



PRESS RELEASE

Reference: Health Squared
Contact person: Customer Care Centre
Tel: 0861 123 267
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Press Release 10 of 2022: Migration dispensation for Health Squared medical scheme members collapses

The Council for Medical Schemes (CMS) has been in [discussions](#) with seven medical schemes to migrate Health Squared Medical Scheme members without the conditions of underwriting and waiting periods to guarantee members' financial protection.

The medical schemes were chosen on the criteria that they had more than 100 000 members and a solvency ratio above 25%. Further, their scheme age profile would be able to shoulder the risk of the Health Squared population. In addition to the seven, the CMS invited the Government Employees Medical Scheme to the engagements to accommodate employees who are state employees.

The schemes were provided with supporting data and information for consideration. This includes a high-level equitable allocation of members, demographic profile, chronicity, claims experience, and membership numbers. Despite the best intentions of this process, no agreement could be reached.

Only a few medical schemes committed to the migration concession without underwriting or waiting periods, but this would still not be enough to ensure cover for all Health Squared members. As such, the CMS would like to emphasise the tenets of the Medical Schemes Act (131 of 1998) (MSA).

- **Open enrolment**

Medical schemes cannot exclude any person or their dependent from joining an open medical scheme. Therefore, no Health Squared member can be turned away by an open medical scheme. The MSA is clear on open enrolment, stating that:

All open medical schemes must accept all applicants and charge them the same monthly contribution (per benefit plan), regardless of age and health status.

The above provision allows members of Health Squared to approach any open scheme registered with the CMS.

- **Waiting periods**

The MSA allows medical schemes to apply underwriting for persons who apply to take membership in the scheme through waiting periods. All schemes must indicate the applicable underwriting conditions in the scheme rules. Members who have been with Health Squared for a continuous period of up to 24 months, ending less than 90 days before applying for new membership, might be subjected to condition-specific waiting periods. However, such a waiting period shall not affect the payment of prescribed minimum benefits (PMBs). Furthermore, members who

have had continuous cover of more than 24 months, terminating less than 90 days immediately before the date of application, may be subjected to a general waiting period of up to 3 months, except in respect of PMBs.

- **Condition-specific waiting periods**

- a. The member or their dependents is not entitled to claim benefits for healthcare services in terms of any pre-existing condition for which medical advice, diagnosis, care, or treatment was recommended or provided during the twelve months preceding the date of application to the scheme for membership.
- b. Any pre-existing medical condition suffered by the member or their dependents must be fully disclosed in the application form for membership in a medical scheme. The scheme needs to determine the applicable underwriting condition for each member or dependent.
- c. The duration for a condition-specific waiting period is 12 months or the remainder of the 12 months in case the applicant or their dependents changed medical scheme membership while the 12-month condition-specific waiting period was still in force.

Update on the liquidation application

The CMS will oppose the liquidation application by Health Squared Medical Scheme tomorrow, 1 September 2022. Besides the CMS, the Nephrology Society filed intervening affidavits to postpone the liquidation for two months. The court is expected to rule whether it grants Health Squared Medical Scheme permission to bring the liquidation application.

Health Squared approached the High Court on 18 August 2022, in terms of Section 51 of the MSA, for leave to apply for the voluntary winding up of the scheme in the interest of its members, as contemplated by Sections 51(5)(e) and 53.

Finally, members of Health Squared are also advised that as of 31 August 2022, the medical scheme still exists until the High Court orders otherwise, and as such, members that are applying for membership with other schemes are required to first terminate their membership with Health Squared as belonging to two or more medical schemes is prohibited in terms of the law.

Despite the unfortunate situation in which the engagements ended, the CMS hopes that individual schemes will consider enrolling Health Squared members without waiting periods where doing so will not jeopardise the interest of their members. Faithful to its task, the CMS will continue ensuring that the industry is stable and well-regulated and that medical scheme members are protected.

The CMS will keep members and the public informed of any new developments.

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Issued by:

Mr Zongezile Baloyi

Executive: Corporate Services

Customer Care Centre:

0861 123 267 / information@medicalschemes.co.za

Media enquiries: media@medicalschemes.co.za