

Why pay twice?

THE implementation of government's plans to introduce comprehensive healthcare for all through National Health Insurance (NHI) may result in further consolidation, shrinking the number of medical scheme members by more than 40%, according to the Board of Healthcare Funders (BHF). SA has 110 medical schemes which cover 8,2 million members and beneficiaries. The majority of the membership lies in entry-level schemes. The BHF said many schemes might die with the introduction of the NHI. BHF MD Humphrey Zokufa said a study of the industry estimated that as many as 65% of the current medical aid scheme membership would switch to the NHI. That would leave only 35 percent of current scheme members with private medical aid scheme membership. He said that to ensure their survival, schemes must adapt. Medical schemes already faced competition from insurance companies offering top-up cover and schemes would not necessarily survive if they adopted an insurance type of model. Resolution Health Medical Scheme principal officer Mark Arnold said industry players must see the trend as an opportunity and not a threat. He said that though few details had been provided on how the NHI would be funded or what it would cover, the current medical scheme environment was likely to shift dramatically, possibly back to a more traditional insurance system. Consumers would get most of their healthcare through the NHI, but have the option of buying additional cover to purchase an upgrade in services. Arnold said that at least 40% of membership in low-income medical schemes would be lost under an NHI environment, assuming that the public healthcare system was raised to an adequate standard. He said much of the consolidation among medical schemes was likely to involve the disappearance of schemes that served those with a lower income. Genesis Capital Health Consultants MD Clayton Samsodien agreed that schemes would have to adapt to offering supplementary benefits under an NHI. He said the biggest concern was that the loss of low-income earners, who claimed the least, would increase the risk pool. Recently Discovery Health Medical Scheme announced it would merge with Edcon Medical Scheme. There have been a series of other mergers and liquidations. The membership from the liquidated schemes has been absorbed by Discovery, the Government Employees' Medical Scheme (Gems), Liberty, Bestmed, Medshield, Thebemed, Momentum and Topmed. With a stricter emphasis on schemes paying for prescribed minimum benefits in full and at cost, schemes have been unable to cope with the increased claims from an ageing membership. The medical schemes industry reported a collective deficit of over R1bn in 2009 as claims exceeded revenue, forcing schemes to dip into reserves or investment income. Though Health Minister Aaron Motsoaledi was reluctant to confirm it at the presentation of the NHI policy paper, the industry expects that over time Gems, with a 1,2m membership, and the SA Police Service Medical Scheme, with 168 576 members, will be closed under an NHI environment. Council for Medical Schemes registrar Monwabisi Gantsho says the regulator cannot dictate medical scheme merger partners. He said the CMS was not opposed to mergers if they benefited members, but schemes needed to provide reasons for their merger partner. Responding to concerns that the consolidation in the industry was reducing competitiveness, Gantsho said the industry was still far from a threat of an oligopoly.

Xolile Bhengu: The Financial Mail, 26 August 2011