



Ref: CMS turns 10
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Regulator of medical schemes turns 10

The Council for Medical Schemes (CMS) will be turning 10 this Sunday.

As we look back on our first decade, we smile at our achievements. These include:

- registration of all medical schemes in South Africa;
- accreditation of all administrators, managed care organisations, and healthcare brokers in terms of the Medical Schemes Act;
- improvement of systems for the registration of scheme rules, including the development and piloting of a benefit analyser tool to improve the consistency of analysis of benefits and contribution changes, and to test standardised approaches to benefit design;
- registration of the Government Employees Medical Scheme (GEMS), contributing to significant growth in the number of medical scheme beneficiaries;
- timeous publication of high quality annual reports including industry trends and comparative financial, demographic, and utilisation data per medical scheme and benefit option, as well as quarterly consolidated reports on financial trends;
- improvement of systems for the closer financial oversight of medical schemes, including risk mitigation plans for high-impact schemes, online quarterly returns and financial reports, and monthly monitoring of schemes in "ICU";
- decreases in non-health expenditure levels of schemes in real terms since 2006;
- interventions to improve governance in medical schemes, including enforcement actions, such as the removal of trustees, curatorships, and prosecutions; regular trustee training programmes in centres around the country; the publication of a report on good corporate governance and governance guidelines; regular meetings with trustees;
- resolution of thousands of consumer complaints every year (over 3 000 complaints in the 2008-2009 financial year), and the establishment of a Customer Care Centre handling ± 50 000 calls per annum;
- development, testing, and reporting on systems and methodology for the Risk Equalisation Fund (REF) in accordance with a decision of the January 2005 Cabinet lekgotla;
- development of a costing methodology for health services;
- publication of the National Health Reference Price List (NHRPL) from 2004 to 2006 prior to the Department of Health (DoH) assuming the function;

A statutory body established in terms of the
Medical Schemes Act, 1998 (Act 131 of 1998)

Chairperson: Prof. W Pick Acting Registrar & CE: C Burton-Durham



- publication of various research briefs, e.g. in 2008 monographs were published on the *Evaluation of Medical Schemes' Cost Increases and Trends in Medical Schemes Contributions, Membership and Benefits 2002-2006*;
- facilitation of a stakeholder consultation process for the development of proposals to promote the emergence of low-income medical schemes;
- initiation of joint process with DoH on the review of prescribed minimum benefits (PMBs);
- full compliance with the Public Finance Management Act; and
- unqualified audits by the Auditor-General from 2000 to 2008.

We also:

- facilitated the implementation of ICD-10 (International Classification of Diseases – 10th Revision) diagnostic coding, including the establishment of a steering committee involving the CMS, DoH, schemes, administrators, providers, and switching companies;
- ICD-10 coded the prescribed minimum benefits (PMBs); and
- have built a cohesive multidisciplinary team of highly trained professionals, including accountants, lawyers, doctors, economists, statisticians, and IT specialists. We have implemented a new performance management system, employment equity plan, and training plan – and we are busy implementing change strategies on career pathing, succession planning, and remuneration.

What we do for you

There are at least three sides to our story. We always put beneficiaries first, but we are also mindful of the need to ensure the sustainability of the medical schemes industry. Our efforts also take into account the obligation to broaden access to quality care for all South Africans. So we:

- participate in regulatory and policy developments in the health and insurance industries to ensure that the rights of South African consumers are protected at all times;
- participate in the consultative process which aims to demarcate medical schemes from health insurance because we are acutely aware that the encroachment of risk-rated health insurance products into the business of medical schemes results in cream-skimming, unfair discrimination, and a risk to the sustainability of the medical schemes industry;
- facilitate the implementation of the Risk Equalisation Fund (REF) which is required to protect medical schemes with sicker and older members and to prevent schemes from selecting preferred risks, or healthier and younger members. The fund aims to replace the existing unhealthy competition based on risk profiles, with healthy competition based on price and efficiency. The absence of risk equalisation results in systemic discrimination against older and sicker people;
- dedicate resources to strengthen the governance structures of medical schemes;
- revise benefit and contribution structures to protect community rating which is the principle that all beneficiaries on the same benefit option pay the same contribution, and that contributions may vary based only on an individual's income or number of dependants, or both;
- support the concept of low-income medical schemes. We believe that the absence of an appropriate regulatory framework to support the emergence of low-income medical schemes results in the denial of risk-pooling opportunities to low-income individuals, and is thus unfair. The promulgation of a regulatory exemption framework for low-income medical schemes is urgent to promote risk-pooling and preempt their emergence as risk-rated health insurance products;
- address provider abuse of the legal requirement to “pay in full” for PMBs in certain circumstances;
- monitor and address the problem of uncontrolled cost escalation in the industry, especially among private hospitals and medical specialists, which gives rise to increasing contributions, the erosion of



other benefits, and financial difficulties of medical schemes. This problem is exacerbated by the absence of a regulatory framework for collective bargaining between schemes and providers following the Competition Commission's declaration of negotiations prior to 2004 as unlawful;

- recommend the initiation of a proper consultative and research process towards the development of a regulatory framework for collective bargaining between healthcare providers and funders (including the review of the National Health Amendment Bill), and a corresponding review of the requirements for funding PMBs "in full" to prevent the "blank cheque" approach by providers;
- address the absence of effective supply-side control, especially in relation to private hospitals, which has resulted in an effective oligopoly of private hospital groups and specialist groupings averse to contracting with medical schemes;
- recommend supply-side reforms, including the review of the hospital licensing framework, statutory prohibitions against perverse pricing practices, and a review of the public sector means test;
- address the non-readiness of the public sector to engage in effective contracting with schemes;
- initiate consultative processes to propose the revision of the regulatory framework for the remuneration of healthcare brokers which currently is not supportive of independent advice to consumers; and
- propose the promulgation of "fit and proper" standards for trustees.

Who are we, again?

Simply speaking, we are the regulator of the medical schemes industry in South Africa. Technically speaking, we are a statutory body established in terms of the Medical Schemes Act 131 of 1998 to provide regulatory oversight to the medical schemes industry in a manner that is complementary with national health policy.

The CMS comprises a Council of up to 15 members, appointed by the Minister of Health, and an executive management structure headed by the Registrar of Medical Schemes, who is also the Chief Executive of the CMS. The Registrar is also appointed by the Minister of Health.

The CMS is funded by levies charged to medical schemes in terms of the Council for Medical Schemes Levies Act 58 of 2000. The Department of Health approved Council's decision to fund certain strategic functions, including the Risk Equalisation Fund (REF) and work on reviewing the prescribed minimum benefits (PMBs), through levies as from 1 April 2010. These functions were previously funded by departmental grants.

Our vision

Our vision is to regulate fairly and effectively to protect the interests of beneficiaries and to promote equity in access to medical schemes.

Our key strategic objectives

Monitor the impact of the Medical Schemes Act and recommend improvements. ** Secure adequate protection for beneficiaries by approving the manner in which medical schemes carry out business and by monitoring their financial performance. ** Support the work of trustees and promote public understanding of the way in which medical schemes function. ** Take fair and timely enforcement actions when required. ** Investigate and resolve the complaints of beneficiaries. ** Foster the development of the Council for Medical Schemes as an attractive workplace and an employer of choice. ** Develop strategic alliances with counterpart regulators and others.



Do you have a comment? compliment? complaint? Please feel free to get in touch with us. There are many different ways in which you can reach us.

For general enquiries and complaints, speak with one of our consultants in our Customer Care Centre on 0861 123 267 or e-mail them on information@medicalschemes.com. Complaints can also be sent to complaints@medicalschemes.com or submitted online from our website (visit www.medicalschemes.com). You can also fax your complaint if you prefer, to 012 431 0560 or 012 430 7644.

Media enquiries should be directed to our Communication Manager & Spokesperson Aleksandra Serwa on 012 431 0512 or a.serwa@medicalschemes.com.

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COUNCIL FOR MEDICAL SCHEMES