



Reference: Annual Return: 2015  
Contact person: J Scheepers  
Tel: 012 431 0519  
Fax: 012 431 0619  
E-mail: [j.scheepers@medicalschemes.com](mailto:j.scheepers@medicalschemes.com)  
Date: 9 September 2015

## **Circular 56 of 2015: Accounting for accredited managed care services based on comments received from the industry**

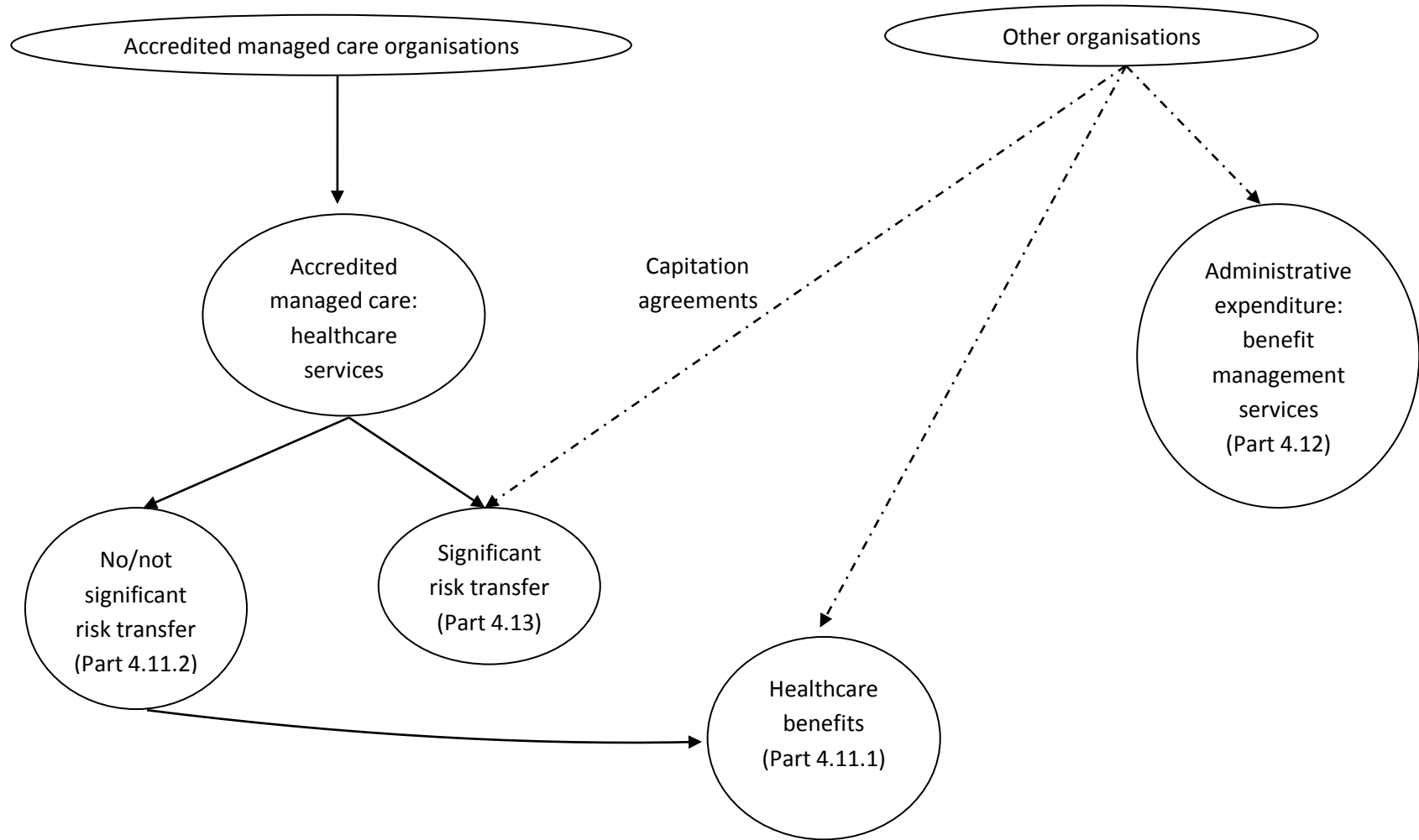
[Circular 13 of 2014](#) necessitated a review of the accounting terms used in relation to accredited managed care services. The accounting classification as discussed below should therefore be read in conjunction with the definitions and explanations provided in Circular 13 of 2014.

In [Circular 44 of 2015](#) the Council for Medical Schemes (CMS) invited interested parties to provide comments on the proposed changes to the 2015 year's Annual Statutory Return in relation to accredited managed care services and benefit management services.

The CMS wishes to thank the industry for the numerous comments received.

The following page depicts an updated schematic illustration of managed care services and other services after the various comments received were considered.

The different accredited managed care services as well as other benefit services can be schematically illustrated as follows:



## **Notes to the schematic illustration**

*With reference to the current parts of the 2014 Annual Statutory Return (AR) – kindly note that the parts' numbering might differ in the final AR published for the 2015 year*

### **Part 4.11.1: Relevant healthcare expenditure**

All healthcare benefits, whether provided by accredited managed care organisations or by other organisations, are included in Part 4.11.1.

Following the publication of the revised managed care accreditation standards (Version 4) in November 2011 and the roll-out of the on-site evaluation of managed care organisations' compliance therewith from 2012, it was determined that creditable managed care services needed to be defined and the terminology used in the industry standardised to enable standardised contracting and reporting - this gave rise to Circular 13 of 2014 and has effectively removed non-creditable (or non-healthcare expenditure components) from what is reported as "managed care". In previous years only the expenditure in terms of managed care risk transfer arrangements was included as part of healthcare expenditure, and all non-risk transfer arrangements were included under non-healthcare expenditure. However, the same managed care principles are applied in both risk-transfer and non-risk transfer arrangements; the only difference being who in the end settles the related provider claim(s). The CMS therefore reviewed the classification of managed care services (as defined in the Act) and concluded that all creditable managed care services (as specified in Circular 13 of 2014) should be included as part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate (evidence-based medicine) healthcare benefits to beneficiaries of medical schemes.

### **Part 4.11.2: Accredited managed healthcare services (no transfer of risk)**

This part makes provision for a split of all accredited managed healthcare services provided by accredited managed care organisations.

### **Part 4.13: Significant risk transfer arrangements**

It should be noted that medical schemes can also contract with other entities to provide (capitated) risk transfer arrangements; Part 4.13 is therefore not exclusive to accredited managed care organisations.

### **Part 4.12: Administration expenditure: benefit management services**

*(Not accredited managed care)*

It should be noted that there is a distinct difference between disease management programmes, which makes use of the different techniques as mentioned in the definitions provided in Circular 13 of 2014, versus wellness programmes and nurse-advice lines.

Wellness programmes might be in the form of outreach programmes where members are sent for general evaluations (blood pressure, non-fasting glucose test, non-fasting total cholesterol test, weight, eyes, etc.) or it may be in the form of a benefit once yearly for instance a prostate antigen test that will be funded by the scheme (and not from the members' Personal Medical Savings Accounts). This type of services does not make use of the techniques as specified in the definition of managed healthcare.

The same applies for nurse advice lines which are accessed ad hoc, and where the nurse has access to a database of information and only relays the information, which might include a referral to a doctor. None of the managed care techniques are used for these services – it is also not possible to really measure or monitor these services for efficacy or effectiveness.

Other items to be included in this category are *inter alia* medical advisors, claims review and auditing, provider network management, etc. (where these services are not integral to the managed care services listed in Circular 13 of 2014).

These services are still included in non-healthcare expenditure.

***Invitation to comment on suggested accounting classifications***

The CMS wishes to invite interested parties to provide comments on the suggested changes, which are included in the Annexure to this Circular, to the 2015 year's Annual Statutory Return in relation to accredited managed care services. Kindly note that the Healthcare Utilisation Annual Statutory Return would require the fees paid to accredited managed care organisations to be split per accredited managed care healthcare service per benefit option. Any suggestions and comments can be submitted to [j.scheepers@medicalschemes.com](mailto:j.scheepers@medicalschemes.com) on or before 18 September 2015.



**Tebogo Maziya**  
**General Manager: Financial Supervision Unit**  
**Council for Medical Schemes**

PART 4.11.2

ACCREDITED MANAGED HEALTHCARE SERVICES (NO TRANSFER OF RISK)

		Consolidated total		Per contract	
		Current year	Previous year	Current year	Previous year
		R	R	R	R
4.11.2.1	Active disease risk management services				
4.11.2.2	Disease risk management support services				
4.11.2.3	Dental benefit management services				
4.11.2.4	Hospital benefit management services				
4.11.2.5	Managed care network management services and risk management				
4.11.2.6	Pharmacy benefit management services				
<b>4.11.2.7</b>	<b>Total accredited managed healthcare (no transfer of risk)</b>				

PART 4.13

NET (INCOME)/EXPENSES FROM OTHER RISK TRANSFER ARRANGEMENTS (EXCLUDING COMMERCIAL REINSURANCE CONTRACTS)

		Consolidated total		Per contract	
		Current year	Previous year	Current year	Previous year
		R	R	R	R
4.13.1	<i>Premiums/fees paid (Capitation fees)</i>				
	<b>Accredited managed care: healthcare benefits</b>				
4.13.1.1	Active disease risk management services				
4.13.1.2	Disease risk management support services				
4.13.1.3	Dental benefit management services				
4.13.1.4	Health care services (risk transfer)				
4.13.1.5	Hospital benefit management services				
4.13.1.6	Managed care network management services and risk management				
	<b>Other capitation agreements</b>				
4.13.1.8	Emergency transport				
4.13.1.9	Other (specify)				

PART 4.13

NET (INCOME)/EXPENSES FROM OTHER RISK TRANSFER ARRANGEMENTS (EXCLUDING COMMERCIAL REINSURANCE CONTRACTS)

		Consolidated total		Per contract	
		Current year	Previous year	Current year	Previous year
		R	R	R	R
4.13.2	<b>Claims recoveries in respect of related risk transfer arrangements</b>				
	<b>Accredited managed care: healthcare benefits</b>				
4.13.2.1	Active disease risk management services				
4.13.2.1.1	<i>Asthma / COPD / Bronciectasis</i>				
4.13.2.1.2	<i>Cardiac failure / Cardiomyopathy / Dysrhythmias / Coronary artery disease</i>				
4.13.2.1.3	<i>Chronic renal disease</i>				
4.13.2.1.4	<i>Depression / Bipolar</i>				
4.13.2.1.5	<i>Diabetes (Type 1 and 2)</i>				
4.13.2.1.6	<i>Epilepsy</i>				
4.13.2.1.7	<i>HIV</i>				
4.13.2.1.8	<i>Hyperlipidaemia</i>				

PART 4.13

NET (INCOME)/EXPENSES FROM OTHER RISK TRANSFER ARRANGEMENTS (EXCLUDING COMMERCIAL REINSURANCE CONTRACTS)

		Consolidated total		Per contract	
		Current year	Previous year	Current year	Previous year
		R	R	R	R
4.13.2.1.9	<i>Hypertension</i>				
4.13.2.1.10	<i>Hypothyroidism</i>				
4.13.2.1.11	<i>Maternity program</i>				
4.13.2.1.12	<i>Muscular-skeletal program</i>				
4.13.2.1.13	<i>Oncology</i>				
4.13.2.2	Disease risk management support services				
4.13.2.3	Dental benefit management services				
4.13.2.3.1	<i>Basic dentistry</i>				
4.13.2.3.2	<i>Specialised dentistry</i>				
4.13.2.4	Health care services (risk transfer)				
4.13.2.5	Hospital benefit management services				
4.13.2.6	Managed care network management services and				



PART 4.13

NET (INCOME)/EXPENSES FROM OTHER RISK TRANSFER ARRANGEMENTS (EXCLUDING COMMERCIAL REINSURANCE CONTRACTS)

		Consolidated total		Per contract	
		Current year	Previous year	Current year	Previous year
		R	R	R	R
	risk management				
	<b>Other capitation agreements</b>				
4.13.2.8	Emergency transport				
4.13.2.9	Other (specify)				
4.13.3	<b>Other (specify)</b>				
<b>4.13.4</b>	<b>Net (income)/expense from other risk transfer arrangements</b>				

**PART 4.12**

**ADMINISTRATION EXPENDITURE: BENEFIT MANAGEMENT SERVICES**

**(NOT ACCREDITED MANAGED CARE)**

		Current year		Previous year	
		Fund	Own Facilities	Fund	Own Facilities
		R	R	R	R
4.12.1	Claims review and auditing				
4.12.2	Data warehousing				
4.12.3	Emergency transport services (i.e. call centre fees)				
4.12.4	Ex-gratia facilitation				
4.12.5	Forensic and fraud services				
4.12.6	Medical advisors				
4.12.7	Medicine bags				
4.12.8	Nurse advice lines				
4.12.9	Pre-authorisations				
4.12.10	Provider network management services				
4.12.11	Switching fees				

PART 4.12

ADMINISTRATION EXPENDITURE: BENEFIT MANAGEMENT SERVICES

(NOT ACCREDITED MANAGED CARE)

		Current year		Previous year	
		Fund	Own Facilities	Fund	Own Facilities
		R	R	R	R
4.12.12	Wellness programmes / Wellness days				
4.12.13	Other (specify)				
<b>4.12.14</b>	<b>Total administration expenditure: benefit management services (not accredited managed care)</b>				

