

Summary of Medical Scheme News

The Health Squared saga

Moneyweb reported on 24 August that the Council for Medical Schemes (CMS) was in talks with seven other medical schemes to take on affected Health Squared members.

“The CMS said it has taken this action to protect the interests of members of Health Squared. It encouraged Health Squared members ‘to avoid panic-inspired movements that might leave them worse off’ while CMS investigates a workable solution.

“Health Squared medical scheme lodged an application in the High Court in Johannesburg on 18 August in terms of Section 51 of the Medical Schemes Act (131 of 1998) for leave to apply for the voluntary winding up of the scheme in the interest of its members.”

In November Moneyweb reported: “The board of trustees and consultants of financially distressed Health Squared Medical Scheme allegedly strategised to outmanoeuvre the Registrar of Medical Schemes’ plan to have it placed under curatorship - by bringing an urgent application for voluntary liquidation”. According to an actuarial report by the Council for Medical Schemes (CMS) - following the appointment of a provisional curator in September 2022 - Covid-19 claims had “close to zero effect” on the scheme’s drop in solvency.

A High Court application brought by the board of trustees to voluntarily liquidate Health Squared was postponed until next year.

In August Business Times reported that documents attached in the medical scheme’s High Court application for voluntary liquidation, as well as further documents leaked from the Council for Medical Schemes (CMS), show that the medical scheme had operated in breach of solvency requirements and was consistently overspending on non-healthcare items. In 2020, the marketing portion of this expenditure exceeded its budget by R20-m, while non-health expenditure was R15.7-m over budget.

South African Medical Schemes Sector Risk Score lowered to 7.5

“The South African medical schemes sector risk score was lowered to ‘7.5’ from ‘7.75’ given persistent pressures on membership growth stemming from low economic growth and high unemployment,” according to the latest report published by GCR (an affiliate of Moody’s Investors Service).

“This, together with normalisation of claims following resumption of economic activities, as well as low average contribution increases to support affordability of healthcare services, could impact on the sector’s earnings potential.

“The market remains advanced compared with regional peers, and is likely to retain a penetration of around 4%. Over the longer term, consolidation movements could improve the strength of mid-tier players, which could positively impact on industry composition.”

Inquiry into alleged racial profiling grinds to a halt

The inquiry into alleged racial profiling by medical schemes and administrators has “ground to a halt over an apparent impasse between the Council for Medical Schemes (CMS) and an investigating panel chaired by advocate Tembeka Ngcukaitobi, with both sides accusing the other of delaying the process”,

reported **Business Day** (17 October 2022).

The panel – appointed by the CMS in 2019 - has released an interim report in January 2021,

but the final report has yet to be published. CMS registrar Sipho Kabane said legal action may be taken against the panel to complete its work. According to him the panel proposed a detailed work plan and budget for the completion of the final report in October 2021, but it was rejected and there has been no further communication.

According to the interim section 59 inquiry report from 2012 to 2019 black healthcare practitioners investigated by Discovery, Medscheme and the Government Employees' Medical Scheme were more likely to be found to have committed fraud, waste or abuse than their white counterparts, and that this constituted racial discrimination.

“However, the panel said it did not find evidence of deliberately unfair treatment, as there was no evidence of racial bias in the methods used by schemes to identify fraud, waste and abuse.”