

# **IS THERE A ROLE FOR HEALTH CARE BROKERS?**

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# WHAT KIND OF A QUESTION IS THIS?

- Is there a role for Health Care Brokers?
- Is there a role for hospitals?
- Is there a role for doctors?
- Is there a role for administrators?
- Is there a role for managed care providers?
- Is there a role for the regulators?

# **BROKERS' ROLE AS PER MEDICAL SCHEMES ACT DEFINITION**

- “the provision of service or advice in respect of the introduction or admission of members to a medical scheme; or the ongoing provision of service or advice in respect of access to, or benefits offered by a medical scheme”

# **BROKERS' REGULATORY FRAMEWORK**

- CMS Accreditation
- Fit & Proper and FAIS Licensing
- Medical Scheme Accreditation
- Professional Body Membership
- Capped income

# TYPICAL BROKER SERVICES

- Administrative related
- Choosing a scheme/option
- Protective role
- Educational
- Other advisory services
- Other products/services

# **MARCH 08 CMS REPORT ON MEDICAL SCHEME COSTS**

Medical Scheme Brokers:

“The operation of medical scheme brokers in the market does raise systemic concerns. Although their direct costs are not a significant cost driver, the impact they have on scheme choice can dramatically affect how schemes compete, as well as the cost and quality of their benefits and administration services. The systemic concerns are generated through the conflicted relationships that exist between administrators, schemes and brokers.

.....cont

## **...MARCH CMS REPORT continues from previous slide**

“On the whole, brokers do not see members as their client, as the schemes pay the commissions. Administrators also try to supplement commissions as an inducement for brokers to favour their schemes. This weakens consumer awareness and market transparency concerning the imperfections of schemes with indirect price, cost and efficiency consequences throughout the value chain.”

# **CMS RECOMMENDATIONS**

“The broker market requires re-regulation to eliminate existing conflicts of interest and to ensure that the essential relationship is between the member/employer and the broker/advisor. If these are introduced, consumers will be better advised on medical scheme products and market conduct. As the medical scheme market is currently quite competitive, this improved transparency operating through the advice market, will greatly improve the conduct and efficiency of schemes.”

# PERCEPTIONS OR TRUTH?

“ perceptions has nothing to do with the truth but the truth has everything to do with perceptions ”

# FAIS PROVISIONS

- General duty of provider: "...provider must at all times render financial services HONESTLY, FAIRLY, with DUE SKILL, care and diligence, and in the interests of clients and the integrity of the financial services industry."

cont...

# FAIS PROVISIONS CONT...

- Specific duties of provider:
  - “must, as regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein and payable to the product supplier or the provider, be reflected in specific monetary terms: Provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation must be adequately described...”

cont...

# FAIS PROVISIONS CONT...

- “the provider must DISCLOSE to the client the existence of any PERSONAL INTEREST in the relevant service, or of any circumstance which gives rise to an actual or potential conflict of interest in relation to such service, and take all reasonable steps to ensure fair treatment of the client.”

cont...

# **FAIS PROVISIONS CONT**

“...where applicable, the fact that the provider-  
during the preceding 12 month period received  
more than 30% of total remuneration, including  
commission, from the product supplier.”

cont...

## **FAIS PROVISIONS CONT ...**

“...a provider may not, in dealing with a client, compare different financial products, product suppliers, providers or representatives, unless the differing characteristics of each are made clear, and may not make inaccurate, unfair or unsubstantiated criticisms of any financial products, products supplier, provider or representative.”

# **WHAT THEN IS THE PROBLEM?**

- Not enough regulation?
- Inappropriate regulation?
- Lack of reliance on, or ignorance of, controlling mechanisms already in place?

# WHAT ELSE COULD BE THE PROBLEM?

- Lack of clarity - broker; agent; intermediary; financial advisor; health care consultant; health care advisor, etc.
- Who is the client- scheme; administrator; employer or member?
- Corporate versus retail client
- Third party payment structure
- Inadequate/improper remuneration structure

# **SOME SUGGESTIONS TO THE REGULATOR**

- Acknowledge the need for Health Care Advisors
- Remove the blurring.
- Differentiate between Agents, Brokers and Consultants.
- Get focussed-who is the client and what are his needs?
- He who receives the value should pay the fee!
- The fee should match the value!
- Pay attention to the dual/triple accreditation system
- Beware of the unintended consequences!

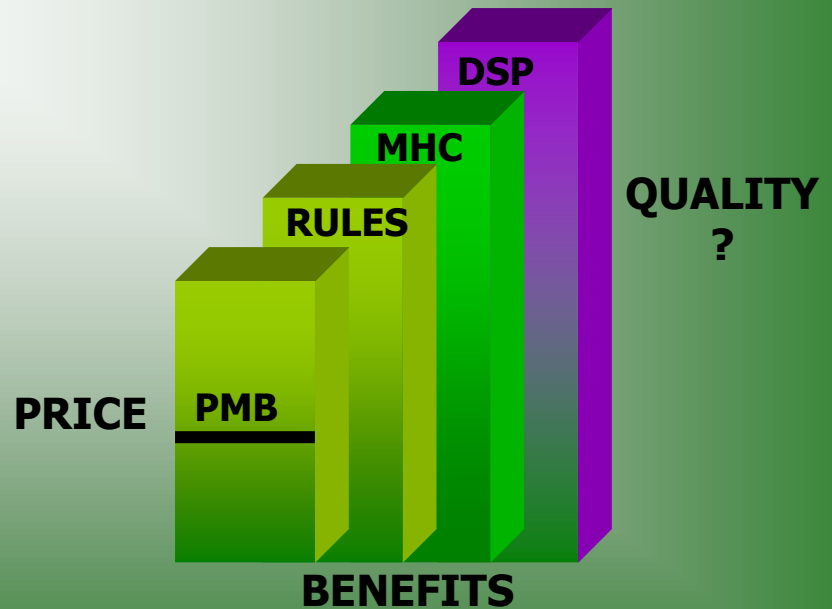
# **SOME SUGGESTIONS TO THE BROKER**

- Assist the client to see beyond the menu and to predict his future health care experiences.

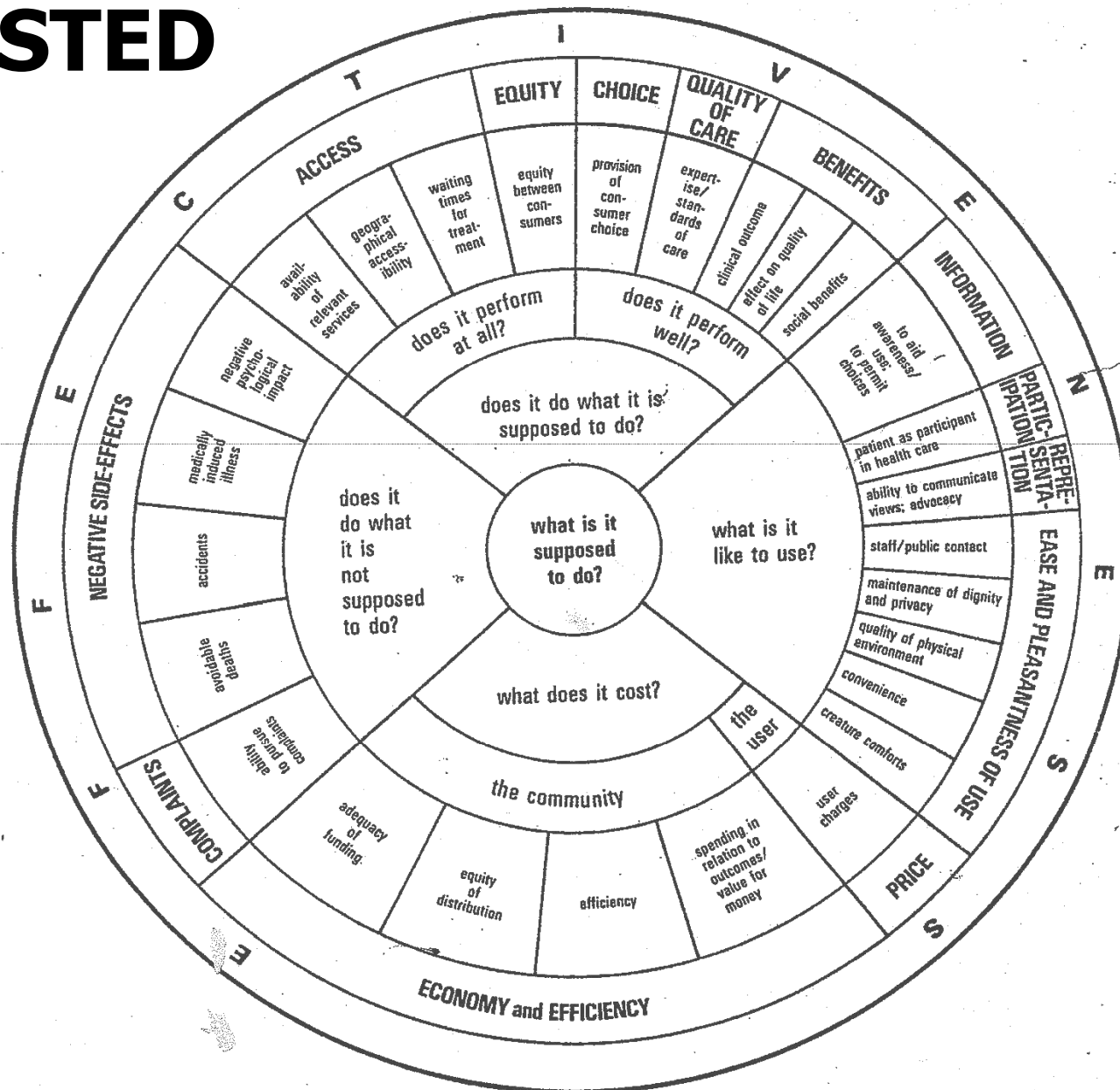
**PAST:  
MENU  
APPROACH**



**FUTURE:  
PREDICTING  
THE  
EXPERIENCE**



# A CONSUMER DRIVEN APPROACH IS SUGGESTED



# CLOSING REMARKS

- There is a role for Health Care Advisors
- There is scope for some regulatory refinement
- There is scope for a much better consumer orientated service

# END

- Long live the consumer orientated health care advisor!!!

Thank you  
Louis Botha