

**Encouraging effective risk pooling
within the provisions of the Medical
Schemes Act:
A review of non-compliant schemes**

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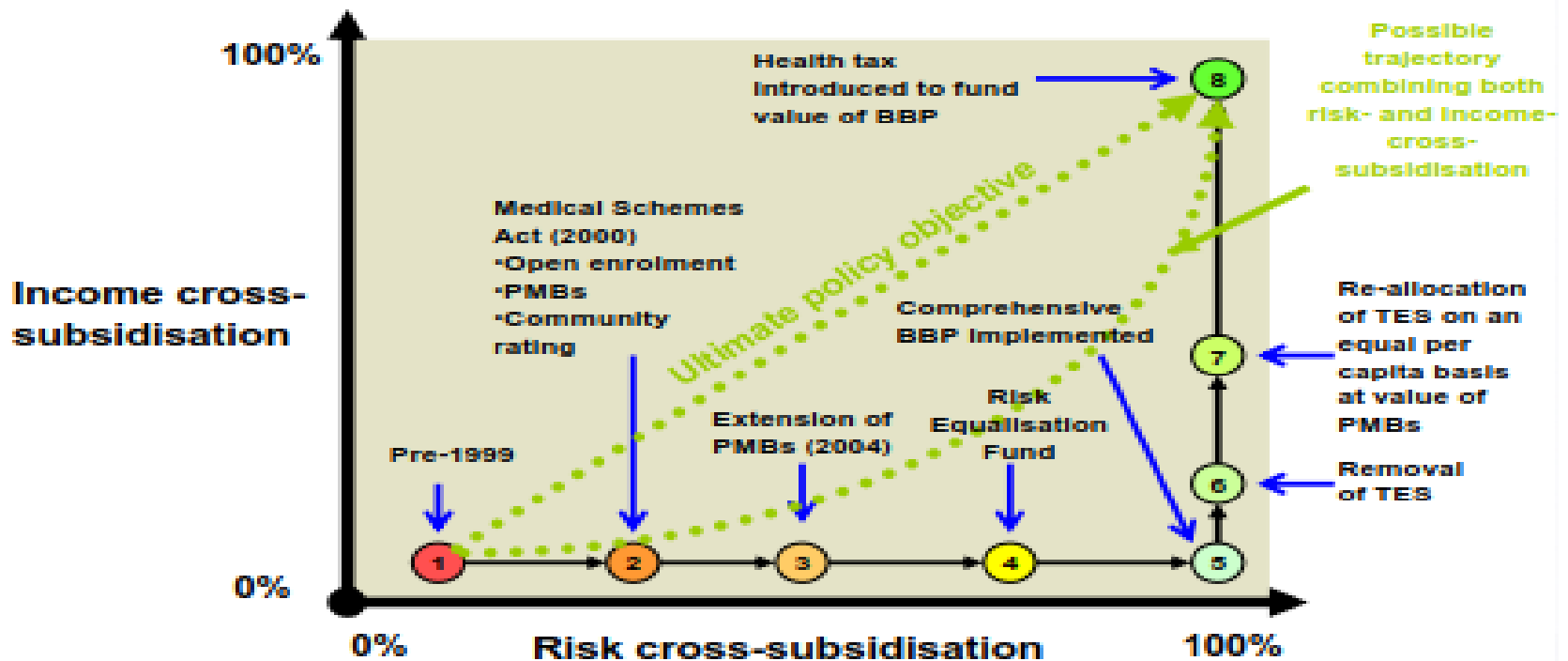


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Context – Moving Towards Meaningful Risk Pooling

Where to? Elements of cross-subsidisation.



TES = Tax Expenditure Subsidies (both employer and individual subsidies)
 PMBs = Prescribed Minimum Benefits (current legal requirement, which is not fully comprehensive)

Source: MTT

Provisions of the Medical Schemes Act

- **Section 24 (2)** , *no medical scheme shall be registered ...unless the council is satisfied that:*
 - (b) medical scheme complies with the provisions of the act
 - (c) the medical scheme is and will be financially sound
 - (d) sufficient number of members (Reg. 2 (3))
 - (e) no discrimination
 - (f) registration of the medical schemes not in conflicting to the public interest

Regulation 2 (3)

- *The minimum number of members required for the registration of a medical scheme established **after** these regulations....if **6000** and this number must be **admitted within a period of three months of registration...***

Provisions of the Medical Schemes Act

Section 27 (1) *The registrar may in concurrence with the Council after investigation and **after having afforded the medical scheme or its legal representative** an opportunity to be heard, cancel the registration on a medical scheme:*

- (c) *if the medical scheme is unable to **maintain a financially sound condition** as per the act*
- (d) *if the medical scheme is **unable tomaintain the minimum number of members** required for the registration of a medical scheme*
- (e) *if the medical scheme after written notice from the Registrar **persist in violating any provisions of this act.***

Provisions of the Medical Schemes Act

- **Section 33** *Approval of benefit options*
 - (1) A medical scheme shall apply to the Registrar **for the approval of any benefit option if such a medical scheme provides members with more than one benefit option.**
 - (2) The Registrar **shall not approve any benefit option** under this section unless the Council is satisfied that such benefit option –
 - a) **includes the prescribed benefits;**
 - b) shall be **self-supporting** in terms of **membership** and **financial performance**
 - c) is **financially sound**; and
 - d) **will not jeopardise the financial soundness of any existing benefit option within the medical scheme.**

Provisions of the Medical Schemes Act

□ **Section 35** *Financial arrangements :*

- *Medical scheme shall at all times maintain its business in financially sound condition*
 - *Stricter controls to extend financial stability of the schemes*
 - *Financial soundness*
 - *Detailed financial reports,*
 - *Meeting liabilities, mandatory net assets*

Read in line with the following provisions:

- *Regulation 29 (2) , Section 33 , section 53 , Section 64 (3)*

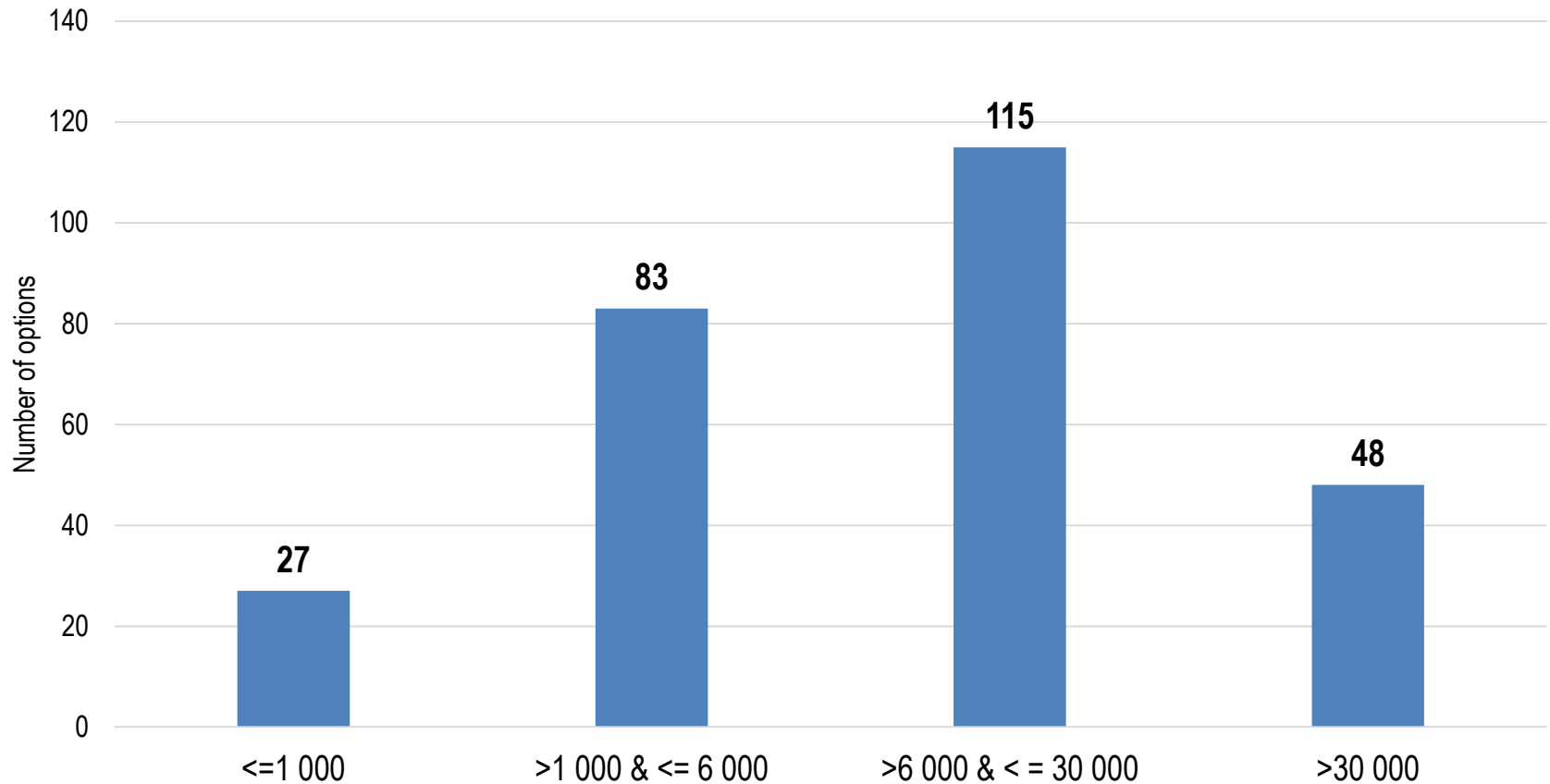
<6000 members (2015)

Total number of schemes	31
Total number of benefit options	53
Average number of benefit options	2
Average age	43,7
Pensioner ratio	10,4
Solvency	84,9
% beneficiaries covered	2,6

Note : Amalgamation of Metropolitan Medical scheme
Libcare Medical Scheme membership is 6030

Beneficiaries < 2500 (2015)

Option size (number of beneficiaries) categories, 2015



Beneficiaries < 2500 (2015)

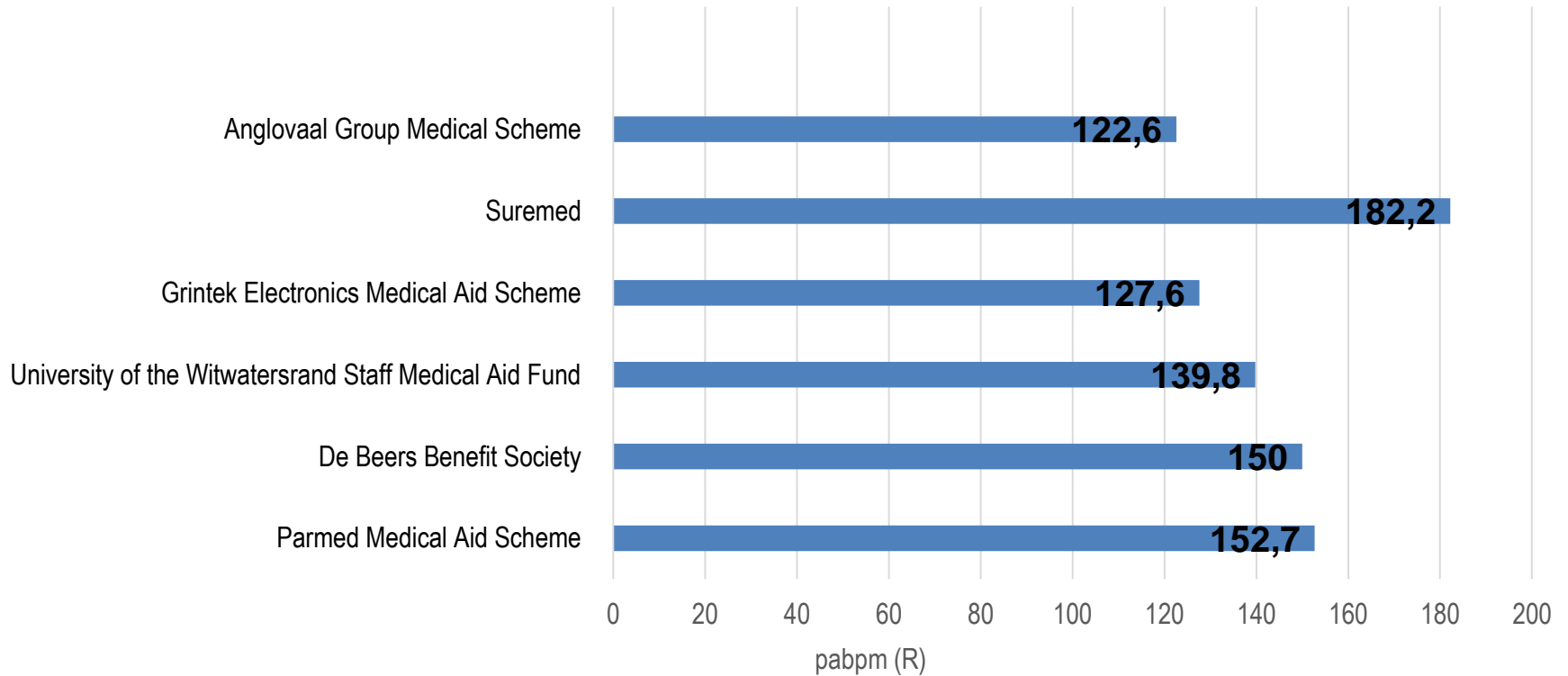
Benefit option membership < 2500	
% membership covered	28,93
% beneficiaries covered	27,26
Maximum number of members	2 424
Minimum number of members	37
Total number of benefit options	35

Gross claims ratio (%) - 109.4 (restricted schemes)

Gross claims ratio (%) - 103.0 (open schemes)

Beneficiaries < 2500 (2015)

Net non-healthcare expenditure (pabpm) 2015



Industry average : Restricted schemes

79,8

Industry average : Open schemes

157,9

Way forward

- **CMS to develop a clear criteria** for review and consolidation (**March 2018**):
 - Detailed retrospective review of financial and non financial data of all affected schemes
 - Triangulation with **Complaints data**, **Compliance Statistics** , and review of scheme rules, contribution increase assumptions data and actuarial reports
 - **Industry consultation** is important
- **Continuous discussion with DoH**
- **Proposed review is only limited to what is allowed within the Act**
- A move towards one benefit option per schemes will require **amendment to the Act**
 - Phase 2 to end in 2021
 - Phase 3 to end in 2025

THANK YOU