



MEDIA BRIEFING: CIRCULAR 27 OF 2023

08 August 2023



Media Briefing: Programme

Opening

Overview by Registrar: Dr Siphon Kabane

Presentation: Benefit Changes & Contribution Increases Processes

Questions and Answers

Closure

BENEFIT CHANGES & CONTRIBUTION INCREASES PROCESSES



Mr. Mondli Govuzela
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Management



Outline

Medical schemes cost drivers

Contribution increases relative to CPI

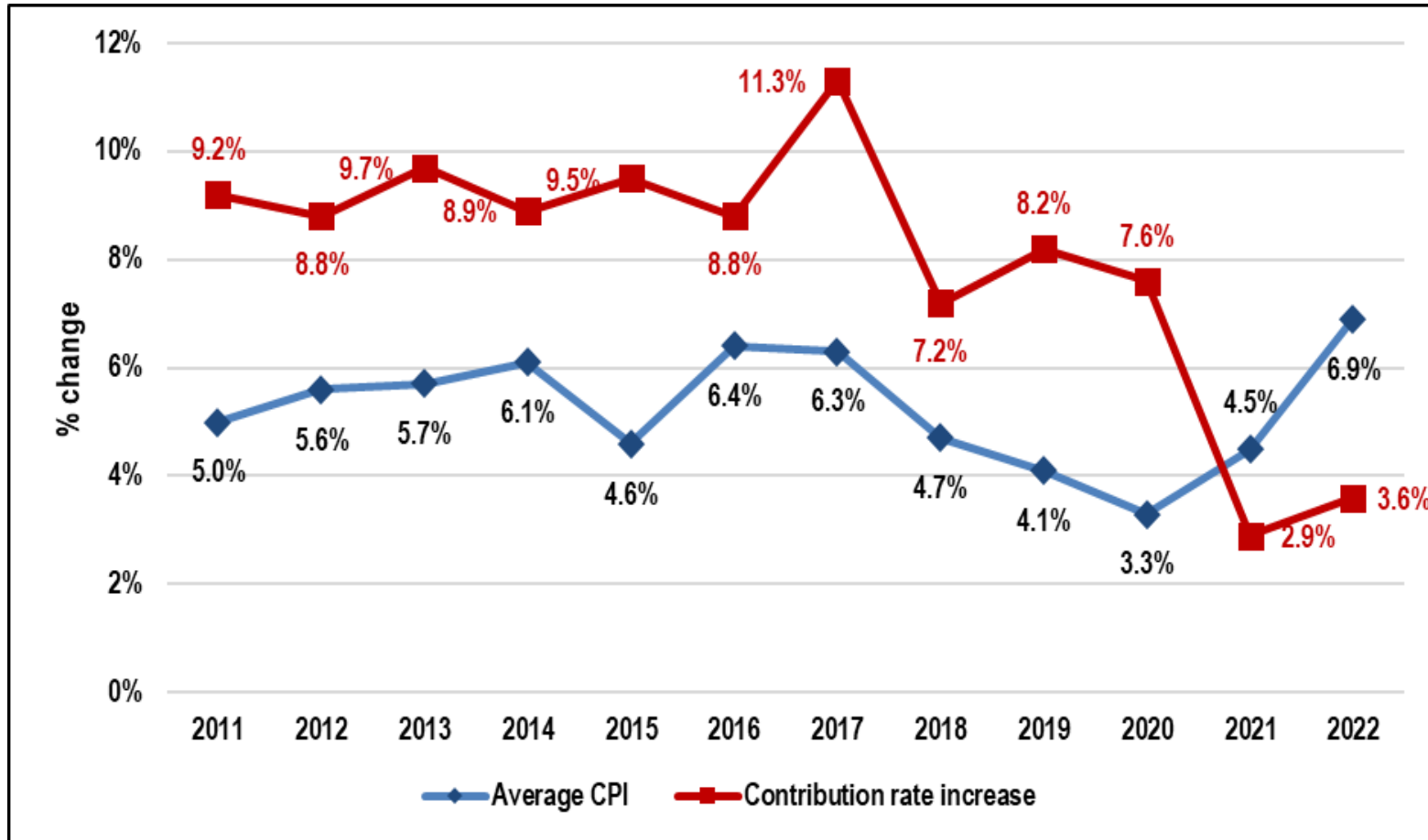
Legal provisions

Benefit Changes & Contribution Increases Processes

Medical schemes cost drivers

- Increasing chronic disease prevalence
- The ever-increasing number of elderly members of medical places additional strain on the healthcare system and result in rising costs
- Provider claims – fewer doctors and specialists and demand for higher remuneration
- Member demands – hospitalisation, cancer therapy, optical care, specialized dentistry, etc.
- Poor benefit design can result in an increase in complications, necessitating an increase in specialist involvement and hospitalisation
- Advances in medical technology
- Administrative expenses / non-health expenditure
- Fraud, waste and abuse

Contribution increases relative to CPI



- CPI / Contribution increase differential: 2.4 – 5%
- Reduction in the cost assumption attributable to utilisation and demographic changes over time
- COVID-19 period CPI exceeded contribution increases
- Impact of demographic changes

Legal provisions

- A medical scheme may, in accordance with Section 31(1), make or change any rule, or rescind any rule, in the manner provided for in its rules.
- According to Section 31(2), amendments, rescissions, or additions to any rule are considered valid only if they have been approved by the Registrar.
- According to Section 31(3)(a), the Registrar is required to ensure that the amendments or rescission of the rules are fair for members and do not result in the medical scheme's rules conflicting with the provisions of the Act.
- According to Section 31(3)(b), in cases where the Registrar is not satisfied, it is required that the Registrar communicates in writing to the medical scheme, including reasons for rejecting of the requested amendments.

Processes

- Rule amendments contemplated in Section 31 may include changes to benefits offered and/or increases in contributions.
- Circular 27 of 2023 outlines the requirements that medical schemes must adhere to when submitting annual contribution increases and benefit adjustments for the 2024 benefit year.
 1. A detailed motivation **[in line with Advisory Practice Note (APN303) published by the Actuarial Society of South Africa (ASSA)]** for the required changes to benefits and contributions must accompany all submissions.
 2. Schemes have until 1 September 2023 to apply for registration of new benefit options (including Efficiency Discounted Options)
 3. 1 October 2023 to submit applications for benefit changes and contribution increases

Processes

- The Registrar will communicate the decisions (approvals / rejections) in November.
- Only contribution increases that have been approved by the Registrar may be implemented by medical schemes.
- Medical schemes are advised against communicating any benefit changes or contribution increases before obtaining the necessary approval from the Regulator.



Recommendation for 2024 Contribution Increases

Mr. Mfana Maswanganyi
Executive – Regulation



Conclusion

- Given the prevailing circumstances, the CMS advises medical schemes to limit their cost assumptions for tariff increases to 5%, which aligns with the SARB Monetary Policy Committee CPI projections for 2024. Additionally, it is recommended that a prudent percentage markup be incorporated, taking into account scheme-specific demographic and utilisation changes for the benefit year 2024.

Thank you.