

News release from GTC

There's more to your medical aid choice than just the annual premium escalations – GTC Healthcare

Another year, another annual premium increase to your medical aid plan for 2016!

As households nationwide begin to reshuffle home expenses in an effort to accommodate the above-inflation medical aid premium increases for the New Year, many people are asking if perhaps other medical aids offer better value, better benefits than their current selection.

Jill Larkan, Head of GTC Healthcare Consulting, a division of leading financial advisory business GTC, advises that contribution increases are not the only element to consider when deciding whether to change plans for 2016.

“Yes, premiums are important but over and above the annual increases, there are three important areas which should be assessed each year, in order to confirm the longevity and sustainability of your medical aid plan,” says Larkan.

To ensure that medical aids don't compromise on the benefits within the plan in the years ahead, or to prevent them from suddenly charging unreasonable premiums in the future, Larkan says that it is critical to know the medical aid plan's current age profile compared to the industry average.

“Also make sure you - confirm whether this average age is increasing or declining over time,” she cautions.

Larkan says that the average age of a scheme is an excellent reflection of a medical aid plan's future sustainability and this information can be extracted from the Council of Medical Scheme's (CMS) Annual Report, for every medical aid countrywide. For example, the CMS' Annual report for 2014-5 states the average age for open Medical Aid Plans as 33.6 years. Larkan advises that any medical aid plan with a similar – or even lower - average age would be a sustainable, reliable option, while any plan that's indicating an average age of over 40 years carries an element of risk which you would otherwise not have been aware of.

“Stable average ages, or even plans where the average age is reducing, should result in stable or increasing solvency levels from your medical aid, which is an ideal situation to have with the medical aid plan you've selected,” Larkan continues.

Linked to average age is the pensioner ratio of a medical aid. This is a clear indicator of the level of claims which the scheme can expect in the future.

In addition to average age profiles and pensioner ratios, Larkan recommends checking the number of members on a medical aid plan. It's also important to review if that number is growing or declining.

“Check what the number of members on your scheme has been doing over the past few years,” she says. “If your scheme is not bringing on new members – and preferably new younger members each year – the scheme once again carries an increased risk element.”

With members ageing naturally each year, a medical aid scheme will automatically age by one year in a full 12 month cycle. It's therefore important for schemes to be bringing younger members onto the scheme each year in order to balance the average age.

"Younger members are important because they help schemes to maintain favourable claims ratios," says Larkan.

Finally, Larkan advises members to check the solvency ratio of their medical aids over a number of years.

"A solvency ratio is very closely related to the growth or decline in memberships," she says. "When a medical aid scheme has too many high claims, which is also known as a poor claims ratio, these medical aids will have no choice but to use their reserves to offset these costs and balance the budget."

Professional healthcare consultants should be making use of all the statistical data which is available in the Council for Medical Schemes annual reports in order to provide companies and members with the best advice about plans in the year ahead.

Larkan is well aware of the difficulties members face in selecting a medical aid that offers best options and value for money for their employees. To address this challenge, GTC Healthcare consulting releases an annual Medical Aid Survey, which provides analysis and ranking of different medical aid plans according to the various options available and offered by South Africa's 22 medical aid providers. The GTC Medical Aid Survey has been acknowledged within the industry as a valuable reference in evaluating the different plans on offer.

"While the information is clearly available for individuals to review themselves, we always recommend a professional consultant should help people to make the right decisions about their medical aids. Reviewing annual premium increases in conjunction with the average age and pensioner ratio, the total number of members on your scheme and the solvency level over a few years is the best way to ensure you're making the correct decision about your plan choice for the New Year," Larkan concludes.