

Is it the end of the road for private medical aids?

By  Katja Hamilton

7 Jul 2022

The future of private healthcare and medical aid in South Africa - under the proposed National Health Insurance (NHI) scheme - lies precariously in the balance. Healthcare stakeholders have been raising concerns.



Alan Fritz, acting principal officer of Medshield Medical Scheme unpacks how Medshield is contributing to this conversation, among others.

❏ ***Section 33 of the NHI Bill states that medical schemes may only provide “cover that constitutes complementary or top-up cover and that does not overlap with the personal healthcare service benefits purchased by the National Health Insurance Fund on behalf of users”. Essentially, private medical schemes that are not gap cover will cease to operate, with members covered by those schemes being required to use the NHI. Does this herald the end of private medical aids in South Africa?***

Alan Fritz: National Health Insurance as envisaged in the Bill has two fundamental implications, among others. These fundamentals are South Africa’s low tax base to fund NHI, and the second is human capital to execute and implement the policy framework.

The million-dollar question is, of course, does South Africa need an NHI? There is only one answer to this question and

simply put we need universal health cover.

The majority of our citizens face a public-health system that is failing them on a daily basis - an ailing health infrastructure that requires investment in technology, infrastructure - and a tertiary system that delivers healthcare practitioners at all levels.

The basic minimum primary health benefits have to include a strategy of preventative care that addresses the high burden of disease and chronicity that impact the system greatly. If one looks at Canada, the UK, Australia and Europe's largely Social Health, it indicates that national health systems can co-exist with private health, and can be complementary in providing access to quality healthcare.

The NHI framework places the State as a central purchaser of primary care, and funds it through a single source of some kind of taxation model.

Private health in South Africa has shown its capability, and more so during the Covid pandemic. The State, in its quest to implement a national health framework, can rely on the private sector for systems, healthcare professionals, management and administration skills to implement universal healthcare at a primary level with family practitioners as gatekeepers.

The State can rely on the private sector for optometry benefit management, pharmaceutical benefit management, preventative screening benefits and supportive infrastructure to deliver on the expectation of Joe Citizen.

It is certainly not the end of private health, and the model of co-existence is a debate where Medshield is making its voice count.

Our position is to contribute to the development of the NHI minimum benefit package.

Medshield has been in the healthcare funding space for 54 years and can make expertise available in an advisory capacity of administration and management, BI and data-analytics capability and provide a host of other expertise to assist the Government in delivering universal cover to South Africans.

■ *What are some of the lessons learnt from the Covid crisis? How has Medshield adapted and changed its business strategy for future success?*

Fritz: Medshield, like other businesses, was impacted by the Covid pandemic and had to adapt or face a decline in business.

Our strategic framework has the agility and forward view that enabled us to shift a large part of our operation to a remote-based model set against a flexible work arrangement policy.

The Scheme's information services and digital imperatives were largely planned before the onset of the pandemic. Covid simply put greater emphasis on the development thereof. Our nurse base, WhatsApp capability and virtual consults were integrated into a network which ultimately saw Medshield leapfrogging some of the plans in its business strategy.

Covid taught us a few valuable lessons: namely systems capability and digitisation are an absolute requirement; flexible highly skilled employees are required to deliver on member expectations, and simply satisfying customer needs is no longer good enough.

It taught us that we have to exceed members' expectations consistently and deliver access to quality healthcare, no matter the circumstances.

Prudent medical-scheme benefit option design was good enough yesterday, but will have to address the legacy of Covid in the Prescribed Minimum Benefit regulations, going forward.

Spatial planning and office requirements have fundamentally shifted into a new work philosophy. Strengthening wellbeing offerings and workplace wellness for both our corporate and individual members is no longer a nice-to-have as the psychological impact of Covid is visible.

■ ***Could you speak to the impact of medical inflation on South Africans? Relative to the rising cost of healthcare. How is Medshield having to adapt its product offerings to remain affordable and accessible?***

Fritz: Medshield has, over the last two years, seen its reserve ratio increasing and the financial viability of the Scheme is in a very good position.

As a self-administered Scheme, there is no profit motive and Medshield members are the sole beneficiaries of the fund.

This windfall is largely as a result of lower elective procedures during the Covid pandemic and prudent management of members' funds being a key strategy on the agenda of the Board of Trustees.

Healthcare inflation does track at times more than 2% above headline inflation and the governance structure of the Scheme does have an opportunity to cushion the impact on Medshield members through increased benefits single-digit increases.

It is a known fact that we are in an economic conundrum in South Africa, and inflation is already above the central bank's target of 6%. This will definitely influence the price of health provisioning in South Africa, which is further impacted by rising oil prices, the war in Ukraine and massive job losses in the South African economy.

Medshield believes in comprehensive healthcare cover that is easy to understand in terms of available benefits such as day-to-day, specialist visits, dentistry, optometry, and comprehensive cover in terms of hospitalisation - that is easily understood by the market.

We have a robust benefit design process that focuses on the healthcare needs of the member with an end-to-end product solution from a pure hospital plan to executive plans. The financial position of the Scheme is healthy and protecting members against rising costs is a consideration of the Board of Trustees.

■ ***A hurdle in getting young people to subscribe to medical aids is that doctors and specialists are asking patients to pay upfront for their services and then requesting patients to claim from their medical aid. This means consumers need to budget monthly for the potential medical costs that could arise as well as the cost of their medical aid, which makes family cover unaffordable. Is Medshield addressing this?***

Fritz: Medshield has a well-designed network strategy, Managed Care and Disease Management programmes and contractual arrangements with hospital groups and other healthcare providers to ensure Medshield members are not inconvenienced by providers asking for upfront payments.

Our Gap cover strategy to address co-payments where these exist is particularly designed to avoid pitfalls of member inconvenience.

Our MediSwift and MediCurve benefit options are designed for the younger generation focusing on their need for additional sports-related benefits, and MediCurve is a completely digital option with loads of out-of-hospital and high-risk benefits.

It is true that there is not sufficient uptake of young people in the medical schemes' risk pool which should generally contribute to a lower claims ratio that should translate to lower premium increases.

This is most probably the biggest challenge for the private healthcare sector in South Africa.

The economic downturn in South Africa has contributed even further to cash-strapped consumers feeling the pinch with chronic job losses and rapid price increases which has seen many consumers opting for healthcare insurance products,

which has its own ramifications if consumers are used to a system that pays for procedures protected by PMB regulations.

■ ***Could you highlight some of Medshield's successes that headlined your AGM?***

Fritz: Most notably our financial position brings peace of mind to our members and prospective members in that our claims-paying ability is exceptionally good. Our reward programmes bring additional value to our members.

Insourcing of our care disease management programmes brings improved services, and digital virtual consults through the Medshield member app offer multiple service functionality.

ABOUT KATJA HAMILTON

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