The long walk to NHI for medical aid members

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Medical scheme members could be moved into umbrella medical schemes operating in a similar way to umbrella retirement funds on the long walk to National Health Insurance.

This is one of the measures being considered by the medical scheme regulator, the Council for Medical Schemes, which has been tasked with consolidating schemes to strengthen the pooling of risk and make schemes more affordable.

Shivani Ranchod, an actuary and CEO at consultancy Percept, presented the umbrella option as part of a framework for consolidating medical schemes at the recent conference of the Board of Healthcare Funders of Southern Africa in Sun City.

Ranchod was contracted by the CMS to help it with consolidating the 83 medical schemes and their 323 options into fewer, bigger, stronger and more affordable schemes and options.

Although the Medical Schemes Amendment and NHI bills do not contain any measures to compel schemes to consolidate, the acting registrar for medical schemes, Sipho Kabane, says market forces are forcing schemes to merge.

More members are leaving schemes than joining, members are putting fewer dependants on schemes, and members are buying down or moving to cheaper options, all of which indicates that members are struggling to afford membership, he says.

Ranchod says the framework, which has yet to be adopted by the CMS's governing council, was well received by schemes at the conference.

It includes identifying schemes that may not be sustainable and which could be consolidated into suitable receptor schemes, or which share themes with other schemes, such as schemes that serve government, local authority and municipal employees.

Schemes under a single umbrella scheme for employer groups could share provider networks, treatment protocols, medicine lists and formularies, reducing administrative complexity and costs while maintaining some unique features suited to that group.

The CMS has considered encouraging schemes with under 6000 members - the minimum membership set in the Medical Schemes Act - and loss-making options to consolidate, but doing so could undermine, rather than improve, the subsidisation of the costs of older, sicker members by the contributions of younger, healthier members.

Charlton Murove, head of research at the BHF, told the conference that restricted schemes with under 6000 members have, on average, higher pensioner ratios than other

schemes, make higher surpluses and have higher reserves relative to contributions (solvency ratios) than other schemes.

He says these smaller schemes tend to be restricted to employer groups, and moving these members to open schemes would raise contributions by between 50% and 100% for the same benefits.

Medical scheme contributions have been rising faster than salary inflation for years, resulting in people spending an increasing portion of their income on membership.

Several proposed measures in the Medical Schemes Amendment Bill aim to improve the affordability of contributions.

These include obliging schemes to charge you according to your income for a revised set of prescribed minimum benefits - to be renamed comprehensive service benefits - and to compel schemes to pay for these benefits in full without co-payments.

Kabane says details on the co-payments and the extent of the income cross-subsidies will be determined only after the CMS has finalised its framework for consolidating schemes and the Competition Commission's market inquiry into the private healthcare sector has released its recommendations. These are expected to address the contentious issue of the tariffs healthcare providers should be allowed to charge.

Ranchod says it is mostly restricted schemes that charge contributions according to one's income band, but they are effective in making contributions more affordable for low earners.

Another proposal in the bill is for lower contributions for younger South Africans; contributions for children, it suggests, can be up to 20% of adult contributions while people under 30 should not pay more than 40% of the adult rate.

Child rates on Discovery Health Medical Scheme currently range from 19% to 40% of the adult rate.

Murove says children and young adults are very low risk and this measure should encourage younger, healthier members to join schemes, strengthening risk pools and eventually translating into lower contributions for everyone.

The proposal to pass on to members savings that come from using designated providers with which schemes have contracted should also reduce contributions for members who agree to a restricted choice of doctors, hospitals and other providers.

Plans to free up money that schemes hold in reserve, as outlined by Health Minister Aaron Motsoaledi in a press conference on the bills, are expected to reduce contributions for many members.

Guni Goolab, the principal officer of the Government Employees Medical Scheme, says revised reserving requirements based on schemes' risk profiles that the council is

developing are likely to be beneficial, even for members of a scheme like GEMS, which does not yet have 25% of contributions in reserve.

It is likely that the scheme will at least be able to stop building its reserves, and possibly even release some of the 15% of contributions it has already set aside for benefits or contribution relief.

He says new reserve requirements could be implemented as soon as next year as legislation does not need to be amended.

The Medical Schemes Amendment Bill contains several other proposals aimed at assisting members - such as relief from penalties for those who have good reason to have a break in membership - and strengthening scheme governance with minimum requirements for trustees, indicating that schemes may be playing a role in your healthcare financing for some time to come.

The white paper on NHI, released last year, stated that when the NHI fund is up and running, medical schemes will over time take on the role of providing benefits that top up the core NHI benefits. At that point, employers like the state may reconsider their subsidies for scheme contributions. The government currently spends R22.7-billion a year on medical scheme subsidies for state employees.

One clause in the bill aimed at paving the way for schemes to integrate with NHI proposes allowing the minister to prevent schemes duplicating the NHI benefits.

Kabane says scheme members who are concerned about this proposed amendment taking away their right to obtain healthcare services through their schemes should comment on the draft bills during the three-month comment period.

He says the PMBs will be revised during the next five years, and any changes to the way in which members access benefits will only take effect from 2023.