



Reference: Low-Cost Benefit Option (LCBO) Guidelines and Recommendations  
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## **Circular 13 of 2023: Update on the status of the Development of LCBO Guidelines**

### **Purpose**

This circular aims to provide an update on the status of the LCBO development guidelines and to provide indicative timelines for finalisation and submission to the Minister of Health for consideration and approval.

### **Background**

The concept of benefit options targeted at low-income earners dates back over two decades. In 2001, the Centre for Actuarial Research (CARE) of the University of Cape Town conducted a study titled "Low-Cost Options in Medical Schemes, the Need for Low-Cost Options, and an Analysis of Benefit Designs" which was supported by the Council for Medical Schemes (CMS). The study recommended that the next generation of low-cost benefit option designs should consider the following:

- Hospitalisation is offered in differential amenities in a public hospital.
- Specialist services in a public hospital.
- Primary care providers offer chronic medicine in public hospitals or with a strict formulary.
- Primary care is offered in private sector capitated networks.

The study further recommended contributions for a family of four earning less than R4 000 per month to be in the order of R500 per month, or lower, to satisfy the goal of affordable healthcare.

### **Low-Income Medical Scheme (LIMS) process**

The second noticeable attempt was the Low-Income Medical Scheme (LIMS) industry-wide consultative process conducted in 2004/2005. The Ministerial Task Team on Social Health Insurance launched the LIMS consultative process in 2005 to gain various stakeholders' insights on extending medical scheme coverage to lower-income formal sector workers. The main recommendations from the LIMS process were that LIMS should be open to any formal sector employee and/or self-employed person who earns less than R6 500 per month, in 2005 monetary terms, and their dependents. The LIMS report also suggested that employers and employees should each make a 50% contribution to the premium and that the government should subsidise LIMS membership contributions. Regarding

the benefits package, the proposed LIMS minimum benefit package focused on acute and some chronic outpatient or ambulatory care. Members were expected to obtain in-patient care from public hospitals and PMB coverage would be limited. The benefits package and model that LIMS proposed were never put into action.

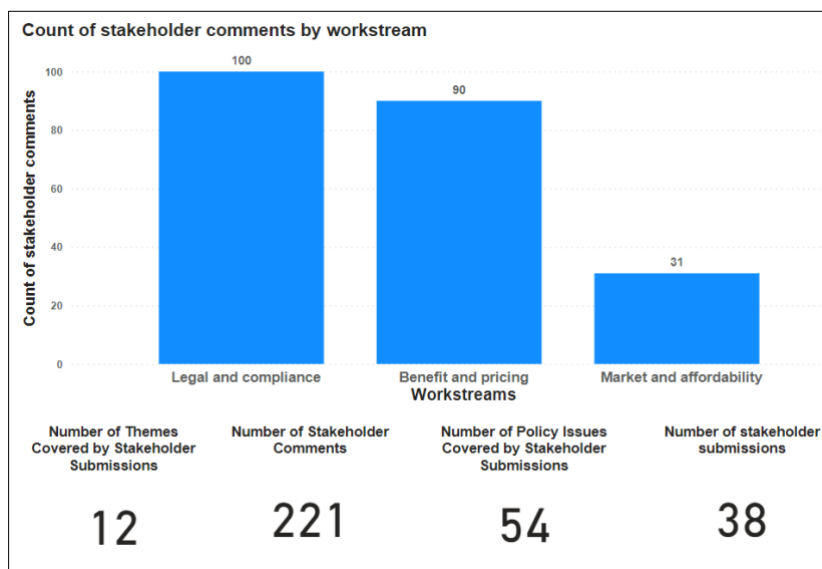
## 2015 LCBO Guidelines

In 2015, the idea of LCBOs was re-examined. Circular 54 of 2015 outlines a framework and guiding principles that would permit the introduction of LCBOs within the medical schemes industry. The published framework was not considered or approved by the Minister of Health because it did not address other priority areas of the health system, and the benefits package was lacking in that the scope of benefits included was deemed to not adequately address the target population's burden of disease among other reasons.

## 2020 – 2022 LCBO Stakeholders Consultations & 2023 LCBO Guidelines

In August 2020, the CMS published Circular 56 of 2020, which outlined the outcomes of the consultative process with key government departments, regulatory entities and industry stakeholders. The key government departments and regulatory entities included the National Department of Health (NDoH), National Treasury (NT), Financial Sector Conduct Authority (FSCA), and the Prudential Authority (PA). The industry stakeholders included medical schemes, administrators, managed care organisations, insurers, brokers, and related service providers. Through these consultative engagements, three advisory committees supported by technical workstreams were established by the CMS and worked on developing draft guidelines. The advisory committee's output, i.e. the Low-Cost Benefit Option (LCBO) Framework Report and Risk Assessment & Roadmap, together with the proposed LCBO guidelines, were published on Circular 53 of 2022 for public comment and input. At the request of stakeholders and other interested parties, Circular 57 of 2022 was subsequently issued, notifying the public of an extension for submitting comments.

A total of 44 submissions were received by the CMS. Of these, 38 have been analysed and the other 6 were general high level comments. Figure 1 below summarises the number of submissions, themes covered, and policy issues raised through the submissions.



**Figure 1: Summary of submissions made on circulars 53 and 57 of 2022**

The CMS believes all comments and inputs received be thoroughly evaluated and considered for finalising LCBO guidelines and recommendations, which is at an advanced stage. It is also crucial that appropriate policy options presented to the Ministry of Health are adequately evaluated and assessed to ensure they do not conflict with the MSA and the NDoH's policy priorities, especially in relation to the planned implementation of National Health Insurance (NHI). Emerging themes from stakeholder submissions were identified and are depicted in Figure 2.–The enablement clauses relate to all regulatory factors needed to enable the implementation of LCBOs, regulatory regimes, and benefits packages as the prevalent thematic areas.



**Figure 2: Stakeholder comments - thematic areas.**

The CMS established an Internal Working Committee consisting of key business functions to provide further inputs on the recommendations of the Advisory Committee. The purpose of the Internal Working Committee was to provide an independent and informed view on industry issues to the Minister of Health as per Section 7 (a) and (g) of the MSA. Table 1 depicts an update of key activities, deliverables, and the roadmap to finalising the LCBO guidelines.

**Table 1: List of activities and indicative timelines**

September – December 2022	November 2022	December 2022 – March 2023	March – April 2023	May – June 2023
<b>Circulars 53 and 57 of 2022 were published for public comments and input.</b>	Established an internal working committee to assess the advisory committee's output depicted in circular 53 of 2023.	Input received from internal business units and considered for the updated guidelines, which are at an advanced stage.	Legal framework and policy options analysis draft Stakeholder mapping analysis at an advanced stage	Consolidation of all the outputs and submission to the Council and Minister for the final policy position
			Finalisation of public comment analysis and report (end of April)	

The CMS is finalising the LCBO guidelines for consideration and possible approval by the Minister of Health. In completing the process, the CMS needs to ensure all inputs received from stakeholders and interested parties are accommodated and considered prior to finalising the LCBO guidelines, which are at an advanced stage. Lastly, the CMS supports the process to have synergy with other policy developments, such as the current PMB review process (focusing on the PHC package) and broader health system priority programmes such as NHI.

The guidelines will be submitted to the NDoH for the final policy position and way forward.

Yours sincerely,



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