

Experts decry plan to consolidate small medical schemes

The plan by the Council for Medical Schemes (CMS) to consolidate or dissolve small medical schemes posed risks to the people who belong to these schemes and might force some to drop their cover, industry sources warned this week.



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More than 228,000 people belonged to 31 medical schemes that had fewer than 6,000 members at the end of 2015, according to the CMS 2015-16 annual report. All but three of these schemes are restricted employer groups. Restricted employer group schemes generally subsidise members on low incomes, enabling them to buy cover they could not afford on the open market.

CMS acting registrar Siphso Kabane said consolidating the industry was in line with the white paper on National Health Insurance (NHI).

Medical schemes with fewer than 6,000 principal members were targeted as they fail to meet the requirements of the Medical Schemes Act. The act says schemes must have 6,000 members to register.

Consolidation was necessary because fragmented risk pools were expensive and limited the scope for cross-subsidisation, said Kabane. "It isn't just about noncompliance [with the act]. This is just the beginning. In NHI, we will have one risk pool: from 83 [medical schemes in SA] we will consolidate into one.

"We are going through a consultative process, to come up with a clear mandate on how this will be [achieved]," he said.

Insight Actuaries joint CEO Christoff Raath said: "These people won't be able to get similar benefits on the open market and may get dumped on the state."

Alex van den Heever, University of the Witwatersrand chairman of Social Security Systems Administration and Management Studies, said consolidation would harm consumers as it would limit choice. Closing small schemes due to their size was indefensible.

Discovery Health CEO Jonathan Broomberg said "the legality of forcing small schemes to close" was an issue, while there were "concerns about the impact on the members of many small schemes".

Medscheme CEO Kevin Aron said an attempt by the CMS to deregister medical schemes was likely to be met with legal and constitutional challenges.

Source: *Business Day*

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