

News release from GTC

Recently announced changes to medical cover provider rules should ultimately benefit consumers – GTC Healthcare

26 January 2017

Changes to the rules regulating medical cover providers have caused concern among consumers over the continuity of their products. However, very little attention has been paid to the fact that the Minister of Health has requested the Council for Medical Schemes to grant an exemption for a period of two years for the changes in product structures to take effect.

Jill Larkan, Head of Healthcare at financial advisory business GTC believes that overall, these changes will be to the benefit of consumers.

The National Treasury recently published its long-awaited Demarcation Regulations for health insurance products, essentially reclassifying some insurance products as medical aid policies going forward.

“Demarcation aims to identify those medical insurance products that should be treated as medical aid policies, and therefore be regulated by the Medical Schemes Act. This essentially means reclassifying certain long- and short-term medical insurance products, such as primary healthcare policies,” says Larkan.

The demarcation regulations stipulate that, from 1 April 2017, these primary healthcare products will be registered as medical aid policies, rather than insurance products, as is currently the case.

“We have noted concern over what this change means for policy beneficiaries, as these insurance products do not comply with existing regulations of the Council for Medical Schemes. Policyholders can, however, be assured that this change has no immediate bearing on them and their benefits, as their products should be exempt from current regulations for a period of two years,” says Larkan. “During this time, the Department of Health will develop a new set of guidelines to broaden the scope of medical aid schemes so that lower-cost options can also be accommodated,” says Larkan.

She believes these guidelines would go a long way towards achieving uniform standards within the medical care environment.

“The Minister of Health aims to have all healthcare-related products aligned to a single, standardised set of guidelines that will include low-cost medical scheme products. The goal is to ensure the fair treatment of the consumers of healthcare products, who will be assured of a certain minimum level of cover provision from their purchased product.”

She explains that, rather than outlawing the existing primary healthcare cover products in its entirety – and thereby removing a large number of beneficiaries from the medical cover net – the government will adapt the guidelines regulating medical schemes.

“There has been a gap in the market for low-cost medical schemes that provide an adequate basic level of cover. Medical aids have been criticised for becoming unaffordable due to premium increases which are often higher than inflation, resulting in many consumers opting for lower-cost options provided by primary healthcare policies,” says Larkan.

She believes a crucial point to this issue is the fact that the Medical Schemes Act has very strict stipulations on the basic minimum requirements of a medical aid. One of these is the provision of minimum benefit levels (as outlined in Prescribed Minimum Benefits), which increase the underlying cost of any medical aid product.

“The new guidelines will, in all likelihood, relax some of the more onerous rules in order for schemes to be classified as a low-cost benefit option.

“Following extensive consultation between the medical insurance industry and ministry of health that have been ongoing since 2012, we are encouraged by the progress towards the development of low-cost benefit options. A uniform set of rules and one regulator for all medical cover products will strengthen the industry and protect consumers more effectively,” says Larkan.

Migrating healthcare away from the insurance sector also means that insurance providers will not be allowed to introduce new primary healthcare policy options from 1 April, unless these comply with the rules applicable to medical schemes.

The demarcation regulations further imposed restrictions on medical expense shortfall policies (more commonly known as medical gap cover), and hospital cash plans.

“The new regulation will limit the amount of medical gap cover to R150,000 per person annually, while benefits from hospital cash plans will not be allowed to exceed R3,000 per person per day, or a lump sum of R20,000 per year. This should promote fair practice and prevent exploitation of consumers,” she explains.

“Over the next two years we will follow developments on these guidelines closely, but we believe, at this stage, that the changes clearly pave the way to greater choice and protection for consumers,” concludes Larkan.

Ends (717 words)

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About GTC Holdings

GTC, formerly Grant Thornton Capital is a well-established, leading financial advisory business, established in 1991 from within the Grant Thornton Johannesburg audit practice, itself part of Grant Thornton International. The Johannesburg practice was established in 1920.

Effective late 2012 GTC was obliged to separate itself from the audit practice as a result of various international regulations separating the asset management capability of any business from that of Grant Thornton.

This resulted in the business changing its name from that of Grant Thornton Capital to GTC. Gary Mockler, the founder of GTC, remains the Chief Executive Officer and a key shareholder. The association between GTC and Grant Thornton continues within the parameters permitted by international regulation.

GTC is nationally represented with offices in Johannesburg, Cape Town, Durban and Kuruman. GTC specialises in the areas of retirement fund administration and consulting, healthcare consulting, private client wealth management, short term risk solutions, investment management, stockbroking, derivatives trading, fiduciary services and other areas of financial advice. GTC also operates a unit trust management company.

GTC is an advisory business holding the necessary licenses including FAIS, and has recently been awarded a PMR Diamond Arrow Award for having the highest ranking in the category of 'medium-sized pension fund administrators and consultants' in the recently completed 2016 PMR Survey.

Collectively the Group employs some 120 staff in four offices. Assets under management and administration total some R32 billion. There are 2 500 private clients and about 85 000 participating members of retirement funds through some 300 participating employer schemes, most of these structured through one of several GTC umbrella funds.