

Expect to pay more for medical aid next year – IOL 15 September 2020

Durban - Medical aid consumers can expect an average scheme rate of around 5 to 6% next year. This is according to the Council for Medical Aid Schemes and is despite the body's recent recommendation to freeze or limit member contribution to 3.9% for 2021, which would have brought much relief to already indebted consumers.

Phoenix Financial Services Group CEO, Clayton Samsodien, said any reduction in expenses for consumers would be welcomed especially given the current economic climate.

"Increases lower than or equal to inflation would be a win-win for cash strapped consumers and schemes, but we are yet to see the real impact from Covid-19 on medical schemes as the majority of claims to date are testing related," he said.

The long-standing view held by schemes is how to utilise excess reserves. One view is to use it to supplement annual increases but this is only viable when schemes have high solvencies, well above the statutory 25%, and inflation reaches double digits. The pandemic has brought this argument to the fore and the CMS is suggesting a contribution freeze or limiting increases to 3.9%

In previous years, the CMS recommended contributions of inflation plus three percent.

Regardless of their decision, consumers will bear the brunt given that the pandemic exacerbated the negative economic news as confirmed by recent data released by Stats SA indicating that the economy saw its' largest recorded contraction on an annualised basis. Despite the decrease in consumer inflation, the pandemic has completely disrupted every other aspect of life and consumers are hopeful of some relief even if it is in the form of minimal price increases for medical aid contributions.

"Since the outbreak of the pandemic locally, schemes have built up surpluses due to lower claims as elective procedures were deferred to make way for Covid-19 related hospitalisation. The alcohol ban which was in place also benefited schemes in terms of lower emergency and trauma- related claims. As a result, the lower than expected claims could help alleviate annual increases bringing much-needed relief to consumers," Samsodien said.

Another issue that will have a bearing on the price increases for medical schemes is healthcare workers salary demands. Healthcare workers are an important part of the health care services value chain. The critical life-saving role they continue to play cannot be denied with many themselves succumbing to the pandemic. Workers are currently seeking an 8% increase which is above inflation and likely to be less than the proposed medical scheme increases for next year.

"Costs related to healthcare professionals are only one piece of the puzzle that make up the calculation of annual increases by medical schemes. Schemes with higher solvencies could subsidise inflationary costs better than others and we will have to wait and see if schemes increases are likely to be in line with workers expectations," he said.

Primary healthcare and gap cover providers are also eagerly awaiting the release of medical scheme benefit and contribution schedules for 2021 as this will impact on their products given that many are deemed complimentary. These service providers often take their lead from medical schemes themselves to determine the cost of their products and also play a role in the determination of annual increase.

Thus, should medical inflation increase so will the price of gap cover benefits.

Samsodien noted that the CMS recently extended the deadline for primary healthcare products to March 31, 2021 whereas previously these products would have been banned by March 31, 2020.

A key factor related to this has been the 20-year delay in finalising the low-cost benefit option (LCBO) for low-income earners. This together with the proposed National Health Insurance (NHI) is supposed to ensure affordable healthcare for all. The challenge is that the CMS has to first finalise revised Prescribed Minimum Benefit (PMB) provisions before it can finalise LCBO, this in turn delays the finalisation of the NHI.

"The private healthcare industry in South Africa is deemed to be a jewel and offers a world-class service to those who can afford it as confirmed by the response to the pandemic. The public-private partnership created by the pandemic is encouraging and sets the scene for NHI. Many lessons are being learnt especially the tardiness in finalising much-needed regulation to enable healthcare for all South Africans. Private healthcare survived the pandemic and appears to be in a position to offer members an unexpected lower annual increase for 2021," Samsodien said.