PRESENTATION FOR PARLIAMENTARY WORKSHOP

1. The judiciary previously provided a presentation for this workshop. The judiciary continues to rely on the facts and matters set out in that presentation and in addition seeks to make the submissions contained herein.
2. For the sake of convenience certain background matters are repeated within this memorandum. Judges are required by statute to belong to Parmed. Originally as part of the salary package the employer provided a medical aid scheme together with a contribution in the form of a subsidy. At that time the employer decided on the nature and extent of the benefits which the employer deemed appropriate for judges to receive as part of their package. Subsequent to 2007 and after the news salary dispensation the employer decided that judges would no longer receive a medical aid scheme and a contribution as part of the salary but would instead receive a monetary benefit. The consequence of this is that judges were compelled by statute to belong to a benefit rich but expensive scheme and received money from the employer to assist in meeting the premiums charged by the scheme. From time to time over the period to date judges’ salaries were reviewed and various increases were applied. Those increases invariably were less than the increases required by the medical aid scheme to maintain the benefits which were being provided to judges. The result is that the contribution made by the employer covered less and less of the premium required to be paid. Parmed is sensitive to the needs of its members and has attempted to keep the costs of the scheme to members to a minimum. Nonetheless this gap has increased. In one year judges received no increase at all and yet Parmed had an increase. This is 1 of the more patent examples of how inflation has eaten away at a benefit received by judges. Over the period an application was brought to declare the obligation to belong to Parmed unconstitutional. This application is pending. If the application is successful then there is no doubt that the scheme offered by Parmed will fail.
3. It is necessary to 1st consider what role Parmed plays within the medical scheme industry. Parmed is a relatively small “closed” scheme. The registrar will not permit Parmed to offer more than one benefit. The financial affairs of Parmed remain particularly under scrutiny as they are fragile, a small miscalculation in the financial affairs could easily lead to Parmed being unable to maintain its required reserve. As a fact Parmed offers a good value for money scheme. The benefits which are offered are comparable to of the greatest benefits on offer by other schemes and the cost of such benefits to its members is comparable to the costs charged by such other schemes to their members. Accordingly the affairs of Parmed are being properly conducted and are financially in order. A close look at the financial affairs of Parmed over the period will reveal that Parmed has remain financially viable with financial reserves well in excess of those required and that such reserves have only decreased from time to time as and when Parmed consciously took a decision to charge a lesser amount than the amount it could and should have charged. The Parmed trustees chose to use reserves rather than capital income for the particular periods with a view to minimising the impact of the small salary increase versus the big medical aid scheme increase on its members. There is of course the question of whether or not the members of Parmed wish to have as rich a benefits scheme as they currently do. This is a policy decision which historically was made by the employer and which if it is to be revisited must be revisited by all members in due course. 1 of the problems with a benefit rich scheme which is expensive is that the members find it difficult financially to maintain dependence on the medical aid scheme and hence there are some members whose dependence are members of a different scheme then Parmed purely with a view to providing those persons with a reduced value scheme. It appears to the judiciary on the face of it that the difficulty concerning the ability of members and the wishes of members to maintain an expensive scheme is a consequence of 2 matters. The 1st matter concerns the failure of the salary increase to equal the medical aid scheme increase the 2nd matter is that at the time the salary structure was changed from the employer providing a medical aid scheme to the employer providing an amount of money members came in receipt of money and wish to choose what to do with their money. It is natural that a person in receipt of money wishes to spend the money as that person perceives to be in his or her best interests. Hence if members do not perceive a need to buy a medical aid scheme providing rich benefits at a higher cost than a scheme which would provide lesser benefits members will seek to move to purchase the appropriate benefits for themselves. As there is no scope for Parmed to offer different benefits than the one currently offered this means that such members would have to leave Parmed to obtain a medical aid scheme providing the benefits of suitable for them.
4. It is apparent from what is set out above that the medical aid scheme Parmed is intrinsically sound but that for a variety of reasons, mainly related to the failure of salary to increase appropriately, the scheme may not meet the needs of all of its members. An understanding of this principle is fundamental to what is set out below. As there is nothing “wrong” with Parmed there is nothing to fix. The things which are wrong with Parmed relate to the changing salary structure of the judiciary and the failure of the salary to be increased appropriately to match the required contributions for Parmed. Simply put the problem concerning Parmed is not within Parmed it is within the salary paid to the members of Parmed.
5. It is apparent that the employer has no intention of reintroducing a medical aid scheme as a salary benefit for judges. The employer wishes to pay money *in lieu* of that obligation. The problem to be solved is how much money is to be paid and whether or not members’ judges should be allowed to freely select such commercially available packages as they wish and be relieved from the obligation to maintain their membership of Parmed.
6. If the members of Parmed are free to choose the packages they wish to receive then Parmed has no way forward and must close. If the financial difficulties faced by the members of Parmed can be overcome by increasing the amounts paid to such members then there seems to me to be little doubt that the members would choose to have a benefit rich scheme subsidised by the employer. Assume the subscription is Rand 5500 per month and the contribution made by the employer is Rand 4000 per month then the member is receiving a benefit rich medical aid scheme for Rand 1500. No such scheme is commercially available hence there is little doubt that the members will remain on Parmed.
7. It is possible using the records to establish what percentage of the Parmed premium was paid by the employer immediately prior to the cessation of the employer offering the medical aid scheme as part of the salary package. It is accordingly possible to calculate in modern terms what the contribution of the employer should be towards the current premium charged by Parmed. It is accordingly possible to establish by how much the current contribution by the employer should increase to match the historic position. (I do not have the exact figures but believe that at the time that the judges ceased to receive a medical aid scheme as part of their salary package the contribution made by the employer was two thirds of the contribution charged by Parmed. Currently the contribution made by the employer is approximately one third of the contribution charged by Parmed.)
8. The view of the judiciary is that steps should be taken to restore the *status quo* so that the contribution by the employer is restored to approximately two thirds of the premium charged by Parmed and that appropriate steps be included in the salary package to ensure that each year the salary increases in respect of the Parmed portion so that all Parmed increases are covered. This means that the question of the medical aid scheme would need to be dealt with specially at the time increases are considered and that the increase for the medical aid scheme portion of the salary would have to match the increase of Parmed for the period.
9. The judiciary feels that it would be a matter of great sadness that a viable functioning medical aid scheme cease to be operational when in itself it is a viable entity and the cause of the difficulty arises outside the ambit of matters which Parmed can control (namely the salary paid to judges).
10. This memorandum has not dealt with the comparison of benefits which is contained within the document which was previously furnished to the Workshop and which sets out the reasons why Parmed is good value for money and is a commercially viable entity.
11. This memorandum similarly has not dealt with certain of the matters raised by CMS. The bulk of those matters relate to certain specific aspects of Parmed and not deal in a contentious way with the matters of principle which is set out herein.
12. One of the great advantages of Parmed for its members is that sport is comprised of trustees who are members of Parmed and render service for free. The trustees have a heart the interests of the members of Parmed and throughout seek to maximise the return the members receive from the medical aid scheme to which they belong. As there are only relatively few members it is possible for members to receive individual attention to matters which they raise and also urgent reaction to matters which they require to be dealt with urgently. Throughout the board of trustees of Parmed has been sensitive to its membership and has sought to assist the members in any way possible. Although Parmed is a commercial entity this facet of its management represents an approach to membership as if all the members were “family”. I have been a member of the Board of Trustees for some number of years and am frequently approached by members for assistance which I’ve been able to render due to the personal nature of the relationships between the members and the trustees. This type of relationship is not readily available in the commercial field and is a relationship which should not readily be foregone. It is a matter of comfort to members who require urgent authorisation or urgent assistance with the matter to know that they are known to a person who can render assistance to them and who is able to and does render such assistance to them.