Health insurers livid as council cuts cord on primary healthcare cover – Business Live 9 January 2020

The Council for Medical Schemes says policies are expensive, provide low-value benefits, and over-promise and under-deliver

Medical insurers will engage the Council for Medical Schemes (CMS) over its decision to strip private-sector primary healthcare cover from about half a million South Africans from March 2021.

The CMS decision, late last year, to no longer grant exemptions for the insurance options comes at a time when there are few viable alternatives in place as National Health Insurance (NHI) is still many years away from offering primary healthcare cover, and medical schemes remain unaffordable and obliged to offer expensive hospital cover.

Many employees who have primary healthcare insurance policies are also at risk of losing the subsidies employers pay to provide this cover. Without these subsidies, they will be forced to pay for primary healthcare out of pocket or to use overcrowded state facilities as we await NHI.

At the same time, the CMS announced it will not grant insurers any more exemptions from the Medical Schemes Act. The exemptions permit them to provide plans that give users access to GPs, medicines, and other out-of-hospital benefits such as X-rays, blood tests, basic dentistry and eye tests in the private sector, without the full range of minimum benefits that medical schemes must provide.

The council says these policies are expensive, provide low-value benefits, and over-promise and under-deliver.

Insurers were caught unawares and accuse the council of failing to consult them on its decision to scrap these policies and possibly challenge the decision legally.

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Dr Ryan Noach, CEO of Discovery Health, says that, together with relevant industry bodies, it will urgently engage with the CMS, the department of health and the National Treasury.

Vernon Chorn, CEO of Unity Health, says it has taken legal opinion and has reached out to the CMS. It is considering an appeal against the registrar's decision, which he says fails to appreciate the savings insurers create for consumers. Unity Health covers about 40,000 peop.e.

Richard Blackman, CEO of Day1 Health, says closing primary healthcare products in the absence of a viable alternative will be “a brutal violation” of the constitutional right to access healthcare services. Day1 Health covers about 20,000 people.

The demarcation regulations that came into effect in 2017 were intended to separate medical scheme and health insurance business to avoid insurance policies drawing healthy people away from schemes. Healthy scheme members subsidise the claims of the old and sick.

Primary healthcare plans were identified as doing the business of a medical scheme that needed to register as schemes and provide full medical scheme benefits.

After intensive consultations between the Treasury, the department of health and the medical scheme regulator, certain insurers were, in 2017, granted exemptions from complying with the Medical Schemes Act for two years. The exemptions were extended for another two years in 2019. The original intention was that the insurance would register as low-cost medical scheme options when such an option had been developed.

But in December, the CMS did an about-face saying it will no longer develop a low-cost option nor renew any exemptions from the act for insurers, adding that health insurance policies offering primary care benefits must be wound down by March 2021.

The council says it will revise the minimum benefits schemes must provide to extend to primary healthcare. However, the minimum benefit review has been underway for years already. Adding to the minimum benefits could make schemes more expensive.

Discovery says it is not clear if the CMS will allow schemes to offer the proposed primary healthcare benefits only as a form of low-cost benefit option. However, even if it does, this would not be in place by March next year, it says.

In line with the Competition Commission health market inquiry (HMI) recommendations, the council also plans to simplify and standardise scheme options to make them more affordable for consumers.

Defending its decision to close the primary healthcare plans, the council says its research shows that most insurers only pay out between 35% and 60% of your premiums as healthcare benefits, unlike most medical schemes which pay out more than 90% of contributions as claims.

Most of the insurers are spending close to half of your premiums on non-healthcare related expenses such as administration and broker commission, while most medical schemes spend closer to 8.4%, the council found.

But Chorn says the council’s report on insurance products is biased and fails to recognise that primary healthcare products are more expensive to administer than similar-sized hospital plans as there are 10 to 30 times as many claims for day-to-day expenses. It is also costly to set up and manage doctor networks that can provide discounted services to policyholders.

He says brokers need to be paid higher commission — closer to 15% than the 3% that applies to medical schemes — as premiums are lower than scheme contributions and brokers do much to educate policyholders about their benefits.

Chorn says some employers fund primary care policies in full, while others subsidise some of the premium. Losing these subsidies could increase the burden on state facilities, Noach adds.

The council found profit levels were also higher in the insurance products, with policyholders spending, on average, 8.3% of their premiums to fund profits for insurers. Medical scheme profits or surpluses are retained within schemes as reserves.

Blackman says contrary to the council's assertions that insurance plans only provide cover for state hospital care, 98% of Day1 Health's authorised hospital cases were for private hospital costs.

According to the council's analysis, premiums for a family to enjoy cover on a primary healthcare plan ranges from R427 a month to R2,177, with the average family paying R806 a month.

Combined 'comprehensive' plans

Some primary healthcare insurance plans are often offered in conjunction with insurance for ambulance services and limited benefits for a few days in hospital. These combination policies are referred to as comprehensive plans, the costs of which range from R638 to R3,242 a month for a family, with an average of R1,382 a month, the CMS says.

The council concludes that these average premiums are above the affordable level of 15% of the income for anyone earning R9,000 or less.

In terms of the demarcation regulations, insurers can pay a cash benefit that does not exceed R3,000 a day or R20,000 a year if you are hospitalised and they can cover emergency evacuation, but policies offering cover for certain hospital procedures under exemptions from the Medical Schemes Act may be forced to close next year if the council denies any further exemptions.

National Health Care, in the African Rainbow Capital group, administers doctor and other provider networks that provide primary healthcare services. Reinder Nauta, executive chair of National Health Care, says even if insurance products are closed, employers will be able to fund primary healthcare benefits directly using a network such as National Health Care. This is allowed under occupational healthcare legislation.

He says medical co-operatives and stokvels could be used to provide primary healthcare benefits in future with reduced administration costs. The network currently provides primary health care to some 25,000 people through insurance policies and direct employer funding.