

Mandatory medical aid membership could cut premiums by 30%

There are 8.79 million people in SA who earn more than the tax threshold of R99 000 per annum.

If mandatory medical aid membership were introduced for these people, it could slash contribution costs by 25% to 30%, the Health Funders Association says.

Another option is to establish a risk equalising fund that redistributes money

from schemes with younger, healthier membership bases to those with older, sicker members.

The Health Funders Association (HFA) says making medical aid membership mandatory for all employed people earning above the income tax threshold could cut scheme contribution costs by almost a third.

The nonprofit, whose 26 members include Discovery Health Medical Scheme, Momentum Medical Scheme and Fedhealth, says there are 8.79 million people in SA who earn more than the tax threshold of R99 000 per annum. If mandatory medical aid membership were introduced for these people, adding them to the roughly 9 million who already belong to medical schemes, it could slash contribution costs by 25% to 30%, and possibly even more.

The HFA is not advocating mandatory membership until affordability has been addressed, this is one of two possible reforms that have been part of a long-standing debate on the future architecture of SA medical schemes.

With the sector under severe cost pressures, the two key reforms looked at by the

HFA in its inaugural State of Medical Schemes Report were mandatory membership and risk equalisation.

Risk equalisation and mandatory cover solve different parts of the same problem," said HFA CEO Thoneshan Naidoo. "Risk equalisation compensates schemes for predictable differences in risk and allows them to compete more fairly, but it does not reduce the average expected PMB [prescribed minimum benefit] cost across the system.

"Wider participation can improve the overall risk profile by bringing more people,

including younger and lower-risk people, into the pool. But this cannot be considered without first addressing affordability."

The Medical Schemes Act does not allow local medical schemes to charge people

differently according to individual risk, such as age, gender or the state of their

health, a concept known as risk-rating, which is common in the insurance industry.

Instead, medical schemes must charge a community fee, in which all members pay

the same contribution regardless of age or health, while also providing an industry-wide minimum set of benefits, known as PMBs.

One way to achieve risk equalisation would be to establish a fund that shifts

money from schemes with younger, healthier membership bases to those with older, sicker members to effectively level the playing field between schemes, to

what amounts to a redistribution exercise

The HFA's modelling exercise estimates that a Risk Equalisation Framework could

redistribute about R5.9 billion annually among schemes to compensate for predictable demographic risk.

By contrast, mandatory membership would address a different problem:

younger,

healthier people who can afford medical aid cover but who remain outside of

the

medical scheme system until they expect to need healthcare cover.

"The objective should be a medical scheme environment in which schemes compete on the factors they can control, namely service, efficiency, purchasing, quality, care management and value, rather than on their ability to attract favourable risks," said Naidoo.

"At the heart of a medical scheme is a finite pool of funds that must meet very

different healthcare needs. A member's contribution does not simply fund the healthcare they use that month or year; it contributes to a shared pool that protects members when they face healthcare costs that very few households could afford on their own."

The State of Medical Schemes Report, which polled 28 principal officers of medical schemes, showed that no less than 12 (43%) said their schemes had experienced declining membership in the past financial year. A further 37% reported more terminations, while 42% saw more payment difficulties among members.

The report also found that medical scheme membership in SA has remained largely stagnant over the past decade, although the covered population has aged.

The average beneficiary age increased from 31.7 years in 2005 to 34.5 years in

2024, while the pensioner ratio increased from 6.4% to 10%.

"The debate around medical schemes is understandably dominated by affordability and rising healthcare costs. These are serious challenges and we

cannot shy away from them," said Naidoo. "But we also need to understand what

medical scheme protection means in practice, what is putting that protection under pressure, and what reforms are needed to preserve and extend it."