



PRESS RELEASE

Reference : Regulator of medical schemes concerned over false advertising, high administration fees
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The Council for Medical Schemes is concerned that some entities in the medical schemes industry employ false advertising strategies to deliberately mislead the public.

Council is also concerned over the exceptionally high fees which some medical schemes pay to their administrators.

Council is the regulator of the medical schemes industry, responsible for enforcing compliance with the Medical Schemes Act 131 of 1998 to ensure that the interests of beneficiaries are prioritised at all times.

“The public is being misled, and the monthly contributions which members pay to their respective schemes can be abused to serve commercial interests,” said Dr Monwabisi Gantsho, Registrar of Medical Schemes and Chief Executive of Council. “These practices are extremely worrying and should stop.”

False advertising

Both the Consumer Protection Act 68 of 2008 and the Advertising Standards Authority of South Africa prescribe that information provided to consumers must be truthful – and not false, misleading, or deceptive in any way. This applies to information about the providers themselves as well as the goods and services being offered and marketed.

“In pursuit of this fundamental value, Council continues to strive to be consistent in its regulatory approach and practice,” added Dr Gantsho.

In addition, the Consumer Protection Act clearly states that all information must be provided in plain language that is easily understandable by the audience being targeted.

Consumers at large and beneficiaries of medical schemes in particular should therefore be able to distinguish between a medical scheme and its administrator.

The distinction is important because the two entities are fundamentally different in nature.

A medical scheme is essentially a trust fund, a non-profit organisation which belongs to its members – the people who pay the monthly contributions into the scheme's risk pool. The trustees responsible for running medical schemes answer to the members; they have the fiduciary responsibility to manage the members' funds more carefully than they would their own money.

An administrator, on the other hand, is a commercially driven entity interested in maximising its profit margin and value to its shareholders. Administrators are accountable to the medical schemes they administer, not the other way around.

The responsibility to communicate with members – and to communicate in a truthful and clear manner – rests with the medical scheme, not its administrator. Council holds the trustees of medical schemes accountable for ensuring that the respective schemes share accurate information with their members in an open and transparent manner.

High administration fees

The non-health expenditure of medical schemes has been decreasing in real terms in recent years.

However, Council remains concerned that administration expenditure (with specific reference to administration fees), which constitutes the bulk of non-health expenditure, remains unacceptably high in individual cases.

Medical schemes are encouraged to exercise caution when employing the services of third parties. Trustees should ensure that such services add value to the scheme and its members, and the related fees should be reasonable and fair, and aligned to services provided.

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