

# REQUIREMENTS FOR ADMINISTRATION OF MEDICAL SCHEMES

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## TABLE OF CONTENTS

A. GENERAL .....	3
1. Introductory Note .....	3
2. Administration functions .....	4
3. Medical scheme data to be maintained .....	6
B. THE ACCREDITATION OF THIRD PARTY ADMINISTRATORS .....	9
1. The accreditation process .....	9
a. First-time applications and evaluations .....	9
b. On-site evaluation of compliance with administration accreditation standards .....	10
c. Renewal applications and evaluations .....	11
2. ADMINISTRATION REQUIREMENTS .....	11
a. Third party administrators - Domicilium & compliance measurement .....	11
b. Sub-contracting of administration services by an accredited administrator .....	12
c. Third party administration agreements .....	12
C. SELF-ADMINISTERED MEDICAL SCHEMES .....	13
1. The evaluation of compliance with the administration standards process .....	13
a. First time compliance evaluations .....	13
b. On-site evaluation of compliance with administration accreditation standards .....	14
c. Renewal applications and evaluations .....	15

## A. GENERAL

### 1. Introductory Note

Relevant provisions of the Medical Schemes Act (Act 131 of 1998) and Regulations –

- Section 1(1) – definition of “administrator”
- Self-administered schemes:
  - Section 26(9)
  - Section 57(4)(h)
  - Regulation 16
- Third party administrators:
  - Section 58
  - Chapter 6 of the Regulations

The objective of accrediting third parties involved in the administration of medical schemes and the evaluation of compliance with the administration standards by self-administered schemes is to promote institutional safety and soundness of medical schemes. Although it is recognised that the administration of a medical scheme may encompass much wider functions, the following general areas of administration functions have been identified as of critical importance for which entities fulfilling these functions must be accredited (and in the case of a scheme fulfilling these functions itself, meet the accreditation requirements):

- General compliance
- Operational structure
- Member record management
- Contribution management
- Claims management
- Financial management
- Information management and data control
- Broker remuneration management
- Customer services

Limited accreditation – Some entities, such as optometry benefit management organisations, provide administration services related to a particular benefit offered by a medical scheme. In such instances, the entities are required to be accredited in terms of Section 58 of the Act but will not be fully accredited as an administrator which provides comprehensive scheme administration services, but rather limited accreditation related specifically to the accreditable administration service provided by the entity.

It must be stated that identifying these specific areas of administration functions does not in any way detract from the importance of any other functions that are required in respect of the administration of a medical scheme, nor does the accreditation of entities fulfilling these functions in terms of a contract with client schemes absolve the trustees of a scheme of their duty to properly manage and ensure the effective administration of their scheme.

## 2. Administration functions

Any entity providing the following services (whether contracted out or in-house) in respect of a scheme must employ integrated systems and processes which, in terms of the Act, relevant scheme rules and all other applicable laws, adequately deal with:

### a) Member record management

- 1) Registration/termination of members and dependants.
- 2) Maintaining /updating membership records.
- 3) Issuing of membership cards and certificates of membership.
- 4) Income tax information for members.

### b) Contribution management

- 1) Maintaining /updating contribution tables per benefit option.
- 2) Preparation of billing / membership schedules in line with the registered scheme rules (where applicable).
- 3) Timeous collection, allocation and reconciliation of contributions (including savings where applicable) at individual member level.
- 4) Robust credit control procedures to manage and collect any outstanding member debts owing to the scheme.
- 5) Suspension / termination of membership as provided for in registered scheme rules.

### c) Claims management

- 1) Maintaining /updating benefit tables for each benefit option and related rules

- 2) Receipt, validation and payment of all claims in accordance with the registered scheme rules and the Act.
  - 3) Payment of contracted fees to service providers (where applicable).
  - 4) Appropriate communication as prescribed in the event of claims being queried or rejected.
  - 5) Providing comprehensive claims statements to members and providers.
  - 6) Process and systems to detect and investigate fraudulent activities.
  - 7) Payments from medical savings accounts to be conducted in terms of the registered scheme rules and the Act.
- d) Financial management
- 1) Opening and maintaining relevant bank account(s) in the name of the scheme.
  - 2) Depositing of scheme monies as prescribed.
  - 3) Effecting payment of claims and expenses in terms of delegated authority between scheme and administrator.
  - 4) Allocation, reconciliation and maintenance of general ledger control accounts, including but not limited to contributions, claims and savings accounts.
  - 5) Maintaining debtors' age analyses per category of debtor, e.g. member debt, provider debt and outstanding contributions.
  - 6) Preparing detailed monthly management accounts, annual financial statements, statutory returns, and other reports in the required format.
  - 7) Verifying, effecting payment, and regular reconciliation of payments to contracted providers in terms of the scheme rules and agreements.
- e) Information management and data control
- 1) Comprehensive disaster recovery and business continuity plans are in place.
  - 2) Comprehensive data back-up and offsite storage measures are in place.
  - 3) The administration systems employed must be able to accommodate the complexity of scheme options administered and have sufficient capacity to accommodate growth or a change in the scheme's needs.
  - 4) All registers, minute books, records and other data pertaining to the scheme remain the property of the scheme concerned, and no lien may be held over them by the administrator.
  - 5) The Administrator must take such steps as may be required to maintain the confidentiality, integrity and security of data in relation to the scheme under administration.
- f) Broker remuneration management

- 1) The administrator must employ systems and processes to ensure that broker remuneration is calculated and paid in accordance with the Act and the agreements between the brokers and schemes concerned.

g) Customer services

- 1) Providing appropriate and adequate infrastructure, facilities and staff to manage all enquiries relating to the scheme(s) under administration in accordance with the administration and service level agreements.
- 2) Records must be maintained of all enquiries made, the administrator's response thereto and turnaround times must be recorded and monitored.

Limited accreditation – Please refer to the administrator accreditation standards as amended from time to time for the specific standards applicable to administrators with limited accreditation. (Currently Version 6 of the standards, which was published with Circular 70 of 2019, are in place. Version 7, which incorporates a new standard regarding provider network management and which includes specific indicators of the standards applicable to limited administrator accreditation is to be published once the framework has been finalised and published – estimated May 2022.)

3. Medical scheme data to be maintained

The data remains the property of the Scheme and copyright vests in the scheme. The Administrator or self-administered scheme will take all steps as may be reasonably required to protect the confidential nature, integrity and assignment of data insofar as it relates to the scheme under administration and its beneficiaries. The data shall be kept and disclosed as per industry norms and standards and as may be required from time to time.

The following serve as a guide of the data to be maintained (as appropriate to the administration services provided):

a) Employers (Including subsidiary/associated entities)

Full details of each employer participating in the scheme including the following:

- Employer group codes.
- Full name of the employer.
- Address details - both physical and postal.
- Names and contact details of relevant contact people within the employer.

- Employer to be coded and provision to be made for subsidiary codes within each employer group to cater for branches, subsidiaries, continuation members, paypoints etc.
- Date of admission and, where applicable, date of exit from the scheme, of the Employer or any of its subsidiaries or subgroups.

b) Members

- Medical scheme membership number as well as the identity numbers of the principal member and each registered dependant.
- Full name, initials and surname of the principal member and each registered dependant (Note: Each member and dependant to be coded in such a manner as to permit the tracking of claims per beneficiary).
- Date of birth of each member and dependant.
- Gender of each member and dependant.
- Relationship of dependant to member, e.g. spouse, child, aged parent, etc.
- Date of admission to scheme in respect of each member and dependant.
- Date of exit from scheme, where applicable, in respect of each member and dependant.
- Details of the benefit option in which each member and his/her dependants participate in.
- Details of salary or income bands for contribution calculation purposes, where applicable.
- Monthly contributions payable in respect of the member family.
- Member's physical address (domicilium citandi et executandi), postal address and contact details.
- Details of any waiting periods imposed on entry to the scheme.
- Details of any special transactions on behalf of the member or dependant, e.g. confirmation of hospital admissions, records of correspondence and telephonic enquiries, queries, etc.
- Details of prior scheme membership, late joiner status and late joiner penalties imposed.
- Detailed audit trail of all changes to member records.

c) Claims

The following itemised claims data (where applicable) should be maintained on the administration system for each beneficiary:

- Each claim should reflect the date of receipt and should have a unique reference number which is entered on the system.
- Each claim in the system must include the membership number and dependant identification.
- Receipt date, processing date and date of payment for each claim.
- Date of service.
- Diagnostic, procedural, pharmaceutical classification system or other generic codes per line item.

- Provider's name and practice number.
- Amount charged by provider for each line item, the tariff amount applicable and benefit awarded.
- Indication whether a benefit has been paid directly to the provider or to the member. Where direct payment has been made in excess of the benefits allowed, amounts owing by the member must be calculated and reflected.
- Where a benefit has been modified, for example, by imposition of a maximum, a levy or a limit, or if a benefit has been disallowed, an explanation by way of comprehensive reason / rejection code or other means should be reflected on the claims record.
- Where a claim has been adjusted after assessment or payment, full details of the adjustment must be shown. Where the adjustment results in a debt due by the member, details of the amounts owing must be calculated and reflected.
- Identify Prescribed Minimum Benefits (PMB's).
- Identify third party claims, e.g. Road Accident Fund claims.
- Total of claims allocated to savings accounts.
- Total of claims allocated to the benefit limits.
- Details, including practice code number, of referring / attending practitioner (where applicable).

d) General

The data described above must be maintained on an integrated administration system so as to inter alia provide:

- Membership cards.
- Correct payments of prescribed minimum benefits.
- Contribution schedules and control over collections, including reconciliations.
- Debtors schedules and complying with measures introduced to control collections and reconciliations.
- Timely settlement of all claims.
- Claims statements to providers and members.
- Information to deal with member and provider enquiries.
- Income tax information for members.
- Financial reporting.
- Statutory data required for completion of the returns submitted to the Registrar of Medical Schemes.
- Analysis and reporting – Demographic, by member, by employer, by provider, by age of member or dependant, by tariff or category of benefit, etc.
- Administrator performance - monitor in accordance with the detailed service level agreements.



- Preparation of budgets and benefit design.
- Provision of year-end audited annual financial statements.
- Detailed audit trails of all changes made on / to the system.
- Claims validation to, for example detect and prevent processing of duplicate payments, and general compliance with the rules of the scheme.
- Analysis and reports by date of service as well as date of payment.
- Analysis and reports of costs per member per month by date of service as well as date of payment.
- Accurate analysis and reports of the number of members and dependants participating in the scheme each month. In this regard the system must allow these figures to be updated where arrear adjustments are made.
- Analysis and reports showing key indicators such as the number of admissions to hospital per thousand beneficiaries, number of consultations by general practitioners and specialists per thousand beneficiaries, the incidence of caesarean sections per scheme population covered and the like. All reports must be capable of drilling down to different levels for example, by employer group, by paypoint, by provider, etc.
- Analysis and reports of all member, provider and other enquiries received and addressed by the administrator on behalf of the scheme.

## B. THE ACCREDITATION OF THIRD PARTY ADMINISTRATORS

### 1. The accreditation process

#### a. First-time applications and evaluations

1. The applicant completes the third-party administrator accreditation application form, which can be found on the Council's website under "Media Centre", "Publications", "Regulated Accredited Entities", "Administrators" and submit it with all the required information and prescribed fees to this Office. (The same form is used for applicants seeking full or limited accreditation.)
2. The analyst performs a desk-based analysis on the completeness and validity of the application form and information submitted.
3. After being considered by various internal committees the final evaluation report is presented to the Council for approval of accreditation.
4. Once the Council has granted accreditation, such accreditation is valid for a period of two years from the date of the Council decision, subject to any accreditation conditions imposed by the Council. The administrator is issued with an accreditation certificate specifying the accreditation period and the

conditions attached thereto. Typically, critical conditions have to be resolved within a short period of time, whilst an administrator may be given up to six months to comply with the more general conditions or those which require system development.

5. The Accreditation Unit evaluates compliance with the accreditation conditions after the expiry of the specified period and amends the accreditation certificate accordingly (with the approval of the Registrar).

b. On-site evaluation of compliance with administration accreditation standards

1. On-site evaluations of administrators' compliance with the Act, Regulations and administration accreditation standards are conducted to confirm that administrators have the necessary resources, systems, skills and capacity to provide administration services (Reg 17(2)(f)(ii)).
2. The analysts will make arrangements with the administrator and schedule a set-up meeting with senior management and other relevant staff members of the administrator (+6 months after commencing administration operations or following a major change at the administrator, e.g. administration system change) to hand out the self-evaluation questionnaire and to explain the evaluation process and requirements.
3. The administrator is then required to complete the self-evaluation questionnaire and to cross-reference the sections to the evidence supporting compliance within a period of +- 4 weeks.
4. The analysts will thereafter conduct the on-site evaluation at the administrator's premises and assess its compliance with the administrator accreditation standards by physically testing and verifying compliance with each of the standards. Testing typically entails a review of the operating and financial reporting processes and assessing the functionality of the administration system.
5. The analysts prepare a detailed evaluation findings report which is discussed with senior management at the conclusion of the on-site evaluation. A copy of this report is provided to the administrator to formally comment on the findings and recommendations within 30 days.
6. The on-site evaluation findings report, including the administrator's comments, is then discussed and finalised through an internal steering committee process.
7. The final evaluation reports are considered by the Council:
  - Approval granted – Letter of amended accreditation and certificate issued with / without conditions (the current 24 months accreditation period is not affected, if renewal of accreditation is not yet due).
  - Approval declined – Applicant informed of Council's decision and reasons provided for refusal. Impact on accreditation status considered – possible suspension / withdrawal of accreditation proceedings implemented.
8. The conditions compliance assessment might include a follow up on-site visit to the administrator where required, or a desk-based analysis of the information provided, or a combination thereof.

c. Renewal applications and evaluations

1. The applicant completes the third-party administrator accreditation and renewal application, which can be found on the Council website under “Media Centre”, “Publications”, “Regulated Accredited Entities”, “Administrators” and submit it with all the required information and prescribed fees to the Office at least three months prior to the accreditation expiry date (as per Regulation 17(7)). Part B of the application form requests specific information on significant changes in the administrator’s operating environment since the previous evaluation which have had or could have an impact on its accreditation status, e.g. a change in shareholding, change in the administration or financial systems, etc.
2. The analysts perform a desk-based analysis on the completeness and validity of the renewal application form and information submitted. Particular attention is paid to the applicant’s compliance with conditions previously imposed.
3. Depending on the level and significance of changes reported, a follow-up on-site evaluation might be required to assess the administrator’s continued compliance with the accreditation standards subsequent to the changes having taken place.
4. Where a follow-up evaluation is considered appropriate, a similar process as described in steps 1 to 6 of the “On-site evaluation of compliance with administration accreditation standards” process above will be followed.
5. The final renewal evaluation report is presented to the Council for approval.
6. Once the Council has granted renewal of accreditation, such accreditation is again valid for a period of two years, subject to any conditions imposed by the Council. The administrator is issued with an accreditation certificate specifying the accreditation period and the conditions attached thereto. Typically, critical conditions have to be resolved within a short period of time, say 30 days, whilst an administrator may be given up to six months to comply with the more general conditions or those requiring system development.
7. The Accreditation Unit evaluates compliance with the accreditation conditions after the expiry of the specified period and amends the accreditation certificate accordingly (with the approval of the Registrar).

2. ADMINISTRATION REQUIREMENTS

a. Third party administrators - Domicilium & compliance measurement

1. The principal place of business of the administrator must be in South Africa.
2. The entity must conduct the business of bona fide administration of medical schemes and not as an agent or intermediary.

3. It must have the required skills, resources, systems and infrastructure to deal with the complexity and number of schemes under administration.
4. It must comply with the provisions of the Medical Schemes Act and the Regulations published thereunder.
5. Evaluation of an applicant required to be accredited is done by means of an assessment of the application, the fitness and propriety of the applicant, evaluation of the administration contracts in place and an on-site evaluation by the Council for Medical Schemes of the extent of compliance with the accreditation standards and criteria.

b. Sub-contracting of administration services by an accredited administrator

1. The administrator must fully declare all sub-contracting arrangements between the organisation and other entities and provide signed copies of the latest agreements to the Council for Medical Schemes.
2. In order for the administrator to be able to sub-contract any of its administration functions, there must be a provision for such in the administration agreement between the scheme and the administrator. Note that the ultimate responsibility for the performance of administration functions vests with the administrator which contracts with the scheme concerned. Accordingly, the administrator is liable towards the scheme being administered for the actions of the sub-contractor. Sub-contracting in this particular context does not envisage a scenario where functions are split between two or more administrators.
3. Payment for services forming part of specified functions sub-contracted to another party by the administrator, must form part of the agreed administration fee paid by the medical scheme concerned to the administrator. No additional fee should be charged to the scheme.

c. Third party administration agreements

Note:

It is essential that the Board of Trustees represents the scheme in signing the agreement as contracting party. Consequently, this authority, including the names of the persons designated to sign the agreement should be documented in a formal minute of the scheme and should include the Chairperson, Principal Officer and one trustee duly appointed.

1. Circular 77 of 2019 (Classification of and reporting of administration services – accredited vs other administration services):
  - 1.1. "Accredited" administration services should be clearly defined and provided for in separate agreements between schemes, administrators and other providers.
  - 1.2. "Accredited" administration services provided to medical schemes include the following (refer to the administration standards document on the Council's website for details):

- Member record management;
  - Contribution record management;
  - Claims management;
  - Financial Management;
  - Information management and data control;
  - Broker remuneration management; and
  - Customer services
- 1.3. "Other" administration services are those services that are provided in addition to the "accredited" administration services in support of the administration and effective management of the scheme. "Other" administration services, whether provided by accredited third party administrators or other providers, should be clearly differentiated and provided for in separate agreements.
- 1.4. The following services are considered to be "Other" administration services:
- Actuarial services;
  - Benefit management services;
  - Internal audit services;
  - Distribution services;
  - Broker services as defined in the Act, provided by accredited brokers and in-house sales and marketing services;
  - Marketing services;
  - Third party claim recovery services;
  - Forensic investigations and recoveries; and
  - Governance and compliance.
2. Regulation 18, Administrator accreditation standards and administration agreement guideline – please refer to these provisions / documents for detailed guidance on what the administration agreements must include.

## C. SELF-ADMINISTERED MEDICAL SCHEMES

### 1. The evaluation of compliance with the administration standards process

#### a. First time compliance evaluations

1. There is no requirement for self-administered schemes to be accredited, but as self-administered schemes fall under the definition of "administrator" in Section 1 of the Act, the same requirements are applied, with the exception of the "accreditation" period – the compliance certificate is valid for three years in the case of self-administered schemes.

2. The scheme completes the self-administered scheme compliance application, which can be found on the Council's website under "Media Centre", "Publications", "Regulated Accredited Entities", "Administrators" and submit it with all the required information.
3. The analyst performs a desk-based analysis on the completeness and validity of the application form and information submitted.
4. After having been considered by a number of internal committees, the final report is presented to the Council for approval of the compliance certificate.
5. Once the Council has granted the compliance certificate, it is valid for a period of three years from the date of the Council decision, subject to any conditions imposed by the Council. The scheme is issued with a compliance certificate specifying the compliance period and the conditions attached thereto. Typically, critical conditions have to be resolved within a short period of time, whilst the scheme may be given up to six months to comply with the more general conditions or those requiring system development.
6. The Accreditation Unit evaluates compliance with the conditions imposed after the expiry of the specified period and amends the compliance certificate accordingly (with the approval of the Registrar).

b. On-site evaluation of compliance with administration accreditation standards

1. On-site evaluations of schemes' compliance with the Act, Regulations and administration accreditation standards are conducted to ensure that self-administered schemes have the necessary resources, systems, skills and capacity to provide administration services (Reg 17(2)(f)(ii)).
2. The analysts will make arrangements with the scheme and schedule a set-up meeting with senior management and other relevant staff members (+/- 6 months after commencing self-administration operations or following a major change e.g. change in administration system) of the scheme to hand out the self-evaluation questionnaire and to explain the evaluation process and requirements.
3. The scheme is then required to complete the self-evaluation questionnaire and to cross-reference the sections to the evidence supporting compliance within a period of +/- 4 weeks.
4. The analysts will thereafter conduct the on-site evaluation and assess the scheme's compliance with the standards by physically testing and verifying compliance with each of the applicable standards. Testing typically entails a review of the operating and financial reporting processes and assessing the functionality of the administration system.
5. The analysts prepare a detailed evaluation findings report and discuss it with senior management at the conclusion of the on-site evaluation. A copy of this report is then provided to the scheme to formally comment on the findings and recommendations within 30 days.

6. The on-site evaluation findings report, including the scheme's comments, is then discussed and finalised through an internal steering committee process.
7. The final evaluation reports are considered by the Council:
  - Approval granted – Letter of amended compliance certificate and certificate issued with / without conditions (the current 3 years compliance certificate period is not affected, if renewal of the compliance certificate is not yet due).
  - Approval declined – Scheme informed of the Council decision and reasons provided. Escalated to the Compliance and Investigation Unit for further action where appropriate.
8. The conditions compliance assessment might include a follow up on-site visit to the scheme where required, or a desk-based analysis of the information provided, or a combination thereof.

c. Renewal applications and evaluations

1. The scheme completes the self-administered scheme compliance application, which can be found on the Council's website under "Media Centre", "Publications", "Regulated Accredited Entities", "Administrators" and submit it with all the required information at least three months prior to the compliance certificate expiry date.
2. The analysts perform a desk-based analysis on the completeness and validity of the renewal application form and information submitted. Particular attention is paid to the scheme's compliance with conditions previously imposed.
3. Depending on the level and significance of changes reported, a follow-up on-site evaluation might be required to assess the scheme's continued compliance with the accreditation standards subsequent to the changes having taken place.
4. Where a follow-up evaluation is considered appropriate, a similar process as described in steps 1 to 6 of the "On-site evaluation of compliance with administration accreditation standards" process above will be followed.
5. The evaluation findings report and the scheme's comments on the findings (where applicable), is then discussed and finalised at internal steering committee level.
6. The final renewal evaluation report is then presented to the Council for approval of renewal.
7. Once the Council has granted renewal of the compliance certificate it is again valid for a period of three years, subject to any conditions imposed by the Council. The scheme is issued with a compliance certificate specifying the period and the conditions attached thereto. Typically, critical conditions have to be resolved within a short period of time, say 30 days, whilst a scheme may be given up to six months to comply with the more general conditions or those requiring system development.

8. The Accreditation Unit evaluates compliance with the conditions imposed after the expiry of the specified period and amends the compliance certificate accordingly (with the approval of the Registrar).