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Latest move by medical schemes regulator will only hurt consumers – Business Day 17 December 2019

Move by the Council for Medical Schemes will strip private health-care cover from hundreds of thousands of people

Has the medical schemes regulator gone rogue? If not, how else does one explain the cavalier move by the Council for Medical Schemes (CMS) to strip private health-care cover from hundreds of thousands of people without any guarantee of a safety net?

On December 4 CMS registrar Siphon Kabane issued a circular that stunned the medical scheme and health insurance industry. In one fell swoop he rang the death knell for health insurance products that provide primary health-care cover; scrapped the development of low-cost benefit options, which could potentially bring lower-wage earners into the stagnant medical schemes market; and signed a death warrant for the bargaining council medical schemes that offer more affordable pared-down cover to blue-collar workers.

Health insurance providers always knew they had a limited opportunity after the Treasury promulgated the demarcation regulations in 2016, which sought to protect consumers by drawing a clear distinction between insurance products and medical schemes. Health insurance providers were given a two-year exemption from aspects of the Medical Schemes Act, after which they were expected to transition into low-cost benefit options provided by medical schemes. They were granted a further two-year extension in March.

There has long been talk that government players will do nothing to support the private health-care industry and the patients who use it, because a troubled sector makes the case for NHI stronger.

The CMS has now abruptly terminated that process, scuppering a policy trajectory previously negotiated between the ministers of health and finance.

Kabane's arguments for the implementation of circular 80 are muddled to say the least. He says low-wage earners should not be relegated to schemes or options that offer them fewer health-care benefits than the well heeled. While equity arguments are appealing and a laudable aspect of the government's plans for National Health Insurance (NHI), he conveniently ignores that the entire medical schemes industry is structured around the premise that more money buys richer benefits. Granted, all schemes have to provide a basic basket of care called prescribed minimum benefits (PMBs), but beyond that higher premiums buy a greater choice of providers and treatments.

He goes on to say that health insurance products are problematic because they undermine the medical schemes industry. That the health insurance industry is far from perfect has already been acknowledged in the demarcation regulations, which sought to fix the problem. Kabane has torpedoed that process, without so much as informing either the Treasury or the Financial Services Conduct Authority. The act has a host of requirements to protect consumers that health insurers do not have to comply with — for example they can risk rate premiums or reject people who are very ill, which medical schemes cannot.

Kabane also maintains that the PMB review process now under way, which includes a consideration of new primary health-care benefits, is a better way to make quality health care affordable than low-cost benefit options or health insurance products. But this is utterly implausible: adding new benefits to the existing package will only push up costs, and removing existing cover will be open to legal challenge.

Equally, unless the CMS undergoes a sea change and develops the capacity to conduct thorough technical work at lightning speed, it is unlikely that a new package will be in place by the March 2021 deadline, which is less than 18 months away. For evidence of the regulator's weakness, look no further than that the act requires it to conduct a review of the PMB benefits every two years: it last made a material change to the PMBs in 2003, with the addition of 270 chronic diseases.

Last week's news that all but three of the CMS's 11 senior managers will be out the door by next April only adds to the sense of unease that has permeated the industry since the release of circular 80. There has long been talk that government players will do nothing to support the private health-care industry and the patients who use it, because a troubled sector makes the case for NHI stronger. Kabane is only adding fuel to that fire. He purports to be acting to protect consumers, but his latest moves will only hurt them.