BIZCOMMUNITY

Two-year transition period fo phase out primary healthcare policies

By Linda Ensor

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Insurance companies are to be granted a two-year transition period to phase out existing primary healthcare insurance policies which they will be prohibited from providing under the final demarcation regulations gazetted by the treasury on Friday.

The new regulations - which have been the subject of consultation for years and will create a line of demarcation between health insurance and medical aid products - are to take effect on April 1 2017.

They stipulate that primary healthcare insurance policies will in future be provided only within the framework of the Medical Schemes Act.

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However, the treasury said in a statement that the health minister, Aaron Motsoaledi, had asked the Council of Medical Schemes to grant a two-year exemption for primary healthcare insurance policies while further research was led by the department of health into the development of a low-cost benefit option guideline.

"It is envisaged that the existing primary healthcare insurance policies will be required to transition into a low cost benefit option framework once finalised. The national treasury and the Financial Services Board will work closely with the department of health and the Council of Medical Schemes to ensure that a clear exemption framework for primary healthcare policies is published before the effective date of the regulations."

New policies must comply to new regulations

All new health and accident policies under the Long-Term Insurance Act and Short-Term Insurance Act written after the regulations come into operation will have to comply with the new requirements. Existing health policies under the Long Term Insurance Act will be expected to align to the regulations as and when such contracts are varied or renewed after the regulations come into operation. Existing accident and health policies under the Short-Term Insurance Act will be expected to align to the regulations by 1 January 2018.

Treasury rejects objection

Draft regulations were tabled in parliament in October for review for a month, but only one public submission was received from Day1 Health and no objection was made by parliament to the publication of the final regulations. The treasury said the regulations were aimed at balancing the policy objectives of medical schemes with those of the insurance sector while seeking to prevent "regulatory arbitrage".

The treasury rejected the objections raised by Day1 Health that the draft regulations were neither legal or rational and that the consultation process had been defective. In his submission, Day1 Health CEO Richard Blackman claimed the regulations would unfairly deprive many poor people who could not afford medical aid with access to health services.

He also argued that the regulations would require insurers to sell products based on "irrational and unreasonable requirements relating to open enrolment and cross-subsidisation".

Regulations to demarcate responsibility

The regulations specify which types of contracts are regulated under the Long-Term Insurance Act and Short-Term Insurance Act as health policies and accident and health policies, respectively, and accordingly are excluded from the Medical Schemes Act, despite such contracts meeting the definition of the business of a medical scheme.

"The regulations seek to clearly demarcate the responsibility for supervision of medical schemes and health insurance products, and ensure that health insurance products do not undermine the social solidarity principles inherent in medical schemes, resulting in better protection for consumers," the treasury said.

Three categories

Three categories of health-insurance products were of particular relevance to the demarcation exercise. These were medical expense shortfall policies or gap cover plans which cover the shortfall between medical scheme benefits and the rates that private medical service providers may charge; non-medical expense cover as a result of hospitalisation policies or so-called hospital cash plans which pay out a stated benefit upon hospitalisation which unrelated to the actual cost of any medical service; and primary healthcare insurance policies which provide limited medical service benefits including services such as general practitioner visits, acute and chronic medication, emergency medical care, dentistry and optometry.

Treasury said the regulations would allow insurers to continue to provide gap cover and hospital cash plans in a way that complements medical schemes, subject to strict underwriting and marketing conditions.

The final regulations are the product of prolonged consultations between the ministers of finance and health as well as the Council for Medical Schemes, the Financial Services Board and affected stakeholders. The first draft of the regulations was published for public comment in March 2012, and revised after taking into account public comments. The second draft of

the regulations was published for public comment in April 2014.

Source: *BDpro*