



PRESS RELEASE

Reference: CMS low cost framework approved
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Press release 11 of 2015: CMS approves framework allowing medical schemes to offer low cost benefit options from January 2016

The Council (equivalent of a Board) of the Council for Medical Schemes (CMS) at its August 2015 sitting approved the exemption framework and principles allowing for the introduction of Low cost benefit options (LCBOs) within the medical schemes industry with these options being registered before January 2016. In terms of the approved framework, medical schemes seeking to register a LCBO must apply to Council for exemption in terms of section 8(h) of the Medical Schemes Act (MSA), 131 of 1998. Furthermore, medical schemes must also apply to be exempted from complying with certain provisions of the MSA.

Mr Daniel Lehutjo, Acting Chief Executive Officer and Registrar of the CMS, said this announcement follows extensive engagement with the medical schemes industry, "Council has also imposed certain principles that must be adhered to by any medical scheme seeking an exemption to register a LCBO. As part of the LCBO product offering, Council has further prescribed a minimum set of predefined mandatory benefits geared towards preventative and primary healthcare, management of acute conditions and a limited set of chronic conditions. Furthermore, a defined list of mandatory LCBO essential drugs, pathology tests, radiology tests, dental procedures and a limited chronic condition list must be included as part of the benefit offering."

It is likely that such low cost options may be provided in a network or by schemes themselves and the details of the arrangements in addition to the pricing of these options must be submitted as part of the application. The contribution rates for these options will be priced on each individual scheme and based on submissions received it is expected to be in the region of between R180 to R300 per beneficiary per month.

Membership to the LCBO shall amongst other criteria be restricted to members whose income is below the tax threshold as published by the SARS in the benefit year. The LCBOs will aim to attract these people to the risk pool by addressing affordability issues and catering for the specific needs of the market.

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The CMS is inviting medical schemes intending to register LCBOs from the 01 January 2016 to submit their application for exemption and registration as per the guidelines provided.

Background

The CMS introduced the concept of Low cost benefit options (LCBOs) in Circular 9 of 2015 with the principles of the framework that Council has adopted. As part of the stakeholder engagement, CMS hosted an Indaba on the 12 of March 2015 in Cape Town on the proposed LCBO framework. Furthermore, Circular 37 of 2015 was published in terms of which interested parties were requested to submit proposals on the benefit design package and pricing of a LCBO. Based on the different submissions on the benefit design and pricing model from the industry, CMS has concluded that subject to certain regulatory interventions, including the need for exemption from certain provisions of the MSA, it is feasible for medical schemes to provide an affordable LCBO package.

Further details on the LCBOs framework, principles and guidelines can be found in [Circular 54 of 2015](#).

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