# NATIONAL ASSEMBLY

**FOR WRITTEN REPLY**

**QUESTION NO. 2371**

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**(INTERNAL QUESTION PAPER NO. 25)**

**Mr V Pambo (EFF) to ask the Minister of Health:**

In light of the worst global pandemic, in which we have seen public health overstretched and demands on private health going beyond this sector’s capacity, what (a) has he found will be the consequences of the decisions by the Council for Medical Schemes which are outlined by Circulars 80 and 82 of December 2019 and Circular 56 of 2015 and (b) impact will this have on the ability of low-earning households to have access to quality medical care?

###### NW2743E

**REPLY:**

1. The Council for Medical Schemes (CMS) issued circulars 80 and 82 in December 2019 based on two sets of research results at its disposal. The main message contained in these circulars was directed at the industry indicating that the exemption that had been granted to the primary insurance products that had applied to the CMS previously may not be granted again at the end of March 2021 if there were no significant improvement and changes made to primary insurance products and low-cost benefit options (LCBO). This was based on research conducted by a group of economists on behalf of Council, indicating the undesirability of these primary insurance products and the Low-Cost Benefit Option in the medical schemes industry. These research results indicated that:
2. These products are targeting individuals that are already tax-exempt based on their low income. Expecting these individuals to spend more of their remaining disposable income contributing to health products with thin benefits did not make sense
3. The introduction of the Low-Cost Benefit Option and related products will be adding yet another set of benefit options in an industry with too many options that are already making rational purchasing choices difficult for the consumer. This goes against the Health Market Inquiry recommendations
4. The Low-cost Benefit option will also require some tax subsidies and credits and further burden the fiscus during a period of economic constraints
5. There is no evidence that these options will ensure that relief is provided to the over-burdened public health system, given the fact that their beneficiaries still primarily rely on the state for the provision of the greater part of their health benefits.
6. The burden of disease in the lower income groups is often higher than your high income earners, and providing a low benefit option is counter-intuitive

 The second set of research results indicated that the primary health insurance products that were subjected to analysis had serious structural shortfalls in the following areas:

1. The greater part of the contribution made by policyholders was spent on broker fees and administration instead of the relevant health benefits
2. The marketing of these primary insurance products was misleading, promising unlimited GP consultations when in fact, the entitlements are no more than 3 per annum
3. These products were experienced a significantly low claims ratio due to members were not aware of the extent of cover or benefit entitlements
4. These primary insurance products are also unlikely to reduce the over-burdened public health system on the basis of lack of comprehensive cover
5. The impact of circulars 80 and 82 on the primary insurance products in the market has been minimal as no product has been discontinued as a result of these circulars:
6. The CMS undertook an extensive stakeholder roadshow following the issuing of circulars 80 and 82. The purpose of these engagements that took place in the more significant part of January and February 2020 was to ensure that these primary insurance products demonstrate a significant shift towards complying with the Medical Schemes Act
7. The agreement reached with the key stakeholders was that further engagements were necessary and that a Low-Cost Benefit Framework will need to be developed that will assist these primary insurance products to migrate into the medical schemes environment
8. There was also an appreciation that the regulator cannot perpetually exempt these primary insurance products from complying with the Medical Schemes Act and its Regulations as this is the only legislation that is at its disposal for regulatory purposes
9. The engagements in these Advisory Committees are proceeding well and have included three workstreams:
* Schemes and administrators
* Insurance providers and brokers
* Service providers, policyholders and consumers

Circulars 80 and 82 of December 2019 and Circular 56 of 2015 have no bearing on the ability of low-earning households to have access to quality medical care other than providing a guide for medical schemes to report better-managed services. However, a more relevant circular to low-earning households' affordability of care is circular 56 of 2020. The objective of circular 56 of 2020 was to provide an overall update regarding establishing the LCBO Advisory Committees and developing the Low-Cost Benefit Guidelines and notice of extension of exemption period to 31 March 2022.

The Advisory Committees were tasked with addressing the challenges faced by primary health insurance providers in complying with the Medical Schemes Act:

* The need for medical schemes to develop options for low-income earners.
* They would also develop a roadmap leading to the end of March 2022.
* Provide inputs on the LCBO framework before the CMS submits it for approval by the Minister of Health
* The Charter and Code of Conduct were issued to nominees during June/July 2020.
* A regulatory workshop with the National Department of Health, National Treasury, Prudential Authority, Financial Sector Conduct and the Council for Medical Schemes was held on 29 September 2020;
* Introductory workshops were held with interested parties and nominees during October 2020, whereafter the Charter and Code of Conduct was adopted.

END.