



Reference: Insurers conducting the business of a medical scheme
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Circular 56 of 2020: Industry update on developments for insurers conducting the business of a medical scheme

The Council for Medical Schemes (CMS) issued [Circulars 80](#) and [82 of 2019](#) to the medical schemes industry in December 2019, announcing its plans for Low Cost Benefit Options (LCBOs) and the Demarcation Exemption Framework, going forward.

These circulars were published as areas of concern were highlighted during the analysis and review of renewal exemption applications, submitted by insurers conducting the business of a medical scheme. Details of the analysis were published in December 2019, referenced as Appendix A in Circular 82 of 2019.

In January and February 2020, the CMS held several engagements with stakeholders including the Minister of Health, National Treasury, Financial Sector Conduct Authority (FSCA), Prudential Authority (PA), medical schemes, administrators, managed care organisations, insurers, brokers and related service providers on the report findings and the two circulars.

The main discussion points of these engagements were:

1. The CMS could not perpetually regulate by exemption;
2. The industry was concerned about the main findings of CMS' research report;
3. Primary health insurance products needed to align to regulations and demonstrate a significant degree of compliance with the provisions of the Medical Schemes Act No 131 of 1998 (MSA); and
4. The CMS would pave the way for the establishment of Advisory Committees grouped into two streams for insurance, and administrator and funders. These streams would be tasked with addressing the challenges faced by primary health insurance providers in complying with the MSA and the need by medical schemes to develop options for low-income earners. They would also develop a roadmap leading to the end of March 2021.

Update on the establishment of the Advisory Committees

Progress has been made in the establishment of these advisory committees consistent with [Circular 12 of 2020](#), where Ms Avril Jacobs was designated as chairperson for the Insurance stream, and Mr Michael Willie as chair for the Administration and Funders stream. The circular called on the industry to nominate representatives to serve on the streams by 28 February 2020, and provided the terms of reference of said committees.

The coronavirus (COVID-19) pandemic, and subsequent national lockdown resulted in the CMS being unable to arrange a physical workshop as public gatherings were prohibited, as was agreed with the industry during January/February 2020. Despite these restrictions, the CMS continued to circulate a Charter and Code of Conduct of the Advisory Committees to nominees in May and June 2020, which yielded positive feedback, and the majority of nominees signed the Code of Conduct.

To this extent, the CMS will issue formal communication on when the first combined virtual Advisory Committee meeting will take place, towards the end of September 2020.

Development of Conversion and Low-Cost Benefit Guidelines

There has been progress on the development of a Conversion Framework, to transition insurers conducting the business of a medical scheme into the medical schemes' environment.

In addition, the development of a Low-Cost Benefit Option Guideline, which sets out the process to be followed by medical schemes as it relates to benefit offerings for lower income earners has also progressed. Full details of both guidelines will be discussed at the first combined Advisory Committee meeting.

Exemption of insurers conducting the business of a medical scheme

On 30 June 2020, the Council considered the renewal exemption applications from insurers in terms of section 8(h) of the MSA and the Demarcation Renewal Framework, from compliance with the provisions of section 20(1).

The Council resolved to grant exemption to insurers that conduct the business of a medical scheme, on options or products with active policyholders for two years, from 1 April 2019 to 31 March 2021. Conversely, exemption was not granted for requests for new products, or products that had no active policyholders, subject to conditions as contained in [Annexure 1](#).

Details of the relevant insurers, their respective financial service providers and the exempted insurance products that are offered, are attached as [Annexure 2](#).

Extension of the current exemption period post 31 March 2021

In light of these developments, and after consultation with the National Treasury, FSCA and the PA, the Council has approved the extension of the current exemption period by another year. Therefore, the extension will be valid for an additional year, from April 2021 to 31 March 2022. The extension is conditional on insurers and their respective financial service providers complying with the exemption conditions set out in [Annexure 1](#).

The CMS remains committed to ensuring that low-income earners have access to quality healthcare that is regulated effectively and complies with provisions of the MSA. For this reason, the CMS is open to engaging with insurers and medical schemes to work towards transitioning into the medical schemes' environment for improved healthcare coverage.

Yours sincerely,



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