



BHF Southern African Conference

The Demarcation Debate: Where are we now?

Roseanne da Silva



State involvement in health care

- Protecting the nation's health
 - Budget priorities
 - Productivity
 - Education component
- Subsidising the poor
 - Prioritise through means test
- Balancing the budget
 - NHI vs SHI
 - Taxation and user fees
- Following social and political promises

■ Role for commercial insurance

- Optimal alternative
- Optimal complement
- Compulsory alternative
- Compulsory complement

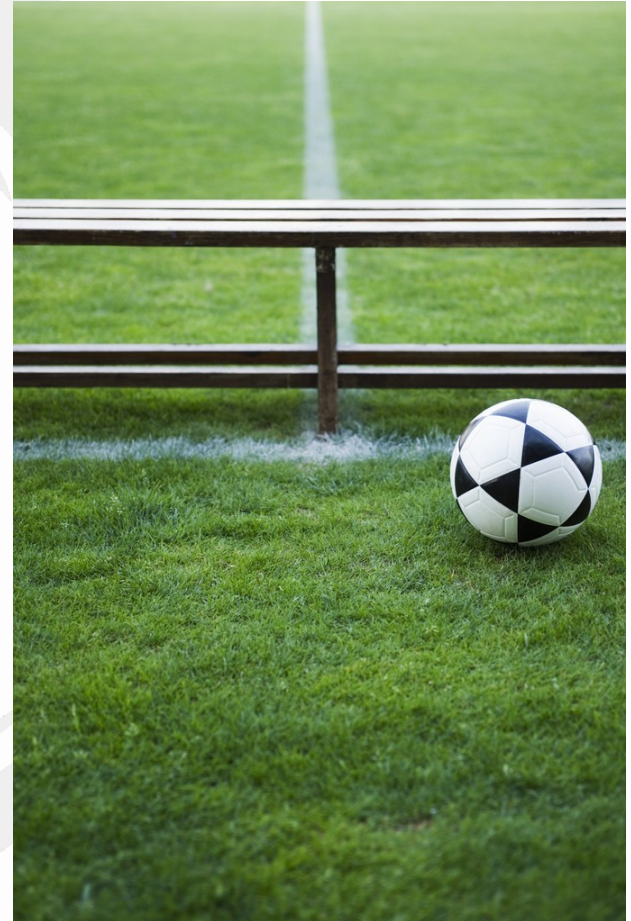


■ Why is demarcation required?

- Health as a social good
 - Constitutional right of access
 - Indemnity business through mutual funds
 - Social solidarity principles
- Insurance products
 - Commercial market
 - Underwriting applied

Leveling the playing fields

- Option 1:
 - Types of benefits covered
- Option 2:
 - Product regulation
- Option 3:
 - The state as provider



Self Provision Incentives

- Demand for healthcare services to achieve health improvements...
- Tax relief
- Define eligibility for national welfare
- Provider subsidy
- Conundrum of improving state facilities



Health Insurance Products Internationally

- Needs addressed
 - income loss
 - medical expenses
 - incidental expenses
- Choice of products
- Basic cover vs. extended cover
- Existing policyholders



Insurance Definition

'health policy' means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits upon a health event, but excluding any contract of which the contemplated policy benefits-

- (i) are something other than a stated sum of money;
- (ii) are to be provided upon a person having incurred, and to defray, expenditure in respect of any health service obtained as a result of the health event concerned; and
- (iii) are to be provided to any provider of a health service in return for the provision of such service

Melamet Commission Legal Opinion

- In terms of an indemnity policy, the trigger for payment is twofold. The first question is “has the event, insured against happened?”, and secondly, “was there actual loss suffered as a result thereof?”.
- In terms of a non-indemnity policy the trigger for payment comprises of only one question, namely “Has the event, insured against, happened?”



Insurance Laws Amendment Act

- The Minister of Finance can define categories of products which will be exempted from the medical schemes regulatory environment
- Consult with CMS and FSB
- Must have consensus with the Minister of Health
- Give regard to the objectives of the medical schemes environment including community rating, open enrolment and cross subsidization
- Ensure that the medical scheme environment is not undermined by such products
- Individual vs. category exemptions

Medical Scheme Restrictions

- One scheme
 - tends to be employer based
- Minimum benefits
 - set a minimum price for cover
- Only medical scheme benefits
- Social solidarity principles
- Tax benefits



LOA Agreement

- Major health event conditions
 - 10 categories
- Hospital cash cover
 - Ward differentiation
- Marketing of insurance product
 - health warning
 - conditional selling
- Combining of products
 - joint material
 - freedom of choice
- Cession of benefits



Types of Product (1)

- Prime intent is fully removed from or unrelated to the business of a Medical Scheme
 - Travel insurance
 - Hospital cash
 - Emergency evacuation cover
 - Dread disease
 - Waiver of premium
 - Frail care

Types of Product (2)

- Include some medical expense cover but not prime intent
 - Third party liability
 - Homeowners
 - Motor
 - Personal accident cover
 - Primarily stated benefit

Types of Product (3)

- Augmentation product or low cost cover
 - Gap cover
 - Excess / Top up cover
 - Chronic (incl. HIV/AIDS)
 - Dental
 - Combination products

Key Issues

- Context of NHI
- Access to cover
- Appropriate marketing
- HIV cover

Feedback?

