

THE MEDICAL SCHEMES INDUSTRY IN 2018



Membership and Utilisation

Pages 140 – 214 in the Annual Report

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Schemes and beneficiaries

- Fewer medical schemes
- No negative effect on number of beneficiaries
- Consolidation through amalgamations (mergers)
- Number of smaller schemes declining faster
 - Restricted schemes absorbed by larger schemes
- Consolidation trend continues



Number of schemes (2000-2018)

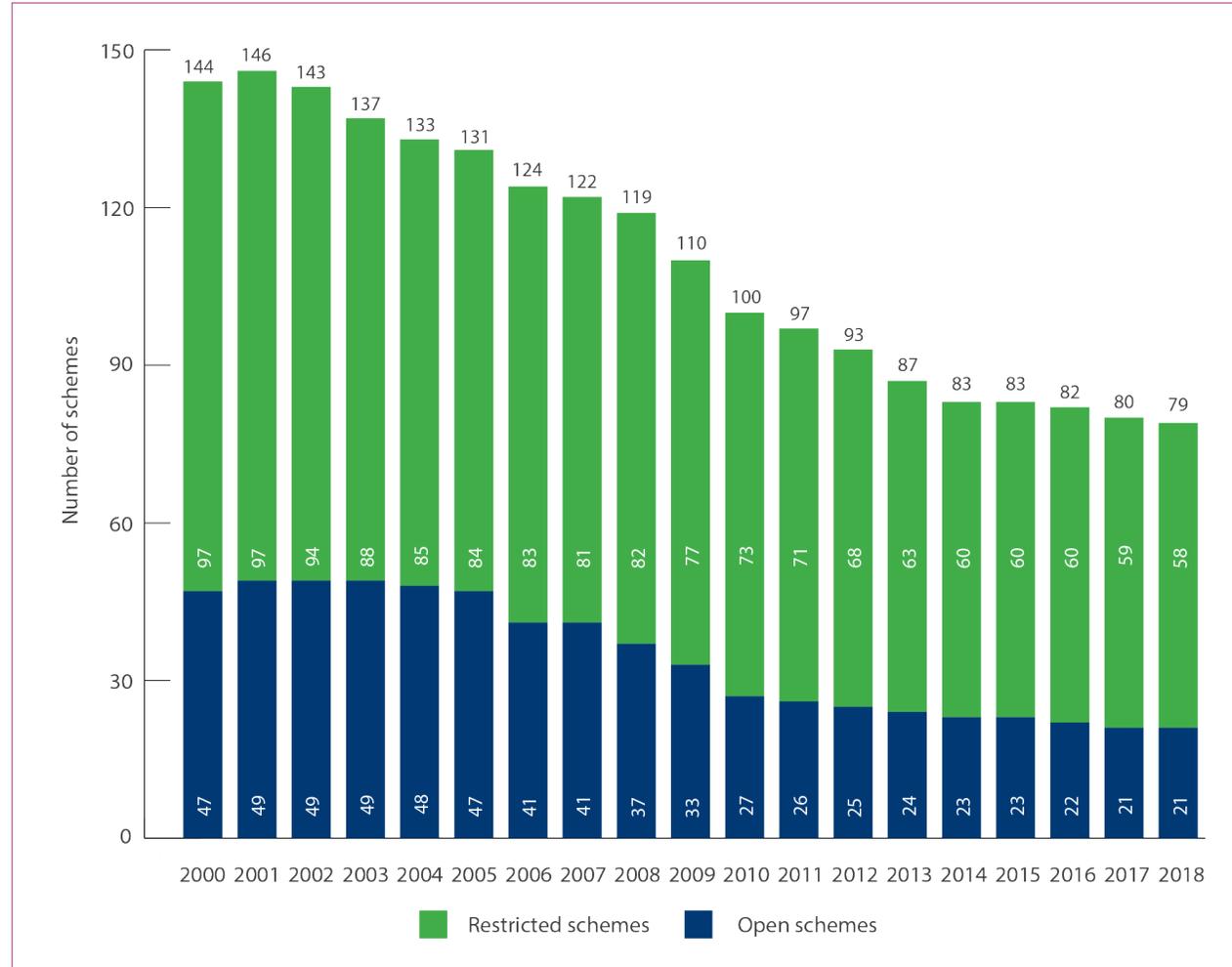


Figure 13: Number of schemes 2000–2018

Number of schemes by size (2002-2018)

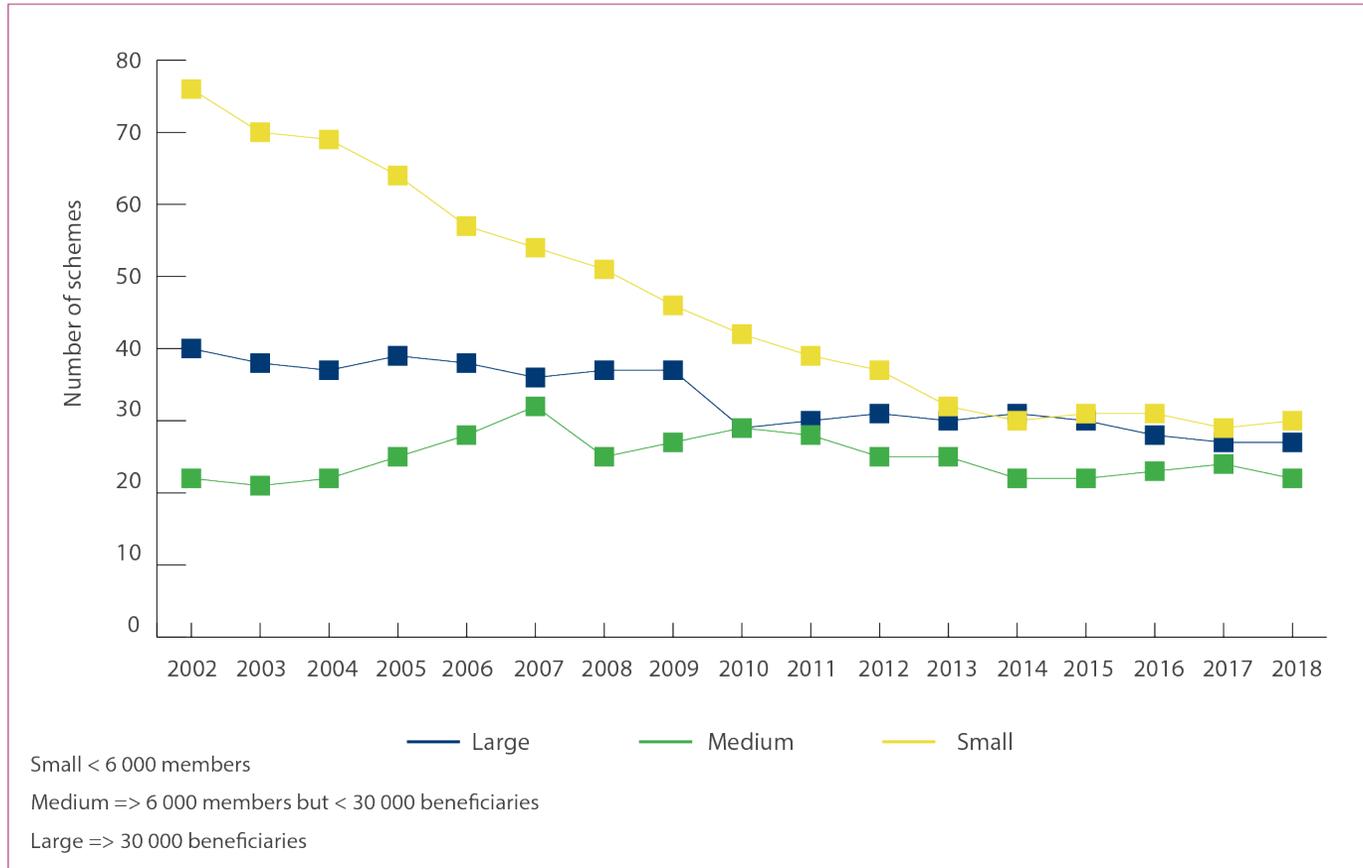


Figure 14: Number of schemes by size 2002–2018



Benefit options

- More benefit options on open schemes
 - Open schemes (6 options on average)
 - Restricted schemes (2 options on average)
 - Industry (3 options on average)
- Increasing trend of average number of options
 - 5.7 in 2009 to 6.5 in 2018
- Risk pools
 - Unsustainable
 - Confusing to consumers



Number of beneficiaries

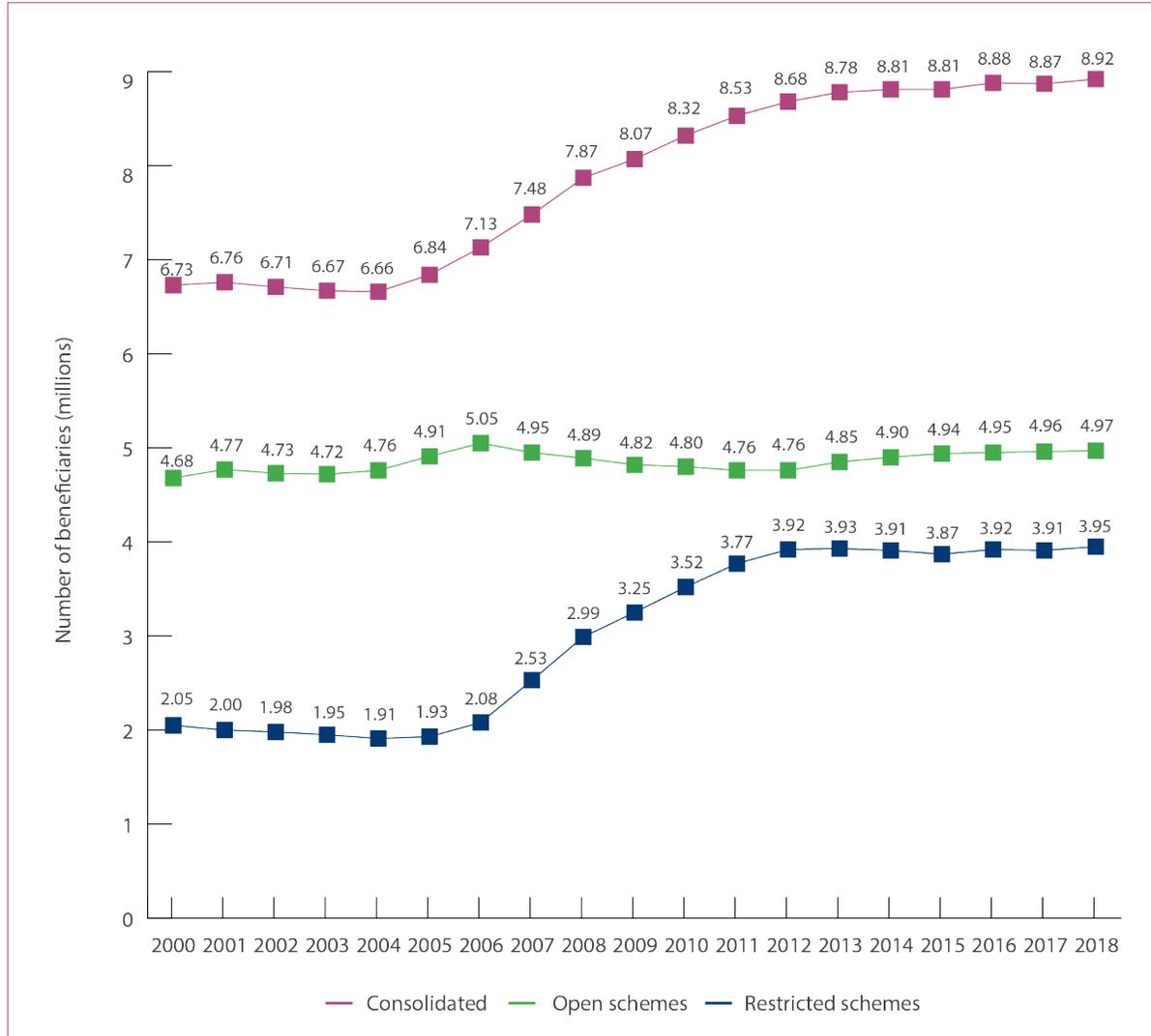


Figure 18: Number of beneficiaries 2000–2018

Beneficiaries by Province (2018)

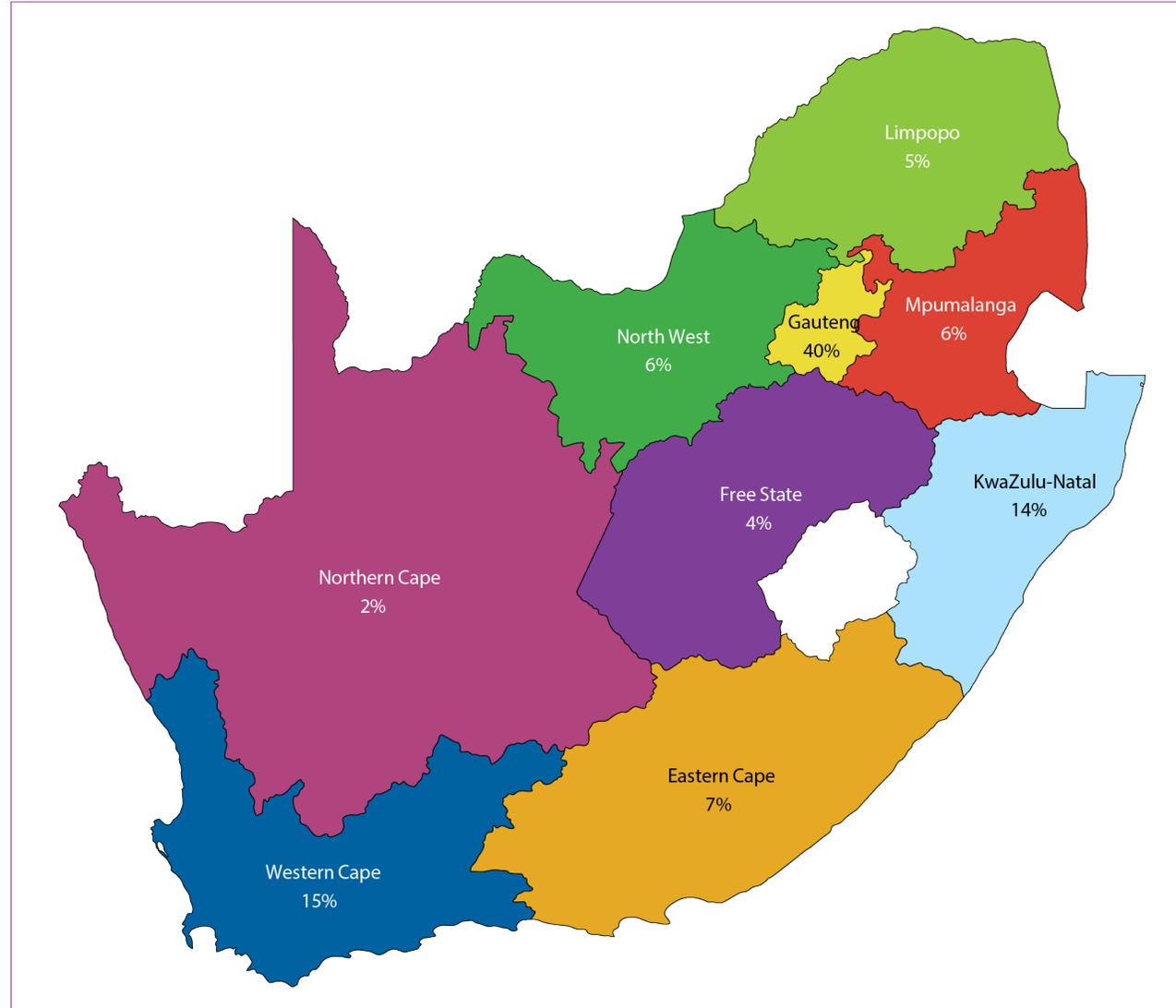
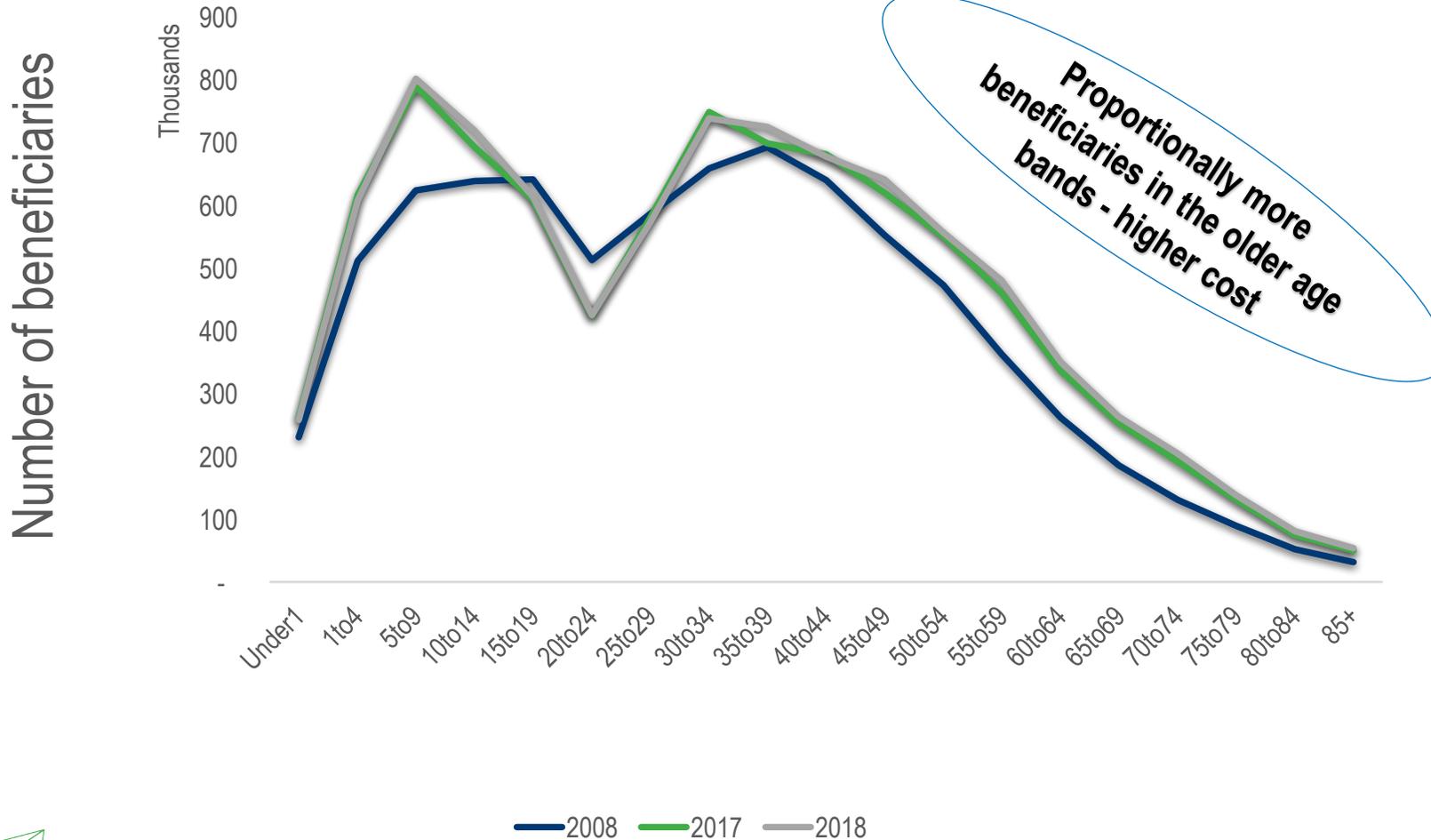


Figure 24: Distribution of beneficiaries by province in 2018

Coverage by age bands



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Healthcare benefits paid

Total Healthcare benefits paid

- 2017: R160.50 billion 2018: R173.30 billion 8.0% increase
- 2017: R18 843.35 pabpa 2018: R19 549.00 pabpa 6.63% increase

Healthcare benefits paid from risk pool

- 2017: R144.38 billion 2018: R156.07 billion 8.10% increase
- 2017: R16 496.18 pabpa 2018: R17 607.91 6.74% increase

Benefits paid from savings

- 2017: R16.11 billion 2018: R17.21 billion 6.81% increase



Healthcare benefits paid

Cost of the prescribed minimum benefits (PMBs)

- 2018: R87.80 billion paid from risk benefits or R821 pbpm
- PMBs constituted 50.70% of all risk benefits paid by schemes



Benefits paid per discipline (2018)

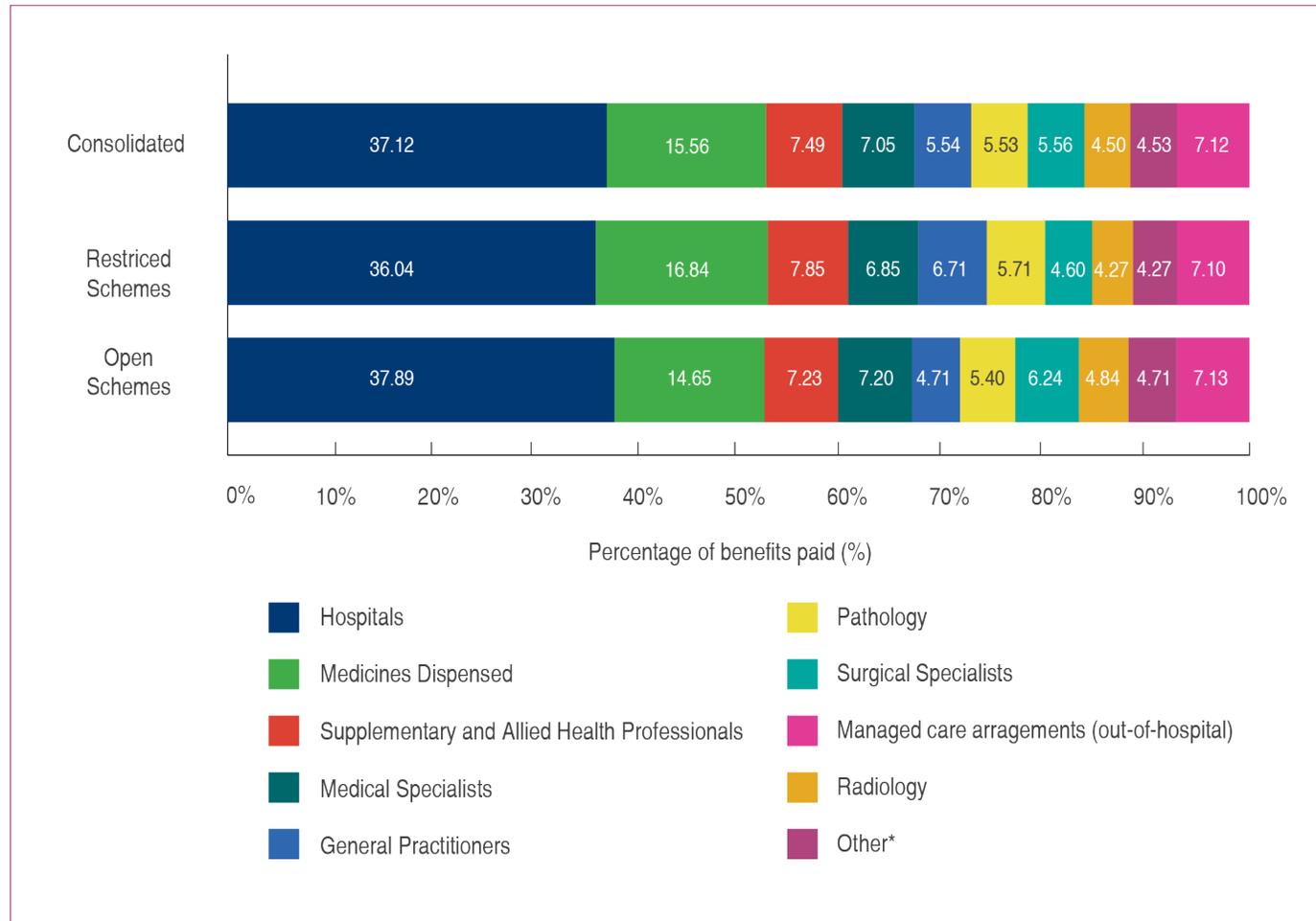


Figure 26: Distribution of healthcare benefits paid 2018 by scheme type

Out-of-pocket payments

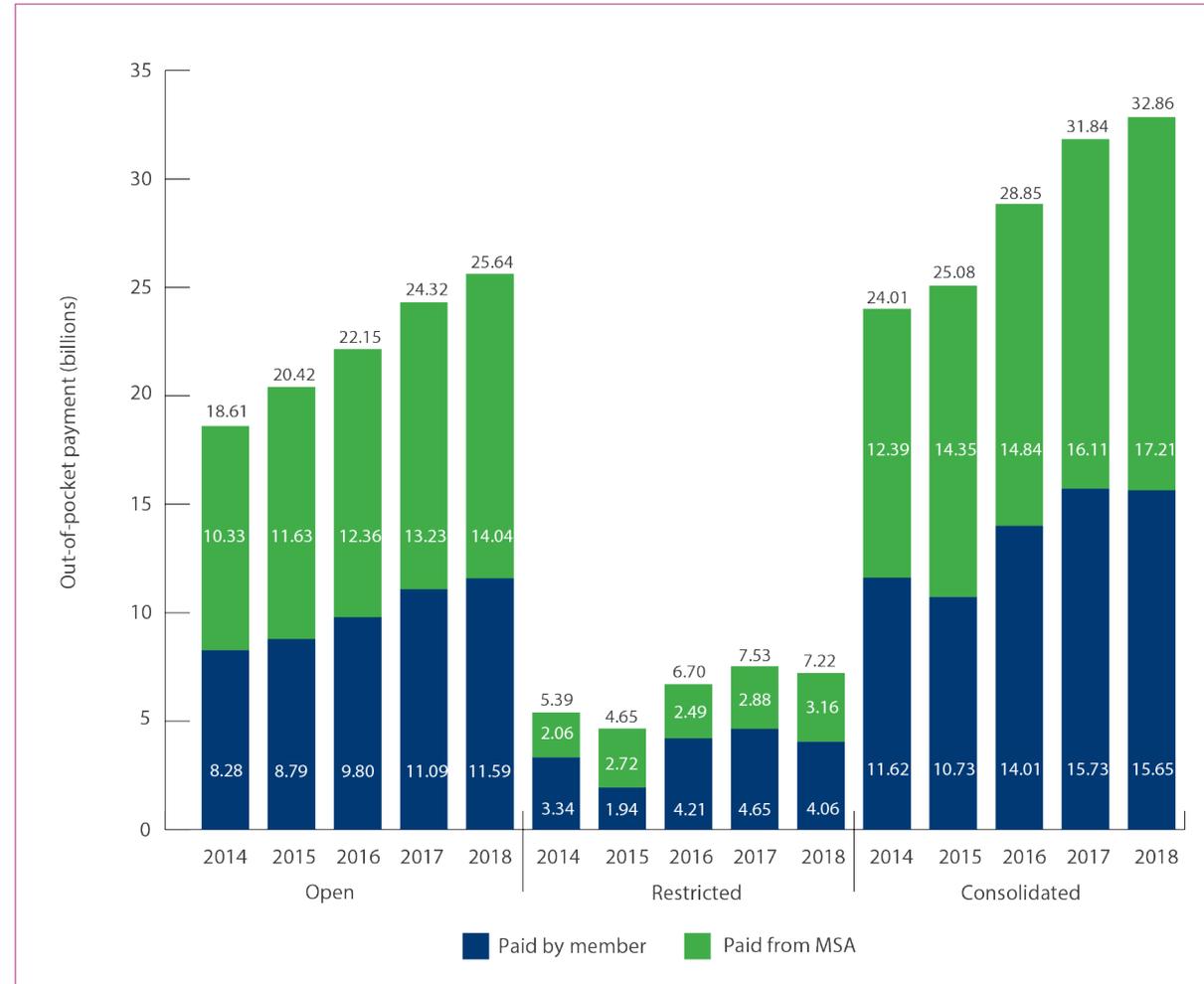


Figure 36: Trend in out-of-pocket payments 2014–2018

Total benefits paid per event (visit) 2018

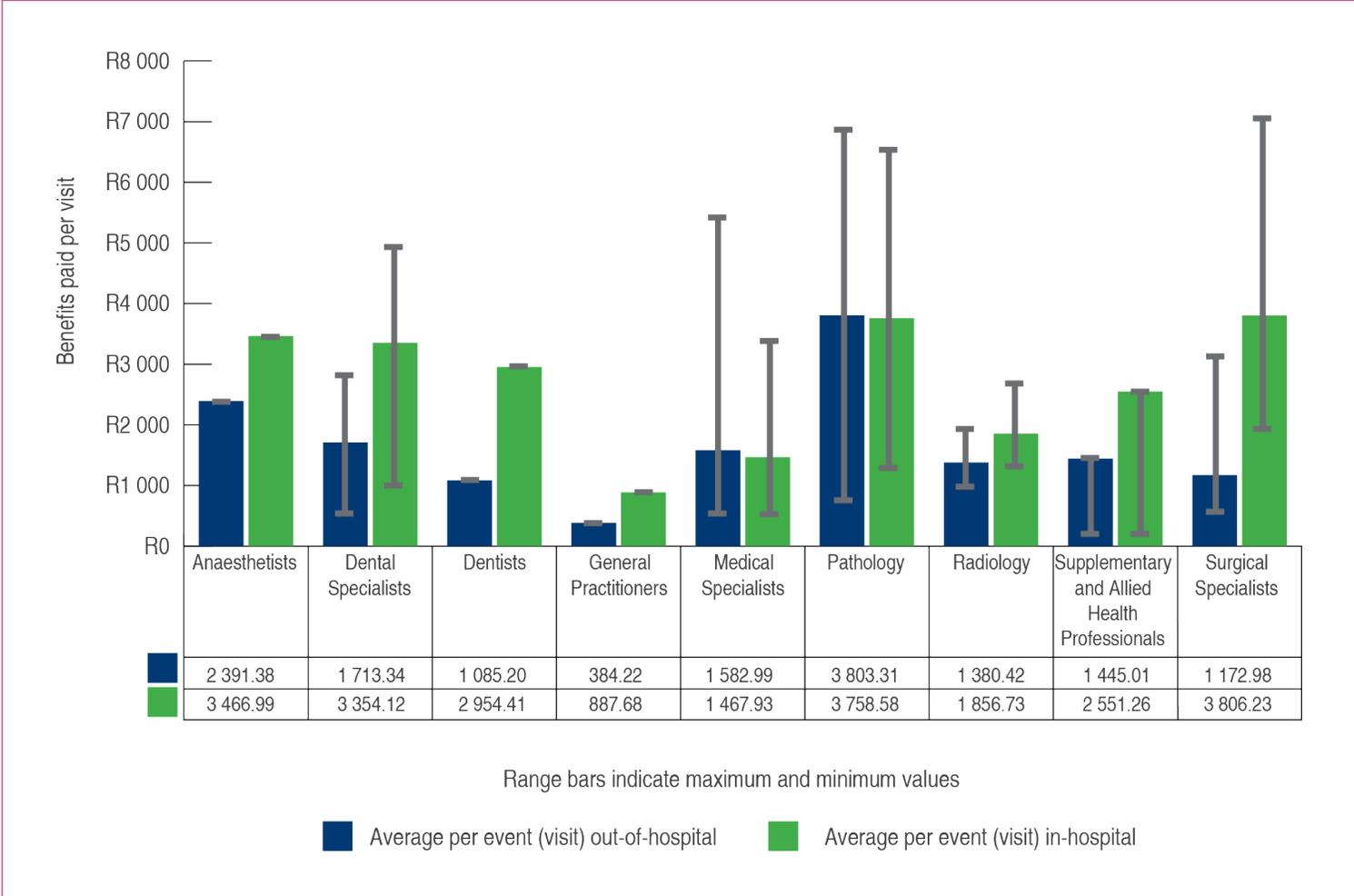


Figure 28: Benefits paid per event (visit) 2018



Hospital inpatient admissions (2018)

Admission rate per 1 000 beneficiaries

- Medical cases: 191.47
- Surgical cases: 92.09
- Maternity cases: 33.35*

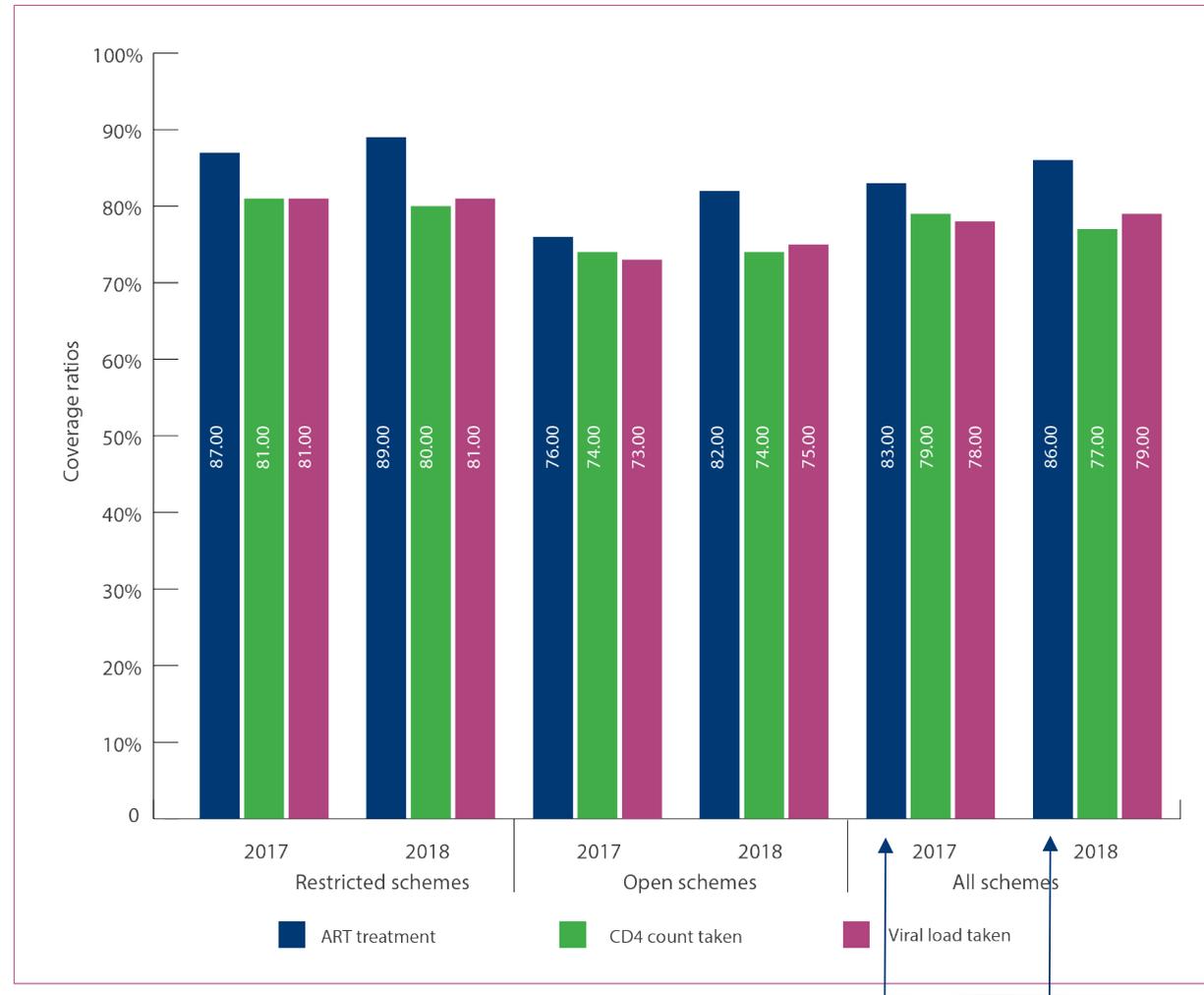
Average length of stay in days

- Medical cases: 5.21
- Surgical cases: 3.62
- Maternity cases: 2.94

**(per 1 000 female beneficiaries)*



Quality of Care: Coverage ratios (HIV)



Improved Access to Treatment

Figure 44: Human Immunodeficiency Virus (HIV)

Conclusions

- Managing the change in the age distribution, burden of disease and membership growth is a challenge for the private medical scheme industry.
- Continue to notice above inflation increase in healthcare benefits paid
 - Cost containments strategies



Conclusions

- Increase in Out-of-Pocket expenditure is a concern.
- Improve Benefit Design processes
- Member education and product knowledge
 - Fragmentation of risk pools
- Better contracting
 - Value proposition of managed care
 - Alternative reimbursement models



Thank you.



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ANNUAL REPORT 2018/19

Overview of Scheme Financial Performance

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Senior Financial Analyst*

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Outline of presentation

Pages 174 – 233 in the Annual Report

- Snapshot of the industry
- Contributions and claims
- Non-healthcare expenditure
- Scheme results
- Solvency
- Administrator market share



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Snapshot of the industry

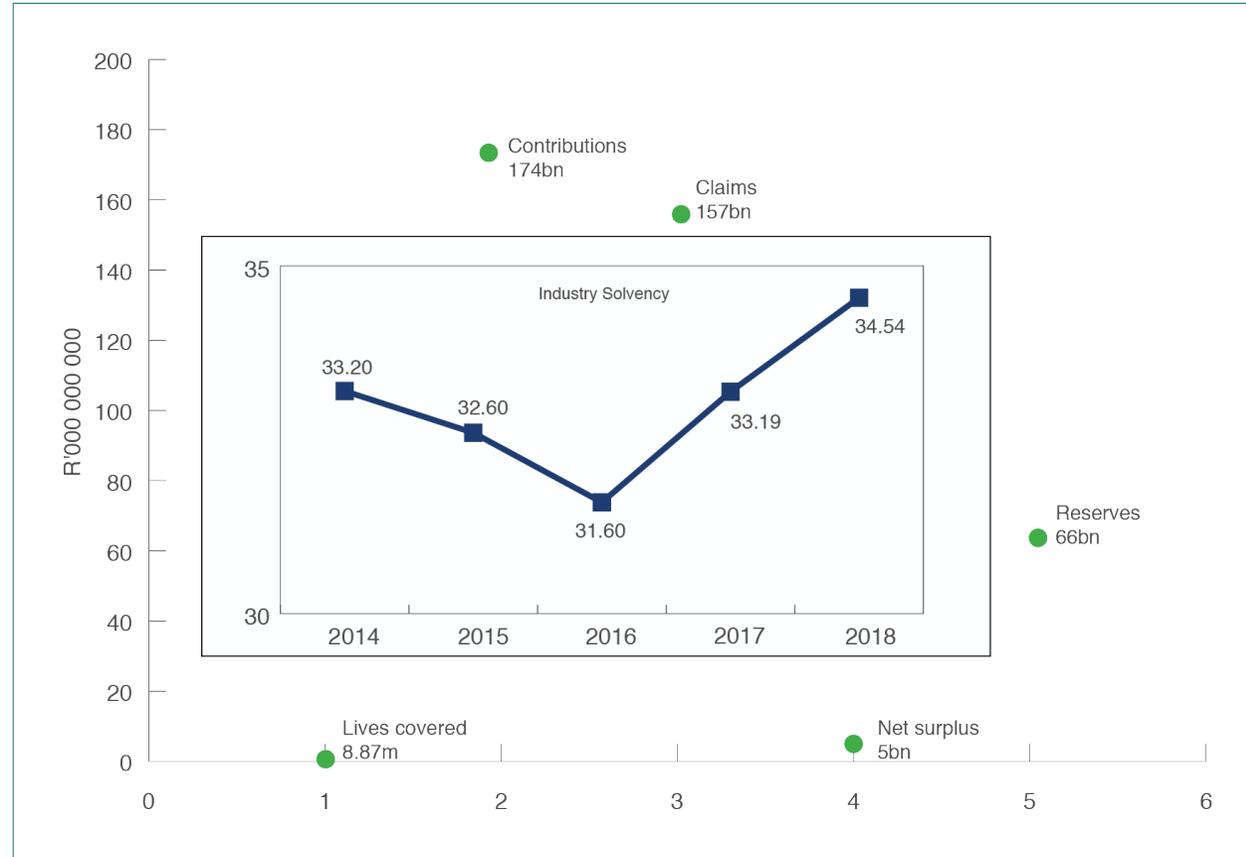


Figure 4: A snapshot of the industry



Contributions received

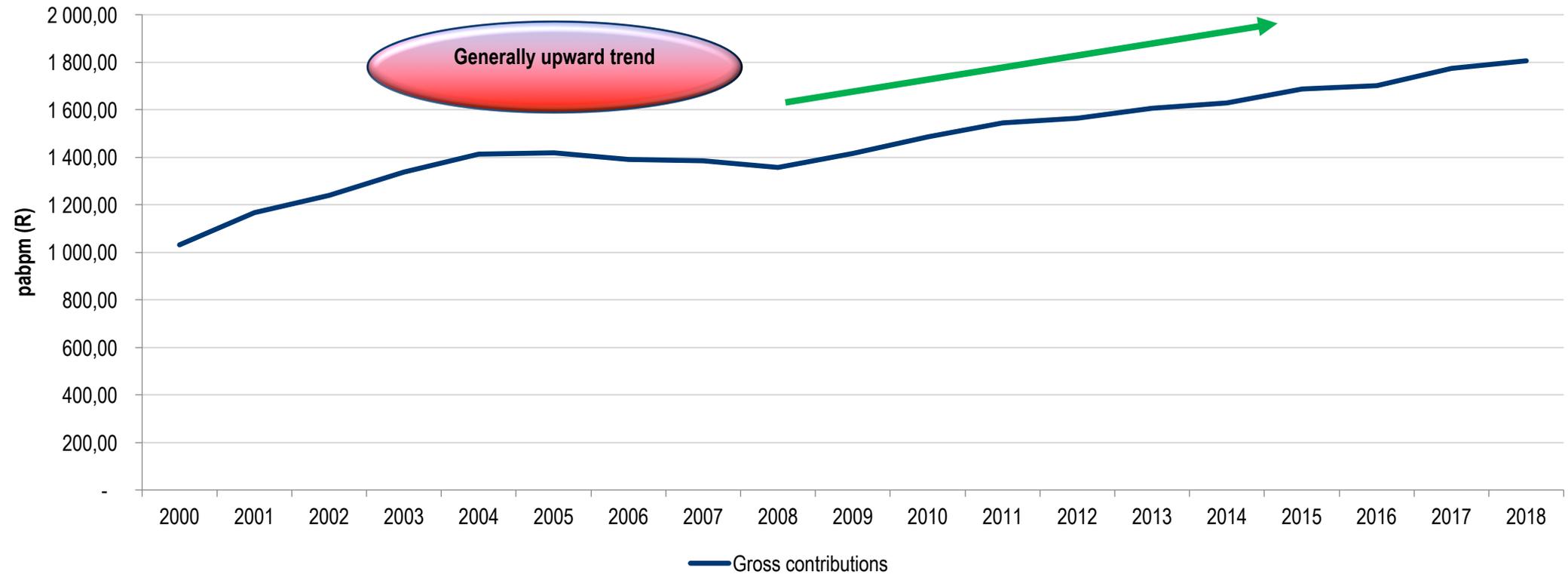
- Gross contributions R192.28 bn  6.93% (2017: R179.81 bn)
- Risk contributions R173.96 bn  6.81% (2017: R162.87 bn)
- R1 633.91 pabpm  6.42% (2017: R1 535.36)

RCI Open: R1 642.04 pabpm (6.34% increase)

RCI Restricted: R1 623.63 pabpm (6.52% increase)



Trends in contributions



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Claims incurred: 2018

Gross claims R174.12 bn



8.46% (2017: R160.53 bn)

Risk claims R156.95 bn



8.64% (2017: R144.46 bn)

Risk claims all R1 474.15 pabpm



8.25% (2017: R1 361.86)

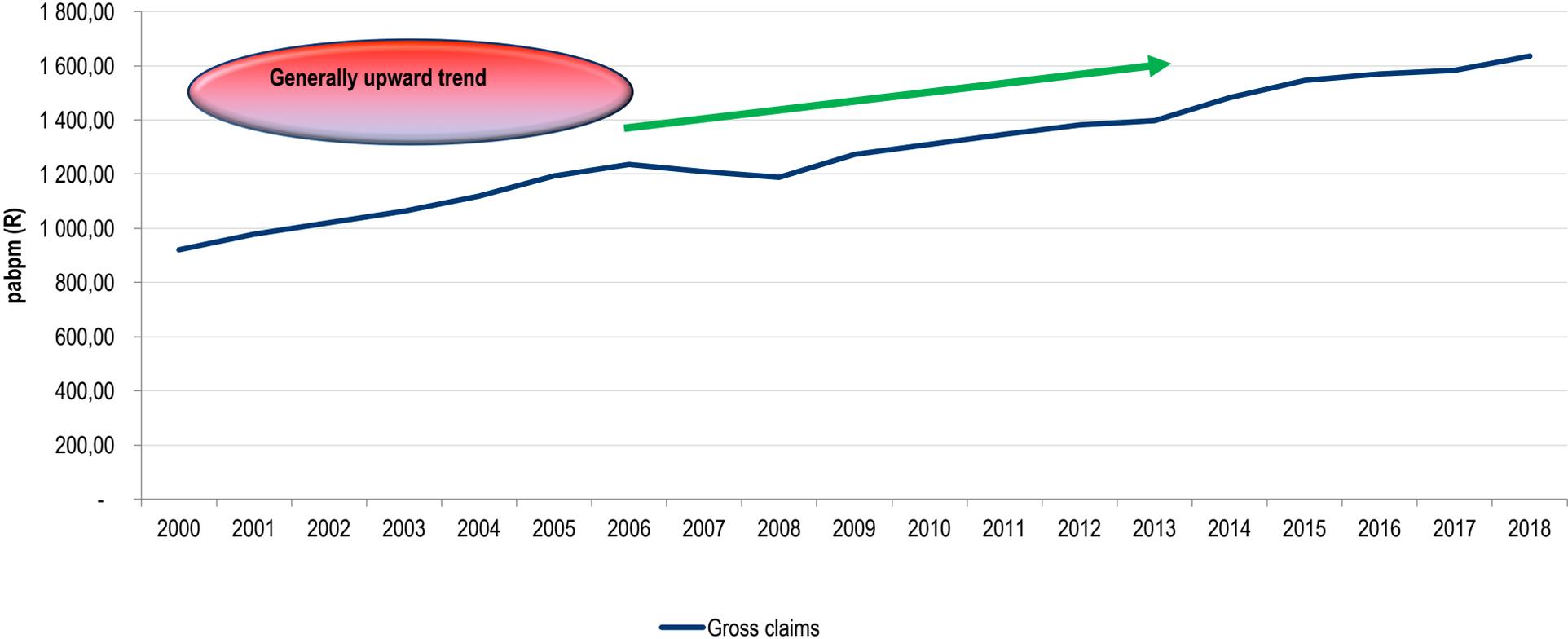
Risk claims Open: R1 475.20 pabpm (9.56% increase)

Risk claims Restricted: R1 472.82 pabpm (6.63% increase)

90% of contributions received went towards claims

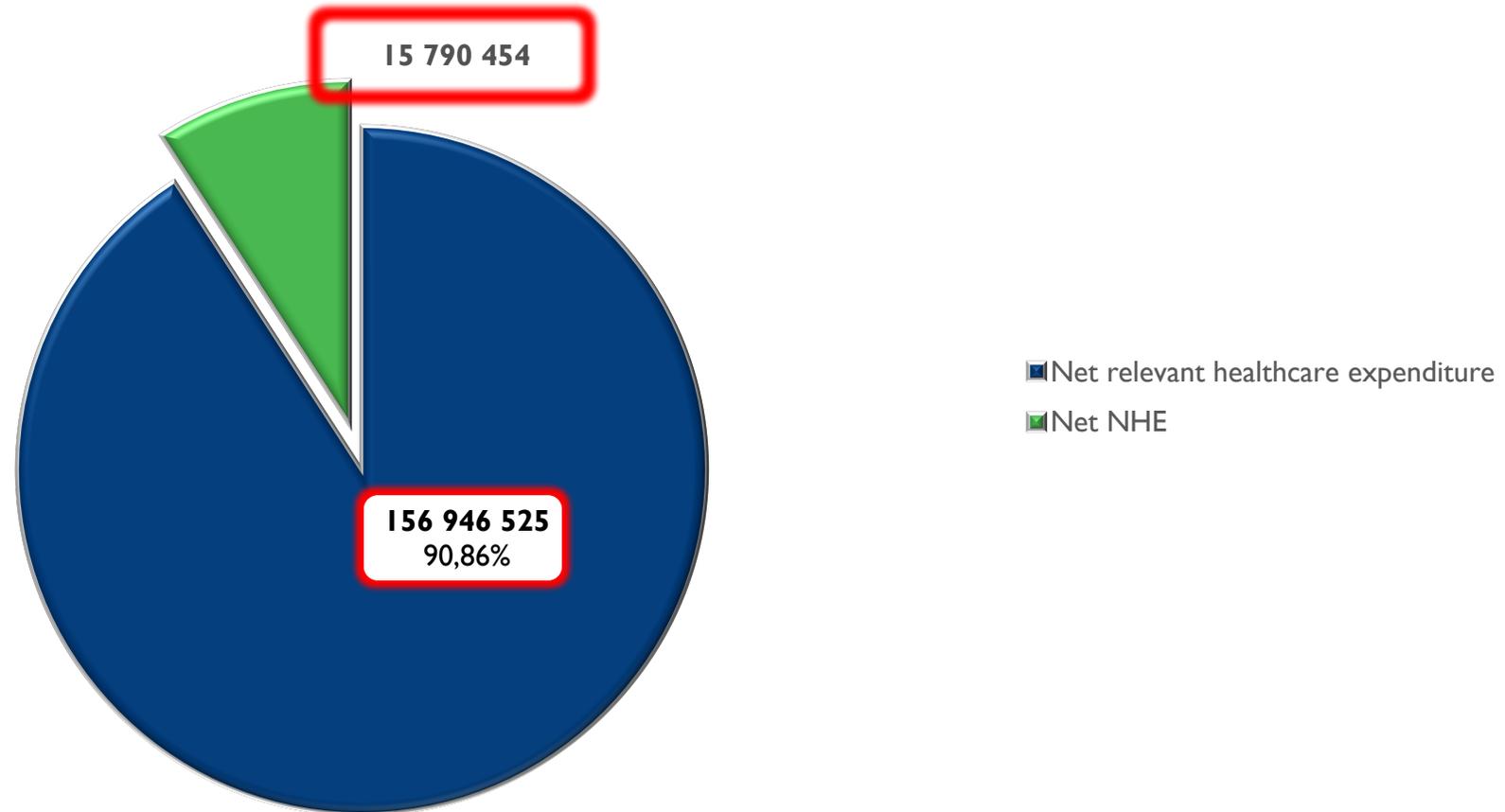


Trends in claims



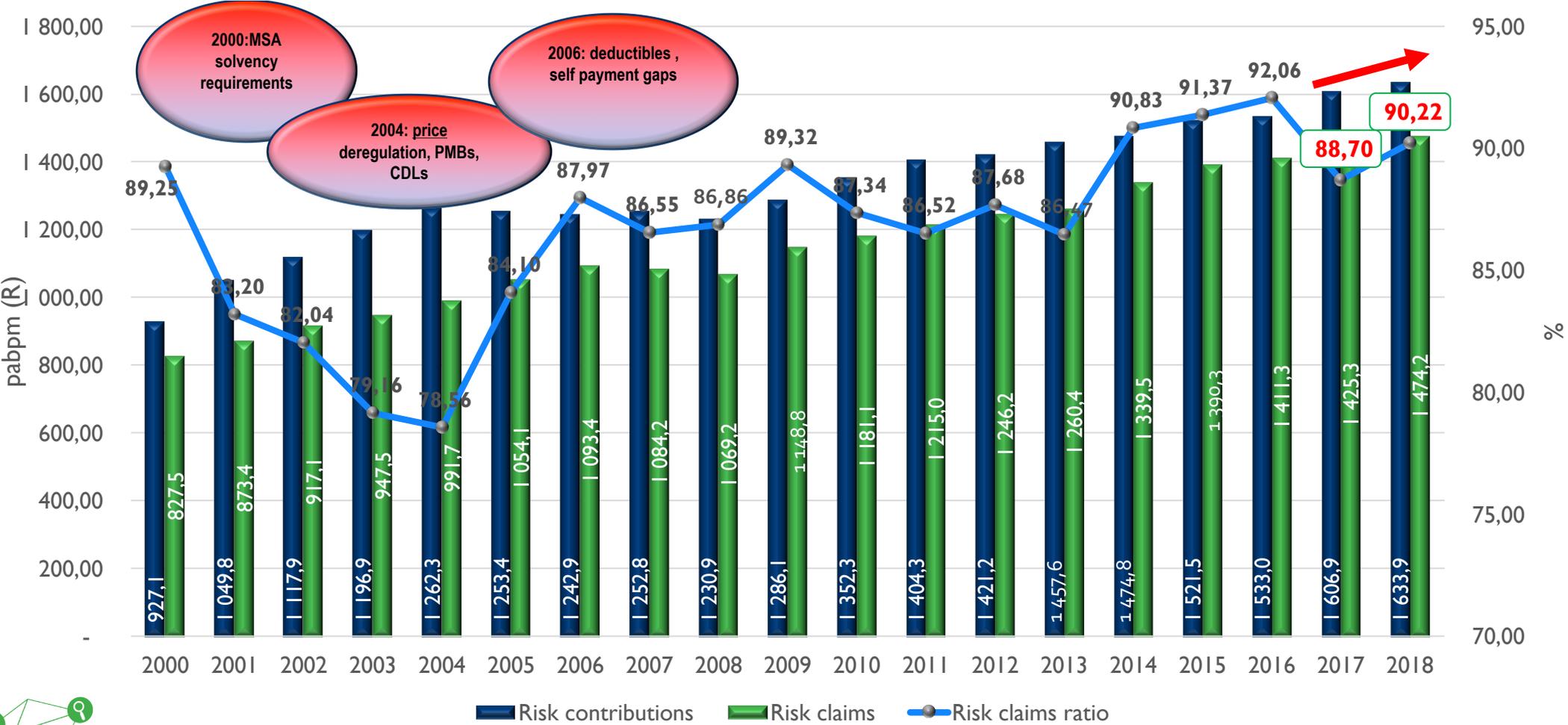
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Distribution of risk contributions



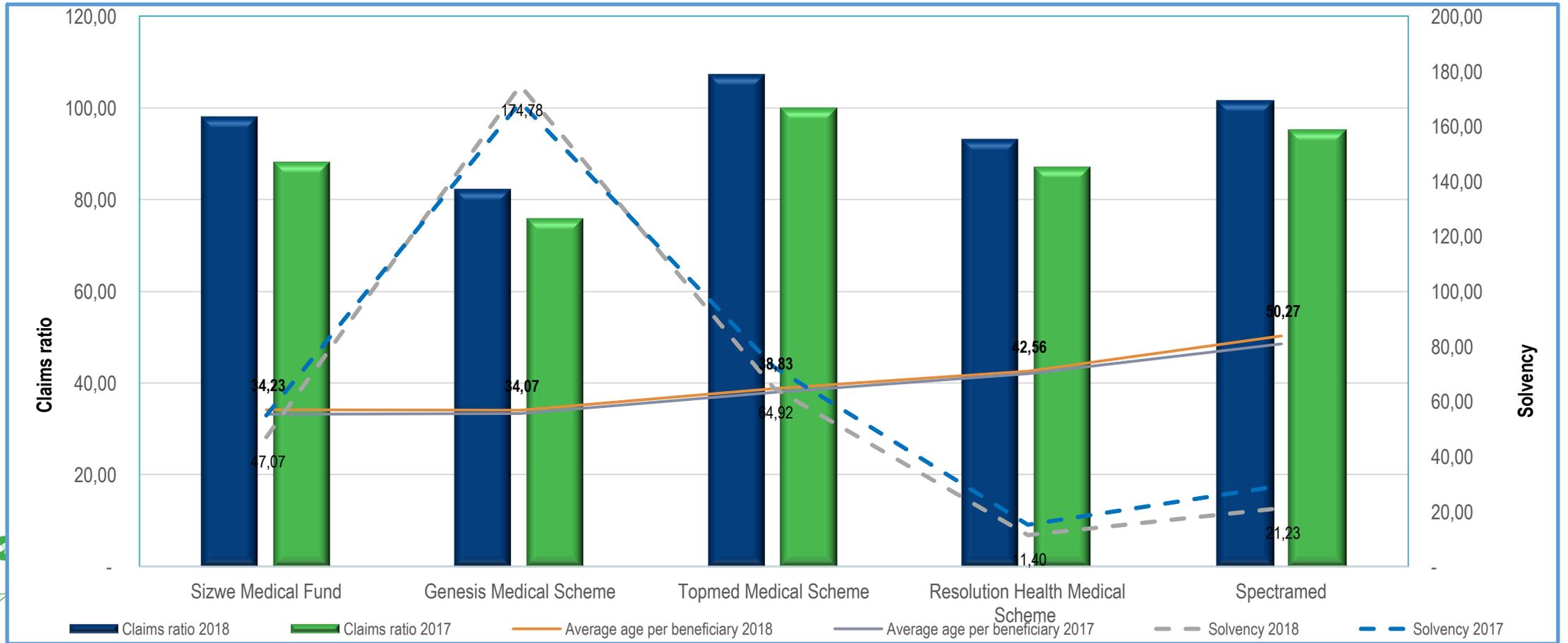
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Relationship between claims and contributions



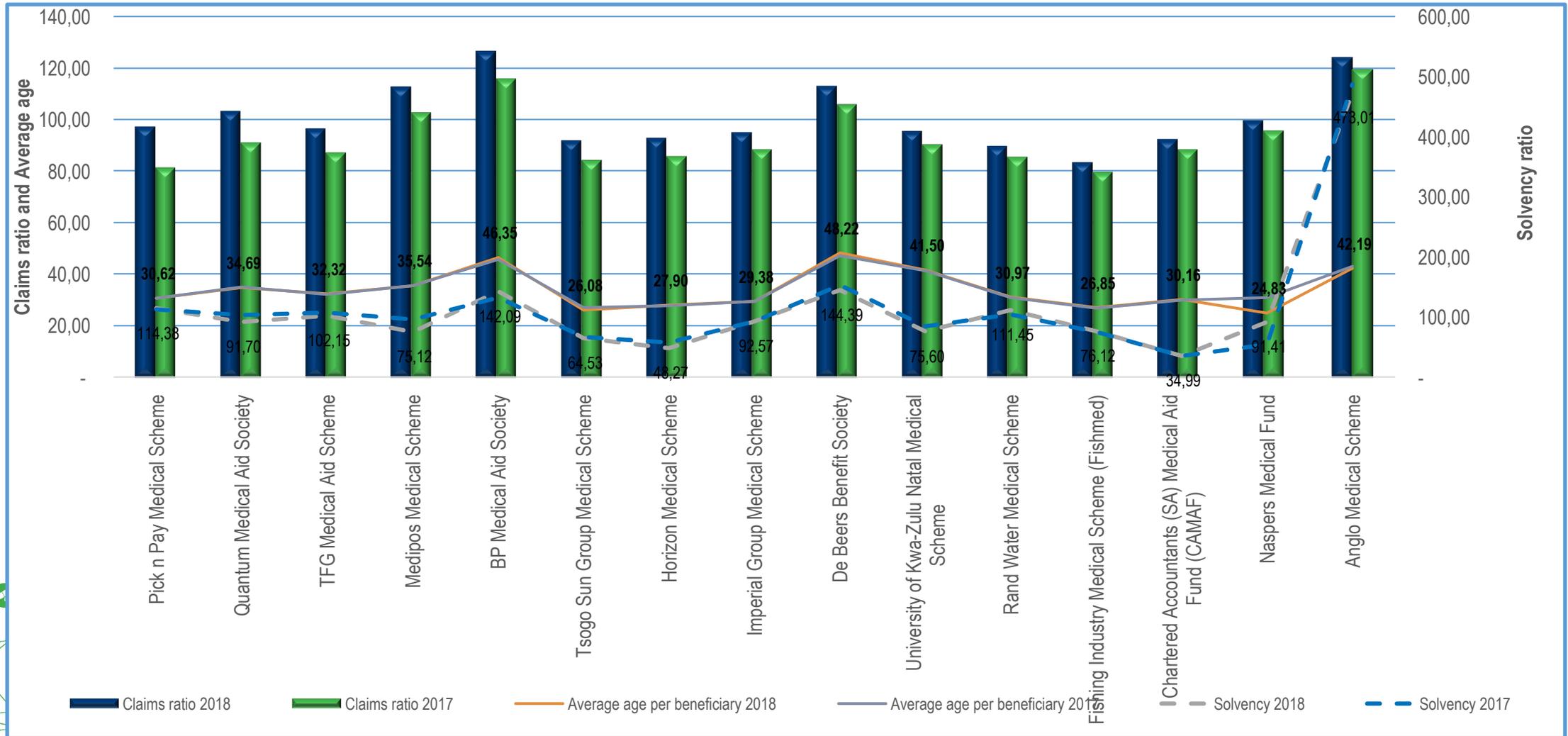
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Open schemes with a claims ratio of at least 4%

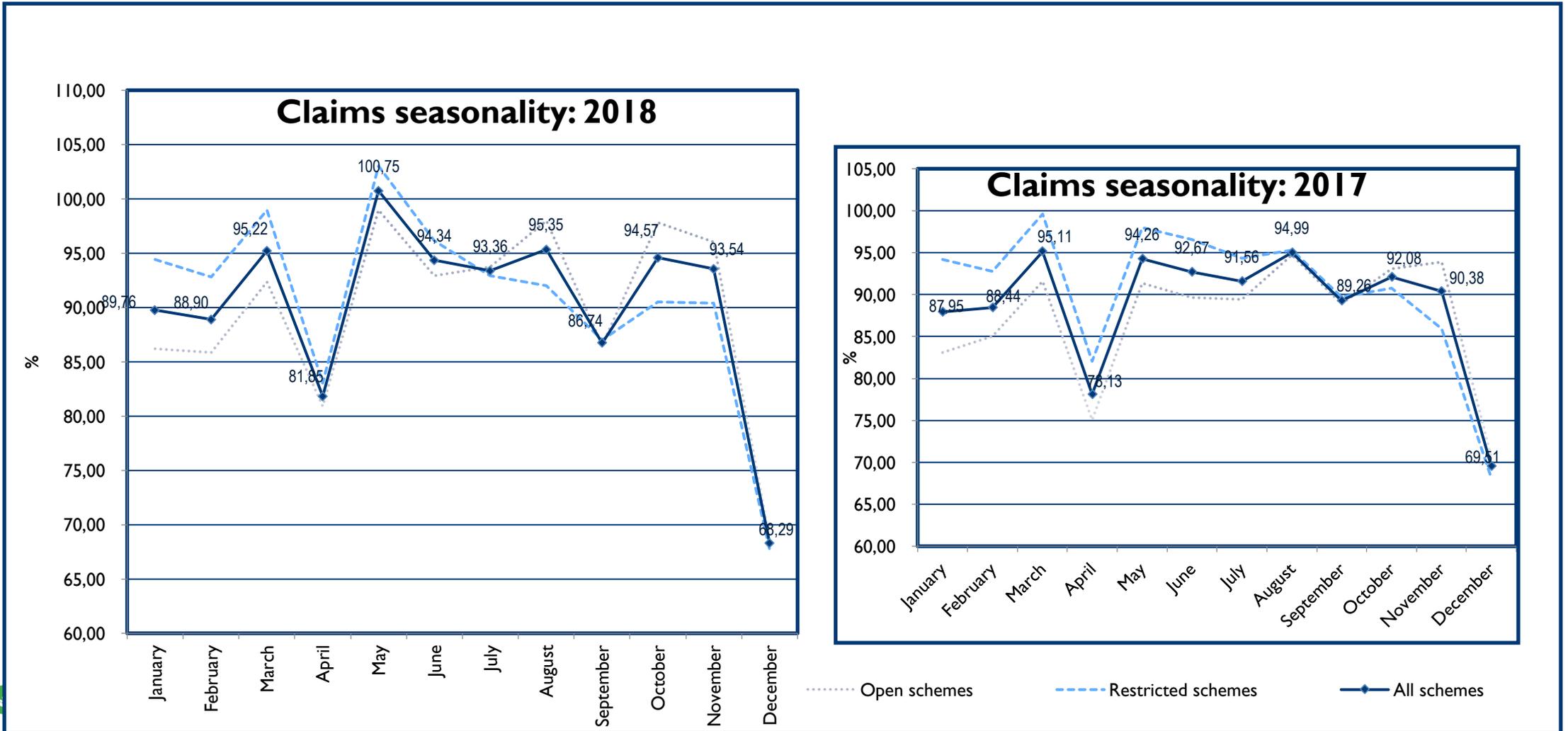


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Restricted schemes with a claims ratio of at least 4%

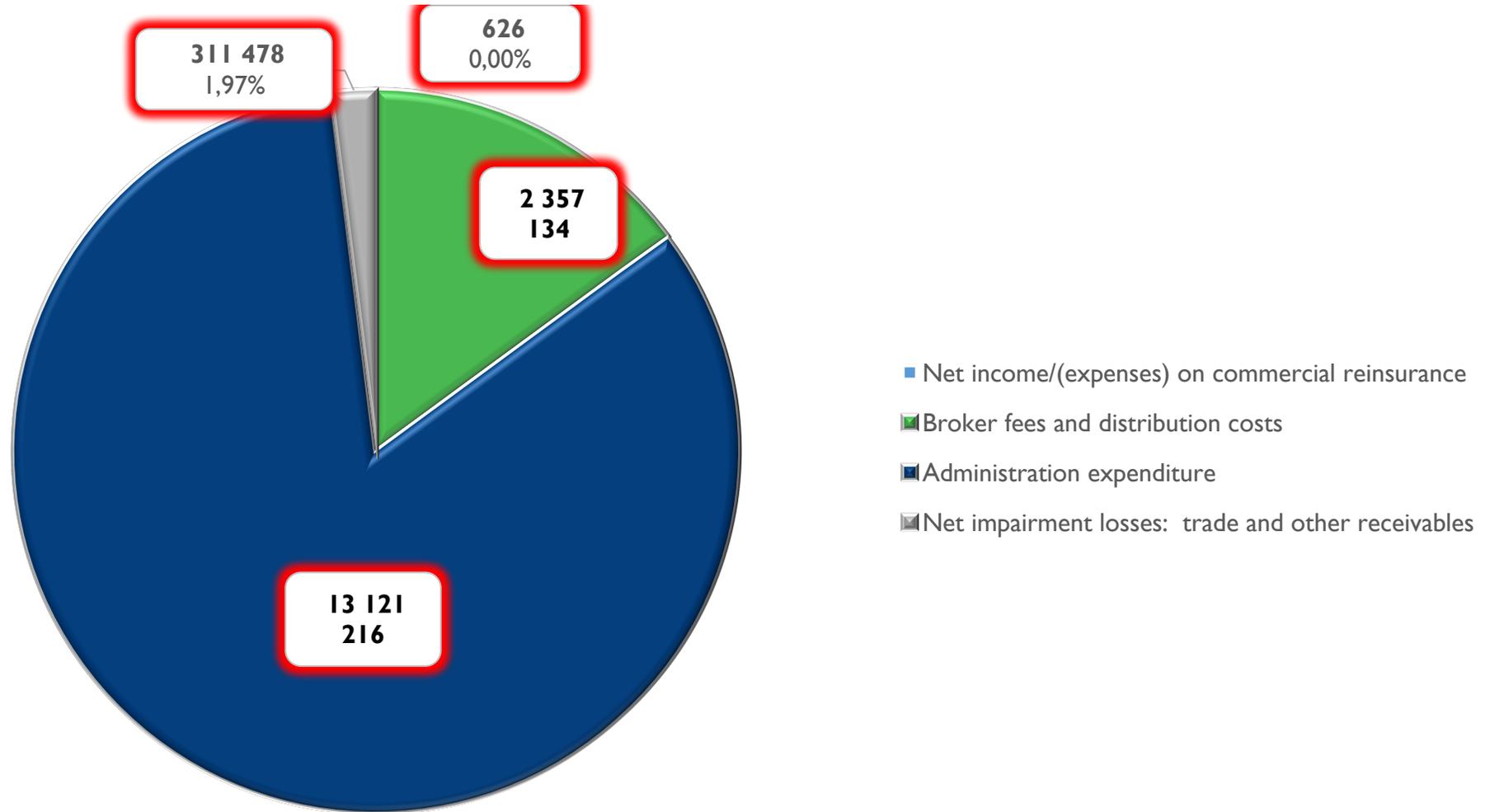


Claims seasonality



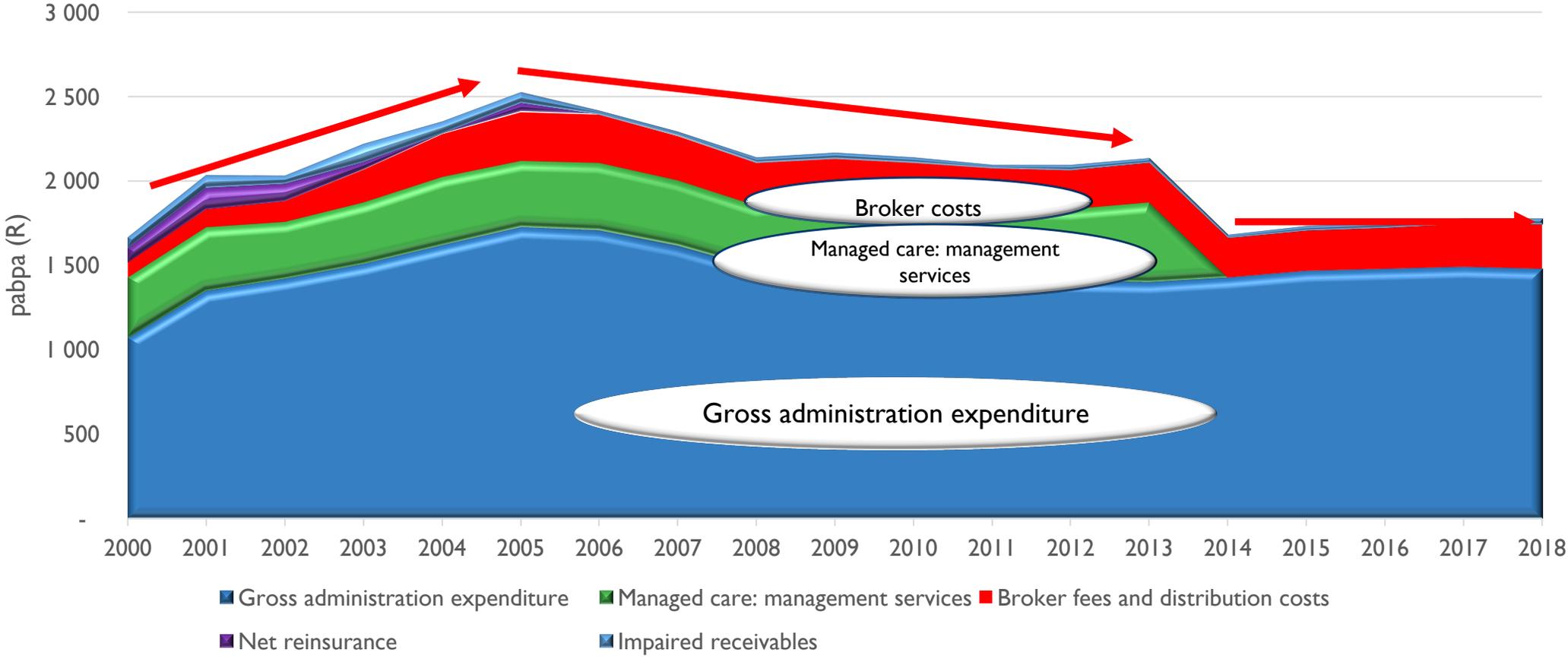
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Distribution of non-healthcare expenditure



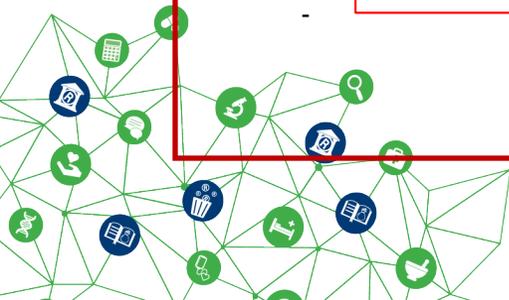
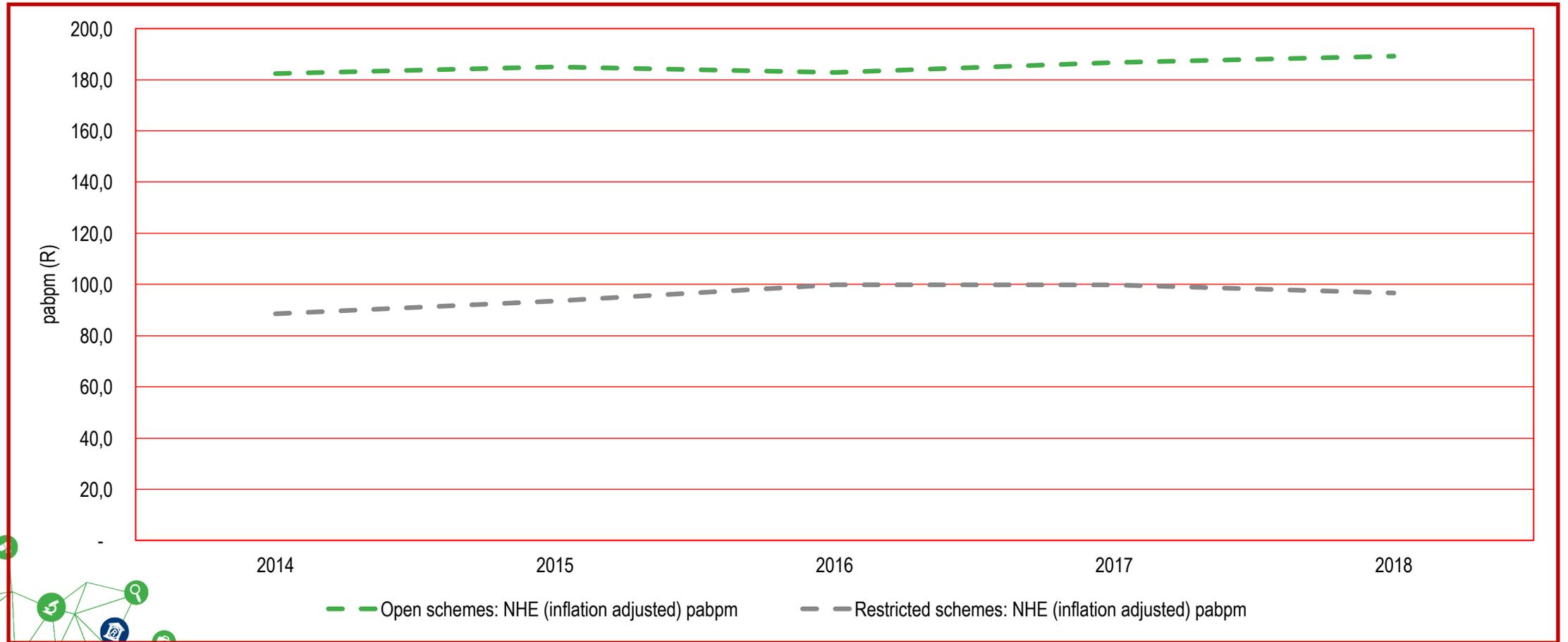
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Trends in non-healthcare expenditure



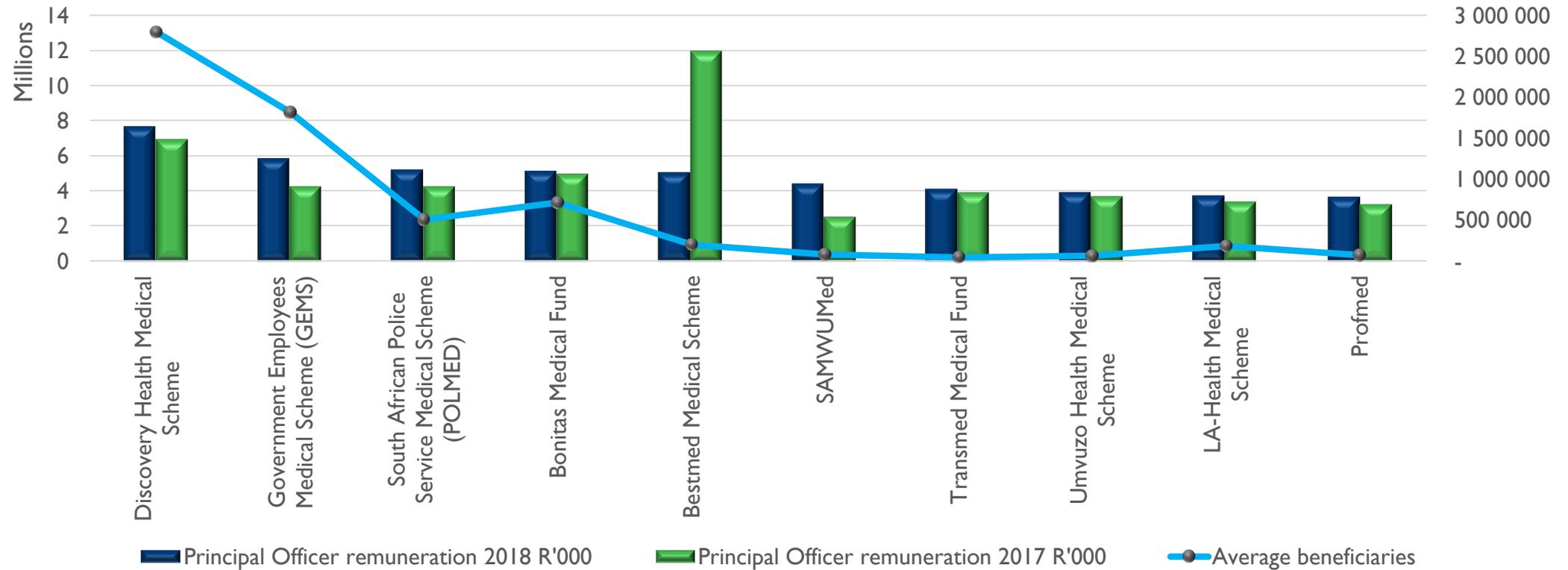
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Non-healthcare expenditure pabpa (2018 prices) – Open vs Restricted



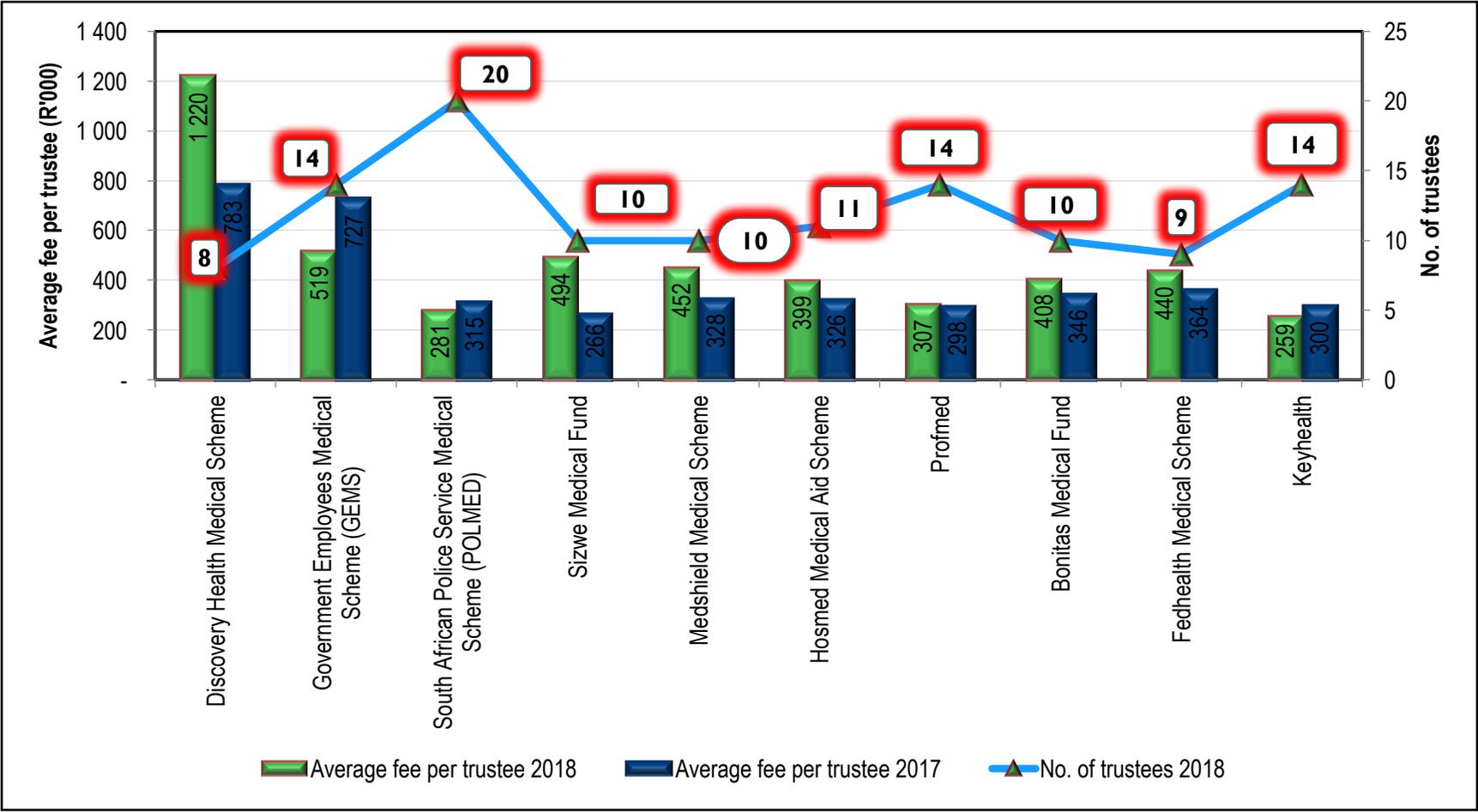
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Schemes with the highest PO fees



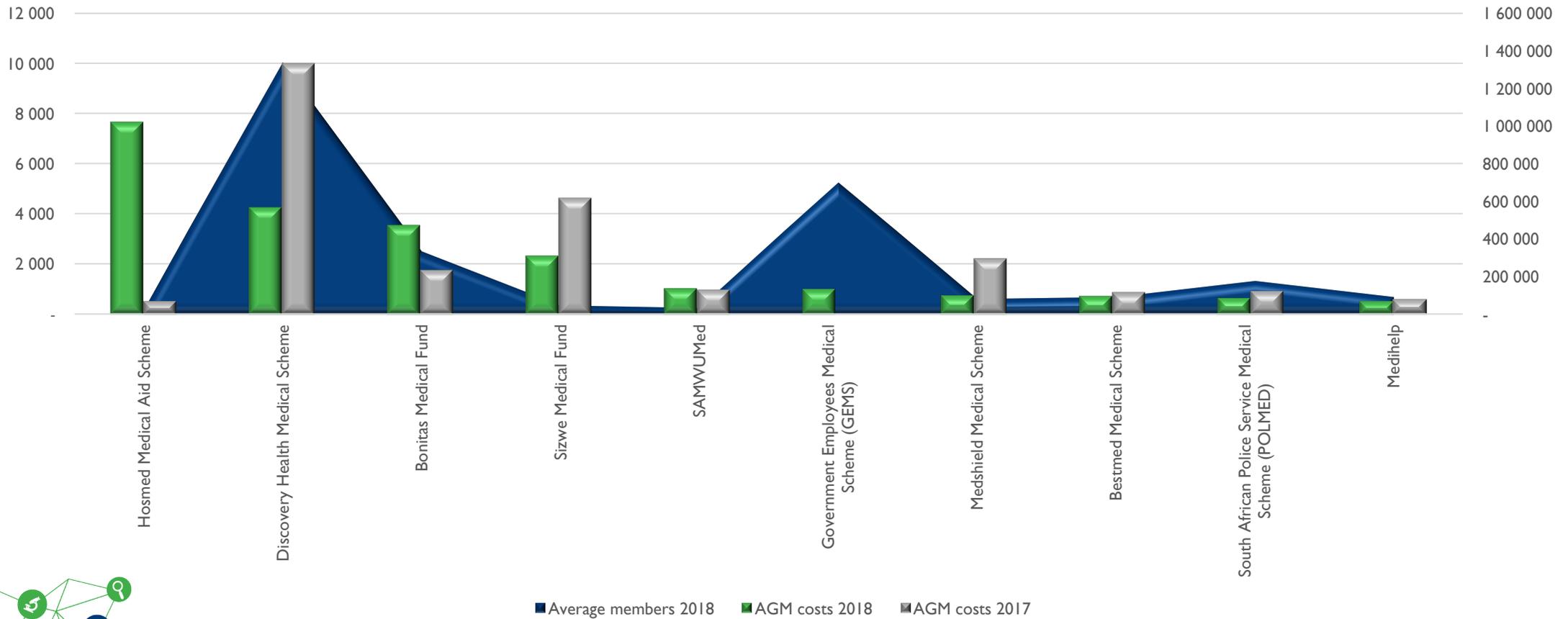
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Schemes with the highest trustee remuneration



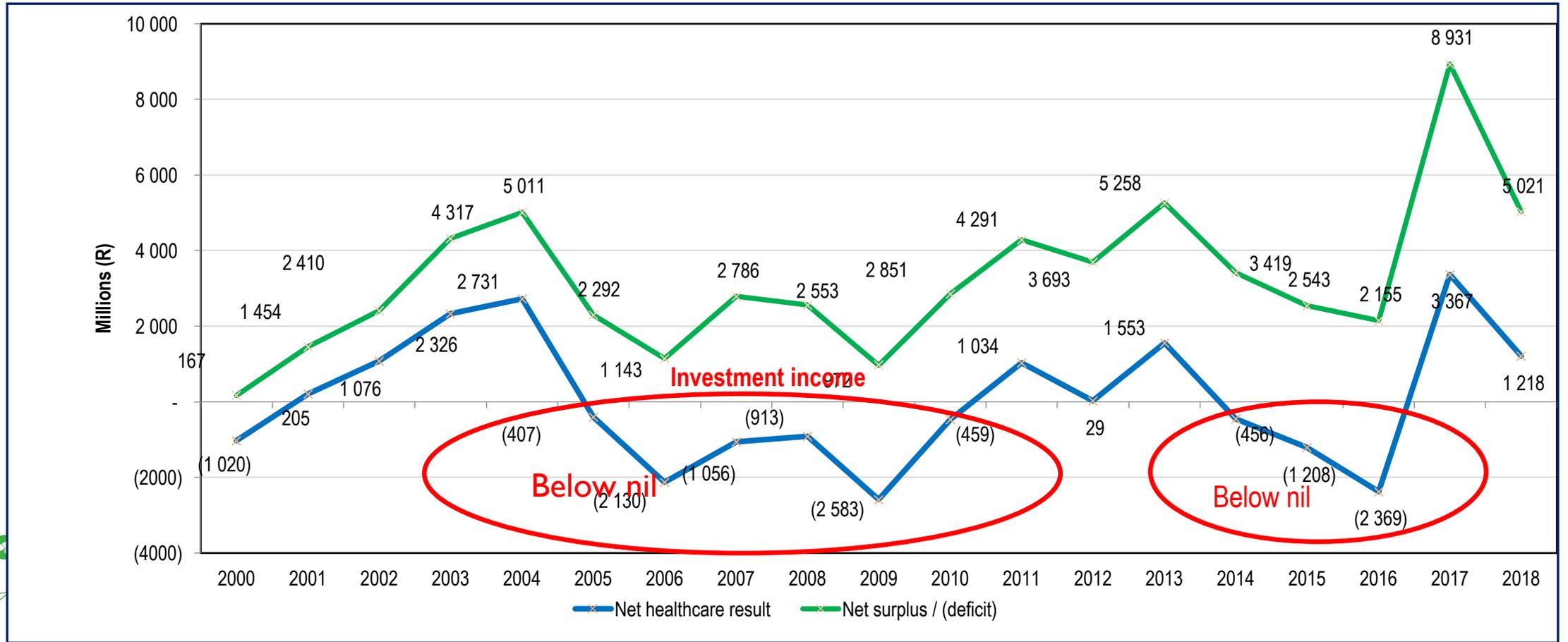
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Ten schemes with highest AGM costs – R'000



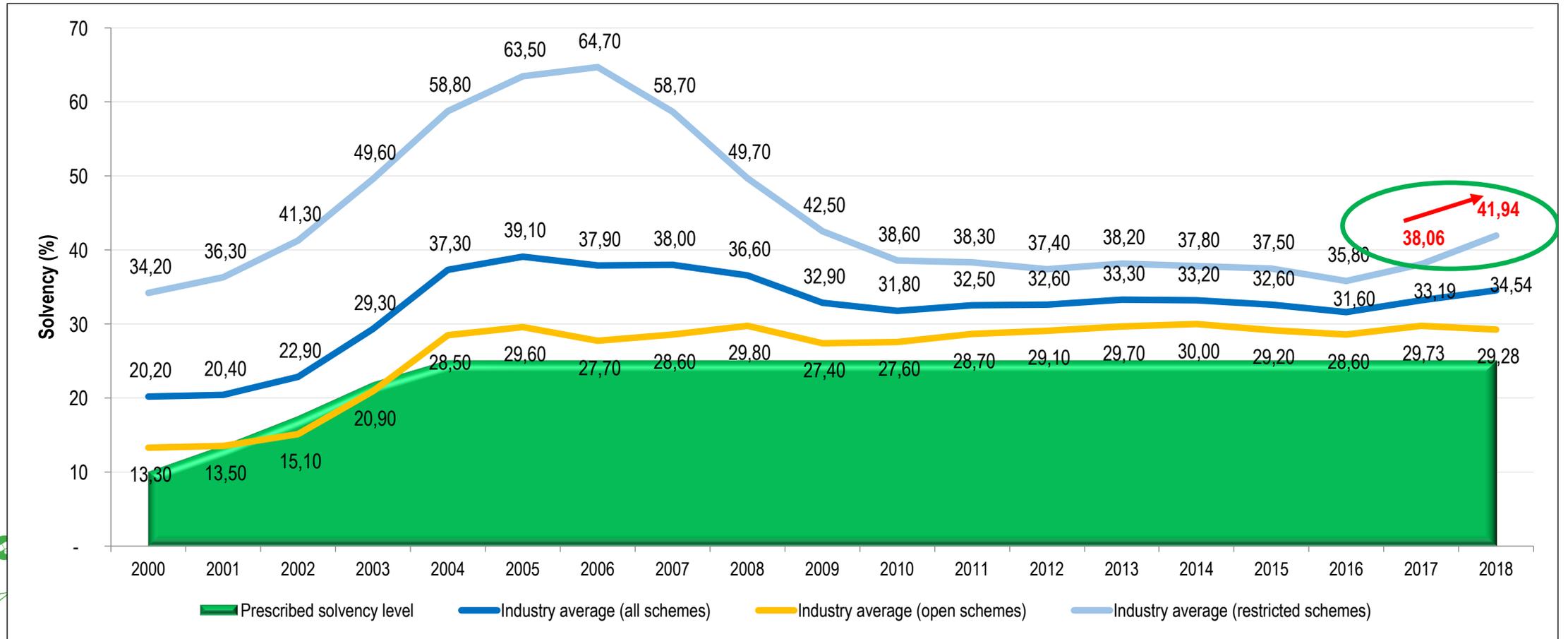
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Net healthcare results and net surplus



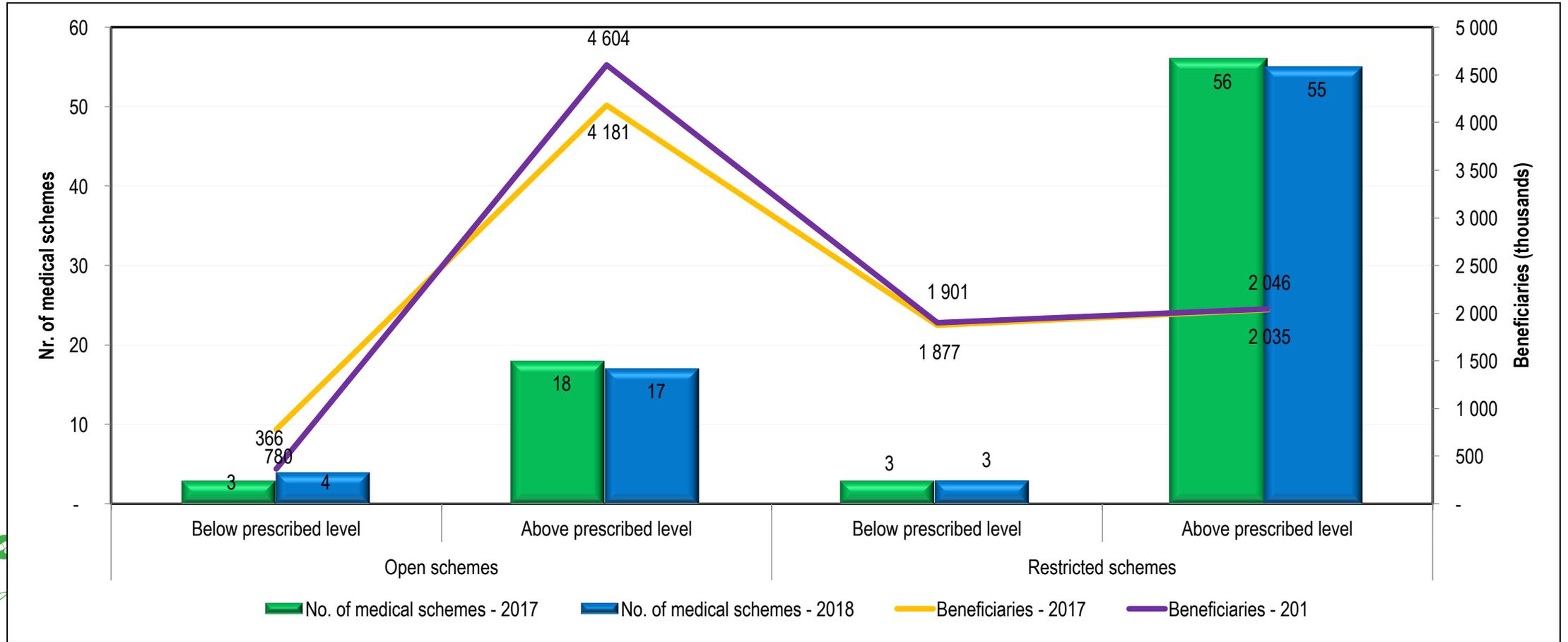
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Solvency trends



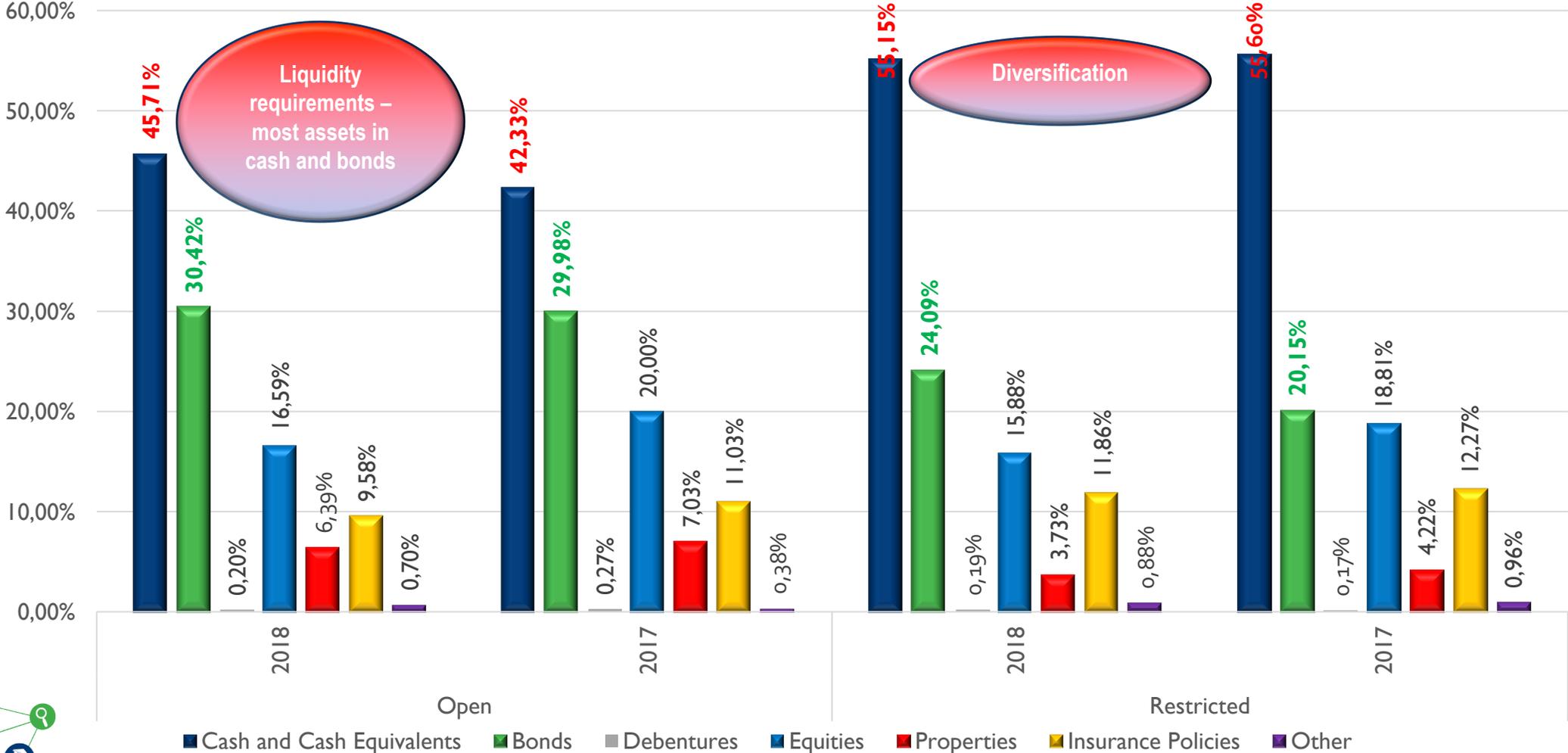
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Prescribed solvency and number of beneficiaries



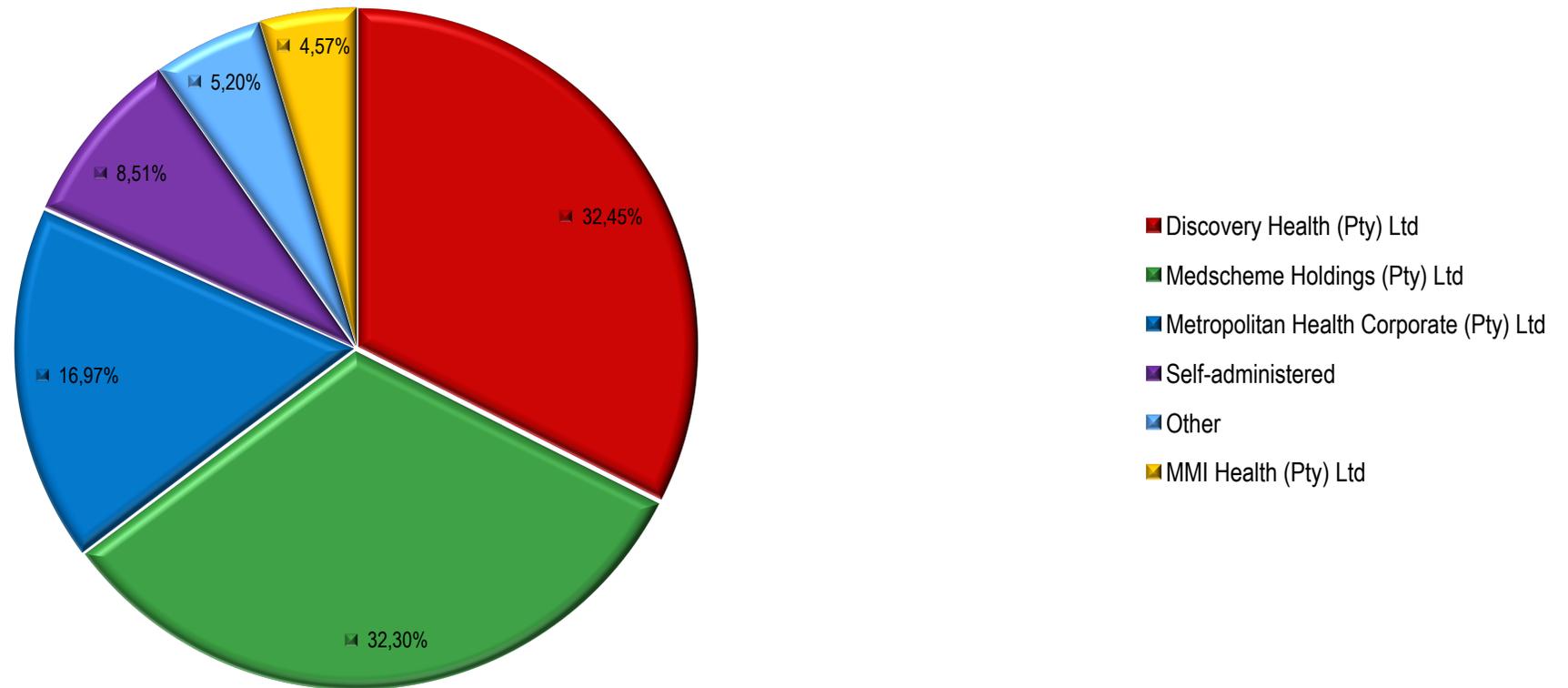
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Scheme investments



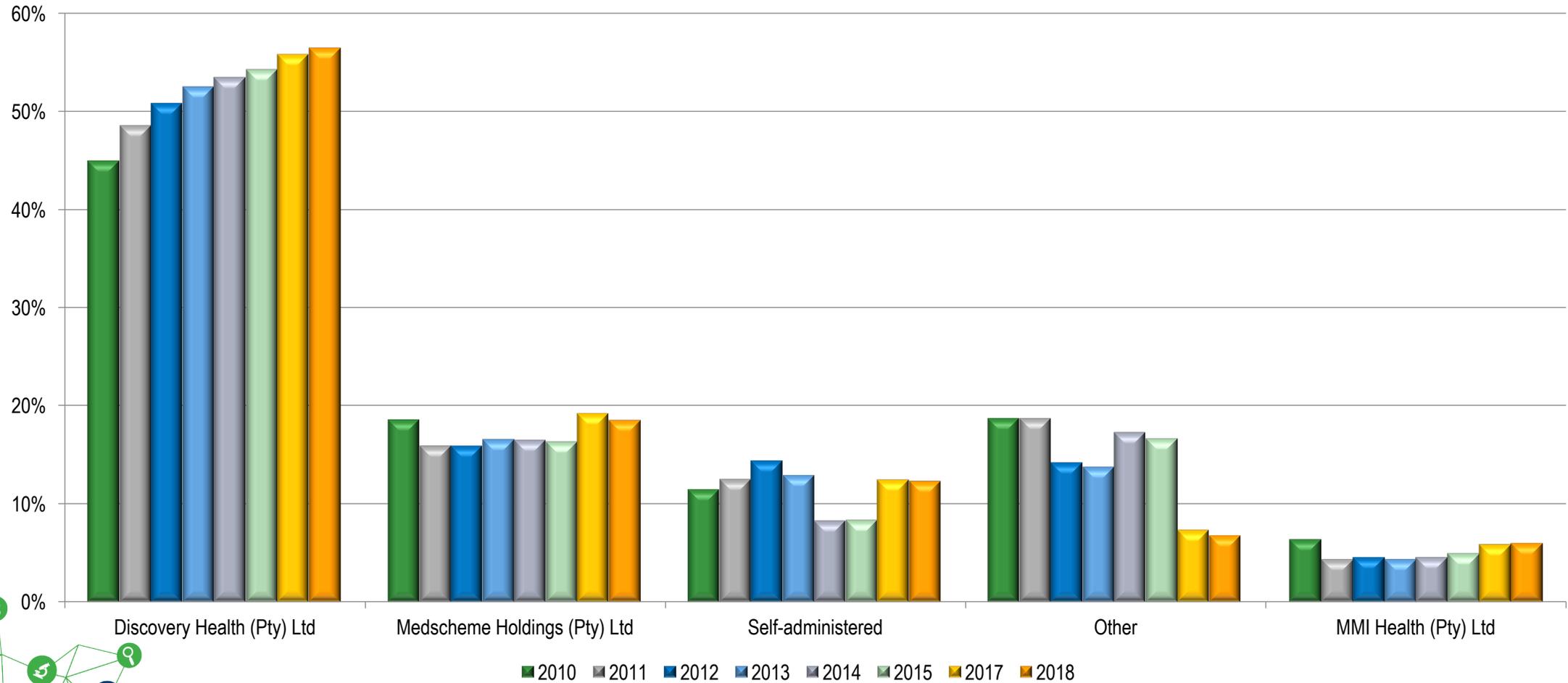
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Administrator market share – all schemes



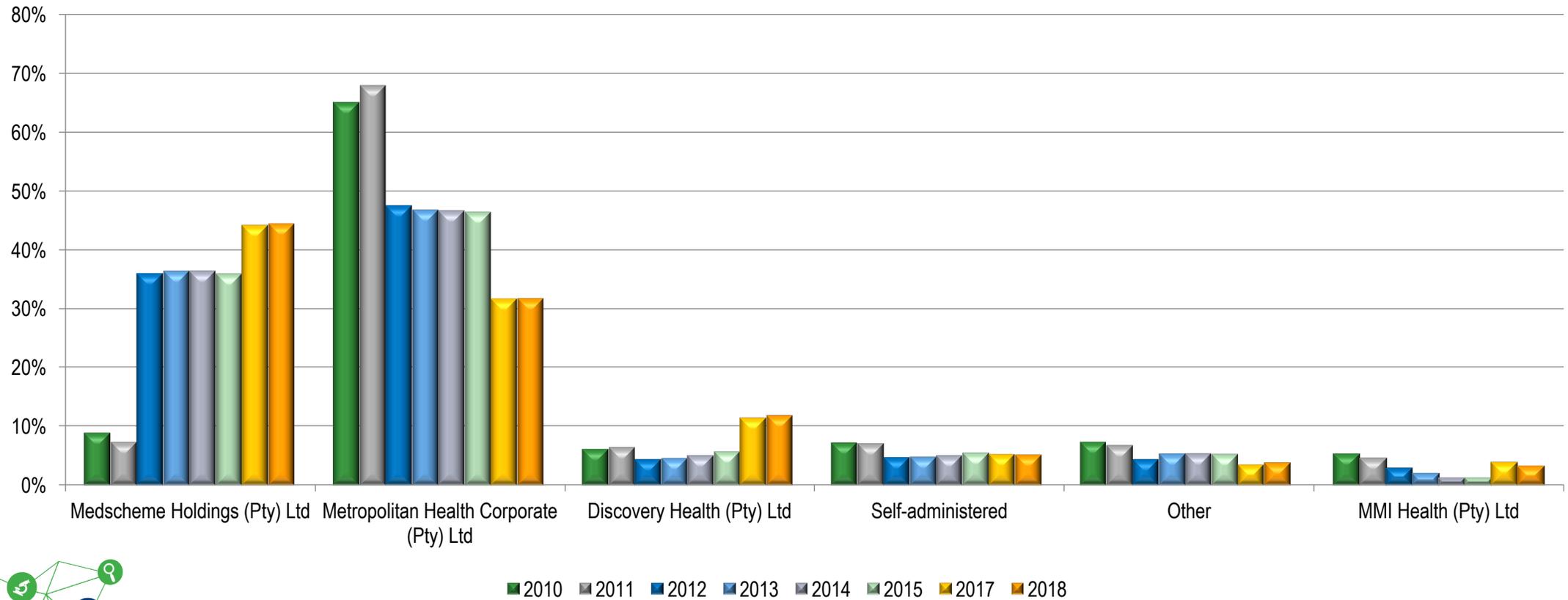
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Administrator market share – open schemes



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Administrator market share – restricted schemes



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Conclusion

- Healthcare costs continue to rise.
- Financial period ended 31 December 2018 was a challenging year for schemes - increase in claims, utilisation, high cost cases.
- Rates of increase in NHE stable, albeit too high overall.
- Fraud , waste and abuse remains a concern.
- Circular 6 of 2019 – Classification and Reporting on Administration services.
- Schemes investing mostly in cash and bonds inline with high liquidity requirements per MSA.
- Medical schemes continue to rely on investment income to boost their financial performance.
- Solvency for all schemes remains above 25%.



Thank you!

Q & A



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