

UNCOMPLICATING BENEFIT OPTION CHOICES FOR BENEFICIARIES

CMS. Pretoria. 14 February 2023.

The inability of medical scheme beneficiaries to choose optimally is at the centrifugal discussion of the current South African healthcare environment. Medical schemes' beneficiaries as it were, need to be at the centre and not at the periphery of health financing decisions.

Great choices are based on choice environments that nudge consumers to optimal choices (Thaler et al., 2010). This assertion is to a larger degree vindicated by the [Competition Commission's Health Market Inquiry \(Sept 2019\)](#).

The Collins Dictionary refers to the expression 'spoilt for choice or spoiled for choice' as being in a position (of privilege) where one has a great many things of the same type to choose from – more like an ideal pick-and-choose type of a situation. But this is not always the case, especially, when choosing a health benefit option concerned. The greater the set of choices, the more confusing it gets for beneficiaries according to a study conducted by the CMS.

This dilemma of choice is mapped-out in *Chapter Eight of the South African Health Review (SAHR) published in 2019 – titled 'Optimising Beneficiary Choices: standardisation of medical schemes benefits options*. The Chapter is a collaborated analysis outcome penned down by researchers from the Council for Medical Schemes (CMS) and the Department of Economics of the University of Pretoria.

Using data from the CMS, it was found that patterns in utilisation and demographic variables were not predicting group membership (groups of selected options). Other than confusing aspects in the market such as co-payments, levies, and deductibles, the 'inability to choose optimally' has been singled out as one of the key non-health price barriers impacting beneficiaries' benefit option choices. Overall, the outcome of the analyses suggested that beneficiaries were confused by too many benefit options. This is because choice sets in the market were too many, not the same and information around them was equally not accessible or understood. This tended to be an undesirable situation that often led to beneficiaries making choices reliant on incomplete information.

The concern over the proliferation of benefit options and their implication on choice complexity, goes back to years before the national talk of consolidation of medical schemes through the introduction of National Health Insurance in South Africa. But concerns over the proliferation caught the attention of the drafters of the National Health Insurance White Paper published in 2015, as a policy issue that needed attention. The White Paper informed that the proliferation was the cause of market fragmentation and was responsible for impeding beneficiaries' ability to determine prices on the supply-side and hampering the achievement of economies of scale.

In 2019, the issue also received the spotlight in the Competition Commission's Health Market Inquiry (HMI). The Inquiry's finding on the matter was that beneficiaries found it difficult to differentiate benefit options from each other. In fact, members seemed to be using affordability as a rule of thumb than choosing benefit options based on their health needs.

From these two important documents, the bottom line was unambiguous – too many benefit options in the market were cumbersome and complicating things for beneficiaries. Thus, it rendered the choosing exercise more complex and less obvious.

To alleviate the choice complexities beneficiaries faced when choosing benefit options, the researchers called for the provision of consumers with a common set of decision-making tools and information. This policy mix is envisaged to be included in the standardisation of benefit options and the establishment of Health Insurance Exchanges (HIXs) with common information sets on health financing vehicles for health insurance enrollees.

The HIX platforms are widely used in the United States (US) and are a distinct feature of the Obamacare health policy. The standardisation of health insurance options is distinct feature of the so-called Obamacare Health Insurance Exchanges. With standardisation in place, beneficiaries would be exposed to the same information, and in return, it is expected to strengthen market stability and eliminate market uncertainty.

The health policy agenda in South Africa was one cast on having a single National Health Insurance (NHI) fund that purchases an essential minimum package. Further to this, the study recommended for the CMS to collaborate with medical schemes and conduct a market segmentation survey to better understand why beneficiaries choose benefit options the way they do.

Accordingly, the study is off the timely view that this will provide psychographic information on beneficiaries by market segment -thus assisting in creating a choice architecture environment that optimises choice and gives meaning to being spoilt for choice through benefit option standardisation and simplification.

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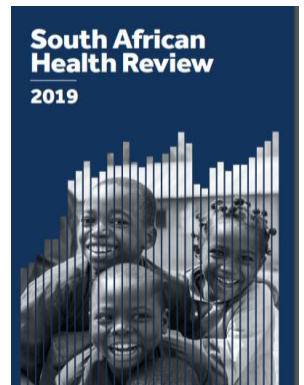
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