

**DEPARTMENT OF HEALTH****NOTICE 214 OF 2021****COUNCIL FOR MEDICAL SCHEMES  
MEDICAL SCHEMES ACT, No 131. of 1998****DECLARATION OF CERTAIN PRACTICES BY MEDICAL SCHEMES IN  
SELECTING DESIGNATED HEALTH CARE PROVIDERS AND IMPOSING EXCESSIVE CO-  
PAYMENTS ON MEMBERS AS IRREGULAR OR UNDESIRABLE PRACTICES BY THE MEDICAL  
SCHEMES, IN TERMS OF SECTION 61 OF THE MEDICAL SCHEMES ACT No 131. Of 1998**

In terms of section 61 of the Medical Schemes Act, (No 131. of 1998, the Registrar of Medical Schemes hereby:

- a) Publishes notice to declare certain practices as irregular or undesirable practices in relation to the activities of medical schemes.

**PURPOSE****1. Selection of dedicated service providers**

1.1 Chapter 3 of the Regulations in terms of the Medical Schemes Act, 1998 entitles a medical scheme to select healthcare providers as dedicated service providers to provide to its members diagnosis, treatment, and care in respect of prescribed minimum benefit conditions.

1.2 According to information provided to the Registrar, some medical schemes:

1. Unilaterally and without restriction, determine the criteria to apply when selecting their dedicated service providers (DSPs).
2. Select DSPs without engaging in a fair procurement process and without considering applications to join their DSP network from all interested and qualified service providers.
3. Thus, the abovementioned practice therefore unfairly limits the number of selected service providers (including pharmacies) available to provide healthcare services to the members.
4. Oblige members only to use only the selected limited number of DSPs or risk paying exorbitant co-payments.

1.3 Among other things, this practice has prevented many healthcare service providers, including independent community pharmacies, the opportunity to join the DSP network of such schemes even though they are willing and able to provide healthcare services at the same fee rate as the selected DSPs.

**2 Unfair penalty co-payments**

According to information provided to the Registrar, some medical schemes;

- 2.1 Specify in their rules the quantum of Regulation 8(2)(b) co-payments for pharmaceutical products which amount to penalty co-payments;
- 2.2 Calculated the penalty co-payments as a percentage of the total script dispensed by pharmacies which consists of the Single Exit Price (cost price) of the medicine plus the dispensing fee rate charged by the service provider pharmacy, which unfairly penalises members who do not use the designated service provider.

### 3 Declaration

Subject to written representations made by interested persons in response to the notice published on the 9<sup>th</sup> of June 2017, the Registrar may, with the concurrence of the Council for Medical Schemes and the Minister of Health, declare the following business practices as irregular and undesirable for all medical schemes. To this end, the Registrar declares the following practices as undesirable:

- 3.1 The selection by a medical scheme of a healthcare provider or group of providers as the preferred provider or providers to provide to its members the diagnosis, treatment, and care in respect of one or more prescribed minimum benefit conditions, namely as designated service providers without engaging in a fair procurement process which is fair, equitable, transparent, competitive and cost-effective. The Council shall publish guidelines on selecting Designated Service Providers (DSPs) for Medical Schemes within 180 days of publication of this notice.
- 3.2 Imposing a co-payment in terms of Regulation 8(2)(b) that exceeds the quantum of the difference between that charged by the medical scheme's designated service provider and that charged by a provider that is not a designated service provider of such scheme. This includes any other co-payments, which are unfair to members or beneficiaries or cannot otherwise be numerically justified. The Council will publish guidelines on co-payments within 180 days after the publication of this declaration.