

Low-cost medical plans lost in legal limbo –

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Low-cost medical plans can offer workers in the private sector access to much-needed basic health care, but despite employers being willing to sponsor this cover, uncertainty about the legality of the products may hinder growth of membership.

Discovery Health's primary health-care plan is in legal limbo following failure to obtain the necessary approval. Discovery's plan covers 30,000 employees who previously did not have health-care cover.

As public sector health-care facilities remain troubled and the implementation of National Health Insurance (NHI) is still years away, employers have focused on primary health-care plans to provide workers with access to private doctors, medicines, basic tests, optometry, dentistry, emergency services and limited private hospital cover for trauma and accidents at much-reduced contribution rates.

Benefits differ greatly but such products start from about R160 a month, with many around R400 to R500 a month.

They were initially popular in industries served by bargaining councils but now cover hundreds of thousands of lives.

The demarcation of health insurance and medical scheme business aimed to ensure good cross-subsidisation of older, sicker members by younger, healthier members.

Primary healthcare plans now need to register as schemes with an exemption from providing the expensive prescribed minimum benefits (PMBs).

Demarcation regulations under the insurance acts came into effect in April last year, but the Council for Medical Sciences agreed that insurers' primary plans could apply for exemption from the Medical Schemes Act while it developed a standardised, low-cost medical scheme option focused on primary health care.

But the acting registrar for medical schemes, Dr Siphon Kabane, told a recent press briefing on the council's annual report that the low-cost medical scheme option would not be ready for implementation by March next year, as expected. Only a draft for discussion would be ready by that date.

The council announced a framework for the low-cost option in 2015 but this was withdrawn and Kabane said revising it would take account of the PMB review currently under way, plans to align schemes to NHI proposals, as well as the recommendation by the Competition Commission's health market inquiry that a standardised package of benefits be developed for schemes.

Avril Jacobs, a senior compliance officer at the registrar's office, says Discovery's appeal shows that while the low-cost benefit option is being developed, only a limited number of existing insurers active in the market who have obtained exemptions from registering as medical schemes may continue to provide these plans, which are regarded as doing the business of a medical scheme.

The council reports that it granted exemptions to just 18 providers of primary health-care plans out of 36 applicants representing 171 products. The council considered warnings to consumers about the scope of the products, discrimination, unfair waiting periods, failure to comply with Financial Sector Conduct Authority prudential requirements, failure to treat customers fairly and policyholder protection rules.

In June, Discovery was denied an exemption under the Medical Schemes Act to operate its primary health-care plans and earlier this month its appeal against this decision was denied by the council's appeal board. The appeal board agreed with the registrar's office that Discovery Health is not entitled to apply for an exemption as it is not a registered insurer, although Discovery does have a registered insurer within the group.

The board says it sympathises with the beneficiaries, but Discovery's Primary Care plans are illegally doing the business of a medical scheme. It gives Discovery until February next year to remedy the situation.

Agility Insurance Administrators was in August also denied an appeal against the acting registrar's decision not to grant it an exemption and a directive that it should stop doing the business of a medical scheme illegally. The appeal board also found that Agility Insurance Administrators was not an insurer.

Discovery Health CEO Dr Jonathan Broomberg is optimistic, however, saying Discovery has been denied exemption on technical grounds and a new application for exemption is being reviewed.

He says Discovery is confident the issue will be resolved without negatively affecting existing or prospective clients.

Broomberg says there has been very high demand for these products.

Clicks announced earlier this year that it would enroll 9,200 employees earning less than R14,000 a month on Discovery's primary health-care plan next year.

Taking ruling on review

Neels Barendrecht, the chairman of Agility Holdings, says Agility is the administrator of Agility Staffcare, an insurance product operated by an exempted insurer.

Staffcare covers more than 1,000 lives.

He says Agility will take the appeal board ruling on review.

Sanlam recently launched a new primary health-care plan, Everyday Healthcare, as part of its employee benefits offering.

Viresh Maharaj, CEO of sales and marketing for Sanlam Corporate, says Sanlam's product is run through an exempted short-term insurer and will potentially migrate these members to the low-cost benefit option when it is in place. Sanlam's product is administered by Kaelo Xelus.

Maharaj says when primary health-care benefits are compulsory for employees, the product is subject to the Occupational Health and Safety Act and in future Sanlam may offer benefits under this act or as a low-cost medical scheme option.

But Jacobs says primary health-care benefits do the business of a medical scheme and may not be offered under the act.

A new player in the primary health-care market, National Health Care, whose shareholders include African Rainbow Capital, has set up a network of doctors and offers to administer health benefits paid for by employers rather than an insurer or medical scheme, at significant discounts to existing providers, Reinder Nauta, its chairman, says.

Jacobs says the registrar's office will investigate all those providing primary health care to determine if they are doing the business of a medical scheme, and the enforcement of the act against providers without exemptions will now begin.

Medical aid too pricey for many

According to Viresh Maharaj, the chief executive of sales and marketing for Sanlam Corporate, at the recent launch of Sanlam's Everyday Healthcare plan:

- One in six employees is HIV-positive
- One in six has severe psycho-social stress
- One in four has emotional distress
- One in three has a chronic disease
- 8-million members and dependants are registered on medical schemes
- 8-million employees earn less than R250,000 a year and many of them find membership of a medical scheme unaffordable

The Council for Medical Schemes annual report says the average contribution rate for a principal member for 2018 is R2,436.