

Understanding the medical aid environment

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South Africa has a dual healthcare system, consisting of public and private providers. Private hospitals are used mostly by members of medical schemes or those able to pay for these services out of their own pocket.

Medical schemes are “body corporates”, which are governed by the Medical Schemes Act (1998). They are essentially non-profit-making organisations and belong to their members. Approximately 9 million (15%) South Africans currently belong to a medical scheme. The number of accredited administrative companies total to 18. There are 22 open medical schemes and 60 restricted medical schemes from which to choose. In rating a medical scheme members should first look at whether the medical scheme is financially sound.

But what exactly does this mean?

The scheme should have a solvency ratio of 25% or more. The average age of beneficiaries should be in the region of 33 years, because the older the beneficiaries, the higher the cost for the scheme as there will be more claim payouts.

Also consider the non-healthcare costs, i.e. how much of your monthly contribution the scheme is actually spending on things other than healthcare and medical services. The industry level is currently R166 per month per member. What is the total membership of the scheme, and is the number increasing or decreasing?

After you have rated a medical scheme, you should look at the benefits the scheme offers members. In rating and comparing medical schemes, it is advisable to compare the proverbial ‘apples with apples’.

Choose an independent healthcare broker who can at least offer you a comparative quotation with at least 3-4 different schemes from which to choose.

Members Tip

MedicalAid is an easy-to-use website for instant online quotations (www.medicalaid.co.za), where members can fill in their details for an instant online medical scheme quotation.

When selecting a medical scheme, there are basically four types of products from which to choose, namely:

1. Comprehensive Cover

Cover most medical expenses and include benefits for in-hospital and day-to-day expenses at scheme rate, subject to the rules of the scheme.

2. Basic Hospital Plans

Cover accounts submitted by service providers only for in-hospital expenses.

You are responsible for your own day-to-day medical expenses, including emergency ward treatment.

3. Hospital Plans with Savings

Cover accounts submitted by service providers for in-hospital expenses. Cost less than comprehensive medical aid plans. A medical savings plan is designed to cover day-to-day expenses.

4. Capitation or Network Option

Provide individuals with basic day-to-day cover at affordable prices at specific network providers. Network providers differ from scheme to scheme and the relevant list is available from the scheme. These options are predominantly income-based, meaning your contribution is aligned to your combined monthly household income. Shop around and find a medical scheme that will be right for you and for your pocket.

A few things you need to remember before making a choice:

Check exclusions and benefits

Ensure you fully understand any underwriting that might be imposed on your membership. Find out which chronic conditions are covered. Know exactly what your monthly contribution will be and that you can afford it.

Remember, your membership of a medical scheme constitutes a legal contract, and it is in your best interest to understand the terms of that contract. Again the best advice would be to contact an independent broker to assist with this process.

The proposed NHI policy, as part of South Africa's National Development Plan, specifically calls for the achievement of Universal Health Coverage and will affect the medical schemes environment. NHI will be a single funder and buyer system. Medical schemes will play a supplementary role during the period of transition to a fully functional NHI. Once the NHI is completely implemented, medical schemes will only provide complementary according to the White Paper released 29 June 2017 on the said matter. The trend in years to come preceding the implementation of NHI will continue to be one of consolidation, smaller medical schemes merging with bigger schemes.

A Reserve building and or preservation of a 25% solvency are becoming more difficult for schemes with smaller risk pools. Furthermore, current trends suggest schemes are increasingly shifting the liability of costs onto the member.

With a host of co-payments, procedural exclusions and increased tariff differences, members are paying significant portions of their medical bills out of their own pockets. So the question they will be asking more frequently is: Is it really still viable to belong to a medical scheme? The current Health Market Inquiry (conducted by the Competition Commission) into the private healthcare sector seeks to address and alleviate the burden on existing and proposed medical scheme members.

The Inquiry is set to make recommendations for public and stakeholder input on-route their investigation of the Private Healthcare Industry. Ensuring every South African has access to high-quality healthcare is one of the most important challenges of our time. The number of uninsured South Africans is growing every day, premiums of medical schemes are skyrocketing, and more people are being denied coverage because they simply can no longer afford it.

The proposed National Health Insurance needs to work for people. And this can only be accomplished by reforming our current system, expanding coverage, improving quality and infrastructure, lowering costs and honouring the members' choice.