



CIRCULAR

Reference: Clarification of process towards consolidation of healthcare risk pools
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Date: 4 August 2017

Circular 51 of 2017: Clarification of process towards consolidation of healthcare risk pools

It has come to the attention of the Council for Medical Schemes (CMS) that there appears to be a narrative in the industry that is attributed to the CMS to the effect that the Regulator is going to close down medical schemes that have less than 6000 principal members in terms of Regulation 2(3) read in line with section 24 (2) of the Medical Schemes Act, 131 of 1998. This narrative needs to be understood in a broader context and as part of the discourse that examines the consolidation of the fragmented healthcare risk pools in both the public and the private sectors, as the country is moving from the current dual healthcare system to the National Health Insurance (NHI) dispensation.

The NHI White Paper, NHI Policy and the gazetted NHI Implementation Structures ([National Advisory Committee on Consolidation of Financing Arrangements](#)) clearly indicate in their various sections that there will be a consideration to consolidate medical schemes' benefit options, as well as the medical schemes in the period leading to the full implementation of the NHI in 2025. The CMS can also infer from these documents that this important function will be executed by the NHI Advisory Committee on the Consolidation of Financial Arrangements. The details of how it will be done is to be determined by this committee itself, which will draw its members from the following:

- Council for Medical Schemes
- Actuarial Society
- Professional Councils (HPCSA, SANC, PCSA)
- Medical Schemes
- Healthcare Administrators
- Private Hospital Groups

- Professional Societies
- NHLS and SANBS
- Academic and Research Groups

This process is by its very nature and in the manner that it has been communicated to date, a consultative one. The stakeholders to be consulted are also clearly articulated in the terms of reference of the NHI Advisory Committee on the Consolidation of Financial Arrangements, section 5(f) of the *Government Gazette* no 40969 of 7 July 2017. The schemes, intermediaries and a host of other identified stakeholders will be part of this process.

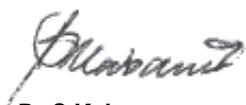
The view that this process will only affect the 31 medical schemes that have less than the required number of principal members in terms of Regulation 2(3) of the Medical Schemes Act is not communicating the full extent of the consolidation process. This consolidation process will also affect all the healthcare risk pools of civil servants that are located at national and provincial departments; municipalities and state owned entities, according to section 5(a-b) of *Government Gazette* no 40969 of 7 July 2017.

In the medical schemes environment, at a benefit option level, risk pools relating to 276 benefit options from the 82 medical schemes will be affected. This consolidation process will include an in-depth review of these risk pools and through a consultative process, as advised by the Minister of Health through the Advisory Committee with regard to how it can be done without placing members of medical schemes at risk from an access to healthcare and funding perspective.

The NHI Advisory Committee appointed to perform the task, and not the CMS on its own, will be responsible for the methodology of problem identification, and option analysis, proposed solution and implementation regarding the consolidation process. The CMS therefore urges the industry stakeholders to participate in the nomination process that is coordinated by the Department of Health to ensure that their interests are represented. The CMS will play a supportive role in the process and will ensure that all affected industry stakeholders are provided with an opportunity to make inputs towards the process.

The CMS is an organ of state established in terms of the Medical Schemes Act. In performing its functions as provided for in section 7 of the Medical Schemes Act, the CMS is obliged to discharge its legislated mandate in a coherent manner, which is consistent with national policy to ensure that medical schemes beneficiaries are at all times protected. It therefore does not make sense to think and believe that the CMS will abandon its primary objective as articulated within the Act as this consolidation process unfolds.

The CMS remains committed to effective risk pooling with an objective of improving financial protection, deepening cross-subsidisation and social solidarity, and is therefore appealing for calmness in the industry in the interactions around the consolidation process. The CMS wishes to categorically state that none of the beneficiaries of medical schemes will be left without of medical cover as a result of the NHI consolidation process.



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