

Medical Aid Societies' Regulatory Bill an Industry View

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PURPOSE OF THE BILL

- To establish the Medical Aid Regulatory Authority
- To register and control certain activities of Medical Aid Societies
- **Same Purpose**
 - Medical Services Act 1998
 - Medical Aid Regulations of 2000



PURPOSE OR BENEFITS?

- SO: an analysis of the Bill is not of its purpose but on:
 - Benefits

Will the Authority achieve objective?

- Effectively?
- Efficiently?



1. Is the establishment of the Authority Cost Neutral?

Current Scenario:

Medical Aid Regulation 2000

- Registration fees per annum \$1 000 – \$ 27 000
- All other cost of regulation are part of Ministry of Health Budget

Envisaged Scenario

- Authority Board of 11 – Projected Costs = \$88 000
- Authority Staff Costs (say 15) = \$228 000
- Other Costs – rent & transport etc = \$100 000



COST NEUTRAL CONT....?

- This calculation at the back of my hand estimate Authority budget to be between \$ 500 000 - \$ 600 000 per annum
- To be funded by :
Section 9 says
 - a) Appropriation by Parliament
 - b) Fees raised for services rendered by Authority eg registrations.
 - c) Penalties for non compliance
- No set proportion limiting the extent to which each source shall contribute.



COST NEUTRAL CONCLUSION

- Authority will not be cost neutral to government and Medical Aid Societies
- Impact on member subscriptions/benefits
- The Authority should minimise the creation of an expensive bureaucracy



2. Composition of Authority (Section 5)

- No representation from Medical Aid Industry
- Heavily skewed to health practitioners

Practitioners = 3/11

- Independence of the Authority important to effectiveness
- Avoid conflict of interest
- Medical Aid Societies pay largest proportion of their claims cost to institutional providers/ hospitals No Hospital Representative



3. Registration Period Section 17 (6)

- Medical Aid Societies as perpetual entities. (Section 24 (a) of the Draft Bill recognises this reality.
- No business continuity exists
- Threatens investment in Healthcare
- Suggest Annual License fees and not registration
- Registration should only be terminated by cancellation for:
 - Not being a going concern
 - Voluntary dissolution



4. Unfair Practices by the Healthcare Providers and Societies Part V

- Why are healthcare providers behaviours regulated?
- This Section is premised on the basis that the Fee for Service mechanisation is predominant and shall endure
- Other provider payments methods are now predominant such as Capitation, PPP (Preferred Provider Payment Arrangements, DRGS, outcomes based payment etc.
- These do not have the risk unfair of practice as envisaged in Section 31



Unfair Practices...CONTD

- Disputes to be resolved by independent Ombudsman
- In other countries the idea of a negotiated/ Agreed Tariff is prohibited as it is anti competition eg .S.A
- Here in Zimbabwe the Competition Commission also ruled as restrictive but allowed the practice to continue due to our unique economic environment.



5. FUNDER-PROVIDER RELATIONSHIP

- Global trends – preferred provider networks are key to the industry
 - Deliver value to the patient
 - Focus is on outcome/ value and not volume
- The relationship between a Medical Aid Society and the healthcare providers should be based on an agreement between the two parties. That is a Service Level Agreement.
- Such an agreement could be a
 - a) Specific between the two parties
 - b) Or between the two parties that they shall abide by a general agreement between their representative organisations if it exists.



6. Extent of restriction of members choice of health services. Section (26)

The separation of open and restricted medical aid societies in the current environment is opaque as more of the former restricted big employers no longer exist.

Medical Aid Societies define “restriction” in terms of benefits for specific schemes in their Rules

- So in the Rules of a Specific Scheme under an “open” Medical Aid members of that scheme can be on a Preferred Provider Arrangement



EXTENT OF RESTRICTION...CONTD

- Currently there are products that restrict patients to government & municipal facilities
- Medical AID Scheme Rules determine members choice of health services



7. Section 28 (2) Waiting Periods

For members transferring from another society:

The Bill suggests no waiting periods for lateral transfer

- This does not identify with how Medical Aids work
- Unfair advantage created for new members
- Encourages member hopping
- Results in instability in the sector and degradation of member funds



8. Industry Growth

- The Bill and the Regulations should:
 - promote the growth and sustainability of the industry.
 - Result in the opening of the market
 - Promote healthy competition for the provision of Healthcare services
- The Bill should not Emphasise control



I Thank You

