



Funding healthcare benefits

“Benefit option
entitlement”

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Contents

Purpose

Benefit Richness Survey

Out of Pocket Expenditure

Personal Medical Savings Account

Funding of PMBs

Concluding remarks



Pillars of the MS Act

- **Community Rating:** This requires that medical schemes charge the same premiums for the same benefits.
- **Open-enrollment:** Open medical schemes are required to accept all who wish to join them – regardless of their age or health status.
- **Prescribed Minimum Benefits (PMBs):** PMBs guarantee a minimum level of healthcare cover for certain illnesses and chronic conditions and are in place to prevent medical cover from running out for these conditions.
- Medical schemes are **non-profit** in nature.

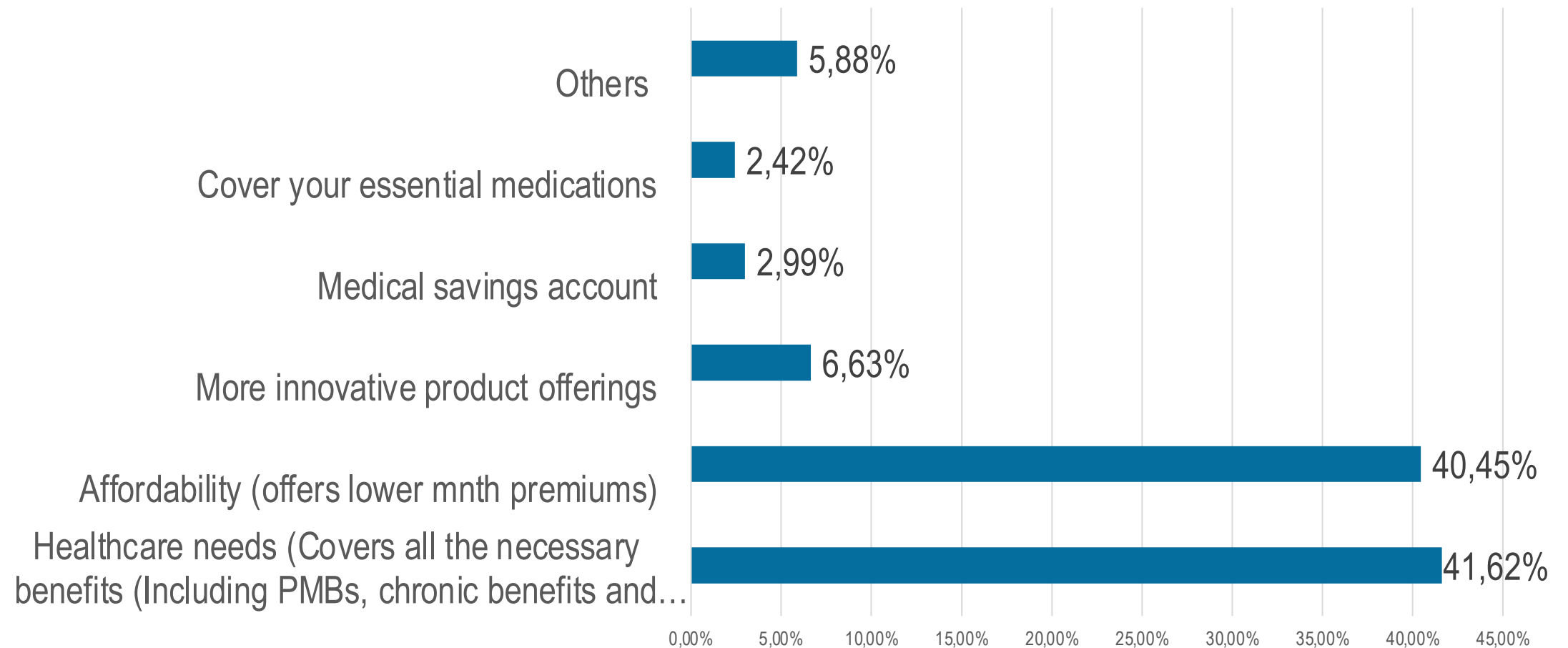
Member movement- option level

BENEFIT OPTION CLUSTER	2013	2014	2015	2016	2017	2018	2019	AVERAGE ANNUAL GROWTH
Number of Beneficiaries								
Comprehensive Plans	4 320 547	4 222 870	4 053 168	3 905 503	3 642 206	3 502 204	3 333 083	-4.20%
EDOs				614 059	800 492	854 040	1 001 184	17.70%
Hospital Plans	1 757 278	1 871 740	1 966 245	1 815 321	1 842 482	1 865 891	1 873 342	1.10%
Partial Cover Plans	2 133 127	2 201 459	2 264 774	2 316 722	2 366 758	2 452 524	2 491 016	2.60%
Average Age of beneficiaries								
Comprehensive Plans	33.49	33.94	34.46	34.8	35.44	35.89	36.41	1.40%
EDOs				32.05	32.28	32.58	32.76	0.70%
Hospital Plans	32.99	33.16	33.34	34.23	34.66	34.98	35.39	1.20%
Partial Cover Plans	30.67	30.86	30.89	30.91	30.97	31	31.01	0.20%

Cairncross *et al* (2020)

Benefits enrichment survey 2021 [4 541]

Reasons for choosing a benefit option



Benefits enrichment survey 2021



4 541 responses

In the last 12 months, did you run out of benefits?

% Yes : 45

n = 39 medical schemes

%Yes : 40

n = top 8 medical schemes

IQR : 13-64%

In the last 12 months, did you run out of benefits? **N=35** Schemes

	<u>No</u>	<u>Yes</u>	<u>Total</u>	<u>% Yes</u>
<u>All</u>	<u>2,505</u>	<u>2,036</u>	<u>4,541</u>	<u>45%</u>
Scheme 1	679	881	1,560	56%
Scheme 2	725	106	831	13%
Scheme 3	237	429	666	64%
Scheme 4	237	305	542	56%
Scheme 5	194	103	297	35%
Scheme 6	205	90	295	31%
Scheme 8	85	21	106	20%
Others (N=27)	2,362	1,935	4,297	45%

Benefit enrichment survey- Key Insights



45% of medical scheme members have ran out of benefits in the past 12 months

49% of medical scheme members who ran out of benefits have a chronic condition

48% of beneficiaries who run out of benefits are subjected to co-payments

50% of beneficiaries who chose a benefit option based on their health care needs ran out of benefits.

Emerging issues

- Need to address increasing trend of OOP on members of medical schemes
 - Product simplicity
 - DSP arrangements
 - Scheme rules
 - Protocols & formularies
- Reduce financial burden to members
 - Vulnerable groups (Those with disabilities, Women & Children)
 - Those with chronic conditions

Co-payment/Deductible/ OOP definition

- A **copay (or co-payment)**: A flat fee that you pay on the spot each time you go to your doctor or fill a prescription.
- A **deductible**: The amount you pay for most eligible medical services or medications before your health plan begins to share in the cost of covered services.
- **Coinsurance** : A a portion of the medical cost you pay after your deductible has been met.
- **Out-of-pocket** : Maximum is the most you could pay for covered medical expenses in a year. This amount includes money you spend on deductibles, copays, and coinsurance.
- **OOP** : Difference between what is charged by the provider and what is paid by the scheme

Types of Co-payments

- Reference price co-payments
- Charges above scheme rates
- Non-DSP co-payments
- Benefit design co-payments include all co-payments that result from the application of benefit design rules, excluding charges above the scheme's reimbursement rate.
- Set co-payments applicable to specific benefits: Predetermined co-payments, in the form of a fixed percentage or value, can be applied to selected benefit types.

Mediscor (2019)

Personal Medical Savings Account (PMSA)



- **Regulations states** :the conditions under which a medical scheme may provide benefits in terms of a personal savings account ...;
- **Regulation 10 (6)** : the funds in a member's medical savings account shall not be used to pay for the costs of a prescribed minimum benefit (PMB).
- **A medical scheme may in its rules make provision for** : ...the allocation to a member of a personal medical savings account, within the limit and in the manner prescribed from time to time, to be used for the payment of any relevant health service.....

Funding from PMSA



What can be funded from PMSA

Non-PMB GP and specialist consultations and procedures
Acute medicine, including Pharmacist Advised Therapy (PAT) medicine
Eye care, spectacles, lenses and contact lenses
Dental services including orthodontic treatment (after your basic dentistry benefit has been exhausted)
Chiropractic services
Homeopaths, naturopaths, and osteopaths, including medicine
Chiropody and podiatry
Physiotherapy/Audiology
Speech and occupational therapy
Clinical psychology/ Dietitian services
Orthoptists and prosthetists
Social worker and other allied healthcare services

Anglo Medical Scheme (2021)

What cannot be funded from PMSA

Prescribed Minimum Benefit co-payments
Illegitimate claims (must be a claim for a relevant healthcare service according to the Medical Schemes Act)
Future-dated services
Chronic medication co-payments
Delivery fees
Services rendered by providers without a practice number
Scheme contributions
Travel costs, missed appointments

Optometry benefit

Between scheme effect

Sector effect

	% Paid from Savings	% of the paid amount not covered by the Scheme (OOP)
Open	83%	23%
Restricted	27%	13%
All	58%	18%

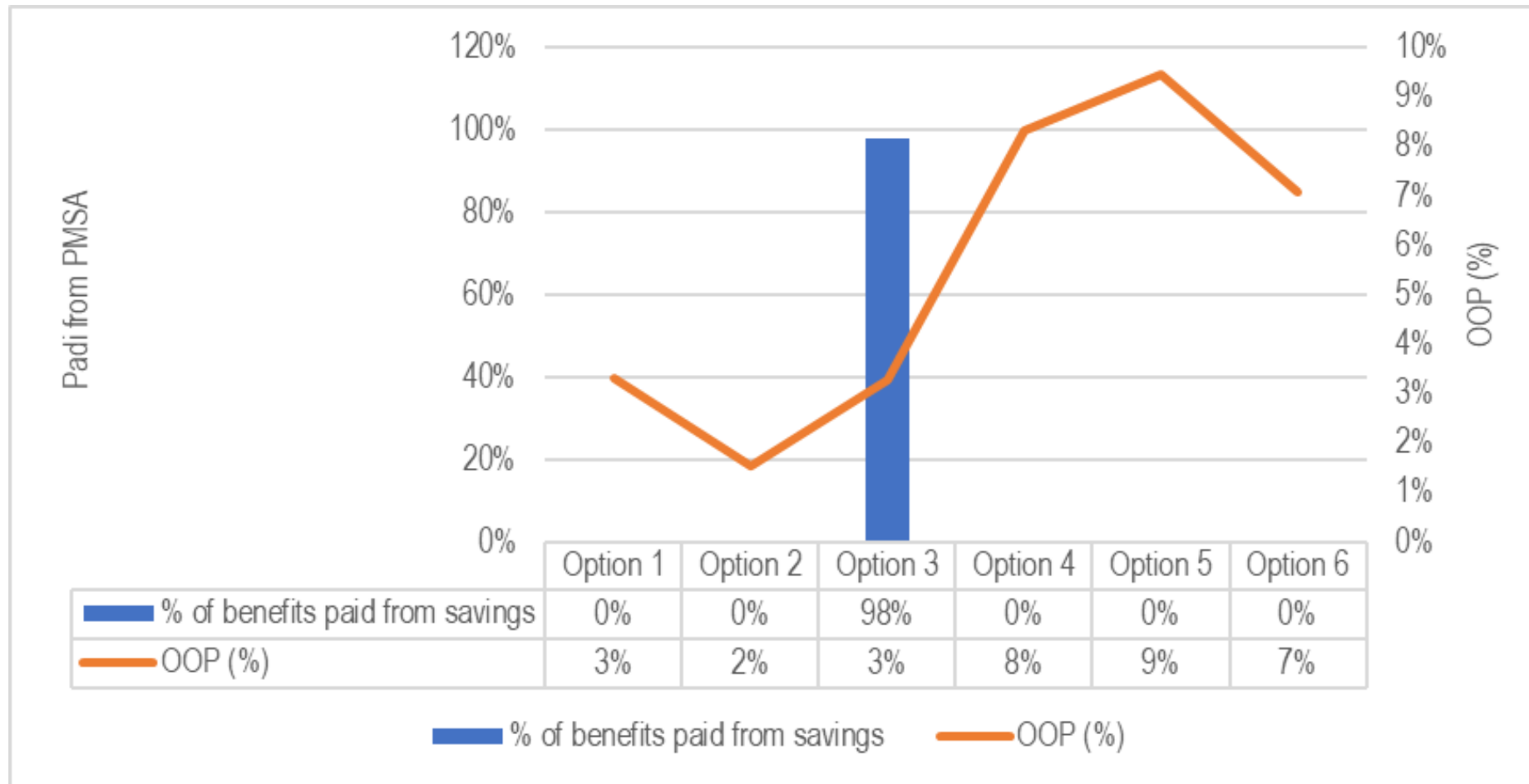
Size effect

	% Paid from Savings	% of the paid amount not covered by the Scheme (OOP)
Large	60%	19%
Medium	38%	16%
Small	31%	13%
All	58%	18%

Willie (2022)

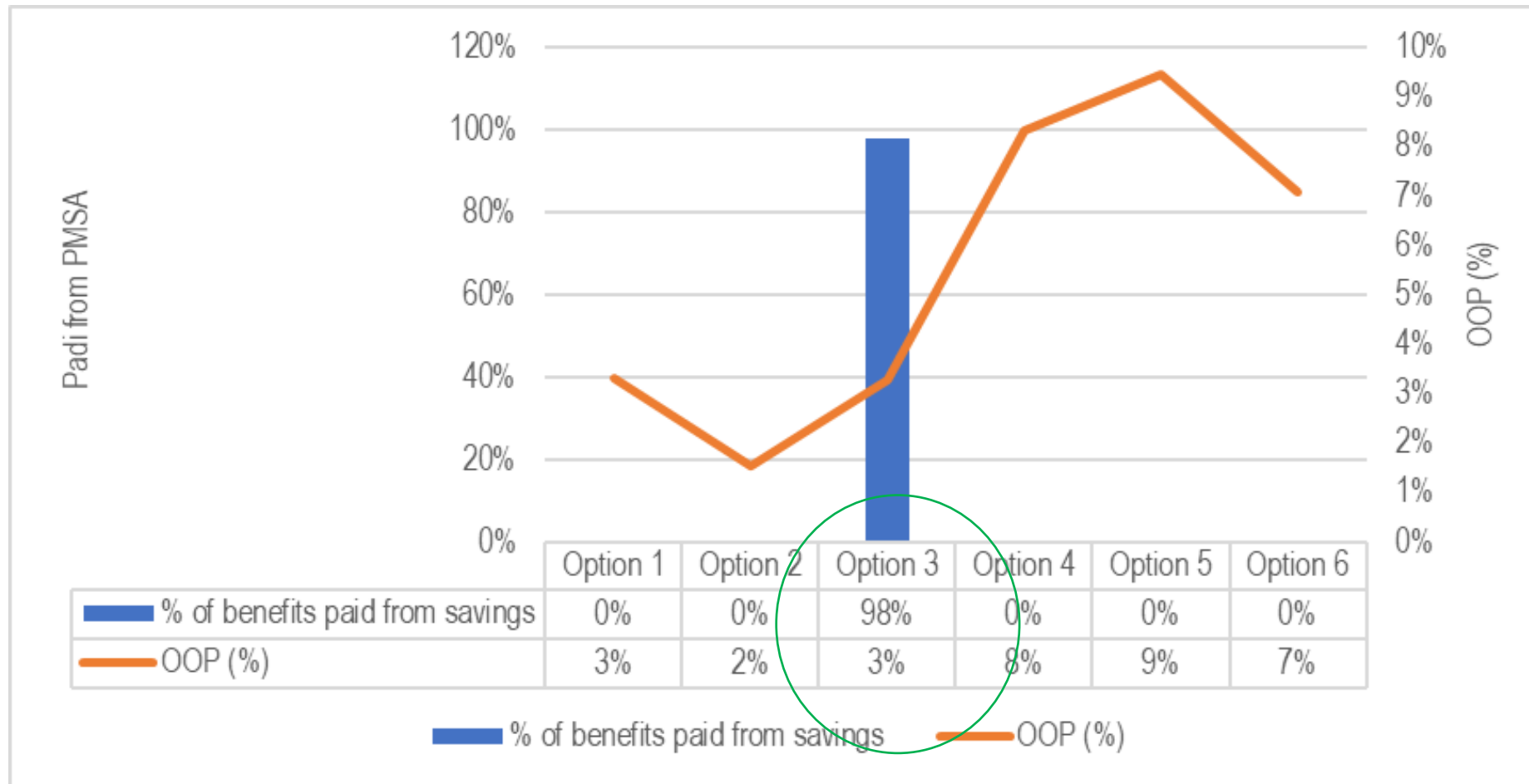
Scheme A optometry benefit

Within scheme effect

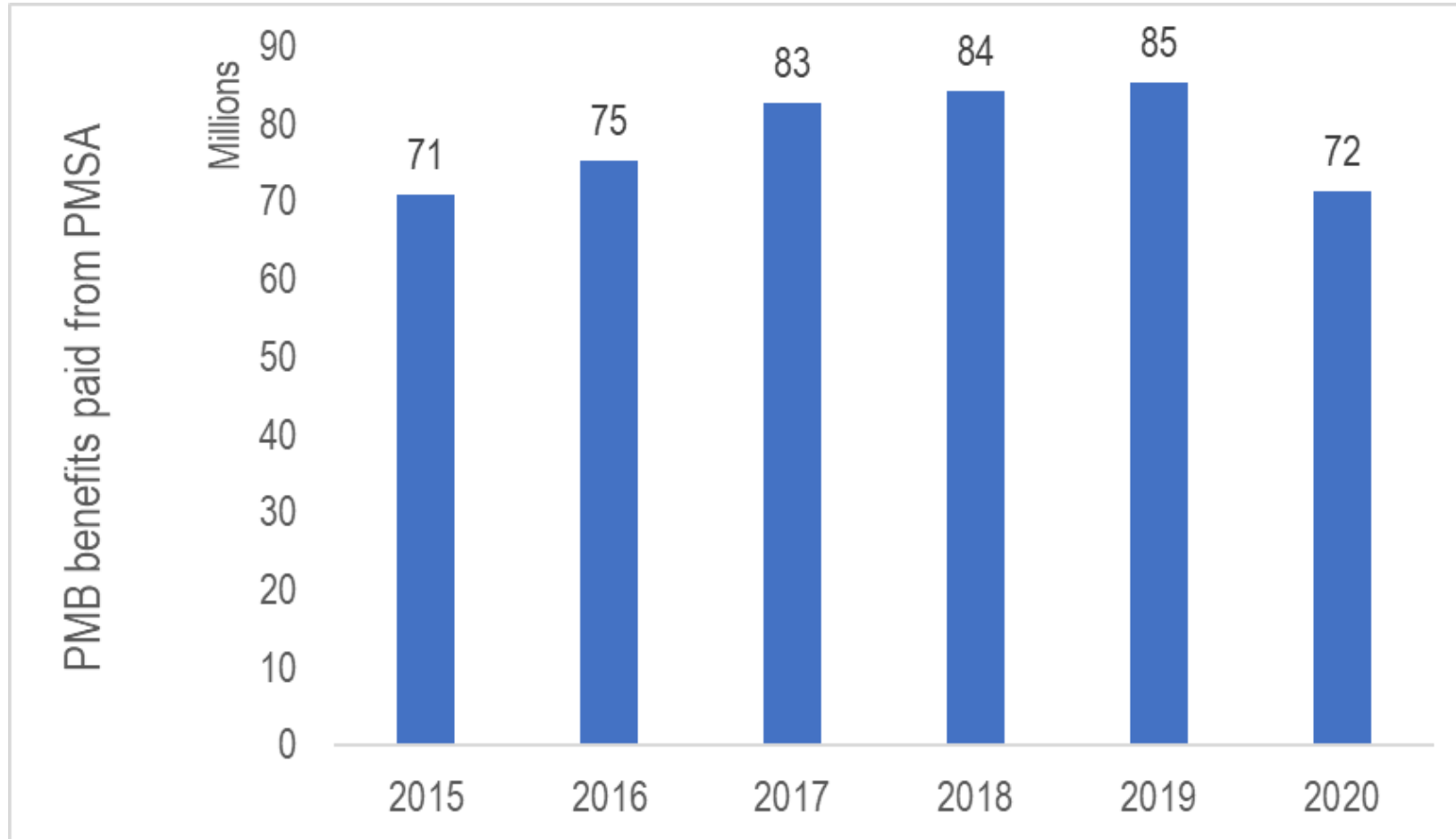


Scheme A optometry benefit

Within scheme effect



Funding PMBs from PMSA (2)



20 affected schemes

Administrator based

Possible system issues

Legacy issues that date
back to 2014

Effect to the members ?

Benefit option sustainability

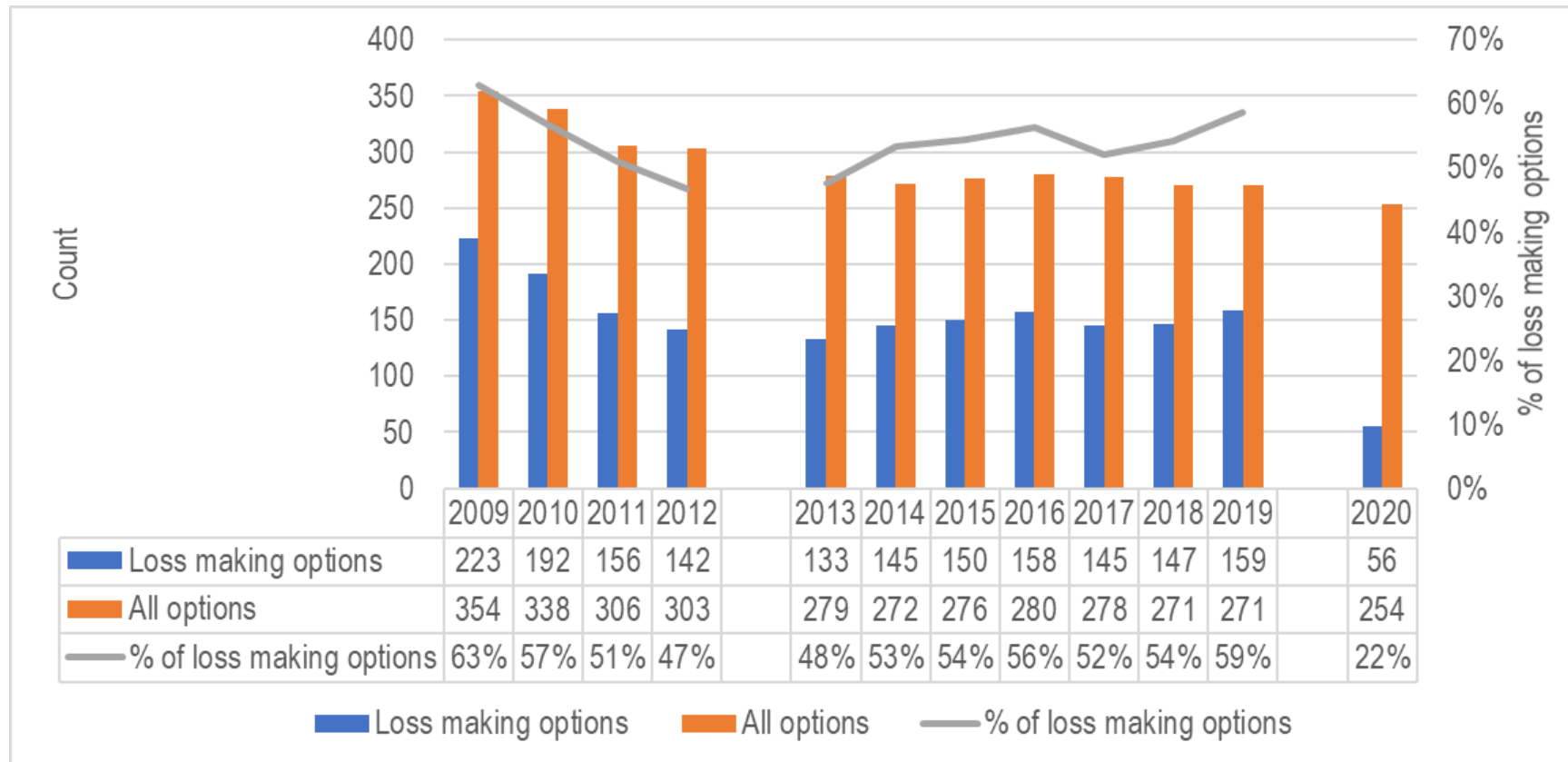
Section 33 2 (b):

“The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option—shall be self-supporting in terms of membership and financial performance”

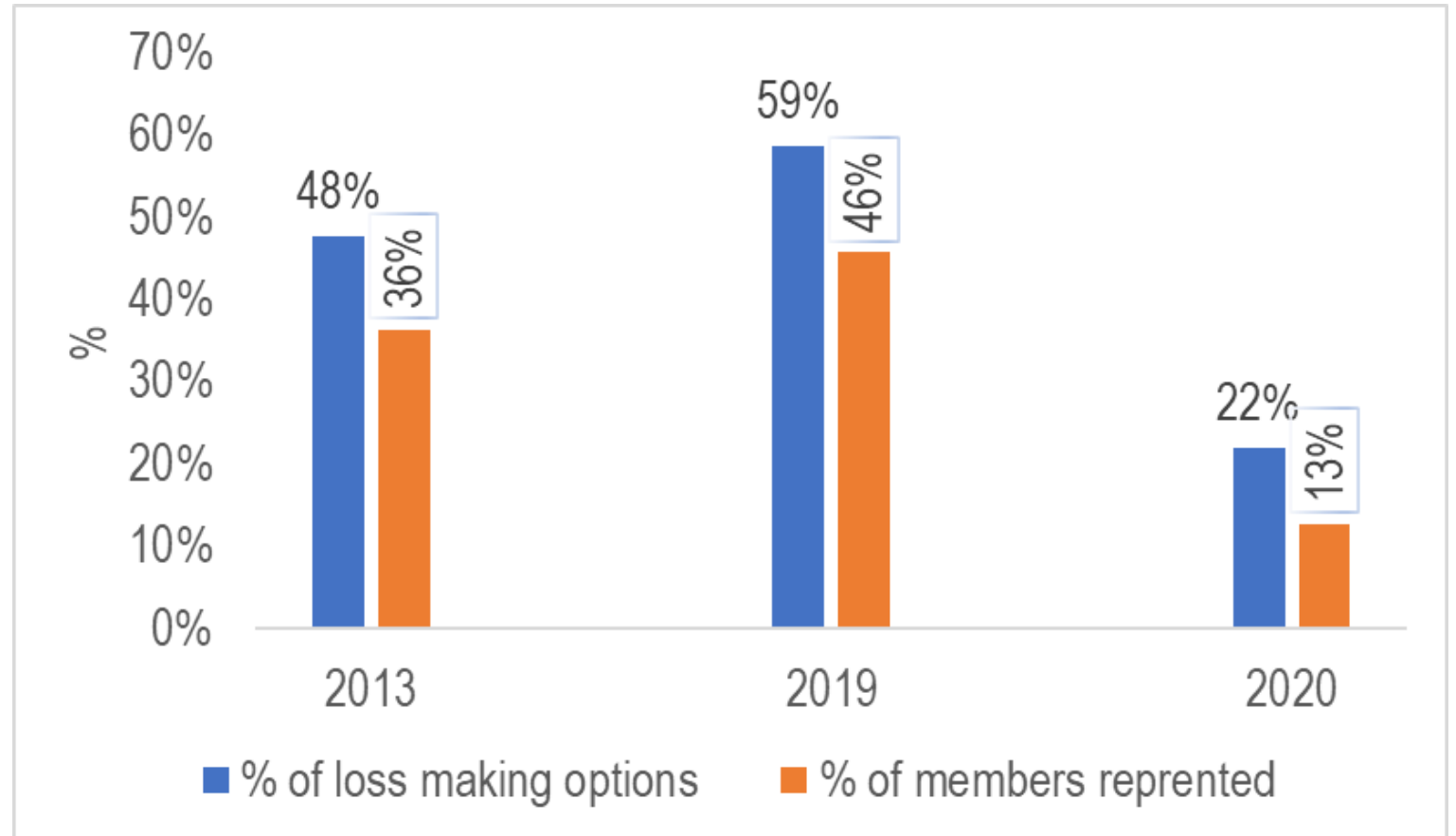
Benefit option cross subsidization:

“ The medium options are effectively cross-subsidizing the low and high options across all open medical schemes.” (DHMS, 2020)

Loss making options - trend



Loss making option- member impact



Concluding remarks

Key insights

- Cross subsidisation at option level is evident
- Funding disparities (Risk vs Savings)
- Inconsistency of model rule between schemes & within options
- Continued non-compliance to Reg 10 (6)
- Demonstrate value of EDOs vs slow growth

Key interventions

- Standardise benefit options
- Reduce OOP levels
- Invest in product training & development
- Member needs is key
- Review model rules & protocols
- Benefit enrichment
- Contribution increase be kept low or minimum

Accumulated funds and solvency levels :

44.6% at 31 December 2020.