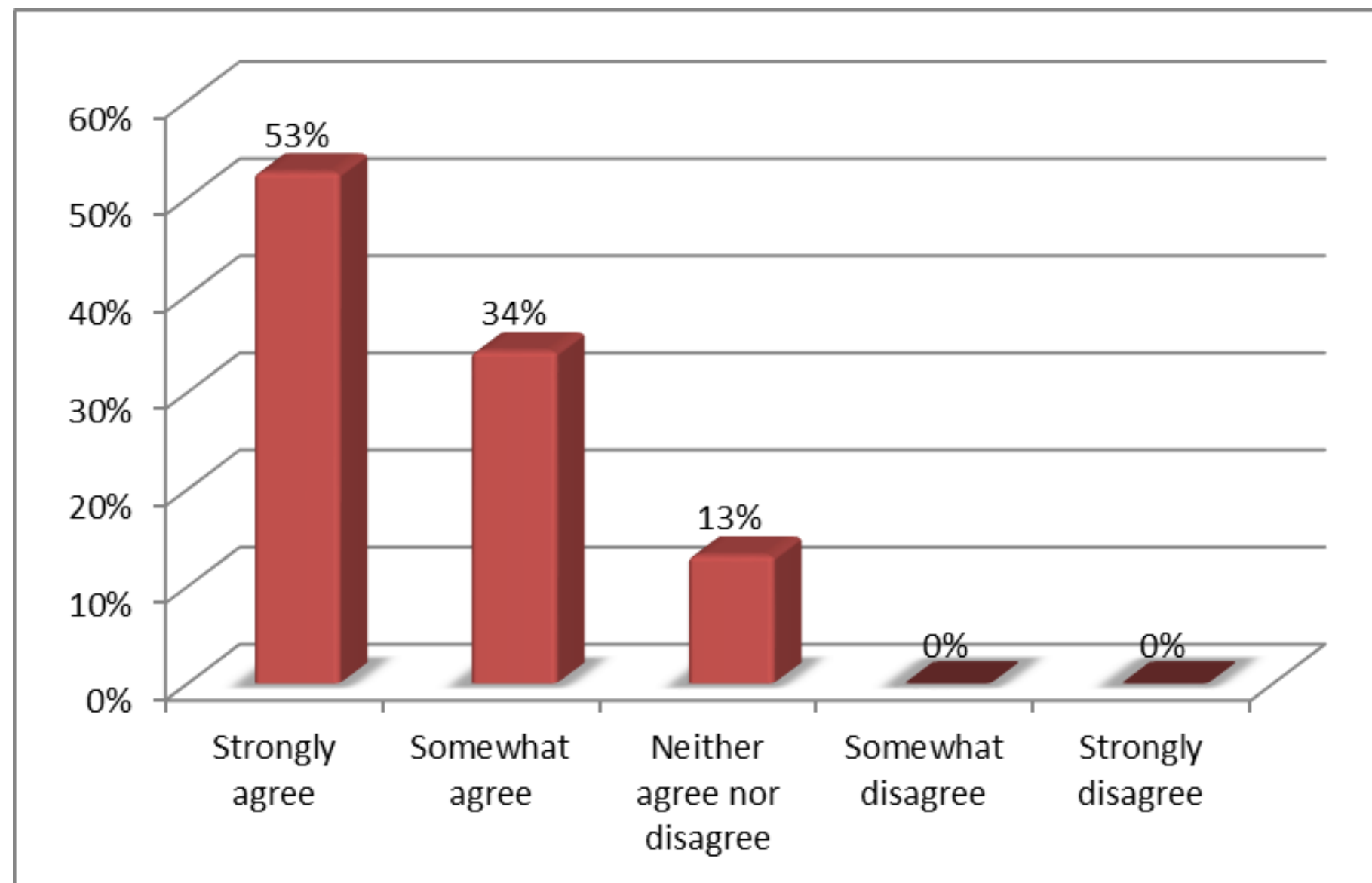


**Table 4.7: Effect of Remuneration on Motivation to work in the Private sector**

Questions and Response	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
I would work in the public sector if the public sector salary were more.	23%	18%	18%	33%	8%
I would emigrate if the salary were higher abroad.	15%	15%	23%	28%	18%
<b>Total</b>	<b>19%</b>	<b>17%</b>	<b>21%</b>	<b>31%</b>	<b>13%</b>



**Figure 4.17: Autonomy in Private Practice**



## Are GPs in private medical practice adequately remunerated?

- The rate for a consultation calculated using the survey sample was found to be R413.84 as compared to the CPIX adjusted rate of R303.13.
- A comparison of 35 sample funders to the CPIX and sample rates revealed that 24% of the funders paid GPs less than the CPIX adjusted rate and 97% of the funders paid less than the surveyed sample rate.
- The average rate of pay by the funders was R 321.78 which was above the CPIX adjusted rate of pay.
- Presently, GPs are underpaid according to the current methodology.

## Does the current remuneration of GPs' in private practice have an effect on service delivery?

- Overall 59% of the GPs stated that they were unable, to run an efficient service, to adequately fund CPD activities and spend enough time with the patient.
- The GPs (69%) had to downscale on their investments on equipment which is essential for quality .
- The indirect effect of inadequate work-family balance (74% affected GPs) would negatively influence service delivery as well as coerced medical aid guidelines (87% of GPs complained) which may cause disharmony and ethical issues



## The methodology of calculating an ethical tariff should be revised

- Direct labour rate based on a Patterson grading system;
- The indirect labour cost should be based on an industry standard as there is no minimal wage rate;
- Malpractice insurance rate Should be reviewed yearly;
- ROIR calculation adjusted to the appropriate scales and rates on a yearly basis and reconsideration on the methodology which is not based on company investment calculation but a sole proprietor ownership.



## Conclusion

- This research dwelled into the cost of GP services in private practice and found that the rate of remuneration might be lower than their peers in the public sector which to an extent has demotivated the practitioner and somewhat compromised service delivery.
- However, the altruism and resilient nature of the GP has prevailed to ensure that services are provided mainly by working long hours and supporting income by other means.
- A review of the methodology to ensure an equitable rate of remuneration is advised so that a favourable retention rate of doctors in the private sector and the country is maintained.