

### ***Industry consolidation will ultimately benefit consumers***

WITH 98 medical schemes serving some 10 million medical scheme beneficiaries, Medscheme CEO, André Meyer believes that further consolidation in the medical scheme industry is inevitable, and ultimately beneficial. He said there were simply too many medical schemes serving a static membership base and with government employees continuing to migrate across to GEMS (government's employee medical scheme) from open medical schemes, their viability was under threat. Meyer said that historically, government employees had tended to have a better claims profile than the rest of the market and this was having a negative impact on the claims experience of smaller schemes. He said the effect of the deteriorating claims profiles was also exacerbated by the contracting membership bases since larger schemes were able to absorb the impact of these changes. Smaller schemes and administrators, faced with lower membership and a worsening membership profile, were not likely to survive and many would be forced to merge with larger players. There was, however, likely to be a positive spinoff for consumers. Meyer said medical scheme administrators operated in a high volume, low margin environment which did not favour smaller players. Given the current trends, industry consolidation was likely to continue to the point that only three large administrators would be left in the market. This would benefit the consumer as larger schemes and administrators would have greater influence and bargaining power to help to keep costs down. This was consistent with the National Department of Health's policy to reduce non-healthcare costs including administration, managed care and brokers' fees. Clients of larger administrators benefit from economies of scale where there is greater scope to reduce costs. Every open scheme is unique and the more schemes there are, the greater the complexity and infrastructure needed to administer them. The merging of two schemes has the potential to reduce non-healthcare costs by as much as two percent. Meyer said fewer, larger administrators also meant having more negotiating power and influence with medical service providers which would translate into the ability to contain medical costs more effectively. This also applied to investment in advanced technology. Meyer said there were many benefits that administrators could reap from effective technologies that, for example allowed members to check their information - such as benefits still available and whether providers had been paid - via their cellphones. He said self-service reduced pressure on call centres and this in turn freed up call centre agents to focus on exceptions and complex cases rather than routine queries. This would enhance efficiency, improve service levels and cuts costs. Meyer said the NHI was also likely to further drive consolidation in the private healthcare sector as players moved to make cover more affordable for consumers. On the whole, he said, the NHI would be beneficial for the country and the industry.

