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The future of low-cost medical scheme benefits and insurance products

March 2020: In South Africa, we have an estimated population of over 58 million receiving healthcare through a two-tiered system – public and private. Only around 15% of this population has access to private healthcare through medical schemes and insurance products.

Some of the challenges in South Africa include the perceived poor quality of the public healthcare service, which is available to all, and the disproportionate distribution of healthcare resources between the public and private healthcare sectors. Another reality for employers is the high employee absenteeism rate, which is linked directly to lack of access to high-quality healthcare and has a direct impact on a company's productivity levels.

National Health Insurance

After years of talks, the Minister of Health initiated a process to introduce National Health Insurance (NHI) in South Africa to realise the goal of universal healthcare cover for all. A Risk Equalisation Fund (REF) would be established to ensure that healthier medical scheme members cross-subsidise the cost of the prescribed minimum benefits (PMBs) of the less healthy across all medical schemes. Schemes with healthier members would effectively have paid money into the REF, while those with less healthy members would have received money from the REF.

The current estimated implementation date for NHI is 2026.

The Demarcation Regulations

Pending the implementation of NHI, amendments to the insurance laws and the definition of the business of a medical scheme necessitated the introduction of the so-called Demarcation Regulations during April 2017. The Demarcation Regulations specify which types of health insurance policies, such as gap cover products, are permissible under the insurance laws. These health insurance policies are not subject to the Medical Schemes Act. The Ministers of Finance and Health agreed that certain health insurance products could continue to be offered based on exemptions from the Medical Schemes Act – initially for a two-year period only, but the period has been extended to 31 March 2021.

The Council for Medical Scheme's plans to introduce low-cost benefit options

The Council for Medical Schemes (CMS) has been pursuing the option of including low-cost benefit options (LCBOs) since 2006, which were intended to increase the affordability of medical scheme cover. The plan was to have this in place by 31 March 2021 so that members who already had such products would not be without cover.

These exempted insurance products typically offer cover for general practitioner services, acute and chronic medication as well as basic dentistry, optometry, radiology and pathology. Employers often subsidise product premiums as they believe that offering cover for healthcare services through these products contributes to increased productivity and decreased absenteeism in the workplace.

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The Council for Medical Schemes then abandoned the idea

On 4 December 2019, the rug was pulled out from under the healthcare industry. The CMS announced through Circular 80 that LCBOs would no longer be introduced and that exempted insurance products would cease by the end of March 2021. As reasons for this decision, the CMS cited the perceived inferior benefits offered by these products and the fact that they had to be aligned with the broader healthcare policy, the NHI.

Opposition from various stakeholders

Some stakeholders lodged appeals to the CMS and on 21 February 2020, Circular 12 was released. In this circular, the CMS announced the establishment of two stakeholder-based advisory committees, one representing medical schemes and the other representing insurers. These committees have been tasked, amongst others, with the following:

- Addressing the challenges faced by different stakeholders concerning their product offerings;
- Developing a roadmap leading to March 2021;
- Serving as a platform for engagements on the draft LCBO framework of the CMS; and
- Providing input to the LCBO framework before it is submitted to the Minister of Health.

It would therefore appear that the development of an LCBO framework is back on the regulatory agenda.

The impact of scrapping low-cost benefit options

Momentum Consultants and Actuaries (MCA) deal directly with the provision of access to healthcare cover to our clients (employer groups) and we see the impact that Circular 80 has already had. It has led to hesitance among employers to implement low-cost healthcare products, which means their employees will continue to be without cover and have to rely on public healthcare. Where employers have already implemented low-cost healthcare products, their employees who have these products will be left without cover if the CMS proceeds with declaring them illegal at the end of March 2021.

We support any action that will lead to increased cover for employees

We support the principles of NHI and believe that a far better outcome will be achieved. This will also ensure that we can continue with our current implementation plans for employers who have identified a need and allocated budget for implementation of low-cost healthcare products.

We trust the current process and believe that a suitable solution will be tabled to ensure that none of our employer groups' employees who currently have cover under low-cost healthcare products will be left in the lurch.

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