



BRINGING 'REASON' BACK IN: THE DEMARCATION BETWEEN MEDICAL SCHEMES AND HEALTH INSURANCE

by Patrick Masobe

The last few years have seen a wide-ranging debate within the Department of Health on the sort of financing arrangements that should be in place in order to operate an equitable and efficient health system. This debate has crystallised into proposals on a new Medical Schemes Bill which are aimed at reinforcing an environment that does not discriminate on the basis of age and health condition. One of the questions is what constitutes a 'medical scheme' as distinct from risk-rated sickness insurance products offered under the Insurance Act, and how the act will effect the latter. Guest writer Patrick Masobe explains.

In essence, the Bill proposes that to improve access, everybody should share equally in the burden of ill health. It is not enough to legislate against discrimination only on the basis of age and health status, for medical schemes can risk-rate through benefits offered to members, or by not offering certain kinds of services, like maternity or AIDS benefits. Or they can offer different packages of coverage that just happen to attract different risk-groups in the population and then charge them for their risk-profiles. The Department has proposed a system of prescribed benefits ('core benefits'), both as a way of protecting necessary and cost-effective care for members, and of reducing dumping the old and the ill onto the public sector (see the September SAMJ).

These measures will, however, only be effective where there is a clear understanding of what constitutes a 'medical scheme' as distinct from risk-rated sickness insurance products offered under the Insurance Acts.

The Medical Schemes Bill attempts to establish such demarcation in two ways. Firstly, the definition of a medical scheme has been rewritten to clarify the type of business that a medical scheme engages, or should engage in. It should be emphasised, nonetheless, that the Department has not sought to widen this definition. The accent has been on establishing certainty on both the 'object' and the business of a medical scheme, and requires that all persons and organisations engaging in such business should seek registration under the Medical Schemes Act.

Secondly, the Bill reinforces the fundamental distinction between a medical scheme and other insurance products, which is that a medical scheme indemnifies individuals against

actual costs incurred in the provision of a health service. It is the costs related to the provision of a service that are being insured for in this instance. Often the medical scheme will pay directly to providers such amounts as determined by the scale of benefits agreed to by the representative associations.

'Health insurance is essentially different. The Department has proposed that the only trigger that should operate in relation to a health policy as defined in the short- and long-term insurance bills, must be a health event. In other words, the provision of a service in itself cannot be a trigger for a payment of benefits. Such a payment should be forthcoming if the particular event, for which cover has been taken, occurs.



Patrick Thokwa Masobe

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An important distinction is that the policy benefits of these products should not be linked in any way to the actual costs of a service. Usually, these benefits are predetermined lump sum amounts, and may be related to the size of the policyholders' premiums and the risk to the insurer. Furthermore, people could use such payments for any other expenses they incur while ill. It is conceivable, therefore, that some of the so-called hospital cash plans whose benefits are related to the scale of benefits, and therefore to actual medical costs, may need to be reviewed for consistency with the definition of a medical scheme.

There are a number of other distinctions between a medical scheme and health insurance products, such as:

- members of medical schemes can generally bring onto the scheme their dependants, something they cannot do in the case of insurance products;
- provisions for continuation (pensioners and retired individuals) cover within medical schemes;
- the fact that membership of schemes is generally non-cancellable, except under certain conditions specified in the Act.

Other key differences relate to the manner in which commissions are dealt with in the two environments, and the



fact that the medical schemes are largely not-for-profit. Of course, this does not mean that profits are not paid – a number of intermediaries have found ways to reap astronomical profits in this sector.

The Department has held discussions with the Financial Services Board (FSB) in order to ensure that all the issues surrounding demarcation are resolved in a manner that allows for health policy considerations to be achieved fully while allowing for genuine top-up cover to remain. These interactions have resulted in a sufficiently broad consensus on a number of issues, including the fundamental concern that health insurance products should not mimic a medical scheme, and should therefore not be engaged in the business of a medical scheme.

It has been agreed that the definition of a 'health policy' in the insurance bills be amended to require, firstly, that the benefits be triggered by the occurrence of a health event, and secondly, that they are not provided directly to any provider of a service. The definition will also be adjusted to require that the policy benefits are not aimed at defraying actual costs incurred in the provision of a health service in the same way that a medical scheme would. The Department recognises that these definitions are formative in nature and may require refining as we gain a better understanding of the vexing question of appropriate demarcation between community rated medical schemes on the one hand, and age and risk rated health care products on the other.

We are pleased, nonetheless, that this new formulation will enable the Registrar of Medical Schemes to take firm action against any party that should seek to engage in the business of medical schemes without having gained registration under the Act.

We are of the opinion that the proposed demarcation is a reasonable beginning as it seeks to ensure that the environments through which people can gain cover are not in conflict with each other. It is also reasonable precisely because it seeks to attenuate the possibility of arbitrary action by providing objective guidelines on the type of business that insurers cannot engage in. It is ultimately reasonable because it seeks to ensure that the insurance bills do not undermine health policy. Securing such a demarcation is the only way that the Department of Health can ensure that reforms of non-discrimination on the basis of age and health condition take root. The alternative would be a system where competitors would 'win' by essentially doing the business of a medical scheme while also excluding some people because of their age and health status. Such behaviour would not only put the financial soundness of the remaining community rated schemes at risk, but would further increase the current levels of cost-shifting onto public hospitals. This would, in my reckoning, be a most unreasonable outcome.



PRACTICE MANAGEMENT

WHY I CHOOSE THIS PRACTICE

by Louis Fick

The medical profession and the entire health care industry exists to service people – specifically to care for their health. Our business is people. People will determine the success of a practice.

There are different groups of people playing a role in the functioning of a practice, e.g. patients/clients, referring doctors, and staff. And each one has a different set of reasons why they choose a specific practice to service their specific needs.

A comprehensive survey and literature study was conducted to determine why these groups choose a specific practice to satisfy their specific needs. Some salient outcomes are reported here.

PATIENTS

The most important finding is the fact that the mindset and the expectation of the patient is vastly different to that of their counterparts of previous eras – they have become critical 'clients' who demand value for their money for high quality service.

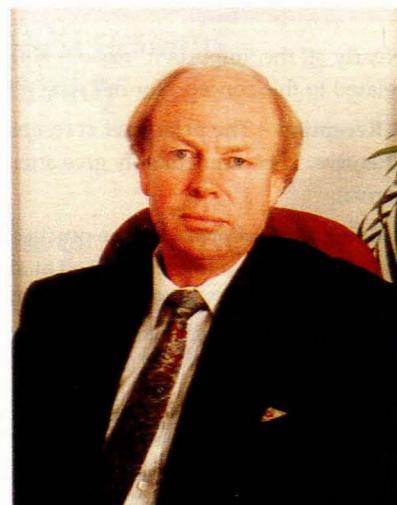
They are not prepared to be just another number in the waiting room at the mercy of the powers that be, without receiving attention, service or being informed. This is the surest way of losing your patients and your practice!

Let's list the reasons why a patient chooses a practice as it is this decision that directly relates to the success of the practice.

FIRST CONTACT

There are three main reasons why patients choose to go to a particular practice:

- Convenience



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