Costs key challenge for medical schemes in 2012

THE recent court ruling in favour of the Council of Medical Schemes regarding the payment of Prescribed Minimum Benefits (PMBs) will remain one of the biggest challenges for the private healthcare industry in 2012, as schemes seek ways to contain medical scheme inflation and offset the risks of paying PMBs in full. According to Clayton Samsodien, managing director of Genesis Capital's healthcare subsidiary - Genesis Healthcare Consultants - schemes will need to identify clear Designated Service Providers (DSP) or Preferred Provider Networks (PPNs) in order to contain costs. The CMS is holding a meeting in January 2012 with regard to the proposed Risk Equalisation Fund (REF), a move that aims to equalise the risks in the private healthcare market by collecting funds from schemes to help subsidise those that have a higher risk pool of members. Samsodien noted, however, that the majority of schemes have been paying PMB's in full already. He said that many of the major schemes had indicated that paying PMB's in full would not affect their respective schemes, but members needed to be vigilant and understand the PMB conditions. For example, some schemes would become a lot stricter with regard to cover by electing to pay much less or nothing at all if the member did not make use of their preferred DSP's. Similarly, the Council for Medical Schemes will be stricter too threatening to take legal action against boards of trustees in their personal capacity and even deregister schemes. Members need to know and understand their legal position as well. Samsodien said that despite the possible impact of the ruling, medical schemes appeared to be in far healthier shape with the latest CMS Quarterly Report indicating that reserves were up by around 5.2 percent on 2010. He said more insolvencies were not expected in 2012 but rather there was likely to be an increase in the level of consolidation in the industry. He said this would be a key strategy, as robust size and economies of scale were required to ensure continued survival within the industry. The number of registered medical schemes reduced from 244 in 1990 to around 100 by 2010. Samsodien said further regulation of the industry was also likely to be a key factor in the year ahead with the CMS having released an inquiry into certain short-term products in the medical industry. He said these products provided day-to-day benefits at a reduced rate compared with medical schemes but the CMS was concerned that these products might be performing the function of a medical scheme. Another hot topic of debate is Regulation 10 of the Medical Schemes Act which states that a member's personal medical savings account (PMSA) must be available for the exclusive benefit of the member. CMS found that some schemes were not applying this regulation correctly in that the PMSA funds must be in a separate trust account to that of the medical schemes account. The major issue is that schemes may not advance savings from the trust fund account. Many schemes provide the savings in advance for members creating a credit which may require this "loan" to fall within the ambit of the National Credit Act. Schemes that are unable to comply must apply for exemption with CMS by January 2012. Consumers and companies should not be waiting for National Healthcare Insurance (NHI) in 2012. NHI will be introduced over a 14 year period. The pilot will launch early next but will not provide all South Africans with healthcare cover as planned. Consumers must note that waiting for NHI could lead to late joiner penalties imposed on medical scheme membership after age 35 years. The industry is without guiding or reference prices for procedures and treatments after the "National Health Reference Price List" (NHRPL) was deemed unlawful. Medical schemes therefore have their own rates of reimbursements which make comparisons, scheme and option changes as well as selection and advice more challenging. Samsodien said the medical scheme industry was extremely complex and all of the new legislation meant that it was more critical than ever for both members and employer groups to speak to a qualified healthcare adviser and develop clear member education programmes. He said that the only way to benefit from scheme membership was through education, awareness and participation.

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