

MEDIA STATEMENT

MINISTER OF FINANCE RELEASES DRAFT REGULATIONS ON THE DEMARCATION BETWEEN HEALTH INSURANCE POLICIES AND MEDICAL SCHEMES

The Minister of Finance, Pravin Gordhan, has today gazetted the draft Demarcation Regulations (“Regulations”) which seek to find a better balance between medical schemes and health insurance products for public comment. The Regulations also seek to address the risk of possible harm caused by health insurance products drawing younger and healthier members away from medical aid schemes to health insurance products.

The Regulations are required to strengthen and preserve the social solidarity principle that underpins medical schemes. By pooling healthier and sicker individuals cross-subsidisation is made possible through medical schemes. Those of poor health do not pay contributions according to their health status, a factor which makes medical aid contributions affordable to a lot more people than would have been the case otherwise.

Health insurance products, on the other hand, operate on the basis that the policy holder pays a premium that is determined by the policy holder’s age, health status or income. Health insurance policies also have exclusionary clauses, which can limit to whom the policy can be sold.

The Regulations are the outcome of a joint process between the National Treasury, Department of Health (“DoH”), Financial Services Board (“FSB”) and Council of Medical Schemes (“CMS”). Industry stakeholders involved in this process included the Association of Savings and Investments South Africa and the South African Insurance Association. The Regulations give effect to the amendments made to the Insurance Laws Amendment Act, 2008 to allow for specific categories of health insurance products which will be allowed to be sold to the public, despite such products constituting the “business of a medical scheme” as defined in the Medical Schemes Act (“MS Act”). In particular, it provides for types of policies that will be allowed to be sold by long-term and short-term insurance companies.

In determining whether health insurance products will or will not be allowed to be sold to the public, regard was given to the objectives of the MS Act and the current or potential harm that a health insurance policy may cause to medical schemes environment. Health insurance products which will be allowed to be sold to the public in terms of the Regulations will fall outside the scope of the MS Act and will be subject to regulatory oversight by the FSB.

The Regulations represent an important step in ensuring that health and financial sector policy objectives are aligned, which is critical to prevent regulatory arbitrage between health insurance and medical scheme products in South Africa.

The draft Regulations and accompanying documents are available on the Treasury (www.treasury.gov.za), DoH (www.doh.gov.za), FSB (www.fsb.co.za) and CMS (www.medicalschemes.com) websites.

Comments on the Regulations are invited from all interested stakeholders. Written comments should be sent to Dr. Reshma Sheoraj at LTdemarcation@treasury.gov.za (for the Long-term Insurance Regulations) or STdemarcation@treasury.gov.za (for the Short-term Insurance Regulations) or faxed to 012 315 5206 on or before 23 April 2012.

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