A discussion of the need for and impact of selected interventions to address regulatory gaps within healthcare financing, with the aim of strengthening competition

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competition commission
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competition regulation for a growing and inclusive economy

Focus of the discussion: 3 key questions

- What interventions, if any, are required to address anti-selection, if it occurs, so as to increase meaningful competition?
- How to improve risk pooling in the market so as to improve competition?
- How could changes to medical scheme benefit options improve competition in the market?

Social solidarity policies

- Medical schemes Act No 131 of 1998 (MSA) introduced
  - Prescribed minimum benefits (PMBs)
  - Community rating
  - Open enrolment

- It was envisaged that these policies will be accompanied by further social solidarity policies including:
  - Mandatory membership
  - Risk equalisation mechanism
  - Low cost medical schemes
  - Review of PMBs every two years

Stakeholder views on incomplete social solidarity policies

- Raised concerns about piecemeal implementation
- Incomplete regulatory framework:
  - is one of the explanatory factors for rising healthcare costs in private healthcare
  - indicates government failure to response to market failure

Health Market Inquiry's observation

- The current regulatory environment hinders competition within the funders market.

- Regulatory gaps may encourage medical schemes (and their administrators) to compete on factors that attract young and healthy members rather than factors that members derive real health related value from.
  - Highly complex and differentiated product offering - induces medical scheme members to self-select, based on their own perceived risk

- Wide range of benefit options
  - Contributes towards information asymmetries
  - Allows medical schemes to avoid direct price competition

- PMB's function under a number of conditions that are not conducive to an effective PMB environment

Differing views on the existence and extent of anti-selection

- Systemic anti-selection against medical schemes
  - It undermines social solidarity and viability of medical schemes
- Current demographic structure is more a feature of demographic changes brought about from an increase in membership of those who, historically, were uninsured
- Unaffordability of medical schemes incentivised a level of anti-selection as potential members delay joining a medical scheme until they can afford it, which is typically when they are older

RISK POOLING ACROSS MEDICAL SCHEMES

- Residual risk pooling failures affect competition in the private healthcare system in South Africa
- Absence of risk adjustment mechanism, particularly for PMBs, in private healthcare may be a structural flaw which harms competition amongst medical schemes
- Lack of a mechanism to standardise for risk limits the ability to achieve the equity goals envisaged under the social solidarity policies and prevents competition based on the efficient delivery of service

INCOMPARABILITY OF BENEFIT OPTIONS

- Medical schemes members should have a robust understanding of the product to determine the benefit option that best their healthcare needs by proving access to value for money healthcare
- Medical schemes and administrators have told the HMI that consumers typically do not know what their benefits cover.
    - Medical scheme members tend to only become aware of the details of the products that they purchased when they want to claim or if a claim is partially paid or not paid at all.
- Findings from HMI Consumer Survey - process of selecting benefit option and the information available from medical schemes is complicated

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Plan for the day

- In total we received 10 written submissions from:
  - CMS, Rubicon Performance Consulting, DH&DHMS JOINT submission, Medscheme, Mediclinic, Netcare, SAMED, MMI, and SAMA
- Part I … Presentations
- Part II …Interactive discussion

THANK YOU