



# HFA MATTERS

December 2017

## THE YEAR IN REVIEW



2017 has been an eventful year and one which has thoroughly tested the mettle of the industry. I feel privileged to have been part of the collective HFA wisdom which, I believe, has navigated its way through and emerged stronger and more robust.

The calibre of the individuals who make up the organisation has enabled me to lead with confidence and integrity, safe in the knowledge that I have the support of the industry's finest minds.

## Membership

The significant growth in membership has demonstrated that HFA's constructive attitude to engagement with policymakers as well as its proactive approach to regulatory and industry matters has resonated with schemes and administrators alike. I am delighted to report that we have added 12 new schemes to our stable in 2017, bringing our representation of open scheme members to 73% and 50% of the total scheme market. HFA now represents 10 restricted schemes and 9 open schemes.

Our members within the administrator environment include Discovery Health, MMI Health and PPS Healthcare Administrators. Combined, these three organisations represent some 3,8 million beneficiaries or 45% of all lives.



## HFA members

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| <ul style="list-style-type: none"> <li>• Bankmed Medical Scheme</li> <li>• Bestmed Medical Aid</li> <li>• Chartered Accountants Medical Aid Fund (CAMAF)</li> <li>• Discovery Health Medical Scheme</li> <li>• Fedhealth</li> <li>• Glencore Medical Scheme</li> <li>• LA Health</li> <li>• Malcor Medical Aid Scheme</li> </ul> | <ul style="list-style-type: none"> <li>• Medihelp Medical Scheme</li> <li>• Momentum Health</li> <li>• Profmed</li> <li>• Remedi Medical Aid Scheme</li> <li>• Resolution Health Medical Scheme</li> <li>• Selfmed Medical Scheme</li> <li>• The Foschini Group Medical Aid Scheme (TFG)</li> </ul> | <ul style="list-style-type: none"> <li>• Topmed Medical Scheme</li> <li>• Tsogo Sun Group Medical Scheme</li> <li>• University of KwaZulu Natal Medical Scheme</li> <li>• Witbank Coalfields Medical Aid Scheme (WCMAS)</li> <li>• PPSA Healthcare Administrators</li> <li>• Discovery Health</li> <li>• MMI Health</li> </ul> |
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## Governance



Good governance continues to be the foundation upon which the operational and strategic activities are executed. Key to this is our MOI, which specifies critical aspects relating to the Board of Directors, such as the maximum number of directors; the nomination and election process; the tenure of directors, and, guidance as to the frequency of board meetings.

Our current board consists of eight directors, including **Chairman, Teddy Mosomothane** of Bankmed and myself, as **CEO of HFA**.

Other directors include:

**Graham Anderson** (Profmed)

**Dr Nozipho Sangweni** (DHMS)

**Jeremy Yaff** (Fedhealth)

**Dr Jonathan Broomberg** (DH)

**André de Koker** (LA Health)

**Toni van den Bergh** (Momentum Health)

*A total of five board meetings were held during 2017.*

## New members

Ordinary membership of the Association is open to all medical schemes and administrators, while associate membership is open to managed care organisations. Membership fees are kept as low as possible and are structured to ensure fairness and affordability for all member organisations, regardless of their size.

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## Remaining Relevant, Responsive and Dynamic



The value that our member organisations derive from belonging to a representative organisation is what drives the HFA strategy. During 2017, several key industry issues were addressed through various mediums, such as consultative forums; submissions; legal opinions; participation in task teams, and the like.

Constructive engagement with policymakers and other industry players is critical if HFA is to maintain its standing within the sector. During the course of the year, I met with the Acting Registrar, Dr Siphon Kabane, on several matters and the DG for Health, Precious Matsoso, on the issue of the role of the private sector in the transition to NHI.

I participated in sub-committees, advisory groups and task team feedback sessions on topics such as the Beneficiary Registry ITAG, the PMB Review and the PMB Code of Conduct.

Of significant importance were the following:

- HFA was invited to participate in a recent NHI workshop driven by BUSA. This process has potentially far-reaching implications for the private health sector and we will keep members informed of progress.
- During July, HFA was invited by CMS to a NHI Consultative meeting at which the industry was requested to provide Council with names of nominees to represent the various stakeholders in the NHI Committees to be established. Dr Noluthando Nematswareni and Dr Boshoff Steenekamp were nominated to represent HFA on the Clinical Advisory Committee. (See more under the paragraph on the PMB Review).

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## Remaining Relevant, Responsive and Dynamic, cntd.

- In the interest of collaboration between CMS and HFA, a meeting was held on the 24<sup>th</sup> November to discuss a Memorandum of Understanding (MOU) between the two organisations and to set a work plan to accompany the MOU. The aim of the platform is for industry and CMS to be able to proactively address industry issues and not wait for 'emergency' situations to arise.

Dr Kabane said that the CMS intends utilising this platform to appraise the industry on key policy developments, and to communicate its plans — the aim being to achieve a self-regulating industry where stakeholders conduct themselves in alignment with the Regulator's expectations.

Discussion at the meeting centred around the desired structure and content of the workplan.

Dr Kabane invited discussion on the 'Terms of Reference' document which will be developed by myself and Dr Elsabe Conradie of CMS and urged that the first meeting be held early in 2018.

HFA was also invited to participate in a number of other important forums, all of which promise to have a positive impact on the healthcare industry. These forums included:

- *'The Obstetrics Crisis in SA', brought about by the increase in medicolegal claims. This is an ongoing initiative convened by the Gynaecology Management Group (GMG) which will continue to feature in our newsletters and monthly updates.*
- *Engagement with members on the Concourt ruling on PMSAs.*
- *HFA was invited by the HPCSA to attend a Global Fee Workshop after the South African Society of Anaesthesiologists complained that global fees were not permissible according to HPCSA rules and regulations.*

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## Delivering value to members



HFA's Inaugural Consultative Forum, held in March, addressed three critical issues which dominated the first quarter of 2017. These were; the establishment of a Beneficiary Registry (BR), the PMB Review and the Solvency Review. Experts were invited to share their insights with HFA members on legal and other angles of these potentially far-reaching processes and, where appropriate, provide legal opinion to members.

### *The PMB Review*

Boshoff Steenekamp's presentation on the PMB review, which would form the basis of the HFA submission on the matter, emphasised the need for a transparent, iterative and participatory process and applauded the opportunity to review the package in line with policy priorities, such as universal coverage.

According to CMS, the intention of the review process was the inclusion of primary care benefits into the basket of PMBs in order to align them with a NHI benefit package, as well as to examine the apparent over-supply and over-charging for PMB services.

Steenekamp's presentation covered the substantial issues relating to PMBs, such as:

- Current challenges
- Policy uncertainty
- The proposed process, including a formal priority setting process
- Sustainability interventions, which focused on improved health and outcomes
- The proposed package – a tiered structure which would both address low income benefit options as well as protect membership to medical schemes.

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## Delivering value to members, cntd.

### *The PMB Review, cntd.*

During November, Acting Registrar, Dr Sipho Kabane convened a PMB Review workshop and invited the HFA representatives to make a presentation on:

- Inputs to the circulars, correspondence and briefing package
- General areas of discontent with the PMBs
- Comments about the outlined process
- Volunteering of technical analysis relevant to this PMB Review
- Expectations from the group

At the workshop, Dr Kabane stated that the aim of the presentations was to provide an opportunity to stakeholders to air their views on the process, and the way in which the process has been executed thus far, in order to ensure a smooth process going forward. He added that CMS would like to be a 'listening coordinator'. He also said that it is imperative that the review process culminates in a PMB package that would benefit those funded by medical schemes.

The HFA presentation addressed all the components set out by the CMS as well as an in-depth perspective and recommendations around the importance of priority setting in the process.

Dr Kabane committed to collating all inputs into a comprehensive document and sharing this with stakeholders in the interest of a coherent approach to the process.

### *The PMB Code of Conduct (CoC)*

On the PMB Code of Conduct process, Dr Kabane stated that the first draft of the CoC has been published, following inputs received and a review of the 2010 version. The CoC, published on the CMS website, is available for public comment by the 31 January 2018.

Dr Kabane said that the updated version sought to resolve misunderstandings around the current regulations of the PMBs and that the recommendations made in the CoC will be incorporated into the current PMB review process, adding however, that the two processes were separate.

He said that he hoped the final CoC would be adopted by the end of March 2018, adding that the CoC would give guidelines on conduct around PMBs until there is another document to replace it.

*HFA will submit a response to the CoC on behalf of its members.*

### *The Solvency Review*

According to the CMS, the refinement of solvency levels based on aspects such as the underlying risk profiles of schemes will lead to more appropriate reserve levels and therefore enhance capital efficiency.

To provide insight to members on an appropriate Risk Based Solvency Model, Emile Stipp from Discovery Health presented a comparison between ITAP and the CMS' proposed framework on the matter and stated that the objective of ITAP's framework was to develop an internal model for use by CMS to prospectively identify medical schemes at high risk of failure in order to allow CMS to intervene timeously and to highlight schemes for further investigation.

He recommended that this model be adopted as it was simple and would allow for a move to a RBC approach, adding that schemes would be able to calculate their requirements using a spreadsheet.

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## Delivering value to members, cntd.

### *The Beneficiary Registry*

The proposal for the establishment of a Beneficiary Registry (BR), to be set up by the CMS at the behest of the NDoH, was met with concern from the industry on several fronts, including that of confidentiality of data.

On behalf of its member schemes, HFA invited Altair Richards of ENS to provide members with a legal opinion on the establishment of such a registry.

Richards stated that the intention of the BR was a central repository containing certain personal information of all medical scheme beneficiaries, submitted to the CMS by medical schemes and their administrators.

She said that, in her opinion, the position of medical schemes and administrators under the current legal framework is quite clear in that it would not be legally permissible for medical schemes or administrators to disclose the personal information of beneficiaries, without the explicit written consent of beneficiaries. Richards added, however, that the MSAB provided for such a registry and, when implemented, trustees would be obliged to disclose information, but that the information required under the MSA would have to be separated from information required for other purposes, e.g. NHI-related purposes.

Jaap Kügel from the CMS has stated subsequently that the proposed BR had been submitted to the State Law Advisors for a final legal opinion in June 2017.

As an alternative to establishing a BR, several HFA members (prior to the formation of the HFA) proposed a 'look up' facility to CMS. This facility would be less costly than that proposed by the CMS; would appease security concerns; and, would be available to public health facilities.

### *Consolidation*

Following the Acting Registrar's announcement regarding consolidation of small, restricted schemes, HFA called a second Consultative Forum in August. Legal and actuarial experts were invited to address the matter and to assist in clarifying the HFA response to policymakers on the issue.

Altair Richards of ENS provided legal clarification on the issue, in essence saying that the '6000 member requirement' only applied to those schemes established after the regulations had come into operation, adding that none of the potentially affected schemes were established after this had occurred. She said, however, that it could be argued that cancellation of registration may be possible if a medical scheme has been unable to maintain 6000 members, but commented that for 17 years the CMS had permitted medical schemes to operate below the 6,000 member threshold. Richards further commented that the mechanism for forcing consolidation was unclear and that reasons for dissolution would have to fall within the scope and powers of the Registrar.

Christoff Raath of Insight Actuaries provided an actuarial view of the proposed industry consolidations, saying that while **effective** pooling could reduce health fragmentation; could introduce administrative economies of scale; and, could provide the ability to purchase healthcare at lower prices, the proposed consolidation of small, restricted schemes was not the solution.

He added that the current consolidation drive is likely to be harmful to the most vulnerable beneficiaries and that schemes or options superficially deemed non-compliant were historically allowed to persist for specific and sound reasons.

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## Delivering value to members, *cntd.*

### *HFA Submissions*

During 2017 HFA compiled industry submissions on:

- The NHI White Paper
- The NDoH Gazette on undesirable practices relating to DSPs
- the HMI's 'Health Outcome Measurement and Reporting: Improving the cost effectiveness of clinical care in a competitive private healthcare sector in South Africa'
- The Beneficiary Registry
- The PMB Review

## Consultative & Collaborative

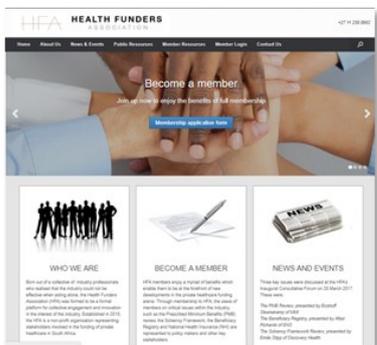


### *Attendance at Seminars*

I attended several seminars convened by the Institute of Health Risk Managers on topical issues, such as:

- The NHI White Paper – addressed by Professor Alex van den Heever of Wits University and Christoff Raath of Insight Actuaries and Consultants.
- Confidentiality in the Medical Scheme Context – presented by Esmé Prins-van den Berg of Healthcare Navigator.
- DSPs and the Law – Presented by Dr Elsabe Klink of Elsabe Klink & Associates.

## Keeping Members Informed



### *HFA Website*

I am pleased to announce that the HFA website has recently gone 'live'. My intention is for the website to be a repository of information and a resource to the industry, including members, non-members, insured and non-insured consumers, providers, media and government.

The 'member-only' portion of the site will be exclusively for HFA members and will contain information which has a value in some way or another, for example, legal opinions on current issues which the HFA may commission on behalf of its members or position papers emanating from HFA task teams.

Over the next few months, we will be working towards populating and updating the site so that we can achieve what we have anticipated.

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## Keeping Members Informed, cntd.



### *HFA Matters*

Our quarterly newsletter, HFA Matters, is distributed to both HFA members and non-members. These have been well received and go a long way to raising awareness about the Association and its activities.

### *HFA On Call*

Our member-only monthly update, containing privileged information about HFA activities has proved to be of significant value to members.



### *HFA Prospectus*

To assist us with our marketing drive, we have developed a company prospectus. This document contains information such as our Vision and Mission; who we are; our strategic objectives; membership information; constitution of the Board, etc.

## Thank you

*I would like to thank each of our members for the trust that they have put in the Association and pledge my commitment to making 2018 another successful year for HFA.*

LERATO MOSIAH, CEO



To become a member or to read more on topics featured in this newsletter, please log on to our website: [www.hfassociation.co.za](http://www.hfassociation.co.za)