


# Accreditation of administrators providing limited accredited administration services

## FRAMEWORK

Version 1

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Table of contents

1. Background and introduction ……..... 3

2. Regulatory framework for accreditation …….. 3

3. Limited administrator accreditation framework ……..... 5

# 1. Background and introduction

1.1 Following the receipt of several complaints from stakeholders, and issues encountered regarding the operation of optometry benefit management organisations in respect of contracts with medical scheme clients, a CMS Task Team was convened on instruction from the Registrar to:

a) Interrogate the operations of optometry benefit management organisations in terms of compliance with the Medical Schemes Act and registered scheme rules;

b) Consider complaints received from optometrists, optometry industry associations and the Health Professions Council of South Africa (HPCSA) with regards to possible improper or unfair conduct of optometry benefit management organisations; and

c) Make recommendations to the Council on possible future regulation of such organisations, whether under the auspices of the current MSA, or through amendments to the Act and/or Regulations.

1.2 The Task Team conducted a detailed review of information received from the three main optometry benefit management organisations currently contracted to medical schemes (i.e. Preferred Provider Negotiators (Pty) Ltd (PPN), Iso Leso Optics (Pty) Ltd and Opticlear (Pty) Ltd) regarding the operations and current services provided to medical schemes, as well as consideration of the nature of complaints and information received from other stakeholders (e.g. the South African Optometry Association (SAOA)), a cautionary circular was published to the industry re the conduct and possible future regulation of optometry benefit management organisations - refer to Circular 48 of 2020.

1.3 The Task Team presented a discussion document with recommendations to Council at a meeting of the Council's Executive Committee on 11 December 2020. The Council accepted the recommendations with regards to developing a regulatory framework pertaining to the regulation of optometry benefit management organisations by way of a "limited" administrator accreditation. However, as there are other types of entities who provided limited accredited administration services and who might require limited administrator accreditation, the framework will be applied to all similar entities and should not be limited to optometry benefit management organisations only.

# 2. Regulatory framework for accreditation

2.1 The accreditation of entities providing limited accredited administration services as administrators, in terms of Section 58 of the Act, such as optometry benefit management organisations, is limited to the specific administration services provided. For instance, in respect of optometry benefit management organisations the following applies:

i. As confirmed in Circular 48 of 2020, the services provided by optometry benefit management organisations are not managed health care services as defined in Regulation 15 and therefore such organisations need not be accredited as managed care organisations.

ii. Section 1 of the MSA defines an "administrator" as any person accredited by the Council in terms of Section 58.

iii. Section 58 of the MSA provides as follows:

- "(1) No person shall administer a medial scheme as an intermediary unless the Council has, in a particular case or in general, granted accreditation to such a person." (Own emphasis added.)
- It further provides that a person must apply to the Council to be accredited in the manner as may be prescribed.

iv. Regulation 17(1) and (2) provides for the accreditation application to be made; Regulation 17(2)(f) for the three key requirements for accreditation to be met; and Regulation 17(4)(a) for the accreditation to be granted by Council if it is satisfied that the applicant has met the requirements subject to any conditions that it may deem necessary.

v. Administration services are not specifically defined in the Act or Regulations –

- The CMS issued Circular 77 of 2019 to assist with the categorisation, contracting and reporting of administration services in terms of "accreditable" and "other" administration services (attached for ease of reference).
- Optometry benefit management services provided to medical schemes often involve the verification of membership details, the authorisation of optometry benefits in terms of the registered scheme rules and the receipt and adjudication of optometry claims on the scheme's behalf. In some instances, claims are paid to providers where there is a risk transfer / capitation arrangement between the scheme and organisation. These services therefore fall within the "claims management" section of the "accreditable" administration services.
- Regulation 17(2)(f)(ii) requires an administrator to have the necessary resources, systems, skills and capacity to render the administration services which it wishes to provide. (Own emphasis added.). This provision suggests that an entity would not have to provide the full range of administration services in order to be accredited as an administrator. Claims management is considered a "core" administration service and therefore would qualify the organisations to be accredited i.r.o. the optometry benefit management services provided.

vi. Capitation arrangements – Such arrangements are payment arrangements and are not limited to accredited managed care organisations (refer to the definition of "capitation agreement" as per Regulation 15). However, should the office in future conclude that such arrangements are to be strictly attributable to managed care organisations in interpreting Regulation 15F, optometry benefit management organisations who have such arrangements in place could be requested to restructure the payment arrangements in such a way as to be acceptable.

vii. Conclusion: Optometry benefit management service organisations (and other entities providing similar limited administration services) provide "accreditable" administration services as indicated in Circular 77 of 2019. These organisations are therefore required to apply for accreditation i.t.o. Section 58 of the Act and demonstrate their compliance with the three key requirements for

accreditation (this includes compliance with the applicable administration standards published from time to time (currently Version 6)).

## 3. Limited administrator accreditation framework:

3.1 The framework for the limited accreditation of entities as administrators, such as optometry benefit management organisations, has been developed taking into consideration alignment with the Medical Schemes Act, Regulations, and Administrator Accreditation Standards (as applicable).

3.2 Entities providing limited accredited administration services need to apply for accreditation in the same manner as entities providing comprehensive accredited services. The application form and supporting documentation will be evaluated by the CMS following the same processes and procedures but bearing in mind that the entity does not provide the full range of accredited administration services.

3.3 The relating documents which are attached as Annexures A to D have been updated, where applicable, to incorporate limited accreditation:

3.3.1 Annexure A – Requirements for Administrator Accreditation - Updated to make specific reference to the inclusion of optometry benefit management organisations / similar i.r.o. limited accreditation.

3.3.2 Annexure B – Administrator accreditation application form (As available on the CMS website)

3.3.3 Annexure C – Administrator Accreditation Standards, V7 – Version 6 published in October 2019 has been amended to include one new standard relating to provider Identifier included to identify the standards specifically applicable to limited administrator accreditation:

3.3.3.1 The following sections / standards included in Version 7 of the Administration Accreditation Standards (attached for ease of reference) are considered to be applicable to limited accreditation administrators, such as optometry benefit management organisations:

- Section 1 – General compliance
  - Fit and proper requirements
  - Administration agreements
  - Financial soundness
- Section 2 – Operational structure
- Section 3 – Member record management
  - Limited to the standards relating to verifying the members' details and membership status.
- Section 4 – Contribution management

- Limited to the standards relating to the reconciliation of capitation "contributions" received to member level

- Section 5 – Claims management
  - Limited to applicable standards in terms of the services provided
- Section 6 – Financial management
  - Limited to applicable standards in terms of capitation services provided (e.g. providing sufficient information to the scheme to enable them to complete the statutory returns, performing appropriate IBNR calculations (impacts on the organisation's financial soundness), calculation of "savings", etc.)
- Section 7 – Information management and data control
- Section 9 – Customer services
  - Limited to applicable standards in terms of the services provided.

3.3.4 Annexure D – Administration agreement guideline (As published in April 2020).