

Key medical schemes still dominating sector, survey finds – Fin24 (\$April 2020)

There has been a distinct trend of consolidation among private medical schemes in South Africa, especially in terms of restricted schemes (not open to the public), according to Zaid Saeed, senior actuarial specialist in the Alexander Forbes health team.

He said this resulted in a shift in market share with basically two dominant players. On the open scheme (open to the public) side, Discovery is dominating and on the restricted scheme side, the Government Employees Medical Scheme (GEMS).

"Growth in market share is allowing a scheme to have greater negotiating power for favourable tariffs and can pass that on to its members. But it can also lead to concerns about consumer choice," Saeed said following the recent release of the Alexander Forbes Manager Watch survey.

He said that statistics show a 2% increase in average claims by fund members per year of ageing. This then becomes a concern for schemes where the age of members is rising as it could lead to issues of sustainability of the fund going forward.

"Trends in the industry has seen a change in the profile of membership – both for closed and open schemes. People in the schemes are getting older and not enough younger ones are getting into it. This has financial implications for medical schemes," he said.

He said the conclusion by his team was that the private health care system remains sustainable from a financial point of view, but there are long-term challenges. One of these is exclusivity due to affordability issues.

For restricted schemes, the largest issue remains withdrawal of employer support as that usually means the end of sustainability of such a closed scheme.