



Requirements for  
Medical Scheme Administrators  
February 2010

# **REQUIREMENTS FOR ADMINISTRATION OF MEDICAL SCHEMES**

<b>Enquiries:</b> Ms Hannelie Cornelius Accreditation Manager: Administrators and Managed Care Tel: 012 431 0406 Fax: 012 431 0607 E-mail: <a href="mailto:h.cornelius@medicalschemes.com">h.cornelius@medicalschemes.com</a>	<b>Enquiries:</b> Ms Avril Jacobs: Senior Accreditation Analyst Tel: 012-431 0586 Fax: 012-431 0644 E-mail: <a href="mailto:a.kennedy@medicalschemes.com">a.kennedy@medicalschemes.com</a>
---	---

# TABLE OF CONTENTS

<b>A. GENERAL.....</b>	<b>3</b>
1. Introductory Note .....	3
2. Administration functions.....	4
3. Medical scheme data to be maintained .....	6
 <b>B. THE ACCREDITATION OF THIRD PARTY ADMINISTRATORS .....</b>	 <b>11</b>
1. The accreditation process .....	11
a. First-time applications and evaluations .....	11
b. Renewal applications and evaluations .....	12
2. ADMINISTRATION REQUIREMENTS.....	13
a. Third party administrators - Domicilium & compliance measurement.....	13
b. Sub-contracting of administration services by an accredited administrator.....	14
c. Third party administration agreements.....	14
 <b>C. SELF-ADMINISTERED MEDICAL SCHEMES .....</b>	 <b>29</b>
1. The evaluation of compliance with the administration standards process ...	29
a. First time compliance evaluations .....	29
b. Subsequent compliance evaluations .....	30

## **A. GENERAL**

### **1. Introductory Note**

Relevant provisions of the Act and Regulations –

- Section 1(1) – definition of “administrator”
- Self-administered schemes:
  - Section 26(9)
  - Section 57(4)(h)
  - Regulation 16
- Third party administrators:
  - Section 58
  - Chapter 6 of the Regulations

The object of accrediting third parties involved in the administration of medical schemes and the evaluation of compliance with the administration standards by self-administered schemes is to promote institutional safety and soundness of medical schemes. Although it is recognised that the administration of a medical scheme may encompass much wider functions, the following general areas of administrative functions have been identified as of critical importance for which entities fulfilling these functions must be accredited (and in the case of a scheme fulfilling these functions itself, meet the accreditation requirements):

- General compliance (Regulatory compliance i.r.o financial soundness, admin agreement, fidelity and indemnity insurance, etc.)
- System assessment (administration system)
- Member record management
- Contributions management
- Claims management

- Financial management reporting
- Information management and data control
- Customer services

It must be stated that identifying these specific areas of administration functions does not in any way detract from the importance of any other functions that are required in respect of the administration of a medical scheme, nor does the accreditation of entities fulfilling these functions in terms of a contract with client schemes absolve the trustees of a scheme of their duty to properly manage and ensure the effective administration of their scheme.

## **2. Administration functions**

Any entity providing the following services (whether contracted out or in-house) in respect of a scheme must employ integrated systems and processes which, in terms of the Act, relevant scheme rules and all other applicable laws, adequately deal with:

### **a) Member record management**

1. Registration/termination of members and dependants.
2. Maintaining /updating membership records.
3. Issuing of membership cards and certificates of membership.
4. 3.1.3 Income tax information for members.

### **b) Contribution management**

1. Preparation of billing / membership schedules in line with the registered scheme rules (where applicable).
2. Timeous collection, allocation and reconciliation of contributions (including savings where applicable) at individual member level.
3. Robust credit control procedures to manage and collect any outstanding member debts owing to the scheme.

4. Suspension / termination of membership as provided for in scheme rules and guidelines determined by the trustees.
5. Maintaining debtors' age analyses per category of debtor, e.g. member debt, provider debt and outstanding contributions.

**c) Claims management**

1. Receipt, validation and payment of all claims in accordance with the scheme rules and the Act.
2. Payment of contracted fees to providers (where applicable).
3. Appropriate communication as prescribed in the event of claims being queried or rejected.
4. Providing claims advice statements to members and providers.
5. Provision of at least basic fraud detection services.
6. Payments from medical savings accounts to be conducted in terms of the scheme rules and the Act.

**d) Financial management reporting**

1. Opening and maintaining relevant bank account(s) in the name of the scheme.
2. Depositing of scheme monies as prescribed.
3. Effecting payment of claims and expenses in terms of delegated authority between scheme and administrator.
4. Allocation, reconciliation and maintenance of general ledger control accounts, including but not limited to contributions, claims and savings accounts.
5. Preparing detailed monthly management accounts, annual financial statements, statutory returns, and other reports in the required format.
6. Verifying, effecting payment, and regular reconciliation of payments to contracted providers in terms of the scheme rules and agreements.

**e) Information management and data control**

1. Comprehensive disaster recovery and business continuity plans are in place.
2. Comprehensive data back-up and offsite storage measures are in place.
3. The administration systems employed must be able to accommodate the complexity of scheme options administered, and have sufficient capacity to accommodate growth or a change in the scheme's needs..
4. All registers, minute books, records and other data pertaining to the scheme remain the property of the scheme concerned, and no lien may be held over them by the administrator.
5. The Administrator must take such steps as may be required to maintain the confidentiality, integrity and security of data in relation to the scheme under administration.

**f) Customer services**

1. Providing appropriate and adequate infrastructure, facilities and staff to manage all enquiries relating to the scheme(s) under administration in accordance with the administration and service level agreements.
2. Records must be maintained of all enquiries made, the administrator's response thereto and turnaround times must be recorded and monitored.
3. The administrator must employ systems and processes to ensure that broker remuneration is calculated and paid in accordance with the Act and the agreements between the brokers and schemes concerned.

**3. Medical scheme data to be maintained**

The data remains the property of the Scheme and copyright vests in the scheme. The Administrator or self-administered scheme will take all steps as may be reasonably required to protect the confidential nature, integrity and assignment of data insofar as it relates to the

scheme under administration. The data shall be kept and disclosed as per industry norms and standards and as may be required from time to time.

**The following serve as a guide of the data to be maintained:**

**a) Employers (Including subsidiary/associated entities)**

Full details of each employer participating in the scheme including the following:

- Employer Group Codes.
- Full name of the employer.
- Address details - both physical and postal.
- Names and contact details of relevant contact people within the employer.
- Employer to be coded and provision to be made for subsidiary codes within each employer group to cater for branches, subsidiaries, continuation members, etc.
- Date of admission and, where applicable, date of exit from the scheme, of the Employer or any of its subsidiaries or sub groups.

**b) Members**

- Medical scheme membership number as well as the identity numbers of the principal member and each registered dependant.
- Full name, initials and surname of the principal member and each registered dependant (Note: Each member and dependant to be coded in such a manner as to permit the tracking of claims per beneficiary).
- Date of birth of each member and dependant.
- Gender of each member and dependant.
- Relationship of dependant to member, e.g. spouse, child, aged parent, etc.
- Date of admission to scheme in respect of each member and dependant.
- Date of exit from scheme, where applicable, in respect of each member and dependant.

- Details of the benefit option in which each member and his/her dependants participate in.
- Details of salary or income bands for contribution calculation purposes, where applicable.
- Monthly contributions payable in respect of the member family.
- Member's physical address (domicilium citandi), postal address and contact details.
- Details of any waiting periods imposed on entry to the scheme.
- Details of any special transactions on behalf of the member or dependant, e.g. confirmation of hospital admissions, records of correspondence and telephonic enquiries, queries, etc.
- Details of prior scheme membership, late joiner status and late joiner penalties imposed.
- Each beneficiary's REF number.
- Detailed audit trail of all changes to member records.

### **c) Claims**

The following itemised claims data (where applicable) should be maintained on the administration system for each beneficiary:

- Each claim should reflect the date of receipt and should have a unique reference number which is entered on the system.
- Each claim in the system must include the membership number and dependant identification.
- Receipt date, processing date and date of payment for each claim.
- Date of service.
- Diagnostic, procedural, pharmaceutical classification system or other generic codes per line item.
- Provider's name and practice number.
- Amount charged by provider for each line item, the tariff amount applicable and benefit awarded.



- Indication whether a benefit has been paid directly to the provider or to the member.  
Where direct payment has been made in excess of the benefits allowed, amounts owing by the member must be calculated and reflected.
- Where a benefit has been modified, for example, by imposition of a maximum, a levy or a limit, or if a benefit has been disallowed, an explanation by way of code or other means should be reflected on the claims record.
- Where a claim has been adjusted after assessment or payment, full details of the adjustment must be shown. Where the adjustment results in a debt due by the member, details of the amounts owing must be calculated and reflected.
- Identify Prescribed Minimum Benefits (PMB's).
- Identify third party claims, e.g. Road Accident Fund claims.
- Total of claims allocated to savings accounts.
- Total of claims allocated to the benefit limits.
- Details, including practice code number, of referring / attending practitioner.

#### **d) General**

The data described above must be maintained on an integrated administration system so as to *inter alia* provide:

- Membership cards.
- Payments towards prescribed minimum benefits.
- Contribution schedules and control over collections, including reconciliations.
- Debtors schedules, and complying with measures introduced to control collections and reconciliations.
- Timeous settlement of all claims.
- Claims advices to providers and members.
- Information to deal with member and provider enquiries.

- Income tax information for members.
- Financial reporting.
- Statutory data for returns to the Registrar of Medical Schemes.
- Analysis and reporting – Demographic, by member, by employer, by provider, by age of member or dependant, by tariff or category of benefit, REF requirements, etc.
- Administrator performance - monitor in accordance with the detailed service level agreements.
- Preparation of budgets and benefit design.
- Provision of year-end audited annual financial statements.
- Detailed audit trails of all changes made on / to the system.
- Claims validation to, for example detect and prevent processing of duplicate payments, and general compliance with the rules of the scheme.
- Analysis and reports by date of service as well as date of payment.
- Analysis and reports of costs per member per month by date of service as well as date of payment.
- Accurate analysis and reports of the number of members and dependants participating in the scheme each month. In this regard the system must allow these figures to be updated where arrear adjustments are made.
- Analysis and reports showing key indicators such as the number of admissions to hospital per thousand beneficiaries, number of consultations by general practitioners and specialists per thousand beneficiaries, the incidence of caesarean sections per scheme population covered and the like. All reports must be capable of drilling down to different levels for example, by employer group, by paypoint, by provider, etc.
- Analysis and reports of all member, provider and other enquiries received and addressed by the administrator on behalf of the scheme.

## **B. THE ACCREDITATION OF THIRD PARTY ADMINISTRATORS**

### **1. The accreditation process**

#### **a. First-time applications and evaluations**

1. The applicant completes the third party administrator accreditation application, which can be found on the Council's website under "Application Forms" of "Administrators" and submit it with all the required information and prescribed fees to this Office.
2. The senior accreditation analysts perform a desk-based analysis on the completeness and validity of the application form and information submitted.
3. Once finalised and the application confirmed valid and complete, the analysts will make arrangements with the applicant and schedule a set-up meeting with senior management and other relevant staff members of the administrators to hand out the self-evaluation questionnaire and to explain the evaluation process.
4. The administrator is then required to complete the self-evaluation questionnaire and to cross-reference the sections to the evidence supporting compliance within a period of approximately three weeks.
5. The analysts will thereafter conduct the on-site evaluation and assess the applicant's compliance with the standards by physically testing and verifying the compliance ratings as provided by the administrator on the self-evaluation questionnaire. Testing typically entails a review of the operating and financial reporting processes and assessing the functionality of the administration system.
6. The analysts prepare an evaluation findings report and discuss it with senior management at the conclusion of the on-site evaluation. A copy of this report is then provided to the administrator to formally comment on the findings and recommendations within 30 days.
7. The findings report, including the administrator's comments is then discussed and finalised through an internal steering committee process.

8. The final report is then presented to the Council for approval of accreditation.
9. Once the Council has granted accreditation, such accreditation is valid for a period of two years from the date of the Council decision, subject to any accreditation conditions imposed by the Council. The administrator is issued with an accreditation certificate specifying the accreditation period and the conditions attached thereto. Typically, critical conditions have to be resolved within a short period of time, whilst an administrator may be given up to six months to comply with the more general conditions.
10. The Accreditation Unit evaluates compliance with the accreditation conditions after the expiry of the specified period and amends the accreditation certificate accordingly (with the approval of the Registrar).
11. The conditions compliance assessment might include a follow up on-site visit to the administrator where required, or a desk-based analysis of the information provided, or a combination thereof.

**b. Renewal applications and evaluations**

1. The applicant completes the third party administrator accreditation and renewal application, which can be found on the Council website under "Application Forms" or "Administrators" and submit it with all the required information and prescribed fees to the Office at least three months prior to the accreditation expiry date. The renewal part of the application form requests specific information on significant changes in the administrator's operating environment which could have an impact on its accreditation status, e.g. a change in shareholding, change in the administration or financial systems, etc.
2. The senior accreditation analysts perform a desk-based analysis on the completeness and validity of the renewal application form and information submitted. Particular attention is paid to the applicant's compliance with conditions previously imposed.

3. Depending on the level and significance of changes reported, a follow-up on-site evaluation might be required to assess the administrator's continued compliance with the accreditation standards subsequent to the changes having taken place.
4. Where a follow-up evaluation is considered appropriate, a similar process as described in steps 3 to 7 of the "First Time Applications" process above will be followed.
5. The evaluation findings report and the administrator's comments on the findings (where applicable), is then discussed and finalised at internal steering committee level.
6. The final renewal evaluation report is then presented to the Council for approval of renewal of accreditation.
7. Once the Council has granted renewal of accreditation, such accreditation is again valid for a period of two years, subject to any conditions imposed by the Council. The administrator is issued with an accreditation certificate specifying the accreditation period and the conditions attached thereto. Typically, critical conditions have to be resolved within a short period of time, say 30 days, whilst an administrator may be given up to six months to comply with the more general conditions.
8. The Accreditation Unit evaluates compliance with the accreditation conditions after the expiry of the specified period and amends the accreditation certificate accordingly (with the approval of the Registrar).

## **2. ADMINISTRATION REQUIREMENTS**

### **a. Third party administrators - Domicilium & compliance measurement**

1. The principal place of business of the administrator must be in South Africa.
2. The entity must conduct the business of bona fide administration of medical schemes and not as an agent or intermediary.
3. It must have the required skills and infrastructure to deal with the complexity and number of schemes under administration.

4. It must comply with the provisions of the Medical Schemes Act and the Regulations published thereunder.
5. Evaluation of an applicant required to be accredited is done by means of an assessment of the application, the fitness and propriety of the applicant, evaluation of the administration contracts in place, a self assessment by the applicant in terms of the criteria and an on-site assessment by the Council for Medical Schemes of the extent of compliance with the accreditation standards and criteria.
6. To the extent that administration functions are performed as contemplated in the first column of Annexure B (Service levels for compliance by administrators), the administrator must comply with the corresponding standards of delivery set out in that annexure.

**b. Sub-contracting of administration services by an accredited administrator**

1. The administrator must fully declare all sub-contracting arrangements between the organisation and other entities, and provide signed copies of the latest agreements to the Council for Medical Schemes.
2. In order for the administrator to be able to sub-contract any of its administration functions, there must be a provision for such in the administration agreement between the scheme and the administrator. Note that the ultimate responsibility for the performance of administration functions vests with the administrator which contracts with the scheme concerned. Accordingly, the administrator is liable towards the scheme being administered for the actions of the sub-contractor. Subcontracting in this particular context does not envisage a scenario where functions are split between two or more administrators.
3. Payment for services forming part of specified functions sub-contracted to another party by the administrator, must form part of the agreed administration fee paid by the medical scheme concerned to the administrator. No additional fee should be charged to the scheme.

**c. Third party administration agreements**

**Note:**

It is essential that the Board of Trustees represents the scheme in signing the agreement as contracting party. Consequently, this authority, including the names of the persons designated to sign the agreement should be documented in a formal minute of the scheme and must include the Chairperson, Principal Officer and one trustee duly appointed.

The agreement comprises of 3 sections:

- First section – Basic provisions (contents of the agreement)
- Second section – Services to be supplied by the administrator (Annexure A)
- Third section – Service levels for compliance by administrators (Annexure B)

**1. Basic provisions (Contents of agreement):**

**i. Definitions/ Interpretations**

Define the following: the Act; administrator; auditors; beneficiary; benefit options; Board; claims; contributions; days means working days; effective date/date of commencement; employer; fee, the remuneration of the administrator as provided for in terms of the agreement; member; members' portion; rules; services; this agreement includes all the Schedules thereto; etc.

**ii. Preamble**

It is recorded that XXX carries on business as a medical scheme and provides health care services to its registered members and their dependants.

The administrator carries on business as a medical scheme administrator.

XXX has agreed to appoint the administrator to provide the services to XXX upon the terms and conditions of this agreement.

The parties wish to record their agreement in writing.

**iii. Appointment of administrator**

XXX hereby appoints the administrator on the terms and conditions of this agreement to provide the services to XXX

The administrator hereby accepts such appointment.

**iv. Duration of agreement**

Duration and conditions of appointment, notice period for termination of contract. Council regards a 3 year term agreement to be reasonable whereafter it should be reconsidered based on compliance with service levels.

**v. Termination**

Termination arrangements, including transfer of data upon termination, in compliance with the Act and Regulations. (Ensure compliance in accordance with Regulations 18(2)(d) and (e).)

Include process to be followed from termination date until run-off of scheme administration has been completed.

Include provision on the format of the data to be transferred and the cost of conversion (where applicable).

**vi. Duties of the administrator**

Provide a synopsis of the duties of the administrator. Illustrate how the affairs of the medical scheme will be executed, i.e. in full compliance with the Act and the Rules of the scheme.

**vii. Services to be supplied by administrator**

All services provided should be detailed in the main agreement or in an annexure thereto. The agreement must include a detailed service level agreement which includes the service level, performance measuring mechanism and penalties in case of non-performance by the administrator.

**viii. Obligations of the scheme**

***Remuneration***

- How is the administration fee calculated, and how and when is it payable? E.g. is it a fixed amount, or a rate per member per month? It is required that admin fees should be calculated on contributions collected as opposed to billings/invoicing. There should be a proper reconciliation of fees paid.
- Annual review of administration fee - specify how it will be calculated, e.g. is the cost escalation calculated using medical inflation or CPI or negotiated.
- Provision for review of administration fee due to unforeseen circumstances - for instance due to unspecified work performed.
- Specify calculation of fee during winding down or amalgamation of scheme, e.g. X% of value of claims processed.
- When reviewing the administration fee, the process should afford the parties to negotiate in terms of evaluating the performance by the administrator and/or to reconsider the service levels.
- Determination of the fee structure for research and advisory services provided to the scheme.

***Example:***

"In consideration for the rendering of the services to XXX Medical Scheme in terms of this agreement, XXX agrees to pay to the Administrator an administration fee equal to



.....% of Members' Contributions received from time to time / or Rx per member per month in respect of contributions received from time to time.

All goods and services provided by the Administrator to XXX Medical Scheme in terms of this agreement are deemed to be exclusive of value added tax and such value added tax, at the applicable rate, shall be added to such charge or fee and shall be payable by XXX Medical Scheme."

***Direct expenditure***

An explicit statement of which costs shall be borne by each contractual party should be made. In particular: fees payable under the Act, audit fees, bank charges, legal costs for proceedings for recovery of monies due to the scheme undertaken by the administrator, interest on authorised borrowed funds etc. (State expenses that make up the cost of administration.)

**ix. Fidelity Guarantee Insurance**

Procurement of fidelity insurance for monies belonging to the scheme, details of excess costs and details of party liable for payment thereof.

**x. Indemnity**

Indemnity arrangements amongst the administrator, the scheme and the Board of Trustees against losses which might be incurred due to the administrator's negligence and or breach of agreement.

**xi. Ownership, Retention of documents & Confidentiality**

Deals with:

- The procurement of minute books, etc. to be kept by the administrator in original form throughout continuance of the agreement, and which must be accessible to the scheme at all times at no additional cost;
- Delivery of the minute books to the scheme, or new administrator, upon termination of the agreement;
- It is recorded that all registers, minute books, records and all other data pertaining to the scheme shall at all times remain the property of the scheme;
- The scheme to undertake not to divulge, except by law, any information relating to the administrator's methods of administration, computer programmes, contracts or other confidential information in its possession re implementation of the agreement;
- Provide for continued safekeeping by the administrator of the records, assets etc. held in custody on behalf of the scheme, and marking thereof including a register to identify ownership thereof; and

- An undertaking by the contracted parties on how, during and after the expiration of the agreement, information which is deemed confidential, either stated or by its nature, is intended to be dealt with.

*Example:*

"The parties acknowledge that all material and information relating to the affairs of the scheme which has or will come into its possession, or knowledge in connection with and/or pursuant to this agreement or the performance thereof, consists of confidential data. The parties agree that such confidential data is a valuable, unique and special asset proprietary to XXX Medical Scheme. The parties acknowledge and agree that the disclosure of the confidential data to any third party, except in the performance by the Administrator of its duties or functions in terms of this agreement and the Act, or when called upon to do so as a witness before any Court of Law, shall be unlawful and in breach of this agreement and the stipulations of the Act. The parties therefore acknowledge and agree that:

- this confidentiality clause shall be binding upon the parties and all persons employed by them including, but not limited to, professional advisors, agents, consultants, employees and staff, and the parties undertake to ensure that such parties are made aware of the confidential nature of the data;
- to hold the confidential data in the strictest confidence and to this purpose the Board and the directors/owners of the Administrator shall sign a Confidentiality Agreement acceptable to the parties;
- not to make use of the confidential data other than for the performance of the obligations in terms of this agreement and the Act;
- to release the confidential data only to those persons who are required to know same and not to release or disclose the confidential data to any other party other than contemplated in the Act and in this agreement;
- to return the confidential data to XXX upon the termination of this agreement;
- the obligations of this clause shall survive the termination of this agreement.

Notwithstanding the above, the restrictions on the use and disclosure of the confidential data shall, subject to the provisions of the Act, not apply to any of the confidential data which:

- at the date of its disclosure is in the public domain or which subsequently enters the public domain other than through unauthorised disclosure;
- was lawfully in the possession of the Administrator and not subject to any restraint as to its confidentiality prior to the time of its disclosure;
- was received by the parties from a third party which is lawfully in possession of such confidential data and is not in breach of any confidential relationship with either of the parties; and

- is required to be disclosed by any party by applicable law, regulation or Court Order.

Upon termination of this agreement for any reason whatsoever, all the confidential data in the possession of or under the control of the Administrator shall be returned to XXX within the prescribed period."

**xii. Right of access**

State access arrangements by scheme members to documents under the administrator's control, subject to appropriate confidentiality considerations.

**xiii. Restraint**

Deals with arrangements concerning the possible solicitation of the administrator's personnel.

**xiv. Breach of contract**

State what constitutes a breach of contract, the necessity to call for specific performance, which remedies are available to each party, which penalties may be applied, etc.

**xv. Arbitration**

Mechanism for the resolution of disputes, and arbitration procedures to be followed.

**xvi. Notices & domicilia**

Each party to state its *domicilium citandi et executandi*, and the arrangements regarding serving of notices.

## 2. Services to be supplied by the administrator – Annexure A

<p><b>1. Secretarial services</b> (to the extent provided for in the contract)</p>	<ul style="list-style-type: none"> <li>▪ Employ adequately trained personnel who will be responsible for administration of scheme.</li> <li>▪ Convene and attend to all scheme meetings.</li> <li>▪ Prepare agendas, arrange and attend meetings of the Board and Committees where required to do so.</li> <li>▪ Provide input as appropriate at meetings.</li> <li>▪ Record keeping, minute keeping, action and follow up decisions where required.</li> <li>▪ Prepare and produce communication to members and employers (contents to be specified by scheme).</li> <li>▪ Keep schedule of policy resolutions.</li> </ul>
<p><b>2. Accounting/financial</b></p>	<ul style="list-style-type: none"> <li>▪ Assign account/fund manager.</li> <li>▪ Prepare budgets based on tariffs, claims and demographic experience</li> <li>▪ Prepare contribution statements per employer or individual members.</li> <li>▪ Allocate and reconcile all contribution payments received at individual member level.</li> <li>▪ Prepare schedules of amounts owing by members and providers.</li> <li>▪ Collect outstanding contributions, member debt and other debtors.</li> <li>▪ Notify principal officer regularly of difficulties experienced with contribution collection process and significant outstanding amounts (member/group/employer/providers).</li> <li>▪ Prepare debtor schedules in respect of amounts owing by members and providers together with age analyses of such outstanding debtors.</li> <li>▪ Provide financial and performance reports for all aspects of the various options including billing and enrolment, claim processing and payment, savings accounts and where applicable, medical management and managed care.</li> <li>▪ Liaise with and co-ordinate the activities of the scheme's external auditors and audit committee as and when required.</li> <li>▪ Invest and administer the reserves of the scheme in accordance with the authorisations of the scheme, the</li> </ul>

	<p>agreements between the scheme and the Portfolio Manager concerned, and subject to the policy set out by the Board of Trustees from time to time.</p> <ul style="list-style-type: none"> <li>▪ Prepare annual financial statements, management accounts and statutory returns.</li> </ul>
<b>3. Technology and Infra- structure</b>	<p>Administrator to employ sufficient and suitably qualified and trained staff, infrastructure, information technology and systems, to provide the services and to effect obligations covering:</p> <ul style="list-style-type: none"> <li>▪ Secured access to customised website (if applicable).</li> <li>▪ Maintenance and updating of tariff and benefit master files, preferred provider networks, etc.</li> <li>▪ Telephone services (Toll Free, enquiries, complaints).</li> <li>▪ Identify and deal with cases of abuse of benefits and fraud (attempted or otherwise) and report these to the Board.</li> <li>▪ Statistical reports as agreed.</li> <li>▪ Call Centre enquiry services for members, and service providers (if required).</li> <li>▪ Capturing and indexing of all claims, correspondence and documents relating to any matters of the Scheme for archival purposes and deal with matters arising there from.</li> <li>▪ Validating all claims captured and processed to ensure that duplicate and inappropriate payments are detected and prevented.</li> <li>▪ Reporting: <ul style="list-style-type: none"> <li>- Financial position of the scheme on monthly basis supported by standard detailed management accounts (balance sheet, income statement by option and consolidated, cash flow statement, statement of changes in equity, etc. and notes thereto);</li> <li>- age analysis of claims paid;</li> <li>- reconciliation report: member debtor accounts;</li> <li>- reconciliation report: provider debtor accounts;</li> <li>- age analysis of arrear contributions;</li> <li>- age analyses of outstanding debtors (member and provider);</li> <li>- reconciliation report: admin fees;</li> <li>- analysis of provider claims reversed; and</li> <li>- schedule of investments and performance thereof (monthly).</li> </ul> </li> </ul>

	<p><b>Facilitating managed care initiatives provided for in the rules of client schemes</b></p> <ul style="list-style-type: none"><li>▪ Establish an interface between the administration system and managed care initiatives; and</li><li>▪ co-ordinating and ensuring communication of suitable managed care reports as provided for in the relevant agreements or as required by client schemes.</li></ul>
--	---

### 3. Service levels for compliance by administrators – Annexure B

The following serves only as an example of a detailed service level agreement (service levels, performance measures and penalties) to be negotiated between the scheme and its administrator:

	<b>FUNCTION</b>	<b>SERVICE LEVEL</b>	<b>PERFORMANCE MEASURES</b>	<b>PENALTIES FOR NON-COMPLIANCE</b>
1	Complete and submit statutory returns required in terms of the Act, if administrator is contractually responsible.	<ul style="list-style-type: none"> <li>▪ In compliance with SAICA guidelines.</li> <li>▪ Annual - by the 30<sup>th</sup> April of the following year.</li> <li>▪ Quarterly - 30 days after end of quarter in prescribed manner.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statutory returns completed and submitted timeously, in the prescribed manner.</li> </ul>	THE PENALTIES IMPOSED MAY VARY FROM SCHEME TO SCHEME AND MUST BE DETERMINED BY THE CONTRACTING PARTIES.
2	Amend Rules as required by legislation or as a result of decisions taken by the Board of Trustees.	<ul style="list-style-type: none"> <li>▪ Lodging of rule changes with the office of the Registrar within 30 days from the date of resolution.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rule changes lodged with Registrar within 30 days from date of resolution.</li> </ul>	
3	<p>Registration of members/dependants, and changes to details.</p> <p>Prepare and despatch membership cards.</p> <p>Termination of members and dependants.</p>	<ul style="list-style-type: none"> <li>▪ 10 Working days from the date of receipt of all complete information required for routine admissions.</li> <li>▪ 10 Working days from registration</li> <li>▪ 100% of all notifications to be accepted into the computer system within 1 day of receipt.</li> </ul>	<ul style="list-style-type: none"> <li>▪ System report detailing turnaround times.</li> </ul>	
4	To provide all employer groups with contribution	<ul style="list-style-type: none"> <li>▪ By the 21st of each and every month preceding the month in which contributions are</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of employer complaints relating to</li> </ul>	

	<b>FUNCTION</b>	<b>SERVICE LEVEL</b>	<b>PERFORMANCE MEASURES</b>	<b>PENALTIES FOR NON-COMPLIANCE</b>
	schedules/billings/invoices in such form as may be determined by the scheme/ reasonably required by the Employer Group concerned (including refund and arrears lists) on a monthly basis.	due, or as agreed to with particular employer and subject to receipt by the Administrator of requisite data from the employer. Where development work is required as a result of a request by an employer group, the service standard will not be applicable.	billing schedules.	
5	Reconcile all member contributions billed at individual level with subscriptions received. Advise employer/individual of discrepancies. Correct membership data flowing from foregoing. Follow up non-payments from members or employers.	<ul style="list-style-type: none"> <li>By the end of the month following the month to which the contributions apply. The standard does not apply in the event that the remittance advice from the employer does not agree to payment received or is received late provided that such circumstances are reported to the Scheme monthly and that the Administrator has taken reasonable steps to resolve the discrepancy.</li> <li>Suspension of membership / withholding of claims payment In terms of rules.</li> </ul>	<ul style="list-style-type: none"> <li>Number/amount of unreconciled / unallocated contributions received.</li> <li>Ageing of outstanding contributions.</li> </ul>	
6	Despatch letters to members in respect of their dependants requesting proof of dependency.	<ul style="list-style-type: none"> <li>In terms of the Rules.</li> </ul>	<ul style="list-style-type: none"> <li>Letters sent to members.</li> </ul>	
7	Suspend and subsequent termination of a member's benefits when circumstances demand and in terms of the Rules.	<ul style="list-style-type: none"> <li>Within 5 days of when the Rule becomes effective or where there is doubt and approval is sought from the Scheme, within a further period of 2 days of approval being granted by the Scheme.</li> </ul>	<ul style="list-style-type: none"> <li>Report indicating date when members are suspended / terminated.</li> <li></li> </ul>	



	<b>FUNCTION</b>	<b>SERVICE LEVEL</b>	<b>PERFORMANCE MEASURES</b>	<b>PENALTIES FOR NON-COMPLIANCE</b>
8.1	Assess valid and properly submitted claims, including processing to the point of readiness for payment.  Refund / payment to members in respect of benefits.  Settlement of service provider claims.	<ul style="list-style-type: none"> <li>80% of claims processed within 15 working days of receipt and 100% within 20 working days for each month provided that the periods concerned shall be extended by the number of Days during which the Administrator is prevented from carrying out the relevant function, due to extraordinary intervention or due to circumstances both beyond its control and not having been caused by any act or negligence to the Administrator.</li> </ul>	<ul style="list-style-type: none"> <li>Report indicating time taken from date of receipt of claim until settlement date.</li> </ul>	
8.2	Refund/payment to members in respect of benefits and settlement of provider claims.	<ul style="list-style-type: none"> <li>At least once per month or more frequently by arrangement.</li> </ul>	<ul style="list-style-type: none"> <li>Age of credits on member debtors' age analysis</li> </ul>	
9	Inform Members of a benefit granted and service providers of payments made by means of a transaction statement.	<ul style="list-style-type: none"> <li>Despatching of statements to be completed no more than 5 Days after settlement referred to in paragraph 8.</li> </ul>	<ul style="list-style-type: none"> <li>Statements despatched timeously in the correct format.</li> </ul>	
10	Call centre enquiry/information service.	<ul style="list-style-type: none"> <li>Lost calls not to exceed 10% per month.</li> <li>Average call waiting time not to exceed 60/90 seconds, measured over a month.</li> </ul>	<ul style="list-style-type: none"> <li>Call centre statistics reports indicating compliance with service levels.</li> </ul>	
11	Report on Call Centre Service levels.	<ul style="list-style-type: none"> <li>Monthly within 5 Days of the end of each month.</li> </ul>	<ul style="list-style-type: none"> <li>Call centre statistics reports indicating compliance with service levels.</li> </ul>	

	<b>FUNCTION</b>	<b>SERVICE LEVEL</b>	<b>PERFORMANCE MEASURES</b>	<b>PENALTIES FOR NON-COMPLIANCE</b>
12	Resolve any telephonic enquiries from Members or providers.	<ul style="list-style-type: none"> <li>80% resolved or responded to within 10 working days if the information requested is readily available; and if the information is not readily available, 100% resolved or responded to within 20 working days of receipt.</li> </ul>	<ul style="list-style-type: none"> <li>Call centre statistics reports indicating compliance with service levels.</li> </ul>	
13	Resolve written enquiries from members and providers	<ul style="list-style-type: none"> <li>90% within 20 working days of receipt where available information makes this possible. Where the response is likely to take longer, an acknowledgement is to be sent to the member or provider within the 20 day period.</li> </ul>	<ul style="list-style-type: none"> <li>Call centre statistics reports indicating compliance with service levels.</li> </ul>	
14	Prepare and distribute draft and final monthly financial statements and management accounts by option and consolidated inclusive of detailed reports on debtor schedules in respect of amounts owing by providers, employers/members together with age analyses of such outstanding debtors and such other reports in respect of functions referred to in admin agreement listed here.	<ul style="list-style-type: none"> <li>Two weeks after the end of the month concerned in respect of the draft statements and the final statements within 5 Days after adjustments, if any, have been notified to the Administrator</li> </ul>	<ul style="list-style-type: none"> <li>Monthly management accounts completed timeously and in the required format.</li> </ul>	
15	Pay cash and all cheques received into bank account of Scheme.	<ul style="list-style-type: none"> <li>Within one working day.</li> </ul>	<ul style="list-style-type: none"> <li>Done within one working day.</li> </ul>	

	<b>FUNCTION</b>	<b>SERVICE LEVEL</b>	<b>PERFORMANCE MEASURES</b>	<b>PENALTIES FOR NON-COMPLIANCE</b>
16	Deposit investment, moneys which are available and which, in the opinion of the Administrator, are not immediately required by the scheme, in accordance with the mandate and / or instructions from the Scheme and subject to the policy of the Board.	<ul style="list-style-type: none"> <li>Within one working day.</li> </ul>	<ul style="list-style-type: none"> <li>Done within one working day.</li> </ul>	
17	Reconcile all bank accounts of the Scheme and take necessary steps to clear outstanding items.	<ul style="list-style-type: none"> <li>By the end of the following month.</li> </ul>	<ul style="list-style-type: none"> <li>Reconciliation prepared timeously and reconciling items followed up and cleared.</li> </ul>	
18	Provide members of the Board of Trustees and Committees with agendas and papers.	<ul style="list-style-type: none"> <li>To reach appropriate Board or Committee members at least 5 Days before the Board or Committee meeting, except in the case of special meetings when short notice is given of such meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Provided on time as required.</li> </ul>	
19	Provide the Principal Officer of the Scheme with Minutes of Board of Trustees, and Committee meetings	<ul style="list-style-type: none"> <li>Draft within 6 days after the meeting.</li> <li>Final minutes within 3 days after final comments by attendees.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes drafted on time, as agreed with scheme.</li> </ul>	
20	Perform initial drafting, final editing, formatting, printing and distribution of circulars.	<ul style="list-style-type: none"> <li>To be despatched not later than 10 Days after receipt of the final version from the Scheme. It shall be construed to be the final version once it has been signed off by the Principal Officer or</li> </ul>	<ul style="list-style-type: none"> <li>Provided on time as required.</li> </ul>	

	<b>FUNCTION</b>	<b>SERVICE LEVEL</b>	<b>PERFORMANCE MEASURES</b>	<b>PENALTIES FOR NON-COMPLIANCE</b>
		his designate.		
21	Circulate AGM notice, agenda, Trustee's Annual report, together with abridged financial statements or as otherwise agreed, to all Members	<ul style="list-style-type: none"> <li>To be despatched in terms of rules.</li> </ul>	<ul style="list-style-type: none"> <li>Provided on time as required.</li> </ul>	
22	Chronic Medication Programme pre-authorisations	<ul style="list-style-type: none"> <li>Within 15 working days of receipt of application.</li> </ul>	<ul style="list-style-type: none"> <li>Provided on time as required.</li> </ul>	

## **C. SELF-ADMINISTERED MEDICAL SCHEMES**

### **1. The evaluation of compliance with the administration standards process**

#### **a. First time compliance evaluations**

1. Self-administered schemes are not required to be accredited in terms of the Act and therefore do not have to complete and submit an accreditation application form. But, because the definition of "Administrator" includes self-administered schemes, they are required to maintain the same level of administration as is required of third party administrators.
2. The evaluation of self-administered schemes commenced in 2008, starting with the larger open schemes.
3. A set-up meeting with the scheme's Principal Officer, senior management and other relevant staff members of the scheme is conducted by the senior accreditation analysts to discuss the self-evaluation questionnaire and to explain the evaluation process. The questionnaire for self-administered schemes is modified by doing away with certain standards which do not apply to self-administered schemes.
4. The scheme is then required to complete the self-evaluation questionnaire and to cross-reference the sections to the evidence supporting compliance within a period of approximately three weeks.
5. The analysts will thereafter conduct the on-site evaluation and assess the scheme's compliance with the administration standards by physically testing and verifying the compliance ratings as provided by the medical scheme on the self-evaluation questionnaire. Testing typically entails a review of the operating and financial reporting processes and assessing the functionality of the administration system.
6. The analysts prepare an evaluation findings report and discuss it with senior management at the conclusion of the on-site evaluation. A copy of this report is then provided to the scheme to formally comment on the findings and recommendations within 30 days.

7. The findings report, including the scheme's, comments is then discussed and finalised through an internal steering committee process.
8. The final report is then presented to the Council for approval of the issuance of a compliance certificate to the scheme.
9. Once the Council has granted the compliance certificate, such certificate is valid for a period of three years from the date of the Council decision, subject to any conditions imposed by the Council. The scheme is issued with a certificate of compliance specifying the period and the conditions attached thereto. Typically, critical conditions have to be resolved within a shorter period of time, whilst a scheme may be given up to six months to comply with the more general conditions.
10. The Accreditation Unit evaluates compliance with the conditions after the expiry of the specified period and amends the certificate of compliance accordingly. The conditions compliance assessment might include a follow up on-site visit to the medical scheme where required or a desk-based analysis of the information provided, or a combination thereof.

**b. Subsequent compliance evaluations**

1. As mentioned previously, self-administered schemes are not required to be accredited and therefore also do not have to apply for renewal of the certificate of compliance upon the expiry of the initial three year period.
2. Self-administered schemes are required to complete a subsequent evaluation questionnaire and to submit it with the required information to the Office at least three months prior to the expiry date. This questionnaire requests specific information on significant changes in the scheme's operating environment which may have an impact on its compliance status, e.g. a change in benefit options, change in the administration or financial systems employed, etc.
3. The senior accreditation analysts perform a desk-based analysis on the completeness and validity of the subsequent evaluation questionnaire and relevant information submitted. Particular attention is paid to the scheme's compliance with conditions previously imposed.

4. Depending on the level and significance of changes reported, a follow-up on-site evaluation may be required to assess the scheme's continued compliance with the administration standards subsequent to the changes having been introduced.
5. Where a follow-up evaluation is considered appropriate, a similar process as described in steps 3 to 6 of the "First Time Compliance Evaluations" process above will be followed.
6. The evaluation findings report and the scheme's comments on the findings (where applicable), is then discussed and finalised at internal steering committee level.
7. The final renewal evaluation report is then presented to the Council for approval of renewal of the certificate of compliance.
8. Once the Council has granted the certificate of compliance, such certificate is again valid for a period of three years, subject to any conditions imposed by the Council. The scheme is issued with a certificate of compliance specifying the period and the conditions attached thereto. Typically, critical conditions have to be resolved within a shorter period of time whilst a scheme may be given up to six months to comply with the more general conditions.
9. The Accreditation Unit evaluates compliance with the conditions after the expiry of the specified period and amends the certificate of compliance accordingly.