



Stephen Saad, Aspen Group Chief Executive, said that Aspen has continually stated its commitment to contributing toward the fight against the HIV/AIDS pandemic, and this was recently evidenced by the launch of Aspen stavudine — the first generic ARV developed and manufactured in Africa. Further, Aspen is currently in the process of enhancing its manufacturing facilities with the addition of a new multi-million rand oral solid dosage manufacturing facility to service both domestic and offshore markets.

The agreement covers ARVs delivered to people in Africa and the Caribbean, where the William J Clinton Foundation is working with governments and organisations to set up country-wide integrated care, treatment and prevention programmes.

'Under the Clinton Foundation agreement, the price of one of the commonly used triple drug therapy combinations will be available for less than \$140 per person per year. This means that these drugs will be available for as little as 36 - 38 cents per person per day. This represents a reduction of one-third to one-half in the current price of drugs in the developing world', said Clinton.

Saad said Aspen's ARV offering should be bolstered shortly by the addition of didanosine, lamivudine, zidovudine, the lamivudine/zidovudine combination and nevirapine, which have been submitted to the MCC for registration. These additional licences were made available to Aspen through arrangements with Bristol-Myers Squibb, GlaxoSmithKline and Boehringer Ingelheim. As a result of the voluntary licences secured, Aspen infringes no patent regulations. 'The crisis of AIDS in the developing world requires an emergency response from the global community,' President Clinton said. 'I applaud these manufacturers for doing the right thing.' Worldwide, from 5 to 6 million people with AIDS currently need treatment to save their lives, with more than 40 million people infected with HIV; that number will rise substantially in just a few years. However, only about 300 000 people in the developing world are receiving ARVs, most of them in Brazil. In sub-Saharan Africa, only about 50 000 people are on ARVs, with 4 million in need of the medicine today.

RESOLUTION HEALTH STOPS SPIRALLING COSTS

With every passing year, members of medical schemes experience escalations in contribution rates. Medical scheme rates increase annually, and in some instances offer less value in return. Annual price increases and double-digit consumer inflation have become the norm in the industry.

Resolution Health Medical Scheme has 'taken the bull by the horns' with dedicated hands-on administration and effective

risk control. 'With the above controls in place, the average contribution escalation for Resolution Health for 2004 is only 12.81%' says Jannie Kotze, Chairman of Resolution Health Medical Scheme.

The cost of medical services increasing annually to such an extent, may have the effect that health insurance will at some stage come to a crossroad. 'At Resolution Health Medical Scheme, we try to break this spiral with various management styles. The costs charged by the hospitals, other service providers and pharmacies are however out of the hands of the Medical Scheme. Medical Schemes and administrators can only curb the non-health expenses such as administration costs etc. This is where the administrator of Resolution Health played a major role in not charging excessively high administration fees.'

'Interim increases mid-year have also become a norm in the medical scheme industry. A lot of medical schemes had interim increases during 2003. This must be added to the contribution escalations for 2004.

Resolution Health has, in the 3 years of existence, never implemented an interim increase. This is an indication of the control as well as the correct pricing per year,' states Kotze. 'The good control and affordable contributions may be one of the reasons why Resolution Health Medical Scheme has had such a huge inflow of members. We estimate to have just under 30 000 principal members (approximately 80 000 beneficiaries) at yearend,' says Kotze.

FNS

PRACTICE MANAGEMENT

EXTERNAL ENVIRONMENTAL ANALYSIS

The process of evaluating the external and internal environments is also referred to as a SWOT analysis: Strengths, Weaknesses, Opportunities, and Threats. You should identify opportunities and threats to the practice in the external environment through a PEST analysis (see below), and then identify strengths and weaknesses in your internal environment. Weaknesses and threats will become action points in your plan of things that need attention.

Trend analysis

This step involves a careful examination of the factors that impact upon your practice. Conduct this using the PEST analysis as a guideline:

- Politico-legal environment
- Economic environment
- Social environment
- Technological environment.



The reasons for analysing and attempting to understand the economy are:

- The necessity to distinguish between events and influences which are outside one's control and those that are the results of one's own decisions.
- The importance to be aware of changes in the economy, which may present opportunities or pose threats.
- An understanding of how the economy operates, making it possible to understand and interpret predictions.

Environment factors

Politico-legal trends

- Globalisation
- Health care legislation
- Employment legislation
- National health system
- IPA formation
- Emphasis on equity and access to health care
- Monopolies legislation.

Economic trends

- Globalisation
- Interest rates
- Inflation
- Unemployment
- Cost containment initiatives.

Social trends

- Globalisation
- Population movement, age, gender
- Consumerism
- Social mobility
- Lifestyle changes.

Technology trends

- Globalisation
- New discoveries/technology
- Government spending on research
- Industry focus of technological effort.

After identifying the trends that impact on your business, divide them into opportunities and threats. Note opportunities and threats that arise from sources other than trends: stakeholders, competitors, and markets.

Stakeholder analysis

Stakeholders are those individuals or organisations that can influence your business, or who are influenced by it in turn.

- External: Patients, local community, suppliers (pharmaceutical companies), referral service providers, funders, regulatory authority, financiers, professional organisations and support services (e.g. laboratories).
- Internal: Partners, staff, other departments.

It is critical to ensure that expectations of stakeholders are fully analysed. The value of involving stakeholder representatives in the planning process cannot be overstated. In order to ensure this involvement they can either be included as part of the team, or alternatively their opinions can be canvassed through interviews, questionnaires or focus group discussions. You want to delight your stakeholders where possible.

This is achieved by measuring your current services against their expectations. Where shortfalls are identified, they need to be earmarked as issues that need to be addressed when developing the operational component of the business plan.

Competitor analysis

- External forces are exerting pressure that increasingly places practices in a situation of competition with other health care providers.
- Some of these forces include:
 - The introduction to managed care models with preferential provider networks.
 - An increasing number of informed consumers who will shop around for health services.
 - The rapid increase of alternative health care providers.
 - The relative oversupply of health care practitioners in certain sectors of society, e.g. private sector in urban areas.
 - Increasing awareness of cost by consumers. This is due to the reduction of medical scheme benefits.

Health care practices must consciously differentiate their practices from those of the competitors. In order to achieve this you need to know your competitors.

Critical aspects:

- Identify all competitors including non-medical competitors, like allied medical professionals who are luring business away from you.
- Objectively evaluate their strengths and weaknesses and determine whether you should copy some or all of their strengths and/or exploit their weaknesses.



- Compare products and services with regard to price, promotion, quality, infrastructure and availability.

The objective of this analysis is to develop strategies to counter your competitor's strengths and to exploit their weaknesses.

Market analysis

The PEST analysis will have identified global and national trends that can impact on your practice. It is therefore necessary to analyse the effect of these trends on your patient population (market). For example, is your patient population changing in line with demographic trends, i.e. is your market ageing?

The critical questions to ask are:

- What market segments do you currently provide a service to?
- What market segments do you wish to expand into?

An example of market segmentation in the health care environment could be based on the source of payment:

- medical scheme patients
- cash-paying patients
- *pro deo* patients
- patients originating from contractual obligations, e.g. district surgeon appointments, occupational health contract, etc.

Other criteria, such as demographic data (gender and age), could be utilised to segment the practice's market (patient population) into definable groups in order to extract management information such as:

- size of the market
- growth trends in each segment
- matching geographical factors such as practice location against your target market
- profitability of each segment
- products/services provided for each segment of your target market.

This analysis enables you to:

- Confirm that your services are still relevant to your market, e.g. an ageing population could create a need to downscale antenatal services.
- Identify areas for growth, e.g. a need to develop geriatric services.
- Re-evaluate the physical location of your practice. Is the practice easily accessible for your elderly patients?
- Determine profitability of each service, e.g. does your income from a reducing maternity practice justify your high professional liability insurance?

- Match your knowledge base against the needs of your patient population.

Market segmentation can also be used to decide the future focus of the practice. Will you provide services to all segments of your market or focus on developing a niche market? Traditionally specialisation or super-specialisation has been the classic model of developing a niche market approach in health care.

Excerpted with permission from the Business Planning Section of the Distance Learning Practice Management Programme of the Foundation for Professional Development of SAMA. For information on the FPD courses contact Annaline Maasdorp, tel (012)481-2034; e-mail: annalinem@samedical.org.