Press Release:

MOVE TO UNIVERSAL COVER REQUIRES REVIEW OF FUNDERS' REGULATORY REQUIREMENTS

26 August 2014; The medical scheme industry has the ability to cover between two to four million additional lives, while at the same time furthering government's objective to move to a system of universal health coverage – as entailed in its National Health Insurance (NHI) plans.

"However, the current regulatory environment allows very little scope for further growth or innovation. It impedes the expansion of coverage to the 83% of the population that is not insured and adds to the burden on state healthcare facilities," said Christoff Raath, joint CEO of Insight Actuaries and Consultants.

Speaking at the 15th annual Board of Healthcare Funders (BHF) Southern African Conference in Durban, Raath urged regulators to reconsider regulatory requirements. This included the 25% solvency rate schemes must adhere to, the current Prescribed Minimum Benefits (PMBs) and the self-sustaining option requirement that makes it illegal for schemes to effect risk and income cross subsidies across options.

He also added that in addition to this, the implementation of risk equalisation income cross-subsidies and some form of mandatory cover should be revisited, as without them the requirements for open enrolment, community rating and full payment for PMBs are threatening the sustainability of the medical scheme industry.

"This will allow the medical scheme industry to facilitate some form of universal coverage towards the goal of attaining NHI," Raath explained.

Relieving the regulatory burden

"Government's decision to suspend its initial healthcare reforms halfway through its planned trajectory towards universal coverage with the introduction of its NHI plans has resulted in an incomplete, semi-designed system in which health cover is becoming increasingly unaffordable," explained Raath. "There is no incentive for growth as the risks for growth in the current not-for-profit environment outweigh the potential benefits of growth.

Referring to the 25% solvency requirement, Raath pointed out that it impacts directly on affordability and membership growth – as new or growing medical schemes can only achieve these reserves through raising the costs of their premiums. "Last year, medical schemes estimated that between 1.5% and 2.5% of their total contribution increases could be attributed to meeting the solvency requirement. It is estimated that between the country's two biggest schemes, Discovery Health Medical Scheme and GEMS, around R24bn is needed to meet the solvency requirement."

"If we take into consideration that even the Council for Medical Scheme agrees that there is no scientific basis for the 25%, it becomes very distressing," said Raath.

The cost of PMBs

The average cost of PMB conditions per member per month is estimated at between R550 and R1000, impacting on the affordability of healthcare cost.

The Low Income Medical Scheme (LIMS) study conducted in 2006 has shown that people in low income groups want and can afford to pay between R150 and R200 (R280 and R300 today) for a primary care practice including GP visits, optometry, medication and dental, and that they prefer a primary care package to tertiary cover.

"In an attempt to move in the direction of universal cover, we will have to reconsider the PMBs as they are not affordable, prone to abuse from providers and don't fit in with the needs of the lower income groups," Raath said, urging the industry to look beyond the 'idealistic big reform mindset' to implementing incremental improvements that will allow it to move in the direction of government's objective of universal coverage.

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Editor's Notes:

The Board of Healthcare Funders of Southern Africa (BHF) is the representative body for the majority of medical schemes throughout South Africa, Lesotho, Namibia, Botswana, Mozambique and Zimbabwe.

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