Consolidation of medical schemes and benefit options

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Health Care Funding Challenges

- **Escalating costs:**(>CPI escalation of contributions)
- **Benefit Design of Medical Schemes:**(↑OOP, Exhaustion of benefits)
- **Prescribed minimum Benefits:** (Poor cross-subsidization, no price control and poor review of benefits vs technology)
- **Fees -for-Service:** (provider and member driven ↑demand)
- **Inequitable Health Care Financing:**(4.4% spent on 16% vs 4.1% spent on 84%)
- **Fragmentation of Pools:**(Private vs Public, Within private: 82 schemes, Within schemes: 280 options; Public: National, Province and Municipalities)- Limited cross-subsidization, unaffordability and unsustainability)
- **Out-of-pocket Payments:**(↑by 11,9% between 2013 & 2014)
- **Weak purchasing and financing system for the poor**: poor risk pooling and limited purchasing power

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Consolidation of Fragmented Pools

- **To reduce fragmentation** and to **maximize income and risk cross-subsidization,** the NHI will be single national pool of funds that will be used to purchase personal health services

- Once fully implemented, **NHI coverage** will include medical benefits currently reimbursed through the **COIDA, ODMWA and RAF**

- The state will identify all the funding for medical scheme contribution, **subsidies** and **tax credits** paid to various medical schemes eg **GEMS, Parmed, Polmed, Municipalities** and consolidate these into the NHI funding arrangement

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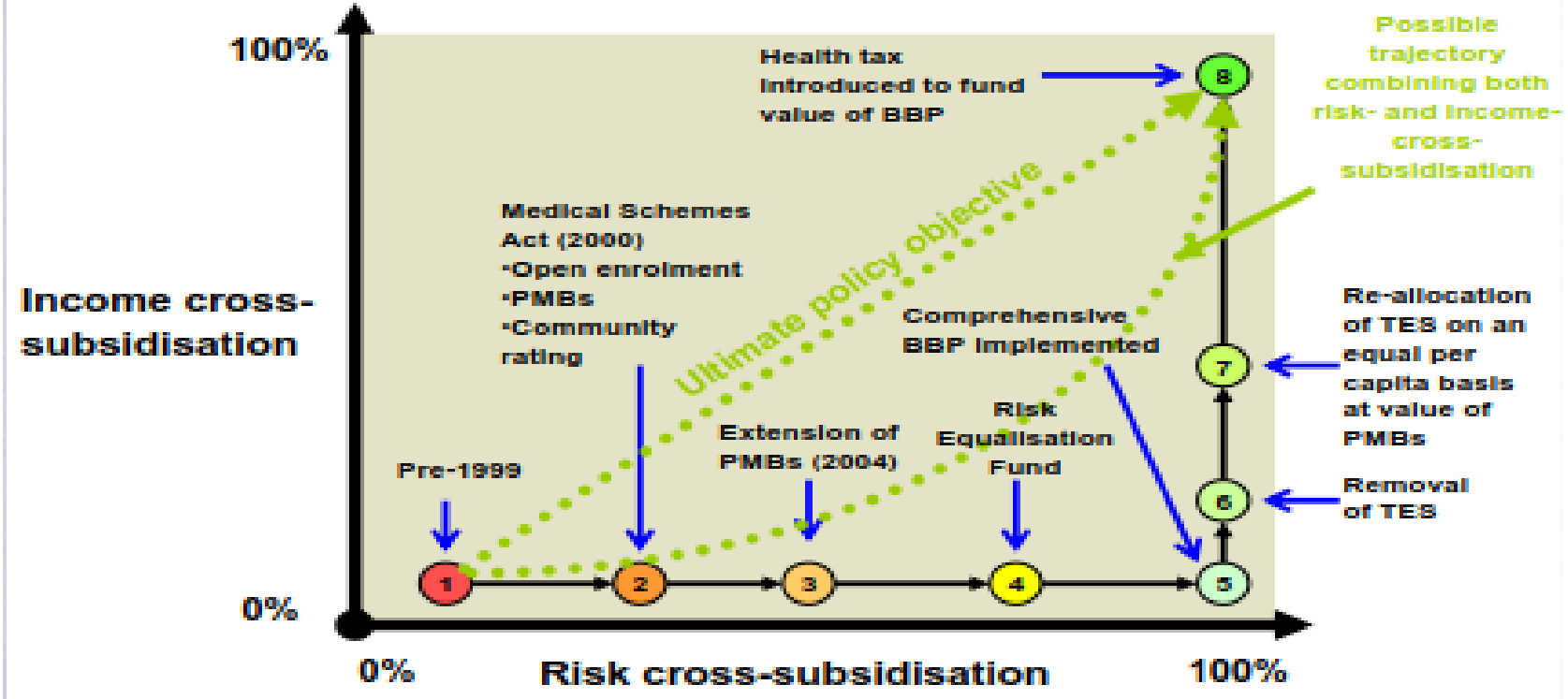
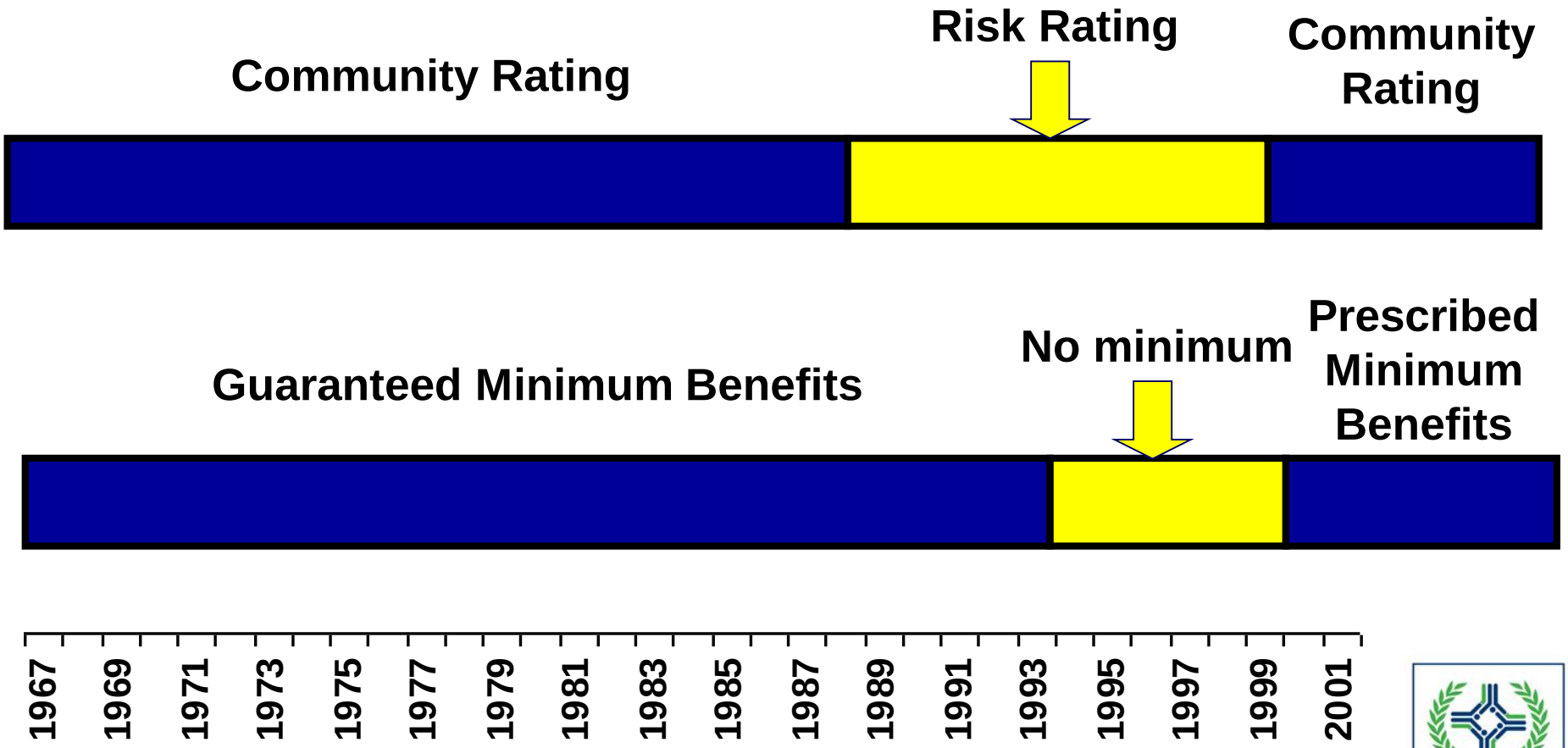
Moving towards meaningful risk pooling

Where to? Elements of cross-subsidisation.



Evolution of the Act



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Consolidation - UHC

The World Health Organisation (WHO):

"..***Large risk pools…. increase resource availability for health services****.....bigger the* ***share of contributions*** *that can be* ***allocated exclusively*** *to health services…*

*"****Fragmentation of the pool*** *– in other words, the existence* ***of too many small organizations…****weakens pooling. In fragmented systems, it is not the* ***number of existing pools*** *and purchasers that matters, but that many* ***of them are too small****." (WHO 2000)*

Table 1: Minimum Risk Pool Size[a] for Healthcare Providers to Accept Risk[5]

Recommended Minimum Number of Member Lives For Provider Organization Risk Acceptance	
Type of Risk	**Minimum Member Lives**
Primary Care Physician	500 - 1,000
All Physician Services	20,000 30,000
Hospital Services	60,000 - 100,000
All Risk	20,000+

Risk pool sizes

Very large = > 220 000 beneficiaries **(5)**

Large = > 65 000 beneficiaries, but < 220 000 beneficiaries **(13)**

Medium = > 15 000 beneficiaries but < 65 000 beneficiaries **(30)**

Small < 15 000 beneficiaries **(34)**

- Regulation 2 (3) = 6000 (31)?

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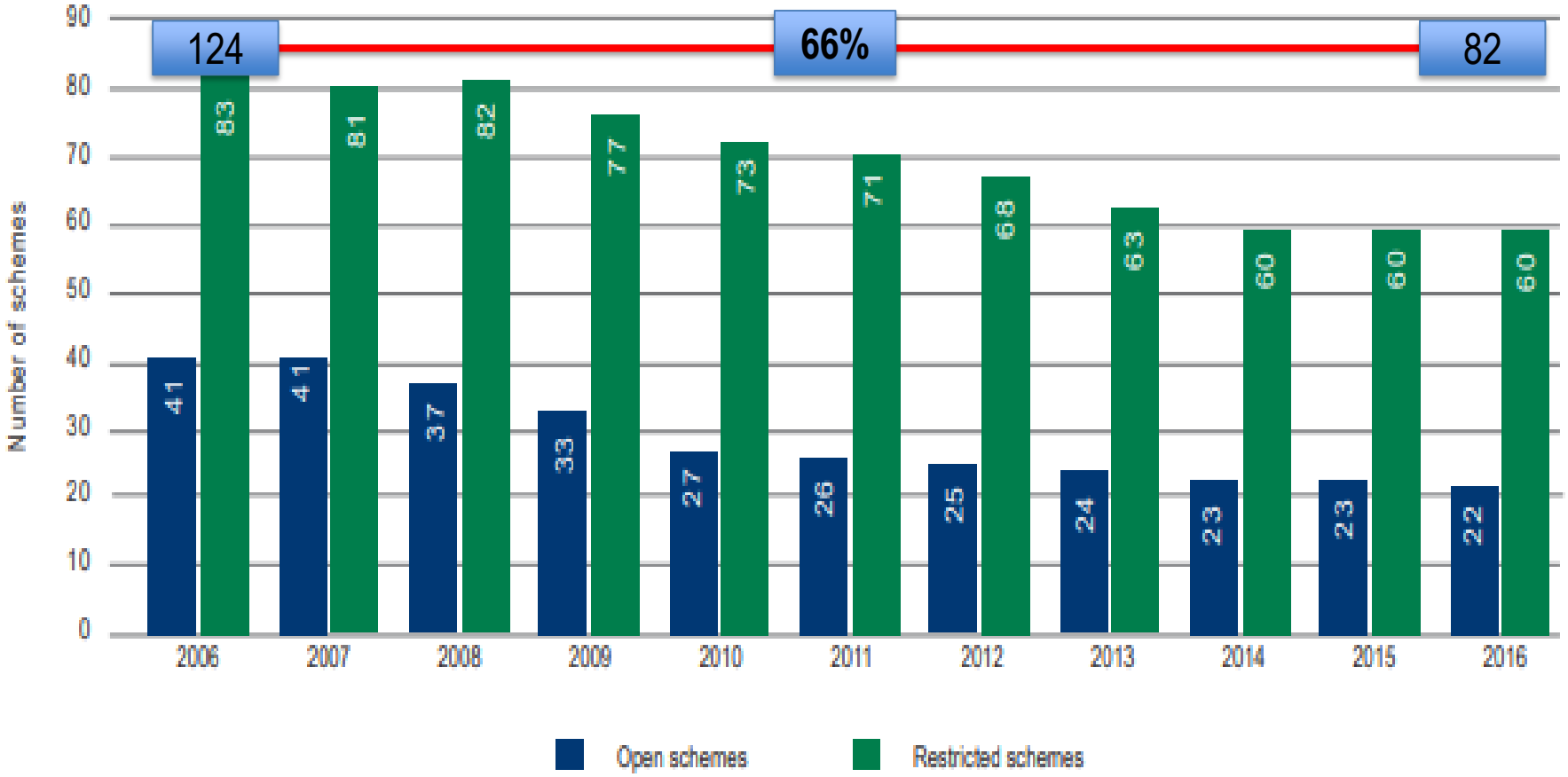
Number of schemes (2006-2016)



CMS Annual Report (2006-2016)

Number of schemes (1994-2016)

- Between 1994-2004:
  - **62** amalgamations
  - **7** deregistration (voluntary and involuntary)
  - **21** liquidations
- **Total = 90**

51% (1994 -2016)

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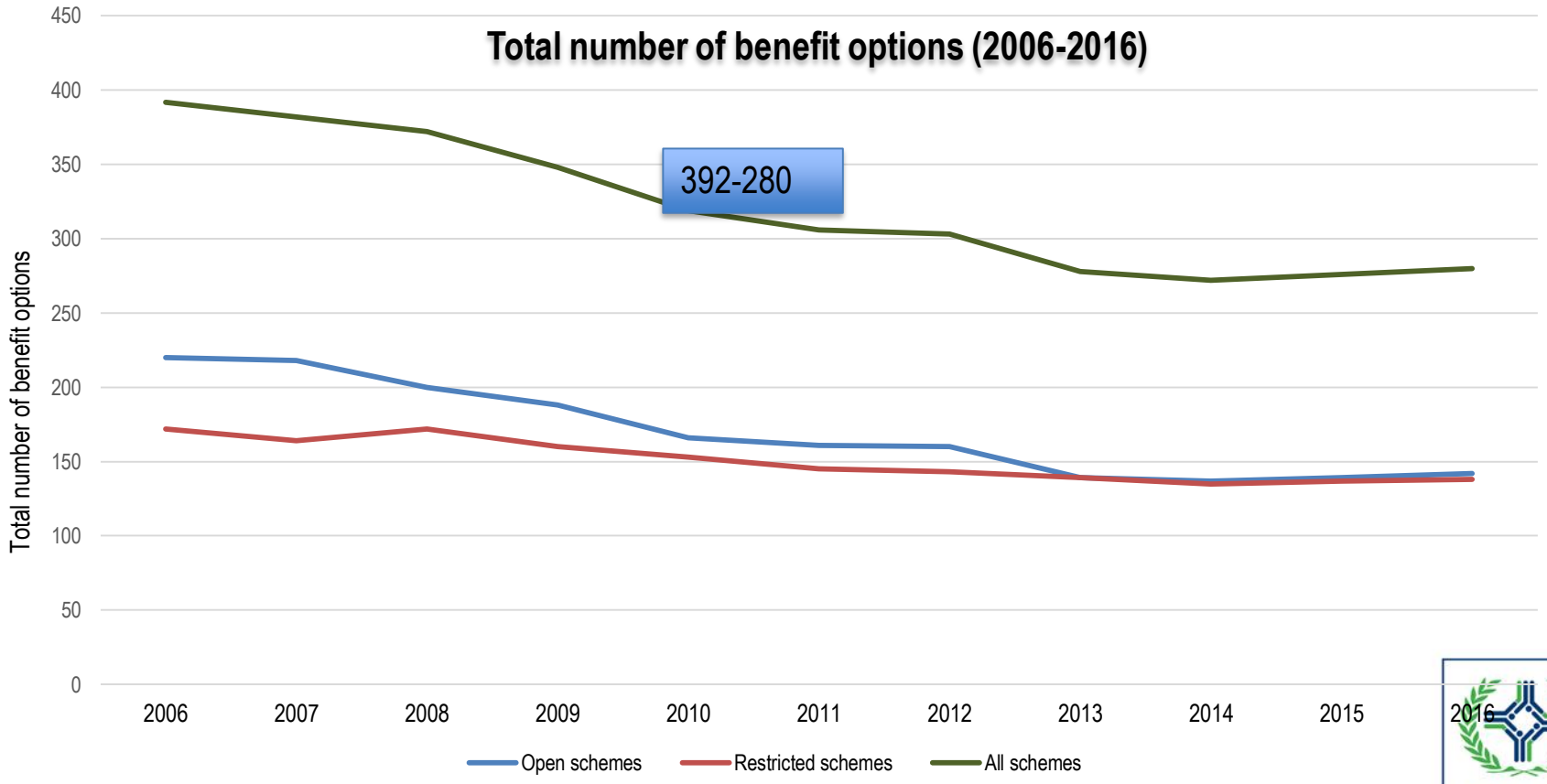
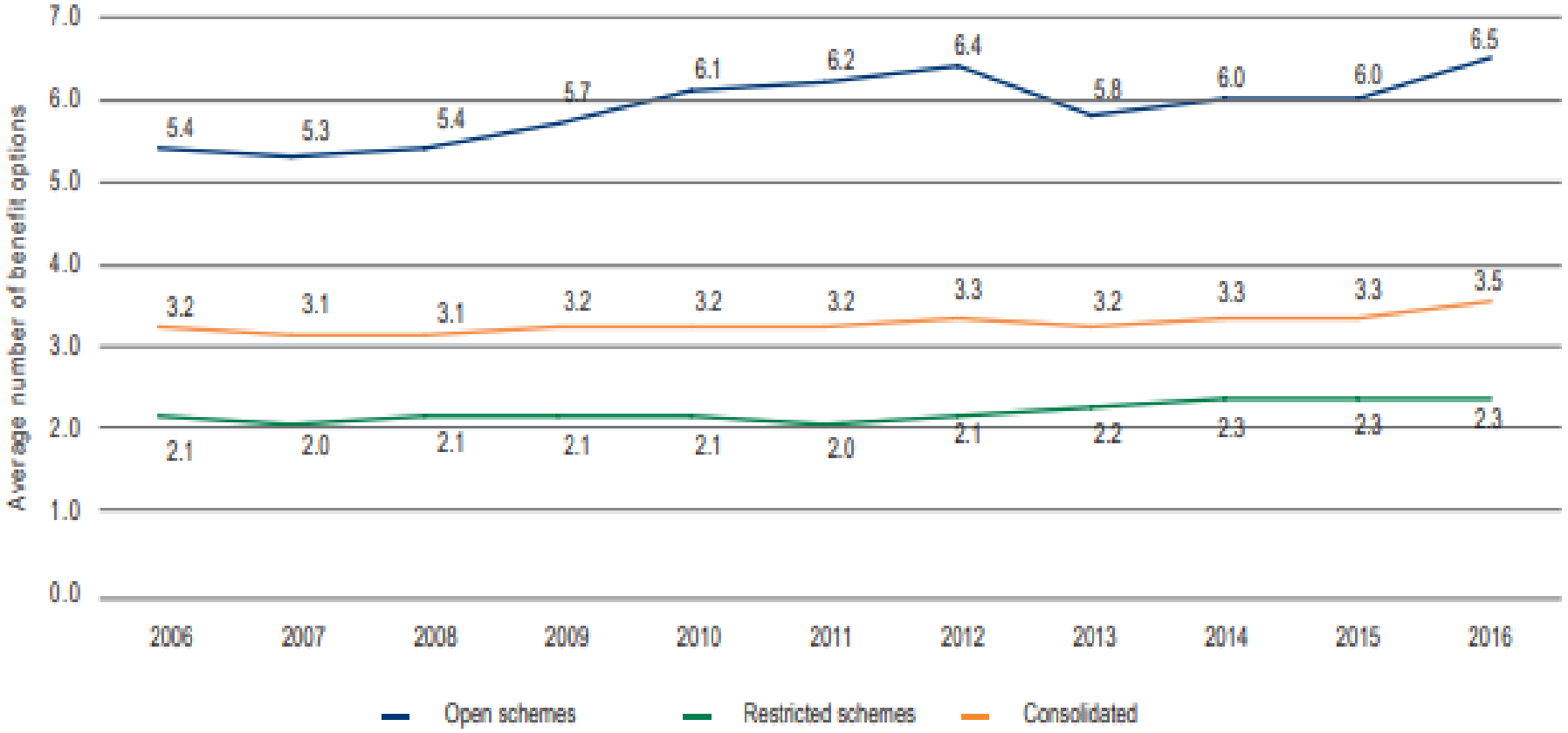
Current consolidation



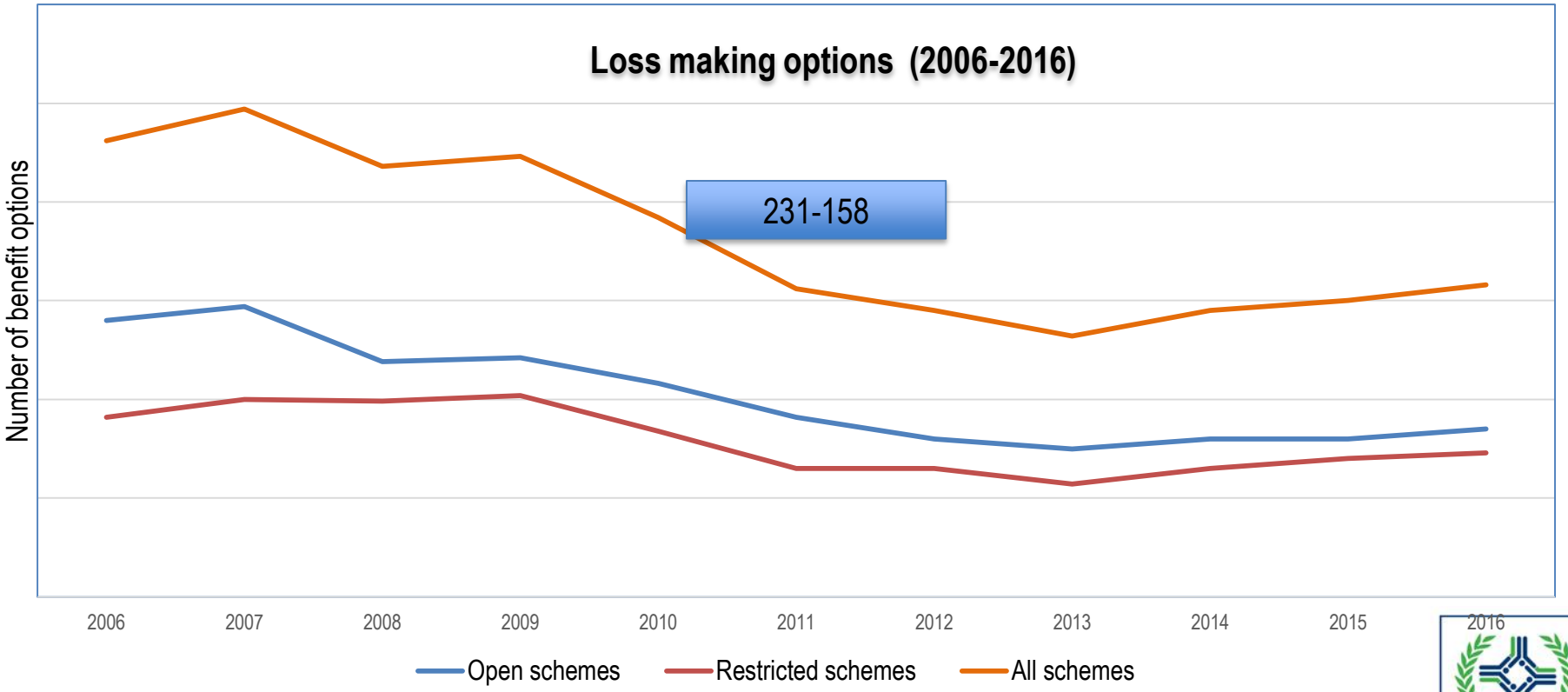
CMS Annual Report (2006-2016)

Average number of options (2006-2016)



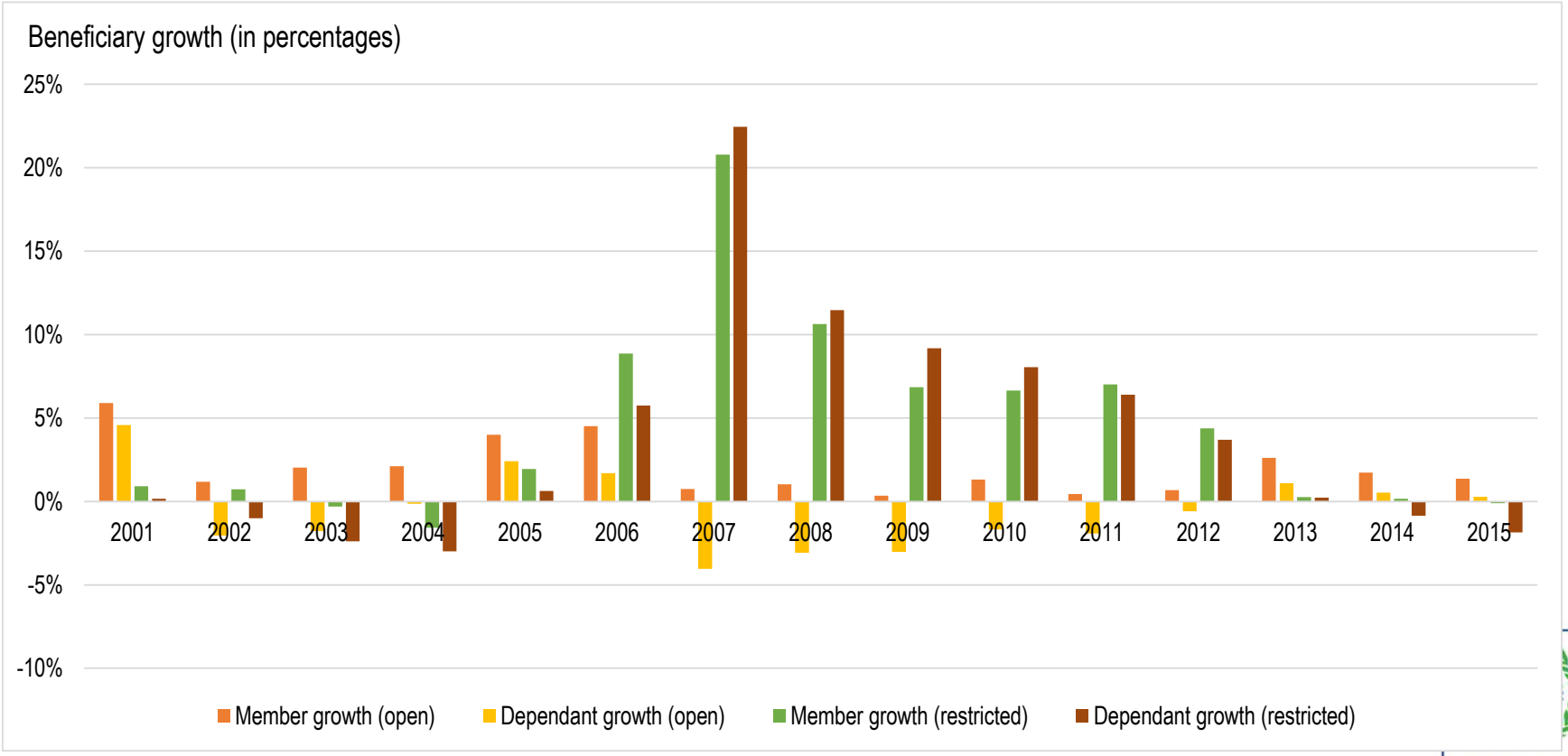
CMS Annual Report (2006-2016)

Current consolidation (2006-2016)



CMS Annual Report (2006-2016)

Growth in beneficiaries and dependants (2001-2015)



CMS, 2001-2015

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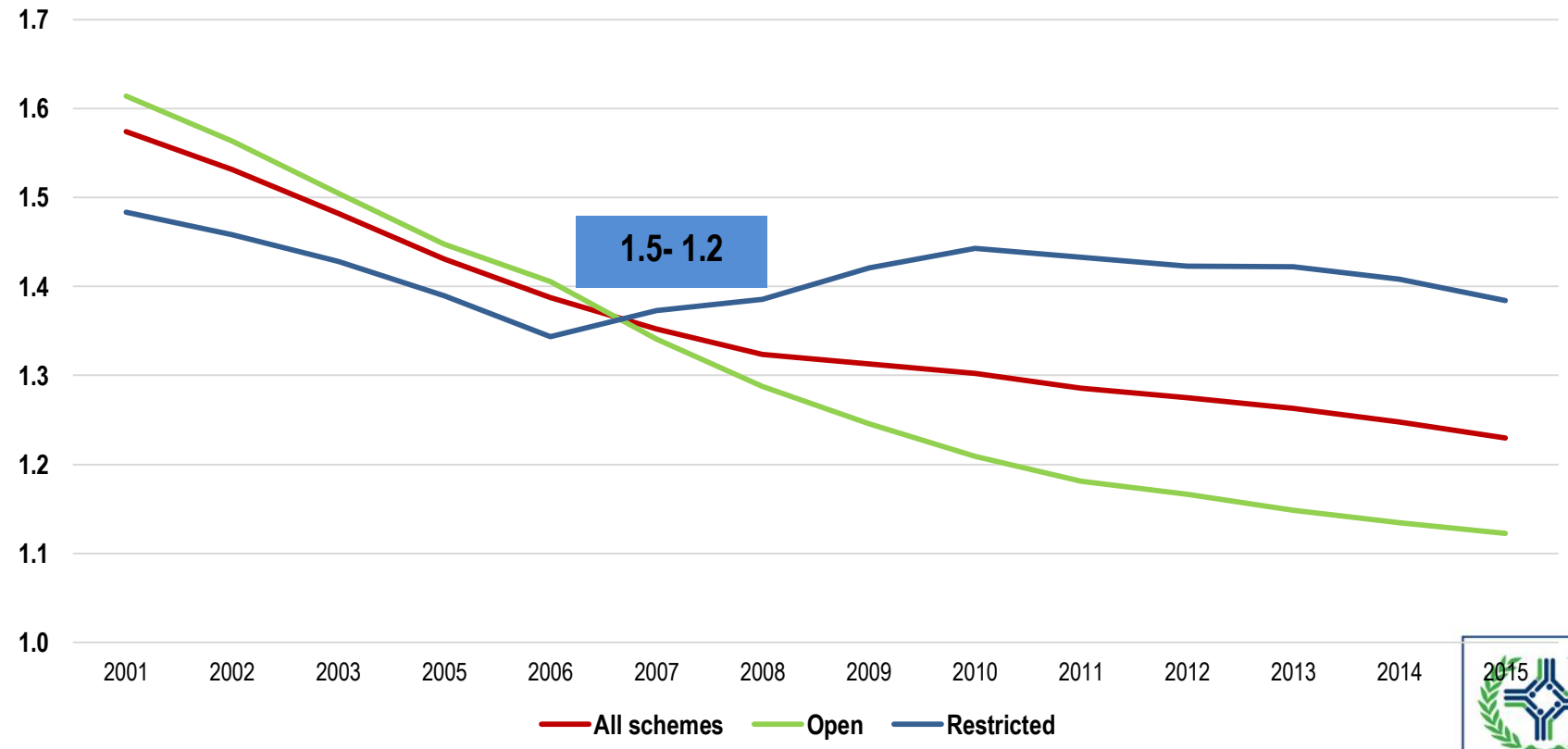
Total number of dependants per member (2001-2015)



CMS, 2001-2015

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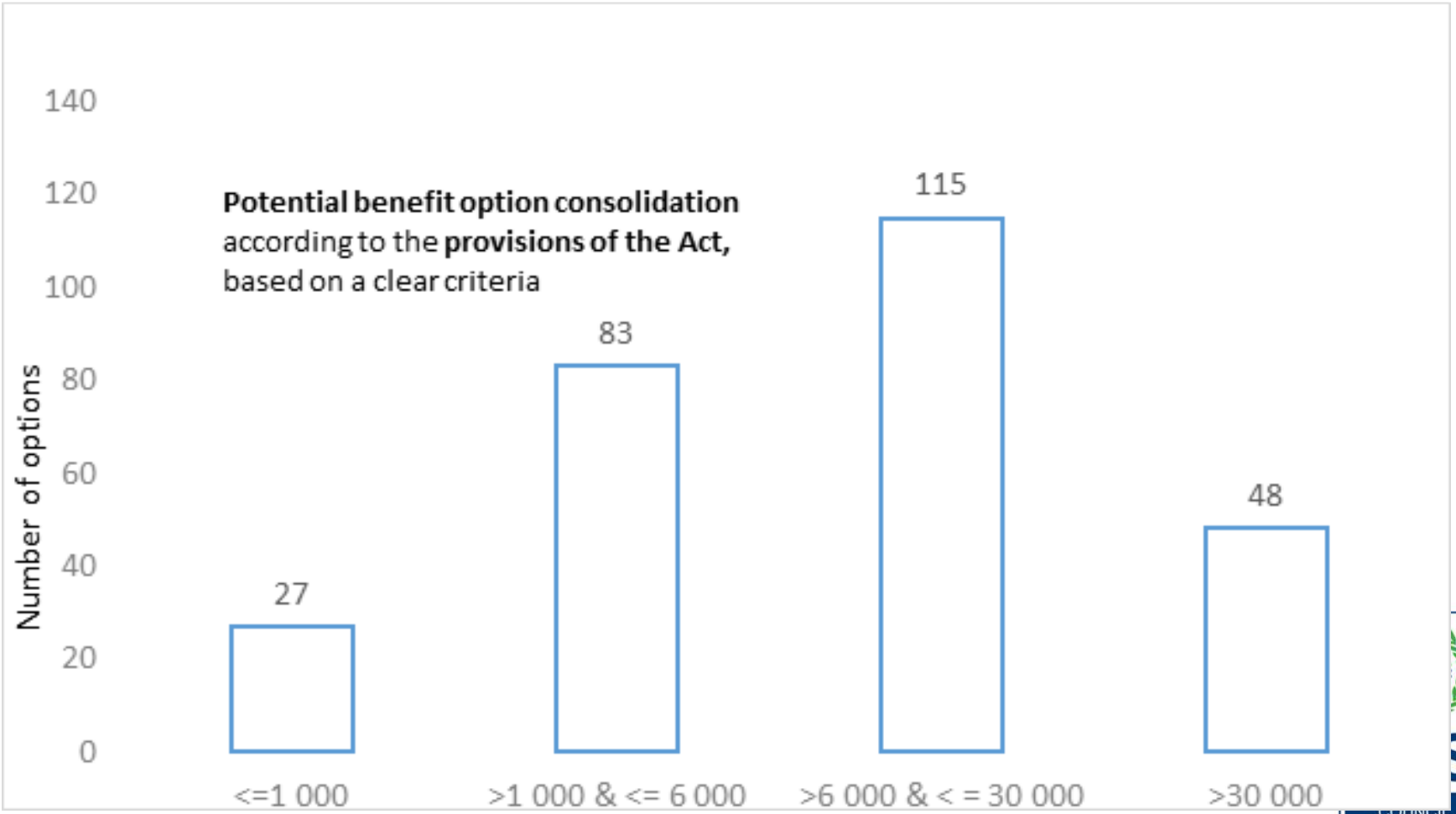
Number of beneficiaries within benefit options (2015)



List of schemes with membership < 6000 (2015)

Total number of schemes	31
Total number of benefit options	53
Total number of members	104 385
Total number of beneficiaries	228 435
Average age	43.7
Pensioner ratio	10.5
Solvency	84.9

Section 24 (2),Section 27 (1),Section 33 (1) (2) (4), Section 31, **Regulation 2 (3)** Regulation 4 (3) (4)

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All benefit option schemes with beneficiaries < 6000 (2015)

Total number of schemes	**46**
Total number of benefit options	**103**
Total number of members	**138 844,00**
Total number of beneficiaries	**262 333,00**
Average age	**39,6**
Pensioner ratio	**18,4**

Section, 7 (b) (f) (g) , Section 8 (j) Section 24 (2),Section 27 (1), Section 33 (1) (2) (4) (5) , Section 35 , Regulation 29, Regulation 4 Section 31,

Note: Some of these benefit options belong to the Regulation 2 (3) schemes whilst others do not, It is important to note that the interpretation of Regulation 2 (3) has to be in line with other sections and subsections that deal with expected financial performance and sustainability of the schemes and options

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Civil Servants Risk Pools (2015)

Medical Scheme	Members (Beneficiaries)	Average Age	Pensioner ratio	REF Shadow price / SRM
GEMS	671 215 (1 771 786)	29,9	5,4	R 545.90
POLMED	172 039 (492 221)	26,8	2,8	R 546,65
PARMED	2 443 (5 029)	48,2	28,9	R 1 260.04
SAMWUMED	38 664 (86 877)	30,7	3,4	R 658,30
TRANSMED	40 615 (68 008)	51,0	34,1	R 1 498.89
CONSOLIDATED	924 976 (2 423 921)	29,9	5,7	R 575.47

Research and Monitoring Unit - SRM data. CMS, 2015

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National Advisory Committee on Consolidation of Financing arrangements:

- Committee will **advise the Minister on strategies** to be followed in **consolidating current fragmented pools**.
- Advise on a **transition phase**, on **alignment of the benefits** covered through the **social security funds COIDA, ODMWA and RAF**
- **Amendments to the MSA** will be initiated as part of the **broad phased implementation**
- Schemes covering state employees will be consolidated into **one scheme**

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TOR's of the Advisory Committee on Consolidation of Financing Arrangements

Consolidation of funding streams into 5 transitional arrangements:

- The unemployed
- The informal sector (taxi, hawker, domestic workers)
- Formal sector employment (large business)
- Formal sector employment (small and medium sized business)
- Civil servants

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Analysis underway

- Proposed activities for **2017- 2019** financial year
  - In-depth technical analysis
    - Risk profiles
    - Financials (contributions, solvency, etc.)
    - Mergers and acquisitions work
    - Benefit option classification
    - EDO exemption framework
  - Consultative working paper on consolidation of risk pools for civil servants
  - Proposal and implementation plan

Way forward

- CMS issued Circular 51 of 2017:
  - Context to consolidation
  - Restructuring of health financing arrangements
- Legal process - MSA provisions
- NHI processes lead by DoH – CMS providing a supportive role
- Industry participation is important
- Committed to protection of beneficiaries

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