

CMS Circular 79 & 80 2019 | Kaelo Response

Circular 80 gives notice of the Council's intention to close down Primary Health Care (PHC) and Health Insurance (HI) products which are based on the Demarcation Exemption Framework and the Medical Schemes Act, by March 2021, and outlines CMS support of the National Health Insurance (NHI) development process. It also references that no Low-Cost Benefit Options (LCBO) will be allowed for low-income market segments going forward. The concern is it remains to be seen what the primary healthcare proposals will do to provide immediate, affordable and high-quality primary healthcare solutions. The CMS proposes that the Primary Healthcare Package will be the basis for future discussions towards development of affordable and quality healthcare financing packages to citizens of South Africa. Entities that currently have exemption through Section 8(h) of the MS Act are requested to approach the CMS to identify the best way forward to wind down these tranches of business. 



Kaelo has been expecting the CMS to end this exemption structure, hence we have prepared for it! We have been waiting for the communication framework in order to engage with the CMS on this, and we are addressing Circular 79 requests for stakeholder comments by 14th February 2020 and the email address for responses on Circular 80, as our mechanism for this. Circular 80 gives no details as to what will be put in place of the currently available products and our comments are early and provisional only. We will, of course, be keeping a close eye on the CMS circulars and will participate in the process to ensure that affordable healthcare remains in place as the Bill of Rights requires. We reserve our rights under the Promotion of Administrative Justice Act (PAJA).

Kaelo is entirely committed to the notion of universal health coverage, aligned to the CMS decision for broader health policy discussions that seek to ensure adequate access to care, irrespective of the income status of the population.

It is, in fact, everything we stand for and upon which we have built the guiding principles of our business.

We recognise the significant challenges around timelines to bring NHI online and how HI and PHC plans can support the NHI in its ambitions in a manner that is complementary to national health policy.

Kaelo supports the tightening up of these regulations for our industry, the corporates offering the services, and our members. Our belief is that the CMS should continue in their consultations with the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) for effective regulation but not an elimination of this category of cover.

Firm regulation suits our organisation, given our well-considered basket of quality care that is accessible and sustainable through our robust infrastructure and standard operating procedures for sincere engagement.

Having offered these services for a number of years we have rich data, meaning we understand how to assess risk responsibly and therefore provide affordable products for individuals who have limited access to quality healthcare.

The Kaelo logo is a stylized, red-outlined text design. The letters are bold and interconnected, with a modern, geometric feel. The 'K' is particularly prominent, with a sharp, angular shape. The 'e' and 'o' are rounded but still maintain a clean, linear aesthetic. The overall impression is one of a contemporary, professional brand identity.

Our well-recognised network, Prime Cure, provides these services over a widely accessible geography, with cashless service delivery and seamless claiming ability at member level, which drastically reduces the burden on State infrastructure such as day clinics and hospitals. It is our view and experience that HI products do in fact provide rich benefits and therefore deliver significant health outcomes.

Our summation is that the current Demarcation Exemption Framework structures will be discontinued, but that an alternative structure for the provision of Health Insurance (HI) offerings will need to emerge to transition the approximately 1 million-plus lives already on cover in this market. Kaelo alone has close to 90,000 lives on cover in our base and over 500,000 lives pending in our sales pipeline, through our current intermediary distribution channels, as well as the articulated support of a number of organised labour unions and federations who strive to bring accessible care to working South Africans and their families.

The majority of South Africans cannot afford MS cover, and until such time that we have a fully operational National Health Insurance, there is no other viable solution that serves individual constitutional rights for high-quality healthcare, other than HI products. Therefore an alternative HI category and regulatory framework will need to be established for these lives.

Tamar Khan references in her article titled 'Regulator plans to end low-cost health care', (front page Business Day, 06 Dec 2019)

"Without an alternative, the demise of these products could leave hundreds of thousands of families without access to private care. The move will not only affect consumers but also throw a spanner in the works for medical schemes and insurers that have been developing cheap products aimed at low-income workers. Many of these products are subsidised by employers and, at a few hundred rand a month, cost a fraction of traditional medical scheme cover."

We have no doubt that our HI products must continue to be mobilised; our industry will be appropriately formalised and regulated, as with Gap Cover under the Demarcation regulations, and we will continue our pledge of providing access to high-quality healthcare for all South African citizens. All our efforts and energies continue to be directed at achieving this.

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