

# SEDMED : Chairpersons' Report June 2018

## Declaration: Conflict of Interest

During June 2017, the SEDMED Board of Trustees (BOT) were duly elected for a three year term.

The directors elected F Louw to serve as the chairperson for this period. (June 2017 – June 2020)

Potential conflict of interest is declared and should be noted:

F Louw is the CEO of Vista Clinic, a 160 bed private Psychiatric Hospital in Gauteng, which is a service provider to SEDMED.

F Louw is Director of, and is the Vice-Chair of the National Hospital Network (NHN), which is a network with a national footprint of about 50 Day Hospitals, 60 Acute Hospitals, 20 Ophthalmology Facilities, 30 Psychiatric Hospitals, 40 Sub-Acute Facilities and Rehabilitation Facilities with +10 000 hospital beds, competing for market share in the Hospital Health Care Industry in Southern Africa.

The NHN is a hospital network and Service Provider to SEDMED.

Conflict of interest is accordingly declared and recorded.



Francois Louw  
Chairperson,  
SEDMED

## Principal Officers' Report

Mr Andrew Du Preez, SEDMED Principal Officers' report is a well written and informative report on key areas that impacts on SEDMED and its sustainability as a BHF (Board of Healthcare Funders) registered closed medical scheme.

It relates to:

- Governance Compliance Audits by the CMS: (Meeting legislative governance- and medical aid industry standards);
- Rapid changes and developments in the Healthcare Industry;
- SEDMED BOT strategic objectives and goals (and goals reached);
- Preventative Care benefits design for SEDMED members;
- DSP Network agreements; (Designated Service Providers Networks);
- Governments Health Care future plans with a NHI (National Health Insurance);

- SEDMED Communication and Member affairs;
- Financial reports and
- Challenge

## National Health Insurance for South Africa – Towards Universal Health Coverage

### Impact on SEDMED

On 10 December 2015, Government published the White Paper (preceded by a Green Paper, published in August 2011), on the political promise of a health financing system that is designed to pool funds to provide access to quality, affordable personal health services for all South Africans based on their health needs, irrespective of their socioeconomic status. The NHI, is intended to ensure that the use of health services does not result in financial hardships for individuals and their families.

The NHI represents a major policy shift that will necessitate a massive reorganization of the current health care system, both public and private and also derives its mandate from the NDP (National Development Plan) of the country.

The South African health system has been described as a two-tiered system divided along socio-economic lines. The NHI promise is to create a unified health system by improving equity in financing, reducing fragmentation in funding pools,

and by making health care delivery more affordable and accessible for the population. It wishes to make out-of-pocket payments obsolete when the population needs to access health care services.

The promise, further intends to ensure through NHI that all South Africans have access to comprehensive quality health care services.

The white paper sets out a 3-phased process to achieve the said promise, over a 14-year period, with phase 1 taking 5 years, phase 2 the following 5 years and the conclusion or third phase during the remainder 4 years.

Government is driven and focused on reaching these goals.

A Health Market Inquiry by the Competition Commissioner, was instructed by the minister of Health with its' final draft report, now said to be released on 30 June 2018. (It was due for publication on 31 May 2018 after three previous postponements.)

The Minister of Health has announced in May 2018, the pending amendment to the Medical Schemes Act to affect the NHI and Parliament is scheduled to debate and approve it.

In essence: The Health Services and - Provider market, as well as the Health Insurance market is facing major changes during these promised transitional periods.

Not only is it geared to affect the sustainability and future of SEDMED, but, it is to be reckoned with strategically by the BOT, the SEDMED members and

the SAU and its' sub-organizations as mandatory employee tax payments toward funding the NHI, is part of the architecture and design thereof.

The SEDMED BOT has been well composed of involved individuals with specific acumen from within the SAU organization and has been considering these developments.

The position of the BOT is to, as far as possible, ensure the continued sustainability and future existence of SEDMED, given the threatening and changing Healthcare landscape.

Remaining compliant in all areas as set out by the BHF and CMS is a high priority, as it would aid in the mentioned goal.

It would therefor be appreciated that the BOT has taken specific actions on improving and even developing such areas as seen to potentially threaten the continued registration and operations of SEDMED.

Of concern, are such areas, which the external auditors have highlighted as Non-Compliance matters to the Medical Schemes Act.

Highlighting just one of these Non-Compliance areas, which might be under-estimated in the risk that it poses to the registration of SEDMED, is in terms of Section 26 (7) of the Medical Schemes Act. This section dictates compliance by all members and employer groups to pay contributions to the scheme within three days of becoming due.

## Strategic Planning

Communicating and recording the development and promised changes in the Health Insurance industry, as well as acting in the interest and protection of its members, is a legislative and mandatory task of the BOT. It is thus imperative to note and record this report during the SEDMED AGM.

It should be noted that the BOT has taken pro-active decisions on identified areas, which may put the scheme at risk, eg. The decision to co-opt clinical expertise and develop preventative managed health care benefits; the establishment of specific operational sub-committees with specialized competencies which could assist the BOT with better informed decision making; Trustee- and Governance training to all Trustees; Data reporting and evaluation thereof; the development of a policy which structures Ex Gracia applications and payments and other actions not mentioned here.

Negotiating DSP Network discounts with the assistance of MSO, is another cost saving initiatives.

Once again, acting within a very complex, changing- and legislative health insurance environment, the BOT are committed to act in the interest of its members and to assure the sustainability of the fund.

## Some Risk area's

It should be noted, that SEDMED is considered and recognized by the provider- and scheme administrative industry as a fund, which provides the

best benefits for the lowest member contribution rates.

It is my observation that SEDMED membership does not necessarily recognize or appreciate this fact. Efforts will be made to create awareness with the members that over utilization and abuse pose a real risk to the sustainability of the fund.

It should also be understood (and it might be met with surprise) that the burden of disease areas, which are major cost drivers amongst the SEDMED members are listed as Hypertension, Diabetes, Cancer, Cardiovascular diseases and Mental Illness.

SEDMED is, one of 32 small, closed medical insurances in the industry. I.e. with our current membership below the legislative 6000 members criteria, (with limited membership growth potential) we are limited in being able to cross-subsidize single high cost events.

The financial records indicate that during 2016/2017 benefits utilization by members was above contribution rates. Apart from this being another non-compliance area, it eroded at the compulsory and legislative reserve levels. The latest financial statements indicate a change in this trend, but caution on the risk of utilization above contribution income has to be expressed.

It is in this context, that SEDMED members are encouraged to consciously be careful and to be good stewards of their SEDMED benefits and to realize the vulnerability of such a small scheme. Employer groups are requested to

communicate this message to their respective employee groups.

## Finance

The PO's report on financing is a thorough summary.

I wish to highlight that through the concerted efforts and dedication of his department and that of the administrative personal, SEDMED received an unqualified audit for 2017. A special vote of appreciation for the work done by the PO and the members of his department at the SAU is to be recorded.

## In Closing

I wish to extend my sincere gratitude to the administrative staff at the SEDMED office. Their labour to improve SEDMED everyday is noted and appreciated. Thank you also to Mr Andrew du Preez, the SEDMED PO, who is tasked with the everyday responsibilities of managing the fund. He has done a superb job thereof.

I also wish to express appreciation for our board of Trustees for their engagement and commitment to face the changing realities and act in the interest of the members.

I want to thank the Lord for His leading in the past and the promise of continued care for us in the future.

Please pray with us and for us, as we seek wisdom in navigating the uncertainties of the future.