

### ***The labyrinth of low-cost medical benefit options***

“Healthcare policy that would enable more affordable private cover has been in the doldrums for years now. The insurance industry stepped into this unregulated space nearly two decades ago with health insurance, but government wanted this cover to be offered by medical schemes only,” wrote **Paul Cox** in ***Business Day*** (16 September 2022).

“An increasing number of medical schemes are looking at low-cost or affordable health insurance products for growth,” reported **Fin24** (29 July 2022)

Google ‘*Low-cost medical benefit options*’ and you find yourself in a labyrinth, overwhelmed by a variety of products, difficult to choose from. They range from products by insurance brokers to affordable cover plans by medical schemes, including well-known names like Discovery, Momentum, Netcare, Affinity Health, Dis-Chem and a dozen others. Retailers and banks have also jumped on this bandwagon.

#### **Here are a few examples:**

\***Momentum’s** low-cost medical insurance, *Health4Me*, has grown members from 17 730 in 2012 to 153 374 in 2021, a compounded annual growth rate of 24.3%.

\*In March, **Discovery**, which began by selling doctor consultation vouchers in 2020, announced that it was offering primary care health insurance for about R350 a month.

\***Medshield** plans to use its new “authorised financial service provider” status to introduce complementary medical insurance products to its offering, like low-cost benefit options.

\***Sanlam** launched a new business, *Sanlam Health Solutions*, to focus on primary health and other complementary medical insurance products to serve the part of the population that cannot afford medical scheme membership.

\*Retailers and banks, including **Dis-Chem** in partnership with **TymeBank**, also sell medical insurance. These insurance products usually include GP visits, basic blood tests, basic radiology and sometimes hospital cash-back benefits too.

\***Oyi**, a prepaid medical card which, as a Mastercard debit card, is accepted by all healthcare providers in SA.

\* Several ‘**hospital-at-home**’ packages (Discovery) offer more affordable medical care. Bonitas claims that average hospital stays costs R45 000, compared to the hospital-at-home costs of about R15 000.

### ***The latest product (CMS Circular 53)***

The latest ‘product’, published as a draft report on 15 September (Circular 53) by the **Council for Medical Schemes (CMS)**, requests public comments on Low-Cost Benefit Options by 7 October. The LBCO allows medical schemes to offer cheap, pared-down packages limited to basic primary healthcare services. This product could cost as little as R130 a month and would enable at least 2.3-m low-income workers to enter the market, reported ***Business Day*** 16 September 2022).

This CMS report follows more than seven years after government tasked the CMS in 2015 with “developing a legal framework to enable medical schemes to offer LCBOs exempted from providing the full, costly suite of benefits stipulated by the Medical Schemes Act”.

However, the framework includes an exemption from provisions in the Medical Schemes Act that require schemes to provide cover to all its beneficiaries for Prescribed Minimum Benefits (PMB)s. The legality of such an exemption will have to be tested in court.

The release of the CMS report was speeded up by the Board of Healthcare Funders' (BHF) successful legal attack (August 2022) on the CMS accusing it of delays in implementing cheap, pared-down benefit packages aimed at low-income workers.

Meanwhile, a final extension of the exemption period (31 March 2024) has been granted for insurers conducting the business of a medical scheme. This follows a committee, set up in 2020 to study whether life insurers could be allowed to sell indemnity plans. This committee has yet to release a report.

At the moment life insurers – who wants a level playing field in the health space - are only allowed to sell fixed-benefit health plans, which offer a lumpsum benefit on diagnosis and ailment. However, these insurers want to sell cashless and reimbursement health policies as well. If life insurers were allowed to sell indemnity plans, clients will have more than 24 indemnity health plans to choose from - reported **Money Control** (19 Feb 2021).

Globally, life insurers are allowed to sell all types of health insurance products.

### **SAPPF's view on LBCOs**

During a discussion at the latest Board of Directors' meeting (29 September 2022) the following points were made:

The proposed CMS package was primary healthcare driven and will not include hospital cover, specialist care or optometrist visits. It seems to be aimed at entry-level medical schemes. Although it covers some PMB's, it mostly overrides existing PMB's.

The package should not affect specialist disciplines (SAPPF-members), but it is aimed at people earning less than R3 000 per month.

However, as it does not allow for disciplines like optometry and certain PMBs, SAPPF should submit a response to the CMS.

### **Also read:**

**Paul Cox: SA needs more competition in provision of low-cost health benefits** - *BusinessDay* 16 September 2022

<https://www.businesslive.co.za/bd/opinion/2022-09-16-paul-cox-sa-needs-more-competition-in-provision-of-low-cost-health-benefits/>

### **CMS hopes to finalise low-cost medical aid laws in 2023**

During the presentation of the medical schemes industry report, CMS executive manager for research policy and monitoring, Michael Willie, said the regulator expected to finalise all public engagements on the low-cost benefit option (LBCO) regulations this December and make its final submissions to the Health Minister in the first quarter of 2023. – *Fin24* (21 October 2022)