Steep increase expected for medical aid rates in 2021 – Cape(town)etc 6 October 2020

The Council for Medical Schemes (CMS) has recommended that medical aid companies limit contribution increases to 3.9% in 2021, or freeze them. In July 2020, the inflation rate of medical aids was measured at 3.2%.

Previously, the CMS made the recommendation that medical aids accommodate price inflation plus an additional 3%, as this would provide medical aid users with much-needed relief.

However, according to Clayton Samsodien, who is the CEO of Phoenix Financial Services Group, members may expect increases of up to 6% in 2021.

"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 to The Mercury. "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."

Another factor that will affect the increase in price for medical schemes is the salary demands of healthcare workers. Workers are currently seeking an 8% increase in monthly earnings.

"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," Samsodien said.

Many primary healthcare and gap cover providers are also awaiting the release of medical scheme benefits and contribution schedules for next year, as this will impact their complimentary products. According to Samsodien, these service providers take their lead from medical schemes to determine the cost of their products, and this also plays a role in the outcome of their annual increase.

Essentially, if medical inflation increases, so does the price of gap cover benefits.

The CMS has also recently extended the deadline for primary healthcare products to March 31, 2021. Usually, these products would have been banned by March 31, 2020. One of the determining factors of this extension can be attributed to the finalisation of the low-cost benefit option (LCBO) for low-income earners, which will work in conjunction with the National Health Insurance (NHI) to ensure affordable healthcare for all.

The CMS first has to finalise the revised Prescribed Minimum Benefit (PMB) benefits before it can finalise the LCBO. This, in turn, has caused delays in finalising 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 concluded.