

DHMS defers increases again

Discovery Health Medical Scheme's (DHMS) annual contribution increases of 7.9% for 2022 will only be implemented from 1 May 2022. This follows the delay of its annual contribution increases for 2021 by six months to 1 July 2021.



Source: ©bizcommunity.com. Interior of the Discovery building in Sandton

This makes DHMS the only medical scheme to have deferred contribution increases twice since the onset of the Covid-19 pandemic, providing contribution relief to the value of more than R4bn to its members.

“The deferral of the increases for 2021 and 2022 means that members will have an actual effective increase in total contributions of 2.9% in 2021 and 5.3% during 2022,” explains Dr Ryan Noach, CEO of Discovery Health, the administrator of DHMS.

“At the same time, the Scheme’s contributions are keeping pace with the medical inflation anticipated once Covid-19 becomes endemic in the healthcare system and avoids the need for increase “shocks” at that time,” he says.

“With lingering Covid-19 economic effects, the deferred contribution increase provides much needed contribution relief for members of the scheme,” he adds.

Strong financial position

DHMS maintained its strong reserve position over 2021 and is projecting solvency to be well above the regulated requirements by the end of 2021.

“Our decision to defer contribution increases in 2021, and again for 2022, is based on the decline in non-Covid-19 healthcare claims seen over the course of the pandemic.

“This trend has strengthened the Scheme’s reserve position relative to regulated solvency requirements,” explains Noach.

DHMS’s initiatives to protect its members through Covid-19, combined with its progressive contribution increase strategy to support members, has led to a reduction in members withdrawing from the scheme, and an increase in the number of new members joining the scheme.

As of August 2021, the scheme had grown its membership by more than 27,000 lives during 2021.

In line with medical inflation

“While reserve levels remain high, medical schemes must account for the return of non-Covid-19 healthcare demand once Covid-19 becomes a stable, endemic infection,” explains Noach.

He adds that this is why contribution increases must be priced absolutely correctly to allow for expected future healthcare utilisation.

“Setting contributions lower than medical inflation will result in contributions falling behind claims and lead to ongoing medical scheme losses, ultimately resulting in future contribution ‘shocks’ to maintain sustainability,” he says.

While medical scheme claims are currently depressed because of Covid-19, the trend is temporary and not reflective of underlying medical inflation. The DHMS claims experience for 2021 shows that healthcare claims between Covid-19 waves are higher than pre-pandemic levels.

“The trends imply that medical inflation has persisted at a rate of 3% to 4% above consumer price inflation since 1 January 2020,” says Noach.

The contribution increases of 7.9% for 2022 is based on medical inflation, made up of tariff inflation, utilisation changes and demographic risk.

“A lower increase would fall behind medical inflation in 2022 and place the long-term sustainability of the scheme at risk. Similarly, a higher increase would exceed 2022 medical inflation, and place unnecessary affordability pressures on members,” he says.

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