PRESS RELEASE

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Date:	1 October 2021

Press Release 9 of 2021: CMS continues to monitor the situation at Medipos

The Council for Medical Schemes (CMS) announced various regulatory interventions aimed at providing financial relief to members of medical schemes who were struggling due to the COVID-19 pandemic and national lockdown.

These COVID-19 relief measures were articulated in Circular 28 of 2020, and included concessions for qualifying Small Medium and Micro Enterprises (SMMEs) in financial distress, to file applications to CMS in terms of section 8(h) of the Medical Schemes Act (131 of 1998) (MSA), to be exempted from complying with certain provisions of the MSA and scheme rules.

Section 26(7) of the MSA is a key legislative requirement that prescribes that member contributions must be paid directly to a medical scheme no later than three days after premiums are due, failing which, the scheme may terminate membership.

“Medipos filed an exemption in terms of section 8(h), from compliance with section 26 (7) and scheme rule 11.6, to allow deferment of contributions payment. The scheme cited the inability of the South African Post Office (SAPO), to pay full contributions on behalf of its employees, as SAPO’s revenue had been adversely affected by the pandemic and national lockdown,” said Dr Sipho Kabane, Chief Executive and Registrar of the CMS.

In the interest of protecting members of Medipos, the CMS granted the exemption for a six-month period effective 11 December 2020 until 11 June 2021. The exemption was granted on condition that Trustees of Medipos did not suspend membership during this period, and that the scheme’s reserves was maintained at 25% consistent with statute.

“This measure was geared at insulating employees against the risk of losing their membership in the middle of a devastating pandemic,” added Dr Kabane.

On the day before the expiry of the exemption, the Trustees of Medipos filed an application requesting CMS to extend the exemption until February 2022.

“The CMS reviewed the application, including an independent actuarial evaluation of the scheme’s current and projected solvency ratio, and resolved to decline the extension of the exemption, on the basis that SAPO’s accumulated debt and its persistent failure to honour contributions due had placed the scheme in a precarious financial position, with rapid erosion of reserves, as the scheme continued to pay healthcare claims, despite not receiving contribution income," explained Dr Kabane.

Without this exemption, the scheme is in direct contravention of its scheme rules and the requirements of the MSA, and this could result in the suspension of benefits due to outstanding contributions.

"The CMS has been in constant contact with both the Trustees of Medipos and the SAPO Executive, with the aim of resolving the current debt impasse, to ensure that members of the scheme continue to receive their healthcare benefits, without putting the scheme at the risk of insolvency," added Dr Kabane.

Finally, the CMS has noted the recent court settlement between the trade union Solidarity, SAPO and Medipos in the Labour Court in Johannesburg.

"We are currently reviewing the settlement which has been made an order of court and the CMS' decision will be communicated in due course. In the meantime, employees of SAPO remain protected, and will continue to receive their healthcare benefits, in line with the court order," concluded Dr Kabane.

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