

Actuarial Society of South Africa

EXAMINATION

19 May 2020

Subject F201 – Health and Care

Fellowship Applications

Time allowed: Three hours

INSTRUCTIONS TO THE CANDIDATE

1. *Ensure that you have your candidate number handy to input as part of the exam.*
2. *Questions are only available in Moodle and may not be printed.*
3. *You are required to submit your answers in this Moodle learning platform only. You MAY NOT use any other computer program (e.g. MS Word or Excel) during the examination.*
4. *You have 15 minutes at the start of the exam in which to read the questions. You are strongly encouraged to use this time for reading only, but notes may be made. You then have three hours to complete the paper.*
5. *Mark allocations are shown in brackets.*
6. *Attempt all questions. Your work is saved automatically during the exam.*
7. *You are required to submit your answers in this Moodle learning platform only.*
8. *At the end of the exam, if you have time left, you may return to your attempt to review and make any changes to your answers. Once you are happy with your answers you need to **Finish all and Submit** your work after which you will NOT be able to make further changes. Take this into account when finishing early - once you have submitted you will not be able to make any more changes to your answers.*
9. *It is the student's responsibility to ensure that all work is submitted BEFORE the end of the exam time. Take this into account when planning your review and submission.*
10. *You should use your scrap paper to work on any calculations where this is appropriate.*

Note: The Actuarial Society of South Africa will not be held responsible for loss of data where candidates have not followed instructions as set out above.

END OF INSTRUCTIONS

QUESTION 1

GoodCare Medical Scheme, a large open medical scheme, is focusing on retaining and growing their membership by enhancing benefits available for young families.

The marketing material for the scheme's 2020 benefits introduces a new incentive structure for their maternity benefit which remunerates the entire care team on the clinical outcomes of the maternity event. GoodCare is able to offer this benefit competitively because it has concluded an agreement with a network of general practitioners, specialists, nurses, hospitals and pathology groups. The remuneration for the care team is increased when they achieve clinical outcomes for the maternity patients that are improved compared to historic experience.

You are the consulting actuary to GoodCare and have been tasked to design and price the benefit and perform experience reviews.

- i. State what are Prescribed Minimum Benefits (PMBs), the reasons why medical schemes are required to provide PMBs, and how to identify conditions covered and treated as a PMB. [6]
- ii. Outline the risks that GoodCare Medical Scheme is exposed to when using fee for service reimbursement for maternity benefits. [3]
- iii. Describe the factors you would have considered when designing and pricing the maternity benefit package for the 2020 benefit year. [18]

The Board of Trustees want to understand to what extent, if any, the healthcare outcomes of members claiming for maternity benefits have improved under this new structure compared to the previous fee for service structure.

- iv. List in detail the data you would collect to perform this analysis. Include four (4) examples of outcomes measures that can be used to evaluate the performance of the team-based care contract and the data required. [6]
- v. Identify the risks associated with this benefit change and propose ways for the scheme to manage these risks. [10]

[Total 43]

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QUESTION 2

Grow, a multi-national company head quartered in South Africa, has experienced significant growth of its businesses into several other countries in Africa. As a result, they have identified experienced management teams (ex-patriate employees) to deploy to these countries to support the local staff and operations for a period of three years.

The Human Resources (HR) Director has begun a process to review the market of health insurance products to identify the most cost-effective benefits to purchase for these expatriate employees for the duration of their assignments.

The HR Director has confirmed that in hospital and out of hospital cover, medical evacuation and out of country assistance are essential benefits for the expatriate staff.

The local staff employed in each of these other countries do not have any private health insurance cover and have made representation to the HR Director that they should also be receiving such a benefit.

- i. Discuss the most significant factors resulting in premium variation between different insurers for this type of cover. Include significant factors that would result in premium variations between the local staff and expatriate staff. [25]
- ii. Suggest underwriting provisions that could assist the insurers to manage their risks while remaining competitive. [7]

Grow has reviewed the market of insurers offering this type of cover and narrowed its selection to two insurers – Insurer X and Insurer Y.

- Insurer X is a South African based company which provides equal US Dollar benefits for each country. Premiums are pooled across all countries. Claim payments are settled directly with service providers in the local currency.
 - Insurer Y is based in one of the countries that Grow is intending to send teams to. Y has preferential agreements in place with insurers in other countries, receiving a small premium discount for business placed with these insurers. These local insurers receive the premiums and provide the benefits; however, Y has no control over premium increases or benefit changes that these insurers may make.
- iii. Discuss the potential implications to Grow of selecting Insurer X or Insurer Y. [8]

An epidemic has broken out in one of the targeted countries. As a result, both insurers have informed Grow that their insurance premiums will double next month and that Grow would be required to pay this higher premium for all their staff.

Grow have viewed these premium increases as unreasonable and have therefore decided to self-fund the cost of healthcare benefits for all of their staff going forward.

- iv. Propose a self-funded healthcare model that Grow could implement to provide appropriate healthcare coverage for their staff instead of purchasing insurance. Your answer should include reference to how this model differs to the insured model and the potential advantages and disadvantages to the relevant stakeholders. [17]

[Total 57]
[Grand Total 100]

END OF EXAMINATION

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