



## Talks on Prescribed Minimum Benefits: What you need to know

The Minister of Health recently published proposed amendments to Regulation 8 of the Medical Schemes Act. These amendments are currently out for comment. If they are implemented, it will mean that medical schemes will either have to pay Prescribed Minimum Benefits (PMBs) according to the 2006 National Health Reference Price List tariff (and the annual CPI increases that followed); or negotiate alternative tariffs with any provider for which medical aid members do not have to pay a co-payment or deductible.

### Unexpected timing



The Department of Health has indicated that they are working on an amendment to these regulations. So while the content is not a great surprise, the timing certainly is. This is due to three reasons:

1. The Competition Commission is currently busy with their investigation into the drivers of private healthcare costs. It was expected that their findings would pave the way for a return to some type of (negotiated) regulated tariff/framework in South Africa.
2. Genesis Medical Scheme is pursuing a court case against the Minister of Health with the aim to have Regulation 8 struck down as ultra vires (beyond the law). It was expected that the department would await the outcome of this case before publishing the proposed amendment.
3. It seems providers have not been consulted. With the shortage of healthcare professionals in South Africa being what it is, their buy-in is critical to the successful implementation of any attempt to regulate tariffs.

### So where does this leave medical schemes?



The impact of PMBs will be addressed once and for all by this proposal, if you happen to be a medical scheme. This is the last piece in the jigsaw puzzle medical schemes required to protect themselves against the ability of providers to charge higher rates for PMBs – they have already implemented whatever protection measures they could in their benefit designs.

The proposed amendment to the regulation does not make it clear whether healthcare professionals will be obliged to charge

the proposed tariff, or will be free to charge what they want for the PMBs. However, as stated above, it is difficult to see how the implementation of a tariff can be successful without their collaboration.

### What about medical scheme members?



Medical scheme members are in a more precarious position because they could now become liable for tariff shortfalls arising where providers do not acknowledge the PMB tariff. However, where medical schemes have successfully contracted with healthcare professionals, both providers and members should be largely unaffected.

Bear in mind that in a community rating environment members ultimately bear the burden of increased costs anyway, by way of higher than inflationary medical scheme increases (although PMBs are not the sole drivers of costs).

We can assume that with the protection now potentially afforded to medical schemes, members would derive some benefit from lower medical scheme increases. However, this would in all likelihood be offset by the cost of insurance they would have to seek to indemnify themselves against tariff shortfalls.

### The role of healthcare advisers



What will become increasingly important is for medical scheme members to understand the cover they have and what they require to insure themselves against potential gaps. Healthcare advisers will have an absolutely critical role to play in this regard, both with the selection of suitable medical schemes and options, and the selection of appropriate health insurance (gap) cover. Therefore, somewhat ironically, an unintended consequence of the proposed amendment to Regulation 8 is that health insurance (gap) products will become increasingly important.

The status of the much anticipated Demarcation Regulations (which were due to be released by the Department of Treasury during the second quarter of 2015, but which are still outstanding) has therefore been substantially elevated. We hope that the lines of communication between the Departments of Treasury and Health are open.