



NEWSLETTER

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The Council for Medical Schemes 2019/20 Annual Report

In December 2020, the regulator of medical schemes, The Council for Medical Schemes, published the 2019/20 Annual Report, reporting on the performance of medical schemes in 2019.



COVID-19

We are already well into the second month of 2021. The COVID-19 pandemic is still with us, as we grapple with uncertainties. Progress has been made regarding the development and roll-out of the vaccine, and we are hopeful that we will be moving towards some semblance of pre-COVID-19 times by 2022.

Covid-19 has highlighted the need for healthcare cover and its value. Nobody knows when we may need healthcare services, and if we want to access them from the private sector, most of us will require funding for the moderate to high-cost events.

The journey has not been without its challenges. In this edition, we are looking at the state of medical schemes in 2019.

We do know that this is a pre-COVID-19 time, which is very different from the post-COVID-19 experience.

SCHEMES PERFORMED BETTER IN 2020

Medical schemes performed better in 2020 as claims ratios declined due to several factors, including:

- Less elective procedures
- Less flu cases
- Less heart attacks
- Less premature babies



REGULATION & INNOVATION

Medical schemes continue to be challenged to operate in an environment with little regulatory progress and innovation. This has led to a membership that has stagnated. The number of South Africans with medical scheme cover is 8.99 million, with negligible growth over the past few years.

DECLINING NUMBER OF MEDICAL SCHEMES

The number of medical schemes has been declining over time; the total number of schemes was 78 at the end of 2019. This is made up of 20 open schemes, and 58 restricted/closed schemes.

EFFICIENCY DISCOUNTED OPTIONS

Each scheme has several options that members can choose from. The Report noted a decrease in the number of options over time. A positive development noted is the increasing number of Efficiency Discounted Options (EDO). The benefit of EDO is that it offers members a discounted contribution for a decrease in choice of provider.

AFFORDABILITY



The trend that members find medical scheme cover more challenging to afford is seen by the following behaviour:

- Members are buying down to options that are cheaper, and with less benefits;
- Family size is decreasing as members are covering the sicker family members;
- Pensioner (people 65 years of age and older) ratios are increasing;
- Younger people are opting out of medical scheme cover.

The industry would benefit from mandatory cover – whereby the government legislates that all employees, earning above a certain income threshold, have to belong to a medical scheme.

FACTORS DRIVING MEDICAL SCHEME INFLATION

Let us now look at some of the factors that are driving medical scheme inflation, which is generally 3% to 4% above CPI. Let's look firstly at this horrifying statistic:

50% of people living in South Africa belong to a family where the breadwinner earns R5 000 or less





FACTORS DRIVING MEDICAL SCHEME INFLATION

By CHRISTOFF RAATH

Christoff Raath, Joint CEO of Insight Actuaries & Consultants

Affordability is, therefore, a major issue. Why then are medical schemes contributions so high?

1. The cost of the prescribed minimum benefit package – that all medical scheme options must make provision for – costs on average R900 per month per beneficiary. Most medical schemes provide more benefits. The Council for Medical Schemes is in the process of reviewing the PMB basket. However, this process is taking very long. (Covid-19 was added as a PMB condition in March 2019)
2. The membership is ageing – and statistics show that as people age, they claim more than they contribute.
(The critical age is between 45 and 50 years of age where one starts claiming more than what one contributes.)
3. There has also been an increase in the burden of disease, as people are getting sicker.
4. Obesity has played a big part in this deterioration of health. Health technology, both in drug and devices, has advanced dramatically over time. These developments are good as they are able to treat more conditions, often more effectively. However, this comes at a price.

The young should contribute more than they claim, and cross-subsidise the older beneficiaries

REGULATORY CHANGE & EFFECTIVE LEADERSHIP

There are many other contributing factors that need to be addressed. Many of the gaps can be addressed by regulatory change, together with effective medical scheme leadership.

In conclusion, there is a balance that needs to be achieved. The contributions need to be priced correctly to ensure that the schemes can meet the claims and non-healthcare expense liability. The more benefits you provide, the more healthcare expenses are generated.

Some open schemes relied on their investment income to fund expenses. This can be worrying if the scheme reserves are not adequate to withstand this decline. Medical scheme cover is critical to people's health and peace of mind.

Let us hope the industry will receive the attention it deserves and get the necessary changes to be sustainable.

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