

# Benefit Option Classification & NHI Mandate

EMC Strategic Planning Break-away Session  
Imbizo  
July 6, 2017.



# Content

1. NHI problem statement & FAQ by members
2. Policy issues & policy implementation
3. Previous attempts to correct medical schemes' business model
4. Incremental process to reduced fragmentation
  - Consumption bundles of healthcare services
  - Process of benefit option classification
5. Benefit option classification consistent with extending Universal Health Cover
6. Proposed way forward

# Problem Statement & Mandate

## 1. PROBLEM STATEMENT: NHI PAPER

Par 67: Members of medical schemes face problems in selecting appropriate benefit options

## 2 FAQ ON CMS WEBSITE

### 2.1 Question

How do I as an individual select an appropriate medical scheme?

### Answer

Request information about benefits, contributions, limitations and exclusions from your selected schemes.

### 2.2 Question

How do I as an individual select an appropriate medical scheme?

### Answer

Request information about benefits, contributions, limitations and exclusions from your selected schemes.

# POLICY ANALYSIS

# Policy Issues & Implementation

Access to healthcare services is hospital-centric

Members not adequately protected from escalating healthcare costs

Lack of economies of scale for many schemes

Medical scheme benefits are not comprehensive

Members face challenges in selecting appropriate benefit options

Fragmented risk pools -- low cross-subsidisation

Out-of-pocket payments are significant

**NHI MANDATE:**  
Reduce number of options per scheme by April 2018

**NHI MANDATE:**  
One option per scheme by 2020

**INCREMENTAL APPROACH STEP 1:**  
Establish causes of fragmentation

**INCREMENTAL APPROACH STEP 2:**  
Benefit design standardisation

**INCREMENTAL APPROACH STEP 3:**  
Develop benefit option classification groups

**INCREMENTAL APPROACH STEP 4:**  
Limit options by classification groupings

# Correcting Medical Schemes' Business Models

## 1. PREVIOUS ATTEMPTS

### 1.1 Circular 8 of 2006

- To improve price competition and eliminate competition by risk selection
- To reduce fragmentation of risk pools
- To improve transparency of scheme designs – allow members to make informed decisions

### 1.2 Circular 8 of 2008

To identify common benefits and make available to all beneficiaries of a scheme

## 2. CURRENT LEGISLATION

### 2.1 Section 24(2)(e) & (f)

Protection of vulnerable risk profiles & public interest

### 2.2 Section 33(2)

Business models based on product complexity and competition by risk selection prejudices the sustainability of vulnerable risk profiles.

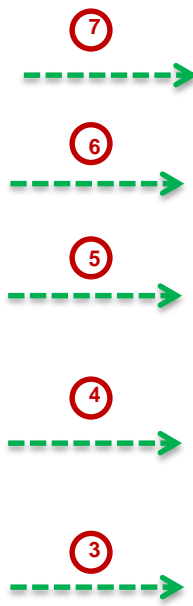
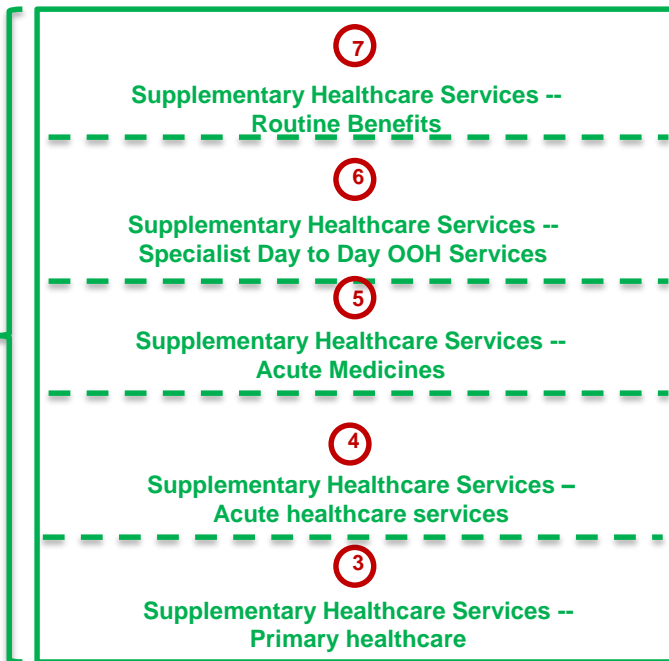
# INCREMENTAL IMPLEMENTATION

**CONSUMPTION BUNDLES**

**LOOK THROUGH PRINCIPLE:**

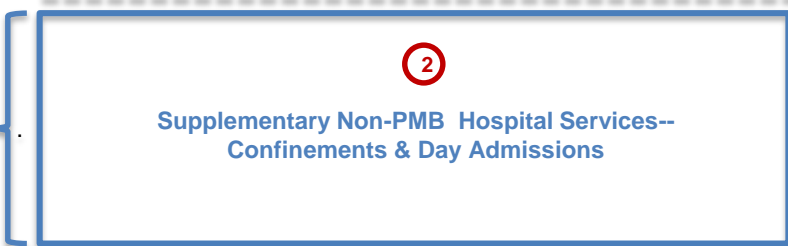
**DESCRIPTION OF CONSUMPTION BUNDLE**

Non-PMB OOH services



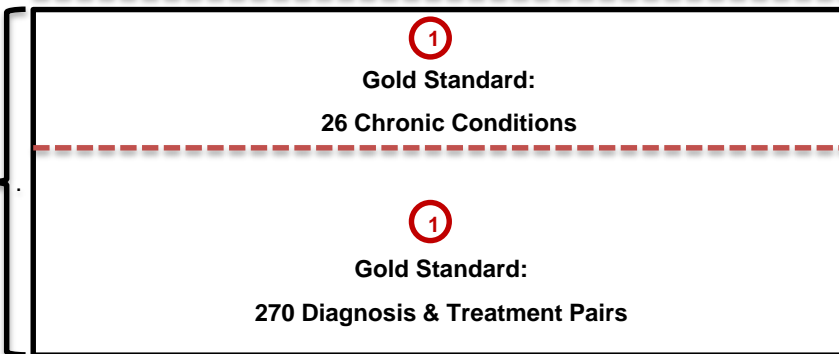
- Consumption Bundle 7:**  
• Supplementary chronic medicine
- Consumption Bundle 6:**  
1. Specialist consultations 2. Psychiatrists 3. Maxilla Facial 4. Specialised Dentistry
- Consumption Bundle 5:**  
1. Acute medicine 2. OTC medicines 3. Homeopathic medicine
- Consumption Bundle 4:**  
1. GP consultations 2. Basic dentistry 3. MRI scans  
4. Radiology 5. Optometry 6. Occupational therapists  
6. Psychology 8. Physiotherapy 9. Speech therapy
- Consumption Bundle 3:**  
1. Basic screening tests 2. Flu vaccination 3. HPV vaccine  
4. Pap smear 5. Contraceptives 6. Antenatal consultations  
7. Pneumococcal vaccine 8. Childhood immunisation

Non-PMB hospital services



- Consumption Bundle 2:**  
1. Confinements 2. CT scans  
3. MRI scans 4. Surgical procedures  
5. Medical admissions 6. Day clinics  
7. Basic radiology 8. Sub-acute facilities  
9. Caesarean section (elective services)  
10. Allied health services 11. Medical & surgical prosthesis

PMB benefits package



- Consumption Bundle 1:**  
• Routine benefits -- CDLs



- Consumption Bundle 1:**  
1. Benefits covering catastrophic events (including acute medicine as per DTPs) 2. Emergency medical conditions 3. Maternity  
4. Normal births 5. Caesarean section if clinically indicated  
6. Acute medicine as specified in the DTPs

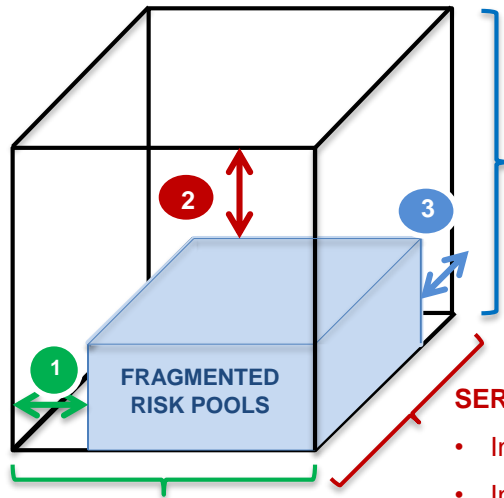


# Benefit Design Classification Framework

Benefit design codes	Benefit design name	Description
0	No PMB Benefits	Exempt from PMBs
1	PMB Plans	Only PMBs & CDLs; no OOH benefits
2	Hospital Plans	Supplementary in hospital benefits relative to PMB; no OOH benefits
3	Traditional Plan 1	Comprehensive cover of OOH benefits; all risk cover
4	Traditional Plan 2	Partial cover of OOH benefits; all risk cover
5	Network Plan 1	Partial cover of OOH benefits at DSP; all risk cover
6	Network Plan 2	Comprehensive cover of OOH benefits at DSP; all risk cover
7	New Generation Plan 1	No cover for OOH benefits; savings account and no ATB
8	New Generation Plan 2	Partial cover for OOH benefits from risk; savings account and no ATB
9	New Generation Plan 3	Comprehensive cover for OOH benefits from risk; savings account and no ATB
10	Threshold Plan 1	Cover of OOH benefits from risk after Threshold; risk ceiling after ATB
11	Threshold Plan 2	Cover of OOH benefits from risk after Threshold; no risk ceiling after ATB
12	EDO's	Efficiency discount options

Old Code	Old Benefit Design	New Code	New Benefit Design
Benefit design code	Benefit design	Benefit design code	Benefit design
2	Hospital Plans	2	Hospital Plans
7	New Generation Plan 1	2	Hospital Plans
3	Traditional Plan 1	6	Comprehensive Plans
6	Network Plan 2	6	Comprehensive Plans
9	New Generation Plan 3	6	Comprehensive Plans
10	Threshold Plan 1	6	Comprehensive Plans
11	Threshold Plan 2	6	Comprehensive Plans
4	Traditional Plan 2	7	Partial Cover Plans
5	Network Plan 1	7	Partial Cover Plans
8	New Generation Plan 2	7	Partial Cover Plans

# OPTION CLASSIFICATION CONSISTENT WITH UHC



## POPULATION COVERED 1

- Implement circular 8 of 2008
- Reconfiguration of risk pooling mechanisms
- Allow seamless transfer to NHI

## COST COVERAGE 3

- Reduction of out-of-pocket payments
- Review business model of medical schemes – section 33(2)(b to d)

## SERVICE COVERAGE 2

- Include primary care in essential services
- Include priority service for NHI phase 1
- Implement circular 8 of 2008
- Eliminate causes beneficiary confusion
- Standardise benefit designs
- Classify benefit designs by identifying common consumption bundles

## POLICY OBJECTIVES:

- 1 Extend access through common benefits 33(2)(a)
- 2 Extend common benefits – circular 8 of 2008; eliminate externalities
- 3 Vulnerable not left behind – section 24(2)(e) & (f) ; circular 8 of 2006

## POLICY OUTCOME :

- Benefit designs do not encourage fragmented risk pools
- Competition is not based on a risk selection business model
- Competition is based on access to benefits