



## CIRCULAR

Reference : Contributions increases & benefit changes for 2013  
Contact : Lindiwe Twala  
Telephone : 012 431 0531  
Facsimile : 012 431 0631  
E-mail : l.twala@medicalschemes.com  
Date : 17 July 2012

### **CIRCULAR 29 OF 2012: Contributions increases & benefit changes for 2013**

The Office of the Registrar of Medical Schemes would like to provide medical schemes with the requirements for the assessment of benefits and contributions of schemes for the year 2013. The process of submission remains relatively unaltered from the requirements of 2012, with the exception of minor changes to Appendix D and other requirements in fulfilling our statutory mandate.

1. The following process must be adhered to when submitting amendments in terms of Section 31(3), Regulation 2(d) and Regulation 4(b) & (d) of the Medical Schemes Act 131 of 1998:
  - 1.1 a certified and dated Board of Trustees resolution indicating the following wording: "certified as having been adopted in terms of the rules" **together with** summarised particulars of the proposed changes;
  - 1.2 the **original plus one copy** of the amendments for registration. Also note that any changes that were requested by the Office of the Registrar in previous rule amendment submissions should be incorporated into the current amendments if not done so already;
  - 1.3 all schemes with amendments taking effect from 1 January 2013 are advised to adhere to the submission deadline which applies to the receipt of signed hard copies of the amendments and NOT the electronic copy;

- 1.4 no underlining must be made in the documents containing the rules;
- 1.5 all submissions must be printed on one side of A4 paper only;
- 1.6 Appendix 1A or 1A (2), C or C (2) must be completed once only for each registered option for 2012 intending to register for 2013 (i.e. options with different contribution rates based on the income band/sub-option). Appendix 1B must be completed for the entire scheme for 2012 and 2013. Hard copies and the electronic versions of all the Appendices must be submitted on or before the deadline. Only the spreadsheet provided can be used for the submission. The spreadsheet can be found on Council's website ([www.medicalschemes.com](http://www.medicalschemes.com)) or by clicking here <http://www.medicalschemes.com/files/Application%20Forms/Circular29Of2012Appendix.xls> and
- 1.7 minor changes have been made to Appendix D and it requires information as to the cost increase and utilisation assumptions used by schemes in determining the requested contribution increases for schemes in 2013. The spreadsheet needs to be completed once only by each scheme and deviations from the guideline assumptions are to be explained in the motivation for increases.

Any submission without all of these requirements will be deemed non-compliant and will not be attended to.

2. Schemes are further required to indicate percentage changes on any benefits being amended in a tabular form as follows:

<b>Name of benefit option</b>			
<b>Benefits / services</b>	<b>2012</b>	<b>2013</b>	<b>% change</b>
E.g. day-to-day limit	R6 000 per beneficiary	R6 600 per beneficiary	10% increase

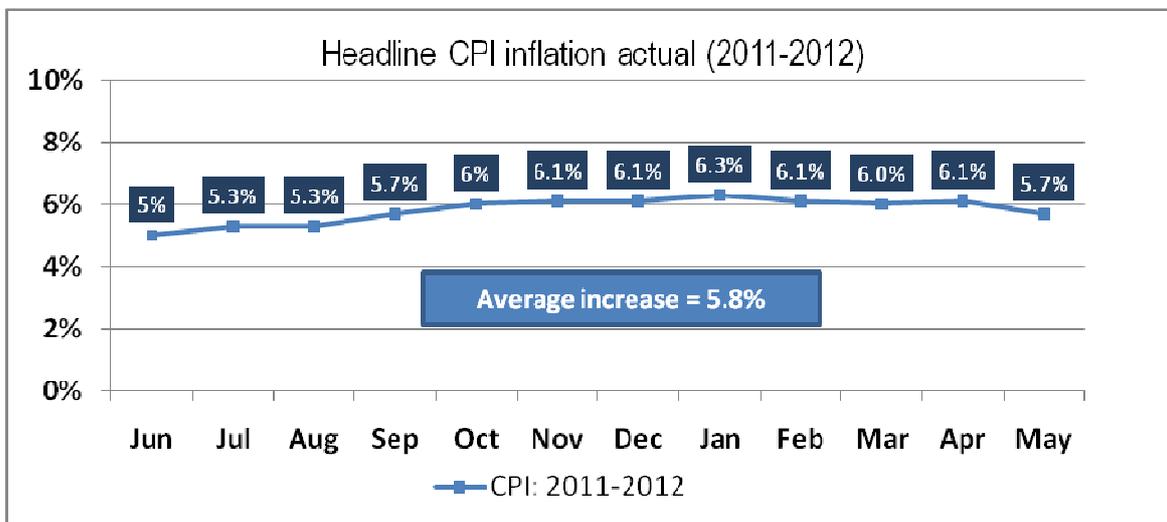
3. Please ensure that in instances where registered rules and rule amendments impose limits on benefits, the distinction should clearly be made that the limit does not apply to prescribed minimum benefit (PMB) conditions as stipulated in the Medical Schemes Act. The submission of rule amendments with limits on PMB conditions where these benefits are not covered at 100% of the cost, or at 100% of the cost at a Designated Service Provider (DSP), will be amended by this Office to reflect that these benefits are in fact provided at no cost to the member to ensure that the amendments are not unfair to members and are compliant with the Act.
4. Applications for all new options taking effect from 1 January 2013 must reach the Office by 1 September 2012 in terms of Section 33(1) of the Medical Schemes Act. Any applications received after 1 September 2012 will not be given any priority until all 2013 benefit and contribution amendments for schemes who submitted on or before the deadline have been considered. Furthermore note that schemes seeking to register efficiency-discount options must have applied and obtained an exemption from Section 29(1)(n) in terms of Section 8(h) before it may be considered for registration by this Office. Note that exemption must be obtained for each option since exemption is not granted at scheme level.

5. Guidance on annual medical scheme cost increase assumptions

The purpose of this section is to inform medical schemes of the key considerations that Council will take into account in assessing the adequacy of cost increases for the 2013 benefit year. The Office would like to provide guidance on the assumptions used in determining the proposed contribution increases for 2013.

5.1 Headline CPI inflationary expectations

The graph below shows latest Consumer Price Index (CPI or inflation) figures from Statistics South Africa providing information to May 2012.



5.1.1 According to the inflation forecast of the South African Reserve Bank (SARB), inflation is seen to have peaked in the first quarter of 2012 at 6.1%. Inflation is expected to average 6.0 % in 2012, 5.5% in 2013, and 5.0% in 2014 (May 2012 Monetary Policy Committee Statement).

5.1.2 A survey of financial analysts conducted by the Bureau for Economic Research on inflation expectations (Second Quarter of 2012) also indicated an expectation of a lower inflation climate. Analysts foresee inflation declining from 5.9% in 2012 to 5.3 % in 2013 and then remaining at that level in 2014.

5.1.3 Having considered the year-on-year CPI rate and other key economic indicators, the Office of the Registrar of Medical Schemes advises that cost increase assumptions for the 2013 benefit year could be limited to 6.0% for each individual cost driver in line with the prevailing CPI.

5.1.4 Whilst the Office is cognisant of the risk posed by the depreciating currency, changes in diagnostic technology, and skills shortages in the health sector, it remains our view that ward fees, theatre fees, staff and other running costs should keep in line with the cost increase assumption limit provided above.

Similarly, professional fees and managed care fees should keep pace with consumer inflation and the limit provided in paragraph 5.1.3.

5.1.5 It has been observed that the trend in the year-on-year increases in non-healthcare expenditure has been below CPI. Based on this observation, it would be expected that the assumed increase in non-healthcare expenditure would not exceed the cost increase assumption limit in paragraph 5.1.3.

5.1.6 As these are guidelines on the cost increases that schemes may take into account, any deviation from the guidelines would need to be motivated to this office upon the application for the changes to contributions and benefits in 2013.

## 5.2 Healthcare utilisation / demographic indicators

Aggregated statutory return data shows a stable trend in terms of the demographic indicators, epidemiological changes, and diagnostic technology in the medical schemes environment. Since the utilisation of healthcare services is mainly driven by these components, medical schemes are requested to submit a comprehensive analysis of these effects in motivating for assumptions (Appendix D) used in determining contribution increases for 2013.

## 5.3 Single Exit Price (SEP)

The actual approved adjustment in SEP is published by the Minister of Health towards the end of the year. It is recommended that the increase assumptions that are used for consumables and medicines in 2013 should be motivated to this office.

The historic increases are provided below for information:

Year	SEP increase
2013	Not yet announced
2012	2.14%
2011	0%
2010	7.4%
2009	13.2%

A motivation for the required changes to contributions and benefits must accompany all submissions. The guidance provided above regarding the limit on the cost increase assumptions and the utilisation / demographic effects should be taken into consideration when determining the adequacy of contribution increases and any deviation(s) from the guidelines should be motivated with the submissions that are made to this Office regarding changes for 2013.

6. As indicated in Circular 19 of 2009, a report must be sent with amendments that may take into account the requirements of the Professional Guidance Notice (PGN) published by the Actuarial Society of South Africa, i.e. PGN303 – *Advice to South African Medical Schemes on Adequacy of Contributions* (effective date 1 September 2011 or older version if available). This report may be prepared by a person with actuarial or statistical skills and should include the following detailed information:
  - 6.1 contributions
  - 6.2 benefit changes
  - 6.3 non-healthcare expenses
  - 6.4 utilisation and demographic effects
  - 6.5 assumptions
  - 6.6 financial projections

This Professional Guidance Note is published by the Actuarial Society of South Africa and can be found on their website (<http://www.actuarialsociety.org.za>).

7. No amendments will be valid unless they have been approved and registered by the Office of the Registrar for Medical Schemes in terms of Section 31(2) of the Medical Schemes Act. The marketing of such amendments before approval is also prohibited and would be tantamount to a transgression in terms of Section 66 of the Act.
8. The deadline for submission of all amendments taking effect from 1 January 2013 is **1 October 2012**, but the Office of the Registrar of Medical Schemes welcomes any submissions prior to this date.
9. Kindly refer all your queries to the respective Benefits Management Analyst responsible for your scheme.

Your cooperation is always appreciated.

Yours faithfully



**Dr Boshoff Steenekamp**  
**Acting Registrar and CE**  
**Council for Medical Schemes**