ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

CMS:
Regulatory Landscape Update

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Demarcation

- Promulgation of Regulations in 23 December 2016 on the LTIA and STIA - http://www.treasury.gov.za/legislation/regulations/default.aspx
- Regulations the Minister of Finance has determined that certain insurance policies that have elements of a business of a medical scheme shall be 'health policies', and 'accident and health policies'
- Products that are of particular importance that are included as part of the regulations are:
  - Medical Expense Shortfall policies
  - Non-Medical expense cover as a result of hospitalization
- Product not included in the regulations:
  - Primary health and hospitalisation policies;
  - Policies that are deemed to be doing the business of a medical scheme – new definition as from 1 April 2017 – Gov. Gazette 30 March 2017 no 40749

Demarcation

- Two year exemption process underway with the CMS for primary healthcare policies and those doing the business of a medical scheme.
- Circular 19 of 2017 outlines the exemption framework as approved by Council
- Phase 1 deadline – 30 March 2017 – to date we have received 39 applications that will serve before Council at end of May
- Phase 2 commencing after the Council have reviewed applications.
- DoH to lead research into the development of an LCBO over the two years and it is envisaged that policies would transition into LCBO framework once finalised
- CMS is in the process of reviewing PMB's in conjunction with the DOH – considering including LCBO in TOR's for PMB review

Demarcation – Overview of health insurance products

Table 1 – Product number and policies

Product Type	Number of insurers offering products	Number of products	Number of individual policies in force	Number of group policies in force	Total policies in force
Gap cover (ST)	9	100	349,404	121,217	470,621
Hospital Cash Plans (ST)	21	56	594,327	38,648	632,975
Hospital Cash Plans (LT)	17	65	686,576	690,565	1,377,141
International travel (ST)	11	59	1,601,228	8,752	1,609,980
Emergency evacuation and transport (ST)	4	6	11	83	94
Primary Health Care (ST)	3	15	2,905	952	3,857
Primary Health Care (LT)	2	5	4,286	-	4286

Demarcation – Overview of health insurance products

Table 2 – Policies entered into, Gross Written Premium (GWP) and premium

Product Type	Policies entered into – Year preceding last financial year	Policies entered into – Last financial year	GWP (R'000) year preceding last financial year	GWP (R'000) last financial year	Premium Ranges
Gap cover (ST)	32,786	39,240	R97,799,307	R77,274,075	R20 - R170 / R40 – R271 Group & Individual
Hospital Cash Plans (ST)	247,748	344,379	R69,470,824	R66,459,313	R25 – R242
Hospital Cash Plans (LT)	609,075	672,994	R3,365,895	R3,601,832	R45 – R6,232
International travel (ST)	283,006	1,924,361	R3,074,613	R6,179,818	Significant variations
Emergency evacuation and transport (ST)	184	78	R2,528,728	R4,691,721	Not sufficient data
Primary Health Care (ST)	3,040	3,107	R1,727,109	R4,714,187	R40 – R257
Primary Health Care (LT)	4,019	7,136	R4,546	R10,961	Not sufficient data

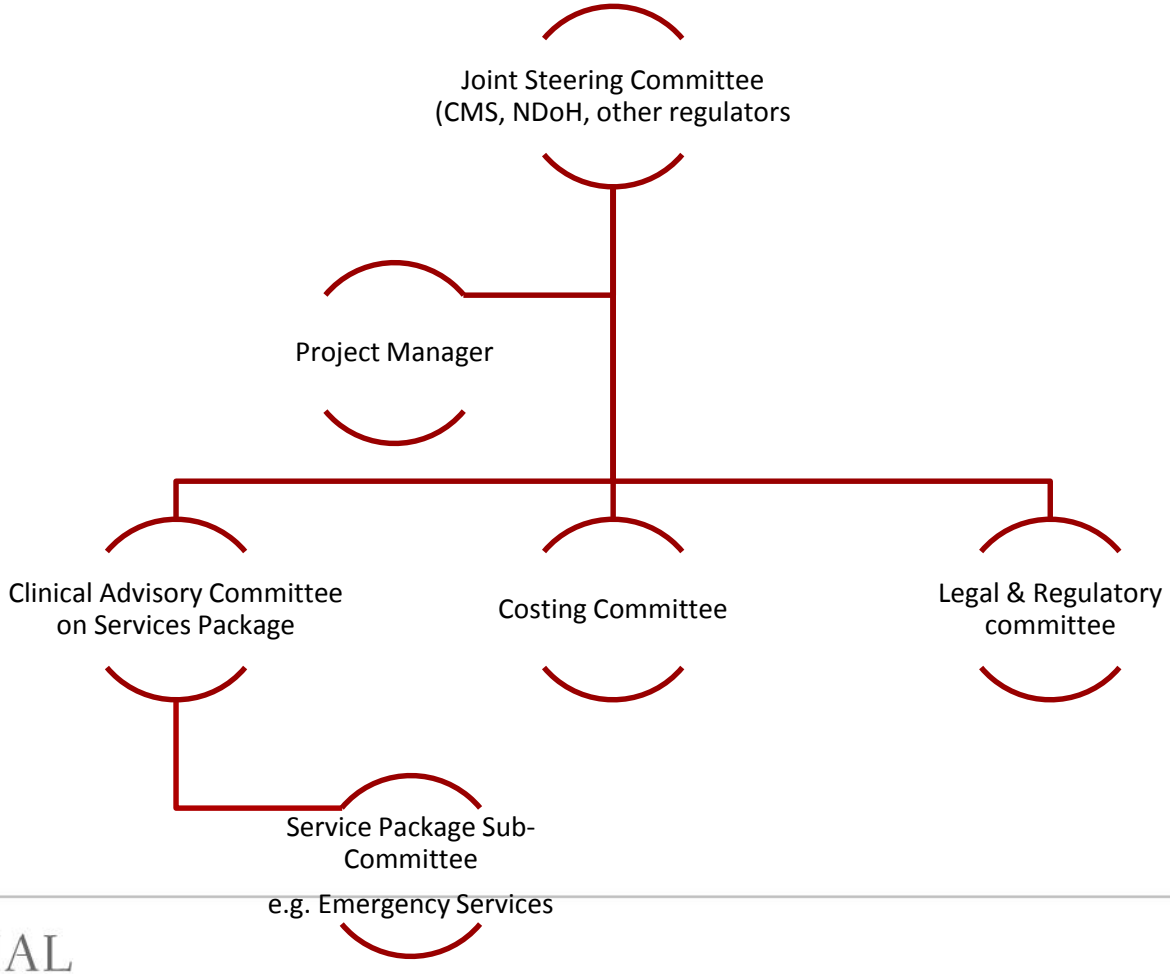
Demarcation – Overview of health insurance products

- Table 1 and 2 are based on unaudited information submitted to the FSB by insurers operating in the health insurance market.
- The data provides a rough snapshot of the extent and footprint of health insurance/demarcation regulation products currently offered in the South African Market.
- The quality of the information submitted was not adequate in all instances to allow for an aggregated view on certain types of policies.
- Provision of the information was complicated by the fact that the insurers' statutory returns do not require policy level detail and therefore the insurers' systems are not designed to record this level of data.
- Note: Number of group policies reflected denote the number of lives insured under the group policies.

PMB Review

- In terms of the Act PMBs are supposed to be reviewed on the basis of:
  - inconsistencies or flaws in the current regulations;
  - the cost-effectiveness of health technologies or interventions;
  - consistency with developments in the health policy; and
  - the impact on medical scheme viability and its affordability on members
- PMB Review process is complex and will require effort and participation from different stakeholders
- Important that the process is participative, transparent and legally sound
- Need to create some degree of certainty about PMB's in the transition to the NHI and beyond
- Need to ensure compliance with PMB review legislation

PMB Review – Governance Structure



PMB Review – Circular 28 of 2017 - PMB Review Consultative Meetings

- Invitation to consultative meetings on the review of PMB's.
- Aim is to engage key stakeholders in discussions to finalise the structures and processes that will be used to drive the PMB Review
- The overall aim of these processes is to review all current PMBs with a view to advise the Minister of Health on a new set of PMBs
- The consultative meetings will take place during the months of May and June 2017.

PMB Review – Circular 28 of 2017 - PMB Review Consultative Meetings

Consultative meeting schedule:

Stakeholders	Date
Medical Schemes, Funders groups	**17 May 2017**
Administrators, Managed Care Organisations, Brokers	**19 May 2017**
Specialists and the corresponding Professional bodies	**24 May 2017**
General Practitioners, Allied Professionals, and the corresponding Professional bodies	**26 May 2017**
Hospitals, Hospital Groups	**31 May 2017**
Day hospitals	**02 June 2017**
Consumers, Consumer Groups, Unions	**07 June 2017**
Research groups	**09 June 2017**

Confirmations to attend the consultative meetings should be sent to pmbreview@medicalschemes.com

PMB Code of Conduct (COC)

- Workshop held with the industry on 24 March 2017 to discuss the way forward regarding the PMB COC
- At the workshop the election of representatives took place and the PMB COC task team was formally established
- The task team will take into account:
  - Complaints, suggestions and enquiries has been received from stakeholders with regards to interpretation of the CoC
  - Conflicting decisions between the PMB CoC, industry application and complaints
  - Implementation of coding that must be specified

PMB Code of Conduct (COC)

Stakeholder	No. representatives
1. Organs of state	3
2. Medical schemes	3
3. Healthcare providers	5
4. Consumer groups, beneficiaries of medical schemes	3
5. Administrators, Managed Healthcare Organisations	3
6. Healthcare advisors	1

- Develop a memorandum of conduct to guide PMB compliance
- Assist the CMS and NDOH on maintenance of the system of PMBs and its ongoing development
- Next meeting is on 11th May 2017 – r.smit@medicalschemes.com

Beneficiary Registry

- CMS had numerous workshops and meetings with stakeholders and introduced the Information Technology Advisory Group (ITAG)
- Made up of 4 work-streams dealing with:
  - Data Specification
  - Data Collection
  - IT Security
  - Governance, Legal issues – POPIA etc
- All work-streams have met and have agreed on processes except for the legal work-stream
- Legal issues have been sent to the state law adviser for opinion regarding concerns raised
- CMS reviewing other submissions made and considering alternative proposals to NDOH regarding the collection of this information

Cost Increase Assumptions – Circular 23 of 2017

- 75 schemes data covering 8,52 million lives (96,7 of all lives covered) was included in the analysis
- Tariff assumptions:

	All Schemes	Open	Restricted
Overall Weighted tariff assumption	**6,21%**	**6,22%**	**6,20%**
Non-health care expenditure	5,94%	5,77%	6,16%
Medicines	7,60%	7,33%	7,95%
Hospitals	6,15%	6,31%	5,96%

SEP increase = 7,50%

Cost Increase Assumptions – Circular 23 of 2017

- Utilisation assumptions:

	All Schemes	Open	Restricted
Overall Weighted utilisation assumption	**3,96%**	**4,11%**	**3,76%**
Medicines	4,38%	4,57%	4,14%
Hospitals	4,64%	5,00%	4,17%
General Practitioners	4,53%	4,84%	4,14%

- Overall increases were 11,31% for all schemes, with open schemes increases set at 10,34% while restricted schemes were 12,58%

Inflation & Utilisation

- The ITAP subcommittee on inflation has made significant progress on this report
- A draft report will be published in the next month
- This analysis medical schemes expenditure from year to year using ASR data
- This is attributed to various components;
  - Tariff
  - Utilisation
  - Demographic components

Quality of Care in medical schemes

- Annual report with coverage ratios on CDL conditions that will expand with time
- Annexure of annual report with coverage ratios of each option
- Patient experience will also be included as part of this project
- There will be comparison on each option
- Value is the ultimate objective

$$Value = \frac{Quality\ of\ care}{Cost\ of\ managed\ care}$$

Quality of Care – Comparing Coverage Ratios

- The following formula is proposed

$$Weighted\ deviation = \frac{Number\ \ chronic\ beneficiaries\ on\ the\ option}{Number\ of\ chronic\ beneficiaries\ on\ all\ options} * (Option\ CR - Industry\ CR)$$

Where: CR is the coverage ratio for a specific indicator
This deviation is calculated for each Indicator

- Comments are welcome

Solvency Framework Review

- Working groups have been established
- Composition of working groups is as follows:

Working Group	Number of Participants
Business Risk	20
Asset Risk	16
Operational Risk	17
Implementation	16

- First meeting for working groups will be Early June
- Chairs of working groups will be internal (CMS)

Other Research projects

1. Prevalence of CDLs in Schemes

- Annual report on medical scheme prevalence
- This now includes at least 2 definitions on prevalence
- Provides in sights on disease prevalence and scheme risk measurement over time

2. Effect of Efficiency discounted options

- A new project to establish the effect of EDOs on the market
- There is a concern of risk pool fragmentation and its effect of the health of schemes
- The research will balance the benefits of the EDOs over their disadvantages

3. Provider distribution

- This research will investigate the effects of provider distribution of healthcare provision

Questions??