

RM



The Honourable Minister of Finance
National Treasury
Private Bag X115
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30 April 2012

Dear Sir

COMMENTARY SUBMITTED IN RESPECT OF THE DRAFT LEGISLATION PUBLISHED FOR PUBLIC COMMENT IN TERMS OF THE LONG-TERM INSURANCE ACT NO. 52 OF 1998 AND THE SHORT-TERM INSURANCE ACT NO. 53 OF 1998, RESPECTIVELY, UNDER GNR192 AND GNR193 (GOVERNMENT GAZETTE 35114) DATE 02 MARCH 2012 (COLLECTIVELY REFERRED TO AS THE 'DEMARCACTION REGULATIONS')

We attach hereto our formal commentary with regard to the draft regulations published for public commentary (Government Gazette 35114) dated 2 March 2012.

In addition, we have instructed our Attorneys (Werksmans) to provide a detailed and extensive commentary on these draft regulations. Werksmans will submit a separate submission on Guardrisk's behalf in this regard.

Directors: ECHR Kleswetter (Chairman), SJ Schoeman (Managing Director), LJ Botha, G Chomphu, R Esies-, L Honar**
MZ Swart*, JV Steenk*, MH Zulu** *Non-Executive **Vernier **Independent
Company Secretary Alexander Francis Group & Technology Services (Pty) Limited





30 April 2012

Honourable Minister of Finance
National Treasury
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COMMENTARY SUBMITTED IN RESPECT OF THE DRAFT REGULATIONS PUBLISHED FOR PUBLIC COMMENT IN TERMS OF THE LONG-TERM INSURANCE ACT NO.52 OF 1998 AND THE SHORT-TERM INSURANCE ACT NO.53 OF 1998, RESPECTIVELY, UNDER GNR192 AND GNR193 (Government Gazette 35114) date 02 March 2012 (collectively referred to as the "Demarcation Regulations")

Dear Sir

1. The proposed amendments to the Regulations made under Section 70 of the Short-term Insurance Act, 1998, which were gazetted for comment on 02 March 2012, seek to clarify the demarcation between insurance business (accident and health policies) and medical schemes business, originally legislated for in the Insurance Laws Amendment Act No 27 of 2008. The revised Regulations identify specific categories of insurance contracts as accident and health policies that are permitted, subject to certain conditions being fulfilled, from which it follows that any other contracts will be prohibited.

2. Guardrisk is a registered short-term insurer, and amongst other offerings, markets a product known as AdmedGap. AdmedGap is a "Gap" insurance product and provides cover for the shortfall between what a specialist charges for various in-hospital procedures and the amount defined in the Admed Tariff Guide (previously the National Reference Price List adjusted by medical inflation each year). Guardrisk has approximately 78 000 active Gap policies in place which represent approximately 45% of the total Gap policy market. A summary of the benefits offered by AdmedGap are as follows:
 - a. The product provides cover for specialist costs in the event of hospitalisation up to a maximum of 4 times the Admed Tariff (this is in essence the same as the NHRPL) with 1 times Admed Tariff as a deductible.
 - b. The policy limits benefits to R200 000 per annum per incident and per member and has an overall policy limit of R2 000 000.
 - c. There is no age restriction for membership to AdmedGap. Our youngest member is 18 years old and our oldest member is 93 years old.
 - d. Premiums are group risk rated using actuarial modelling techniques.
 - e. Policies are annual, but payable monthly.
 - f. While our policy allows for cancellation and or amendments to premiums by the insurer after giving 30 days notice to the insured (which is seen as actuarial best practise with regards to efficient underwriting), we at Guardrisk can confirm that in the 14 years that the product has existed we have not amended premiums and or cancelled any policy midterm.
 - g. Waiting periods may be applicable dependant on whether membership is voluntary pr compulsory
3. At this point it is important to note the clear distinction between "Gap" health insurance products and "Top Up" health insurance products. The Gap products cover the difference between the in hospital specialist cost and 1 X the Admed tariff for that specific procedure. Medical schemes pay medical providers at an agreed rate for services. These rates are often agreed and negotiated at a point in time and as such the agreed rate forms the basis of the benefit offered by the medical scheme.

These rates are generally not adequate in providing cover for their members. These rates are generally agreed with a certain group of medical providers therefore forcing the member to seek medical services from these providers only (taking away freedom of choice) and placing the member in a position that if he should seek advice from medical service providers outside of this group the member could be faced with a cost in excess of the benefit offered by the medical scheme. A second problem arises in that a member could be hospitalised and requires the attention of a specialist (Cardiologist, Orthopaedic Surgeon etc.), the cost of these services are in most cases not negotiated by the medical scheme and leaves the surgeon the ability to charge as he sees fit. With reference to Annexure A, which is a random extract of our paid claims register it is clear as to the gaps in cover which were incurred by members and the potential financial exposure these members would have incurred should they not have had AdmedGap.

Top Up insurance differs in that it provides the member with an increased annual aggregate cover limit for either a person or a family and the cover spans a more general field of services. An example here would be many medical schemes provide an annual limit to hospitalisation costs of R500 000, a Top Up insurance policy would allow the member to buy this up to a cover limit of R800 000.

It is clear from the above that the cover provided by the 2 products is distinctly different and it is in our opinion that legislation should take account of this distinction. It is our view that Top Up cover could be potentially harmful to the medical scheme industry as it allows members to buy down on a medical scheme option and then enhance the cover they have by buying a Top Up cover product. While Gap cover deals with such a small component of the total scope of cover provided by medical schemes and the cover provided by medical schemes cannot cater for the exposures a member may have when procuring the services of a specialist (specialist can currently charge as they see fit and there is no limit as to what they can charge), we are therefore of the opinion that Gap cover is not harmful to medical schemes.

4. As Medical schemes have no control over what a specialist may charge for an in hospital procedure, the cover provided by medical schemes is generally insufficient. All members of AdmedGap have to be a member of a registered medial scheme (any scheme as defined by the Medical Schemes Act) before they are entitled to the benefits of AdmedGap. When procuring the services of a specialist, (which in many cases is not in the control of the member) for an in hospital procedure, the member of a medical scheme could be faced with a shortfall in cover as provided by the medical scheme, as the specialist can charge as he sees fit and is not regulated at all. We once again make reference to Annexure A, which is a random extract from our claims database. This Annexure clearly indicates the exposures faced by members despite being members of medical schemes. The financial exposure for individuals in this regard is often considerable, and there is no other way in which members of the public can protect themselves against this financial exposure. It is evident that members of the public who have taken out the product, have been spared a great deal of financial hardship. The revised Regulations in their present form will have the effect of outlawing this product, which we are strongly of the opinion would not be in the interests of the consumer.

5. That there is a need for the AdmedGap product is clearly demonstrated by the fact that since its introduction in 1999, 78 000 members of medical schemes have bought AdmedGap, or more than 230 000 if dependents are included. Guardrisk has paid out a total of R96 000 000 in claims over the past 4 years. While there is perception that exists that Gap products run at very low loss ratios and generally don't pay claims, our product operates at a combined loss ratio of 80% and has done so for the past number of years. If you consider that we handle approximately 10 000 claims incidents a year and have handled approximately 40 000 claims incidents over that past 4 years with only 4 matters being referred to the Ombudsman for Short Term Insurance over this period we refute this accusation and argue that our product has a simple wording, well understood by our members and pays claims with little or no fuss at all. It is also clear that our product is not confusing and that policy holders understand that the AdmedGap product is not that of a Medical Scheme.

6. We make reference to the table below, which is a summary of the age bands of claimants within AdmedGap and a summary of the 10 most claimed procedures within AdmedGap.

Age Band	Cost Of Claims	Percentage
Under 18	3 090 693	9.01%
18 - 24	1 377 550	4.01%
25 - 29	1 573 375	4.59%
30 - 39	5 712 769	16.55%
40 - 49	4 769 168	13.80%
50 - 59	5 620 430	16.38%
60 - 64	3 632 608	10.59%
65 and older	9 535 569	24.87%
Grand Total	34,310,161	100.00%

Procedure	Cost Of claims	Percentage
Caeasarean Section	2 056 566	5.99%
Total Knee Replacement	1 402 768	4.09%
Total Hip Replacement	1 074 539	3.13%
Spinal Fusion	913 381	2.66%
Further Acc	883 942	2.58%
Laminectomy	755 007	2.20%
Cholecystectomy	523 243	1.53%
Arthroskop;	517 360	1.51%
Dental Surgery	447 922	1.31%
Arthroplast;	404 366	1.13%

What is evident from the tables above and despite that fact that each one of the members that would have undergone one of the above procedures was a member of a medical scheme. The medical scheme provided insufficient cover to the member and the member in the absence of AdmedGap would have suffered financial loss. It seems ludicrous that the Draft Demarcation Regulations are attempting to outlaw a product that plays a significant part in assisting with dealing with financial losses that members would have suffered and in most cases could not have afforded yet the Regulator makes no attempt to put a suitable alternative in place.

7. The Draft Demarcation Regulations state on numerous occasions that Gap products are harmful to medical schemes business, yet to date as an industry we have seen no evidence provided by The Department of Health, The Council for Medical Schemes, The Financial Services Board nor National Treasury that can prove this nor substantiate this statement .As a Gap industry we appointed Catalyst Pulse, an independent research company to conduct a survey and research the product in detail. The detailed report is contained in this submission as is marked Annexure B. A summary of the findings is as follows (It is important to note that the survey was based on information submitted by 3 of the providers of Gap products and represents approximately 90% of all Gap membership in the industry).
- a. 51% of respondents to the survey had a combined household income of below R10 000. This indicates that many members are not able to buy more cover as offered by medical schemes and opt for a product (gap cover) that provides protection against a specific component of medical costs (cost of specialists) which they have no control of.
 - b. 52% of the members surveyed indicated that their medical schemes only paid a specified rate and any additional charges above this rate are for the members own pocket.
 - c. Members have a good understanding of the scope of cover offered by gap products which is a contradiction to the statement made in the Draft Regulations that buyers of gap products don't understand what they are buying.
 - d. Most policy holders interviewed indicated that they viewed gap products as a benefit and indicated a concern over unpaid medical bills and this was a major driving factor behind buying gap cover.
 - e. 84% of respondents interviewed did not downgrade their medical scheme cover after taking out gap cover. We therefore dispute the statement made in the Draft Regulations that members buy down to lower options when buying gap products which is ultimately harmful to the medical schemes industry.
 - f. 96% of respondents indicates that gap cover provides piece of mind and allows them to remain on their current medical scheme option.
 - g. 77% of respondents would incur debt in respect of medical costs in the absence of gap cover as they have no means of paying for this uncovered portion.

- h. 44% of policy holders would not be able to upgrade to a higher benefit option in the event of gap cover being removed.
 - i. Contrary to the statements made in the Draft Regulations, policy holders interviewed do not perceive gap cover to be a replacement to a medical scheme. Gap cover is seen as an enhancement that assists in providing cover for where the medical scheme stops paying and the specialist has charged.
- 8. In motivating our case for the retention of the AdmedGap product as being in consumers' interests, we are supported by a number of principles which indicate that there has recently been a significant change in the attitude towards consumers by the authorities who, we believe, have correctly adopted a more pro-active stance towards protecting consumer interests.
 - a. The most significant of these is the adaptation of what is known as the 'twin peaks' approach to regulation, which is to be implemented following the release of a Treasury Policy Document in February 2011 – *A safer Financial Sector to Serve South Africa Better* – in terms of which prudential regulation is to be placed in the hands of the SA Reserve Bank, with market conduct, which 'requires the perspective of a customer', falling under the Financial Services Board (FSB). The Document states that 'the twin peaks approach is regarded as the optimal means of ensuring that transparency, market integrity and *consumer protection*(our italics) receive sufficient priority, and given South Africa's historical neglect of market conduct regulation, a dedicated regulator responsible for consumer protection ... is probably the most appropriate way to address this issue.'
 - b. In line with the 'twin peaks' approach, National treasury and the FSB have, introduced a further initiative – Treating Customers Fairly (TCF) – which will be applied to market conduct regulation and is described as 'a more holistic and co-ordinated consumer protection regulatory framework'. Outcome 2 of 'six fairness outcomes' that have been 'positioned from the perspective of the customer'in a Roadmap on TCF issued by the FSB in March 2011,states that 'Products and services marketed and sold in the retail market <should be> designed to meet the needs of identified customer groups and ... targeted accordingly' – the AdmedGap product is in exact accord with this intended outcome. TCF is to be delivered over a period of time – the expected completion date for full implementation is January 2014 – with the FSB being responsible for 'proactive supervision' of the initiative throughout its process.

- c. Following the introduction of the 'twin peaks' initiative – the effect being that the FSB is now adopting a more pro-active approach to what the consumer needs – and if necessary legislating for it – instead of a reactive one, where intervention takes place only after loss or hardship has been experienced.

We believe therefore, that a prohibition on the sale of the AdmedGap product, which is specifically designed to prevent clients suffering pecuniary loss in the circumstances outlined in Paragraphs above, would fly in the face of the current stance of the authorities towards treating customers fairly.

- 9. Adding weight to this view, it will be recalled that the AdmedGap product has already been the subject of litigation, with Guardrisk appealing a judgement handed down in the Johannesburg High Court in 2007 to the effect that the sale of the product 'constituted the business of a medical scheme' and was therefore prohibited, as the company was not registered in terms of the Medical Schemes Act. On appeal in March 2008, the Supreme Court found in favour of Guardrisk (on a technical interpretation of the wording of the relevant clauses in the Short-term Insurance Act), and most significantly, in Clause 22 of the judgement, Acting Judge of Appeal S Snyders stated that: "*Practical reality has shown that there exists a need for this type of insurance and there seems to be no reason why it should not be permitted*".
- 10. It is against this background that the change to the Regulations referred to in Paragraph 1 above has been made, the underlying principle appearing to be that a 'Gap' product is considered 'harmful' to the medical schemes environment. In fact, as 'gap' policies only account for a very small component of the cover provided by medical schemes, it is extremely unlikely that medical scheme members will 'buy down' – other than for reasons of affordability, which incidentally increases the need for 'gap' products—and as purchasers of the product must be a member of a medical scheme, the 'harm' envisaged in Clause 5.3.3. Is unlikely to eventuate. Reference is made to the table below which is an extract of claims incurred by members where they were either members on the top options offered by closed or open schemes and underwent routine surgery. Despite being of the best cover options available, they still faced shortfalls in cover and required AdmedGap to assist with covering the financial exposure incurred.

Medical Aid	Cause	Actual Cost	Top Medical Schemes Will Pay			
			Discovery	Executive Plan	Fed Health	Maxima Plus
			R	R	R	R
Retail Medical Aid	Spinal fusion	49,652	18,391	29,128	46,699	49,594
LA Health	Knee replacement	44,403	14,547	29,706	48,803	26,539
Discovery	Spinal fusion	51,170	13,447	35,326	39,443	38,375
Discovery	Spinal fusion	63,241	15,927	38,130	45,975	32,947
Discovery	Craniectomy	50,850	11,405	38,137	41,151	38,137
Quantum	Respiratory distress	116,077	39,514	78,977	40,558	111,300
Retail Medical Aid	Partial gastrectomy	176,687	33,669	111,632	116,712	112,326

It is significant that in the judgement referred to in Paragraph 9 above, Acting Judge Snyders also observed that "there is no factual indication before us that the policies of the appellant (Guardrisk) are undermining or would undermine the The Medical Schemes Act, or would in any way affect the viability of medical schemes in general." In addition we make reference to Annexure B and the paragraphs above where independent research shows that 84% of members who bought gap cover did not buy down their medical scheme cover and do not view gap covers as a replacement for medical schemes cover

11. We reiterate our view that that it would most certainly not be in the public interest to prohibit the sale of Guardrisk's AdmedGap product, in view of the vital role it plays in protecting consumers from financial loss, and we ask therefore, that the draft Regulations are amended to lift the prohibition.

12. In addition to the above Guardrisk has also instructed its attorneys, Werksmans to provide detailed and extensive comments on the Draft Regulations. A separate submission will be made in this regard.

Random Extract of Claims Paid Therefore indicating Gaps Incurred

Annexure A

Annual Premium Paid	Claim Amount	Claim Number	Member Number	Patient Date of Birth	Cause	Incident Date	Date Received	Medical Aid
R 1,060.00	R 29,118.56	2010001095	00016282	26 Oct 1932	Spinal Fusion	11 Jan 2010	15 Mar 2010	Shoprite
R 1,116.20	R 23,516.58	2010001778	00114558	06 Aug 1951	Total Hip Replacement	12 Jan 2010	18 Mar 2010	LA Health
R 1,058.00	R 111,612.97	2010001412	000185481	14 Jun 1930	Partial Gastrectomy	12 Jan 2010	23 Mar 2010	Shoprite
R 958.00	R 24,111.49	2010001371	00123454	30 Oct 1934	Total Hip Replacement	21 Jan 2010	03 Mar 2010	
R 1,068.00	R 36,198.06	2010001278	00321847	21 Jun 1959	Spinal	25 Jan 2010	26 Mar 2010	Discovery
R 695.00	R 25,421.88	2010001798	00138457	18 Sep 1964	Laminectomy	01 Feb 2010	12 Mar 2010	Discovery
R 1,116.00	R 24,387.90	2010001432	00819464	06 Jul 2010	Laparotomy	09 Feb 2010	24 Jun 2010	
R 306.00	R 45,426.72	2010001542	00032206	24 Aug 1951	Spinal Fusion	09 Feb 2010	10 Mar 2010	Discovery
R 314.00	R 1,214.64	2010001900	000332021	01 Apr 1957	Thiobutanomy	11 Feb 2010	25 Mar 2010	
R 1,116.00	R 21,646.43	2010002363	00116406	02 Apr 1942	Cervical Discectomy	15 Feb 2010	03 Apr 2010	
R 1,065.00	R 25,161.57	2010004442	00082572	29 Apr 1930	Spinal Fusion	15 Feb 2010	07 Jul 2010	
R 648.00	R 36,622.17	2010009308	00061396	16 Feb 1939	Root Abn Of Fem Cr Tibia	16 Feb 2010	14 May 2010	
R 1,164.00	R 29,407.59	2010004442	00316214	19 Dec 1960	Hipus Hernia Repair	22 Feb 2010	02 Jul 2010	
R 1,116.00	R 24,616.14	2010002030	00064051	10 Aug 1937	Arthroplasty	25 Feb 2010	21 Apr 2010	
R 1,116.00	R 42,200.00	2010003669	00018878	01 Oct 1935	Further Adv	01 Mar 2010	08 Jun 2010	LA Health
R 1,261.00	R 14,860.26	2010002542	00316533	22 Oct 1951	Laminectomy	05 Mar 2010	23 Apr 2010	Medscheme
R 1,066.00	R 32,498.92	2010002449	002779454	19 Jun 1962	Fractured Fracture	06 Mar 2010	20 Apr 2010	
R 1,116.00	R 24,134.38	2010002276	00101391	07 Jun 1942	Spinal Fusion	07 Mar 2010	14 Apr 2010	LA Health
R 336.00	R 23,982.62	2010008944	004152670	01 Jul 1950	Craniospinalmy	07 Mar 2010	06 May 2010	
R 1,250.00	R 25,672.62	2010002682	00039396	19 Aug 1947	Curectomy	08 Mar 2010	11 May 2010	Discovery
R 1,260.00	R 37,833.23	2010002844	001203786	11 Aug 1940	Resection Of Rectum	15 Mar 2010	28 Apr 2010	Medscheme
R 1,254.00	R 29,144.52	2010002957	00084138	02 Apr 1957	Fractured Fr-mur	20 Mar 2010	17 Jun 2010	Liberty Health
R 324.00	R 28,574.32	2010004487	00151794	13 Nov 1936	Cholecystectomy	21 Mar 2010	16 Sep 2010	Medscheme
R 436.00	R 27,290.10	2010002542	00006907	02 Jul 1964	Fistulopathy	23 Mar 2010	05 May 2010	Discovery
R 1,110.00	R 46,530.13	2010003365	00229098	08 Dec 1975	Gastric-antrum Section.	23 Mar 2010	29 May 2010	
R 1,280.00	R 23,367.05	2010003167	00196102	17 Aug 1968	Lumbar Fusion	26 Mar 2010	19 May 2010	Medscheme
R 1,099.00	R 37,915.64	2010002457	00414805	29 Sep 1958	Coronary Artery Bypass	05 Apr 2010	21 May 2010	
R 1,154.00	R 30,260.83	2010003667	00085633	23 May 1950	Appendix	05 Apr 2010	04 Jun 2010	
R 1,029.10	R 27,175.91	2010003414	00033980	21 Feb 1946	Endovascularectomy	06 Apr 2010	18 Jun 2010	
R 1,115.00	R 23,240.54	2010002220	00947496	21 Mar 1950	Total Knee Replacement	07 Apr 2010	30 Apr 2010	
R 1,118.00	R 23,160.85	2010004612	00238180	26 Jun 1980	Dental Surgery	12 Apr 2010	16 Jul 2010	Bank Med
R 664.00	R 51,157.13	2010005050	00103217	12 Apr 2010	Partial Colectomy	16 Apr 2010	31 Aug 2010	
R 1,260.00	R 25,477.72	2010004656	00217765	28 Oct 1947	Spinal Fusion	13 Apr 2010	14 Jul 2010	Medscheme
R 824.00	R 63,883.44	2010008078	00073841	26 Jul 1950	Osteotomy	14 Apr 2010	16 Nov 2010	Discovery
R 1,110.00	R 30,461.06	2010002957	00321537	16 Mar 1944	Crookedness	15 Apr 2010	07 May 2010	
R 1,260.00	R 55,175.24	2010004468	00186232	24 Apr 1957	Spinal Fusion	16 Apr 2010	10 Jul 2010	Medscheme
R 1,004.00	R 27,949.49	2010002685	00866709	26 Nov 1969	Laminectomy	21 Apr 2010	14 May 2010	Shoprite
R 1,116.00	R 28,115.82	2010005028	00013683	31 Feb 1947	Uterine Cervix	26 Apr 2010	26 Jul 2010	
R 1,180.00	R 22,572.84	2010007396	00082403	22 Oct 1952	Total Mastectomy	30 Apr 2010	22 Oct 2010	
R 1,156.00	R 29,402.54	2010004842	00119814	18 Oct 1944	Umbilical Hernia	03 May 2010	20 Jul 2010	Sappa Me Jr & Al Aud
R 1,512.00	R 25,827.15	2010005615	00113952	24 Nov 1945	Plastered Spine	03 May 2010	20 Aug 2010	BMW- Discovery
R 984.00	R 32,578.60	2010004754	00390480	02 Mar 1966	Evaluation Of Osteomyelitis	04 May 2010	16 Jul 2010	
R 864.00	R 21,414.39	2010005238	00011517	26 Apr 1957	Laminectomy	05 May 2010	25 Aug 2010	Discovery
R 1,260.00	R 30,746.81	2010004832	00216211	15 Jan 1949	Cranotomy	06 May 2010	22 Jul 2010	Medscheme
R 1,936.00	R 24,769.70	2010005681	00302561	05 Aug 1944	Joint Replacement	13 May 2010	16 Aug 2010	Medscheme
R 1,116.00	R 21,096.34	2010004296	00119353	12 Aug 1958	Aorta -Coronary Bypase	21 May 2010	29 Jun 2010	Bank Med
R 1,192.00	R 25,089.65	2010006258	00065906	12 Mar 1936	Laminectomy	21 May 2010	02 Sep 2010	
R 524.00	R 60,617.86	2010007719	001195162	07 Jul 1954	Coronary angiogram	26 May 2010	04 Nov 2010	Medscheme
R 1,020.00	R 45,907.95	2010004271	00027448	30 Nov 1930	Ostectomy	08 Jun 2010	20 Jun 2010	

Annual Premium Paid	Claim Amount	Claim Number	Member Number	Patient Date of Birth	Cause	Incident Date	Date Received	Medical Aid
R 1 512.00	R 21,522.46	201000437	00113965	07 Jul 1948	Hysterectomy	06 Jun 2010	19 Jul 2010	IPSA- Discovery
R 1 306.00	R 21,712.36	2010005004	00291060	21 Sep 1965	Laminectomy	08 Jun 2010	29 Jul 2010	
R 1 104.00	R 25,612.17	2010004297	00220725	04 Dec 1963	Craniotomy	09 Jun 2010	02 Jul 2010	
R 1 280.00	R 21,674.71	2010005487	00218961	05 Jul 1942	Laminectomy	14 Jun 2010	16 Sep 2010	Medscheme
R 1 092.00	R 22,555.29	2010005464	00455271	06 Dec 1950	Spinal Fusion	14 Jun 2010	13 Aug 2010	
R 1 792.00	R 25,106.52	20100053529	00114161	04 Jan 1953	C & B.G	19 Jun 2010	05 Aug 2010	Discovery
R 1 164.00	R 25,120.11	2010004481	00064042	15 Feb 1944	Hysterectomy	14 Jun 2010	19 Jul 2010	
R 1 120.00	R 27,876.62	2010004689	00209958	13 Sep 1967	Spinal Fusion	21 Jun 2010	13 Jul 2010	Discovery
R 1 104.00	R 36 406.50	2010006731	00063656	10 Jun 1932	Embolotherapy	22 Jun 2010	26 Sep 2010	
R 1 580.00	R 21,772.32	2010005805	00316734	27 Nov 1963	Fracture	24 Jun 2010	25 Aug 2010	Medscheme
R 1 110.00	R 32,183.10	2010005471	00018302	09 Feb 1946	Aorta - Coronary Bypass	28 Jun 2010	11 Aug 2010	LA Health
R 866.00	R 35,155.34	2010005162	00021898	23 Oct 1943	Total Hip Replacement	20 Jun 2010	01 Aug 2010	
R 1 118.00	R 21,382.31	20100056102	00013729	15 Sep 1945	Posterior Threctomy	26 Jun 2010	29 Sep 2010	LA Health
R 1 104.00	R 41 143.72	2010002314	00016201	10 Mar 1945	Coronary Bypass	28 Jun 2010	29 Nov 2010	Discovery
R 592.00	R 30 064.72	2010006846	00329103	19 Nov 1900	Open Reduction & Fixation	07 Jul 2010	04 Oct 2010	
R 1 126.00	R 21 457.43	2010005091	00089434	06 Jul 2010	Haus-Born Attendance	26 Jul 2010	16 Oct 2010	Brustas & Discovery
R 710.00	R 39,108.10	2010002282	00047147	27 Jul 1964	Craniotomy	06 Jul 2010	09 Sep 2010	Discovery
R 1 104.00	R 25,356.02	2010005830	00045225	21 Jun 1924	Total Hip Replacement	08 Jul 2010	29 Nov 2010	Discovery
R 524.00	R 31,995.43	2010004940	00317924	04 Dec 1922	Gastrectomy	11 Jul 2010	22 Jul 2010	Medscheme
R 1 956.00	R 27,439.12	2010005725	00202981	05 Aug 1934	Total Knee Replacement	12 Jul 2010	13 Sep 2010	Medscheme
R 1 116.00	R 22,750.02	2010006120	00018782	24 May 1947	Fracture	14 Jul 2010	09 Sep 2010	LA Health
R 1 952.00	R 24,332.07	2010005215	00204083	01 Mar 1943	Mastectomy	22 Jul 2010	31 Jul 2010	Medscheme
R 1 113.00	R 22,124.58	2010002395	00021115	15 Oct 1956	Malignant Soft Tissue Tumor	23 Jul 2010	07 Oct 2010	LA Health
R 1 006.00	R 24,556.61	2010005661	00327117	22 Feb 1958	Multiple Fractures	26 Jul 2010	22 Dec 2010	
R 1 113.00	R 22,226.30	2010006703	00018023	15 Sep 1945	Posterior Threctomy	28 Jul 2010	29 Sep 2010	LA Health
R 1 086.00	R 29,588.32	2010007889	00272454	19 Jun 1938	Fracture	02 Aug 2010	04 Nov 2010	
R 1 115.00	R 29 025.98	2010005761	00235773	21 Dec 2011	Further Acr.	05 Aug 2010	29 Sep 2010	Bank Med
R 1 068.00	R 16,679.43	2010008816	00012825	10 Apr 1949	Spinal Fusion	08 Aug 2010	27 Sep 2010	
R 1 485.00	R 26,345.41	2010007314	00114714	23 Mar 1957	Spinal Cord Operation	16 Aug 2010	30 Oct 2010	Suppi Medical Aid
R 1 116.00	R 29,162.90	2010005021	00013200	13 Aug 1940	Spinal Fusion	12 Aug 2010	11 Nov 2010	LA Health
R 1 116.00	R 24,215.77	2010007555	00013095	21 Sep 1930	Aortic Valve Disease Unspecified	15 Aug 2010	26 Oct 2010	LA Health
R 1 080.00	R 22,477.11	2010008115	00217844	10 Aug 1956	Hætus Hernia	15 Aug 2010	17 Nov 2010	Shoprite
R 1 280.00	R 34,477.42	2010009285	00203373	21 Mar 1954	Laminectomy	17 Aug 2010	28 Dec 2010	Medscheme
R 1 200.00	R 21,358.96	2010006516	00066584	08 Aug 1960	Spinal Surgery	26 Aug 2010	30 Sep 2010	Discovery
R 1 116.00	R 44,288.24	2011901436	00018953	26 Jul 1922	Total Hip Replacement	30 Aug 2010	23 Feb 2011	LA Health
R 1 280.00	R 28,845.69	2010008117	00209570	24 Aug 1954	Spinal Fusion	01 Sep 2010	25 Dec 2010	Medscheme
R 1 650.00	R 25,740.55	2010008260	00167040	03 Aug 1947	Further Acr.	02 Sep 2010	06 Oct 2010	Medscheme
R 1 488.00	R 21,243.65	2010008166	00116707	30 Aug 1956	Metal Valve Replacement	04 Sep 2010	22 Nov 2010	Suppi Medical Aid
R 1 480.00	R 25,123.84	2010007710	00320097	01 Nov 1960	Hepatostomy	17 Sep 2010	04 Nov 2010	
R 1 650.00	R 47,949.81	2010006508	00321527	09 Sep 1976	Total Hip Replacement	09 Sep 2010	30 Nov 2010	
R 1 956.00	R 22,675.78	2010008206	00216870	24 Dec 1941	Major Debridement	14 Sep 2010	19 Nov 2010	Medscheme
R 924.00	R 59,568.48	2010007474	00325117	16 Mar 1938	C & B.G	31 Sep 2010	27 Oct 2010	Medscheme
R 224.00	R 32,322.76	2010008815	00132517	15 Mar 1930	Further Acr.	21 Sep 2010	19 Nov 2010	Medscheme
R 924.00	R 22,900.89	2010007318	00318061	12 Dec 1940	Total knee Replacement	27 Sep 2010	20 Oct 2010	Medscheme
R 1 438.00	R 44,995.27	2010008152	00115484	12 Feb 1954	Femoral Femorotomy Repair	28 Sep 2010	22 Dec 2010	Suppi Medical Aid
R 938.00	R 27,426.95	2010005152	000452197	29 Sep 1947	Laminectomy	30 Sep 2010	13 Oct 2010	Discovery
R 932.00	R 21,359.61	2010007765	00065251	15 Sep 1949	Spinal Fusion	05 Oct 2010	04 Nov 2010	Discovery
R 1 118.00	R 22,831.16	2010007361	00011600	18 Apr 1958	Posterior Threctomy	07 Oct 2010	22 Oct 2010	LA Health
R 1 354.00	R 31,859.54	2010009113	00341590	07 Nov 1955	Posterior Threctomy	11 Oct 2010	16 Nov 2010	Libert Health
R 1 284.00	R 32,149.47	2011W03116	00135162	11 Oct 2010	Further Acr.	11 Oct 2010	04 May 2011	Liberty Health

Annual Premium Paid	Claim Amount	Claim Number	Member Number	Patient Date of Birth	Cause	Incident Date	Date Received	Medical Aid
R 1 112.00	R 27 450.97	20110048698	00016754	07 Jul 1924	Accident	12 Oct 2010	09 Dec 2010	LA Health
R 960.00	R 35 707.63	20110048528	00319750	01 Dec 1985	Resection Of Benign Chi Tumour	19 Feb 2010	16 Nov 2010	
R 1 152.00	R 36 726.76	20110058573	00065107	27 Jun 1961	Osteotomy	27 Oct 2010	24 Nov 2010	
R 924.00	R 34 306.03	2011006701A	00031679	25 Dec 1966	Spinal Stenosis	20 Oct 2010	28 Nov 2010	Medscheme
R 1 116.00	R 36 102.43	2011005657	00013346	19 Jun 1971	Laminectomy	29 Oct 2010	16 Jan 2011	LA Health
P 1 044.00	R 27 207.72	20110010216	00316251	31 Jun 1962	T-tail Mastectomy	24 Oct 2010	02 Feb 2011	Discovery
R 1 428.00	R 21 868.05	20110088939	00319507	05 Apr 1945	Laminectomy	01 Nov 2010	17 Dec 2010	Supp Medical aid
R 1 154.00	R 25 779.30	2011000282	00065282	14 Jun 1933	Arthro valve replacement	02 Nov 2010	03 Jan 2011	
R 304.00	R 40 891.02	2011008776	00312659	14 May 1932	Valve Replacement	10 Nov 2010	03 Dec 2010	Medscheme
R 1 280.00	R 28 193.03	20110058693	00116252	24 Apr 1957	Ortho - Acc	12 Nov 2010	09 Feb 2011	Medscheme
P 1 116.00	R 24 561.72	20110066910	00062395	15 Feb 1974	C - B.C	14 Nov 2010	05 Dec 2010	Discovery
R 1 115.00	R 36 554.47	2011008596	00017350	13 Aug 1961	Transplant	22 Nov 2010	18 Jan 2011	LA Health
R 1 164.00	R 23 168.06	2011001178	00064098	26 Feb 1953	Total Knee Replacement	24 Nov 2010	15 Feb 2011	
R 1 483.00	R 28 579.51	2011001146	00114371	26 Sep 1945	Splenectomy	27 Nov 2010	10 Feb 2011	Supp Medical Aid
R 1 438.00	R 45 262.03	20110091326	00024960	16 Jul 1964	Hyster Hyster Perfor	23 Nov 2010	14 Jan 2011	Supp Medical aid
R 1 118.00	R 22 822.06	201100328	00012128	31 Nov 1964	Osteotomy	29 Nov 2010	15 Jan 2011	Discovery
R 1 284.00	R 49 384.34	2011001105	00336691	25 Oct 1953	Whitening-Penned Resection	28 Nov 2010	19 Feb 2011	Life & Health
P 1 117.00	R 27 502.62	20110080031	00016443	19 Jan 1952	Spinal Fusion	30 Nov 2010	05 Jun 2011	LA Health
R 1 128.00	R 22 822.75	2011002261	00119884	12 May 1966	Metatarsal Osteotomy	30 Nov 2010	10 Jan 2011	Bonitas or Discovery
P 1 161.00	R 22 716.24	20110010921	00486071	06 Jan 1957	Gastricomy	29 Dec 2010	09 Feb 2011	
R 934.00	R 74 356.14	2011001178	00062108	13 Nov 1952	Laminectomy	03 Dec 2010	17 Jan 2011	Medscheme
P 1 296.00	R 21 327.83	2011001320	00017377	11 Sep 1958	Arthro valve replacement	15 Dec 2010	23 Feb 2011	Medscheme
P 1 115.00	R 27 470.39	2011001556	00011674	19 Jun 1964	Excision of Submandibular Salivary Gland	06 Dec 2010	04 Mar 2011	Bank Med
R 1 449.00	R 44 016.94	2011001314	00114883	17 Mar 1961	Aorta - Coronary Bypass	07 Dec 2010	10 Feb 2011	Supp Medical Aid
R 1 200.00	R 26 286.44	2011001402	00068581	22 Oct 1912	Further Acc	11 Dec 2010	25 Feb 2011	Discovery
R 1 284.00	R 40 787.95	20110019094	00365046	21 Jun 1944	Infection Skin And Subcutaneous Tissue	17 Dec 2010	10 Feb 2011	Life & Health
R 1 140.00	R 42 166.34	20110064004	00245901	29 Jun 1946	Major Debridement	28 Dec 2010	27 Jun 2011	
P 1 184.00	R 38 262.30	2011001238	00067547	05 Dec 1949	Futur Acc	04 Jan 2011	31 May 2011	
P 1 184.00	R 82 097.50	2011008477	00067587	03 Dec 1946	Chemotherapy	04 Jan 2011	31 May 2011	
R 524.00	R 32 083.82	2011004264	U-2344380	16 Aug 1958	Osteotomy	05 Jan 2011	05 May 2011	Medscheme
P 972.00	R 23 816.47	201100774	00076233	21 Jan 1972	Mastoplasty	07 Jan 2011	28 Jan 2011	
P 1 209.00	R 21 311.04	2011001497	00069463	14 Feb 1933	Total knee Replacement	09 Jan 2011	25 Feb 2011	Discovery
P 1 620.00	R 22 853.73	2011002154	00125106	21 Jul 1989	Dental Surgery	13 Jan 2011	24 Mar 2011	BIM- Discovery
R 1 113.00	R 36 885.21	2011002742	00092842	07 Aug 1938	Posterior Spinal Fusion	13 Jan 2011	14 Apr 2011	LA Health
R 1 154.00	R 22 794.25	2011003148	00064179	23 Jul 1962	Spinal Fusion	19 Jan 2011	04 May 2011	
R 934.00	R 26 768.04	2011003399	00341280	19 Aug 1998	Osteotomy	17 Jan 2011	05 May 2011	Medscheme
P 1 116.00	R 34 234.55	2011002708	00018105	19 May 1950	Enucleotomy	23 Jan 2011	30 Mar 2011	LA Health
P 1 280.00	R 21 147.25	2011001567	00148582	16 Aug 1954	Spinal Fusion	25 Jan 2011	07 Mar 2011	Medscheme
P 1 175.00	R 25 765.66	2011002466	00168137	28 Jun 1944	Total Hip Replacement	25 Jan 2011	05 Apr 2011	Discovery
P 1 176.00	R 21 747.73	2011003153	00168137	23 Jun 1944	Further Acc	26 Jan 2011	21 Apr 2011	Discovery
P 1 486.00	R 21 478.12	2011003737	00125753	29 Apr 1958	Malignant Neoplasm	26 Jan 2011	24 Mar 2011	Supp Medical Aid
R 1 496.00	R 24 757.27	2011002603	00117805	13 Sep 1982	Pre-Anesthesia Assessment	28 Jan 2011	10 Apr 2011	Supp Medical Aid
P 1 116.00	R 27 213.05	2011001539	00127790	01 Dec 1959	Posterior Spinal Fusion	30 Jan 2011	01 Mar 2011	LA Health
R 1 740.00	R 21 382.35	2011001781	00146134	02 Apr 1943	Resection Of Tumour	31 Jan 2011	11 Mar 2011	Discovery
P 1 128.00	R 28 847.26	2011001777	00320808	07 Sep 1932	Aorta-Coronary Bypass Operation	02 Feb 2011	08 Mar 2011	Bonitas or Discovery
P 1 260.00	R 41 019.91	2011002216	00146792	22 Mar 1978	Dental Procedures	02 Feb 2011	24 Mar 2011	Medscheme
R 1 116.00	R 24 260.11	2011003724	00137707	20 Oct 1948	Spinal Fusion	03 Feb 2011	24 Mar 2011	
P 960.00	R 37 148.11	2011001304	00132037	03 Nov 1958	Spinal Fusion	08 Feb 2011	21 Feb 2011	Discovery
P 1 512.00	R 35 317.56	2011002222	00125462	06 Aug 1943	Laminectomy	09 Feb 2011	08 Mar 2011	BIM- Discovery

Annual Premium Paid	Claim Amount	Claim Number	Member Number	Patient Date of Birth	Cause	Incident Date	Date Received	Medical Aid
R 960.00	R 36,877.65	2011002326	00031896	04 Jun 1960	Unknown	19 Feb 2011	23 Mar 2011	Discovery
R 1,488.00	R 36,110.40	2011001414	00030117	26 Jun 2011	Organ Failure	12 Feb 2011	14 May 2011	Sappi Medical Aid
R 1,116.00	R 25,246.72	2011001960	000307193	14 Feb 1967	Shoulder Fracture	14 Feb 2011	17 Mar 2011	LA Health
R 1,116.00	R 64,022.58	2011002879	00014672	24 Oct 1942	Aortic valve replacement	14 Feb 2011	27 Mar 2011	LA Health
R 1,116.00	R 26,545.08	2011001756	00019477	02 Oct 1948	Spinal Fusion	16 Feb 2011	04 Mar 2011	LA Health
R 1,129.00	R 21,708.29	2011002348	00116684	04 Dec 1967	Shoulder Acromioplasty	15 Feb 2011	11 Mar 2011	Bonitas or Discovery
R 1,116.00	R 36,894.56	2011002211	00184761	26 May 1963	Total Hip Replacement	15 Feb 2011	14 Apr 2011	LA Health
R 960.00	R 36,101.51	2011003610	00217269	19 Jan 1965	Further Acc	18 Feb 2011	16 May 2011	Discovery
R 1,116.00	R 21,527.29	2011002501	00311471	01 Nov 2008	Lumpectomy/tissue removal	16 Feb 2011	07 Apr 2011	Bonita Med
R 1,144.00	R 21,284.14	2011001788	00344067	21 Oct 1957	Anterior Cervical Fusion	25 Feb 2011	09 Mar 2011	
R 436.00	R 24,618.29	2011002821	00128191	24 Mar 1948	Patello Femoral置换	22 Feb 2011	06 Mar 2011	
R 1,880.00	R 43,806.54	2011006266	00328155	28 Oct 1941	Removal Of Prosthetic	06 Mar 2011	16 Aug 2011	
R 1,116.00	R 29,716.32	2011002119	00090125	26 Jun 1962	Spinal Tumour	07 Mar 2011	26 Mar 2011	LA Health
R 1,116.00	R 26,122.12	2011002694	00019246	11 Mar 1957	Osteoarthritis Pemphigoid	10 Mar 2011	11 Aug 2011	LA Health
R 824.00	R 45,979.19	2011001950	00034879	03 Dec 1956	Laminectomy	14 Mar 2011	20 Apr 2011	Medichem-X
R 1,116.00	R 69,149.37	2011004148	00066084	12 Mar 1954	Peritoneal Gastrectomy	17 Mar 2011	07 Jun 2011	
R 796.00	R 48,375.77	2011005346	00008182	29 Jul 1951	Total Mastectomy	18 Mar 2011	12 Jul 2011	Discovery
R 636.00	R 22,000.50	2011005416	00327880	18 Jun 1959	Arterio Ischaemic Heart Disease	18 Mar 2011	14 Jul 2011	Discovery
R 1,116.00	R 49,774.85	2011004517	00019804	17 Jan 1943	Spinal	23 Mar 2011	31 May 2011	LA Health
R 1,116.00	R 25,357.81	2011004136	00118731	16 Mar 1972	Endoscopy	25 Mar 2011	07 Jun 2011	Bonita Med
R 792.00	R 21,056.30	2011006063	00043707	18 Oct 1947	Knee Replacement	21 Mar 2011	03 Aug 2011	Discovery
R 1,224.00	R 34,512.10	2011001372	00164775	08 May 1957	Mammoplasty	01 Apr 2011	10 May 2011	
R 1,116.00	R 15,730.85	2011005994	00307584	13 Nov 1944	Hip Replacement	04 Apr 2011	04 Jul 2011	LA Health
R 1,116.00	R 30,184.45	2011004091	00019148	32 Jun 1942	Posterior Spinal Fusion	07 Apr 2011	04 Jun 2011	LA Health
R 1,080.00	R 34,985.62	2011004757	00235611	21 Feb 1965	Gastrectomy	19 Apr 2011	06 Jun 2011	Shapira
R 656.00	R 21,520.34	2011004845	00315745	28 Mar 1956	Total Hip Replacement	14 Apr 2011	26 Jun 2011	Jurium - Discovery
R 1,208.00	R 28,172.23	2011004680	00110251	24 Mar 1955	Spinal Surgery	21 Apr 2011	23 Jun 2011	
R 1,284.00	R 22,418.75	2011007928	00151574	12 Nov 1953	Total Hip Replacement	04 May 2011	06 Oct 2011	Liberty Health
R 1,128.00	R 32,021.75	2011005457	00320582	22 Sep 1969	Intestinal Obstruction	07 May 2011	16 Jul 2011	Discovery
R 1,280.00	R 23,041.68	2011004489	00346921	15 Feb 1951	Osteotomy	11 May 2011	17 Jun 2011	Meds. Hernia
R 1,284.00	R 21,976.27	2011004284	00333787	28 Sep 1974	Intestinal Obstruction	12 May 2011	21 Jun 2011	Liberty Health
R 1,154.00	R 34,498.77	2011008331	00333272	16 Jul 1957	Masectomy	13 May 2011	15 Aug 2011	Liberty Health
R 1,680.00	R 24,735.44	2011004732	00168132	11 Mar 1964	Open Heart Surgery	15 May 2011	09 Jun 2011	
R 1,200.00	R 35,849.72	2011005561	00520644	08 Jan 1956	Anchor Interbody Fusion	16 May 2011	19 Jul 2011	Discovery
R 1,488.00	R 21,856.78	2011004949	00114206	24 Oct 1951	Spinal Fusion	20 May 2011	01 Jul 2011	Sappi Medical Aid
R 1,116.00	R 24,529.66	2011005379	00019298	05 May 1952	Tracheostomy	20 May 2011	19 Jul 2011	LA Health
R 792.00	R 81,497.48	2011005239	00295792	26 May 2011	Respiratory Distress	26 May 2011	29 Jul 2011	Discovery
R 792.00	R 81,543.10	2011005941	00295792	26 Mar 2011	Respiratory Disorder	26 May 2011	09 Aug 2011	Discovery
R 792.00	R 48,445.50	2011007100	00253707	26 Mar 2011	Neonatal Respiratory Disease	26 May 2011	08 Sep 2011	Discovery
R 1,116.00	R 25,074.53	2011005130	00019056	04 Feb 1947	Fracture involving Large joints	27 May 2011	08 Jul 2011	LA Health
R 1,116.00	R 23,501.38	2011005545	00017860	01 Oct 1950	Laminectomy	27 May 2011	15 Jul 2011	LA Health
R 1,486.00	R 37,480.71	2011004306	00313163	14 Aug 1974	Anterior Resection of Rectum	28 May 2011	20 Jun 2011	Sappi Medical Aid
R 536.00	R 61,295.21	2011006309	00098764	03 Oct 1943	Cardiac Surgery	29 May 2011	15 Aug 2011	Discovery
R 1,020.00	R 22,847.94	2011005253	00112504	25 Mar 1960	Laminectomy	30 May 2011	11 Jul 2011	IBM-Discovery
R 1,284.00	R 34,184.84	2011008141	00334759	27 Nov 1949	Spinal Fusion	30 May 2011	09 Aug 2011	Liberty Health
R 960.00	R 35,677.17	2011002536	00321952	28 Nov 1937	Hernia/Schism	31 May 2011	17 Oct 2011	Discovery

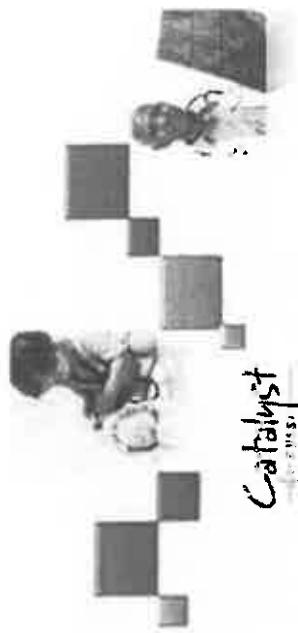
Annual Premium Paid	Claim Amount	Claim Number	Member Number	Patient Date of Birth	Cause	Incident Date	Date Received	Medical Aid
R 1,486.91	R 21,284.32	201106493	00287205	33 Feb 1968	Implant Replacement	02 Jun 2011	06 Aug 2011	Medscheme
R 1 488.00	R 20,805.02	2011065357	00314108	08 May 1948	Total knee Replacement	06 Jun 2011	11 Jul 2011	Sappi Medical Aids
R 1,260.00	R 25,791.40	201106398	002301508	50 Jun 1980	Hemi Colectomy	07 Jun 2011	16 Aug 2011	Medscheme
R 866.00	R 25,813.61	201106686	00128616	23 Dec 1947	Cholecystectomy	06 Jun 2011	01 Jul 2011	Dianoviv
R 1,524.00	R 25,468.49	2011065491	00036346	01 Mar 1970	Pancreactomy	08 Jun 2011	04 Oct 2011	Liberity Health
R 924.00	R 43,132.74	2011065784	00219102	06 Jan 1967	Kidney - Coronary bypass	08 Jun 2011	27 Jul 2011	Dianoviv

Annexure B



**Research to identify if Medical Gap
cover performs the role of a medical aid**

April 2012



Catalyst

Overview of Research
**SUMMARY OF RESEARCH
FINDINGS**

Demographics

- ❖ 51% of respondents total household income is below R10,000 per month.
- ❖ Almost 25% of the respondent base declined to give their income category
- ❖ 58 % of the respondent base indicated that they have no child dependents. Only 17% indicate that they are single
- ❖ Only 2% of the respondents who indicated that they have a child financially dependent on them did not have the child covered on their policy
- ❖ Given the time pressures of the research it was difficult to provide a more balanced sample with regard to ethnicity and region.
- ❖ 20 % of the sample base were drawn from the closed medical scheme environment. The balance were all members of medical schemes within the open medical scheme environment

Membership of a medical scheme

- ❖ A significant percentage of respondents have belonged to a medical scheme for 3 years or more and still belong to their original medical scheme. There is not significant movement within benefit option change
- ❖ 64% of policyholders surveyed have taken out Gap Cover in the past two years
- ❖ 50% of respondents indicated that their medical scheme premium increase was between 6 and 12%. This is above the overall CPIX indicators for the time period in question.
- ❖ 26% of respondents indicated that they were unaware of the % premium increase for their medical scheme premium in 2012. 30 – 39 year respondents were the highest in their level of unawareness of their premium increase (35%)
- ❖ 78% of respondents indicated that they simply absorbed the premium increase and remained on their current scheme and benefit option
- ❖ 16% indicated that they absorbed the premium increase and in addition took out a Gap Cover policy.
- ❖ Younger respondents in the 20 – 39 age categories showed a higher level of taking out Gap Cover than older respondents who already had Gap Cover in place.
- ❖ Respondents in the R6 – 10,000 total household income category had the highest level of taking out Gap Cover policies in response to premium increases.

Understanding of medical scheme payments

- ❖ The 20 – 29 year group have a better understanding of NHRPL than other age groupings.
- ❖ 28% do not know what rate their medical scheme pays
- ❖ 52% of respondents indicate that their medical scheme benefit option only pays at the NHRPL regulated rate. Any costs above that are paid from the members own pocket.

Understanding of the role of Gap Cover

- ❖ Most respondents awareness of Gap Cover insurance came through their employer or their healthcare broker
- ❖ There is good understanding of the scope of cover offered by Gap Cover to policyholders
- ❖ Most policyholders perceive Gap Cover as an additional benefit linked to their medical scheme and not as a separate insurance product
- ❖ Most respondents indicated that concern about unpaid medical bills is the driving factor behind taking out Gap Cover insurance
- ❖ 84% of respondents interviewed did not downgrade their medical scheme benefit option after taking out Gap Cover insurance. In Fact 3% actually upgraded their medical scheme benefit option.
- ❖ Where policyholders have claimed against uncovered medical scheme expenses, 51% would have had an out of pocket by more than R6000

The role of Gap Cover and what would happen if it was no longer available

- ❖ While 21% of respondents indicated that taking out Gap Cover insurance meant they did not have to upgrade to a more expensive benefit option, they are in the minority. 96% of the respondent base indicate that Gap Cover insurance provides peace of mind and allows them to remain on their current medical scheme benefit without having to downgrade
- ❖ 77% of respondents indicate that without Gap Cover they would have no other option but to incur debt to pay for uncovered in hospital costs, with 35% indicating that they would have no means of paying any uncovered medical expenses
- ❖ If Gap Cover is removed pensioners and younger medical scheme members would be the group most affected.
 - 44% of policyholders would not be able to afford to upgrade to a different benefit option if Gap Cover were no longer available
 - 29 % would upgrade but cannot really afford it – hence something else within their budget would have to give way.

Observations

- ✓ Policy holders interviewed **DO NOT** perceive Gap Cover to **replace a medical scheme product.**
- ✓ Gap Cover is perceived as **an enhancement** to assist in paying for the cost gap between what the medical scheme pays and what is charged by medical providers
- ✓ The association with Gap Cover insurance cover is more aligned to the medical scheme than it is to the insurance industry
- ✓ Respondents are very clear in their understanding of the scope of cover offered by Gap Cover insurance and its stated purpose
- ✓ Three factors are the main contributors to the reason why medical scheme members have taken out Gap Cover. They are :
 - ✓ Inability to accommodate the increased cost of buying up to a higher medical scheme benefit option
 - ✓ Concerns as to how member would pay in hospital medical costs that are not covered by their medical scheme benefit
 - ✓ The fact that even if member were to upgrade their medical scheme benefit option in most circumstances it would not cover all in hospital medical costs

Observations

- ✓ Concerns that allowing access to Gap Cover insurance will encourage members to downgrade their medical scheme benefit option is unfounded. 84% of respondents indicated that they remained on the same medical scheme benefit option after taking out Gap Cover insurance
- ✓ If Gap Cover insurance is removed from the market place there will be a higher percentage of medical scheme members will be forced to downgrade their medical scheme benefit option than the percentage who will upgrade their medical scheme benefit option
- ✓ Medical scheme members will experience greater financial difficulty with the removal of Gap Cover from the market and unless medical schemes increase the level at which they pay in hospital costs, upgrading to another benefit option will not provide a solution.

Background

- Government has set out proposals to change regulations which currently allow short term insurers and life assurers to offer medical insurance "Gap Cover", which subsidises medical scheme members for payment shortfalls by their medical schemes.
- There has been much debate as to whether or not these policies perform the same or a similar role as a medical scheme.
- Many assumptions are made around this debate and the use of these policies, which have not been validated or where no relevant research has been produced by either government or other representative organisations, to prove / disprove the theories being used as a basis for the adjustment of the regulations under the long term and short term insurance acts.
- The simple truth is that very few medical schemes provide fully comprehensive cover for in-patient specialist care, even at the highest benefit option. This means that members potentially face large shortfalls between their medical scheme benefits and the actual costs incurred for surgery or other in-hospital treatment.
- The impending role of National Health will negate the need for medical schemes to cover PMB's and expectations are that benefit options offered by medical schemes will have a much larger insurance component than is currently allowed. To what end therefore should legislation be changed.

Objections to “Gap Cover”

- Long- and short-term health insurance products, which provide similar benefits to medical schemes, could harm medical schemes by attracting younger and generally healthier members away from schemes
- risk pools are undermined when healthier members join cheaper options, which typically pay lower rates to specialists, and insure themselves against the costs of using a higher-charging specialist through a gap cover policy.
- younger, healthier members opting out of schemes if left unchecked, “could result in increasing costs for the older and less healthy who remain dependent on medical schemes for their cover”.
- “Gap Cover” insurance policies are fulfilling the role of a medical scheme
- “Gap Cover” insurers discriminate against policy holders by risk rating based on the policy holders health.
- the belief that an insurance policy offers the same protection as a medical scheme, when in fact the protection is partial and conditional.

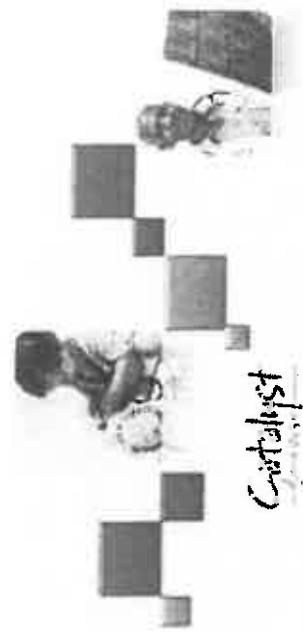
Research Methodology

Research will be completed in three areas.

1. **Section 1: Analysis of policy holder data in the following areas: (Data to be supplied by participating clients)**
 - a) Demographic profiling of "Gap Cover" policy holders by age, LSM, region, and market sector
 - b) Profiling of medical scheme and benefit options of policy holders in the open and closed scheme environment
 - c) Profiling of claims for the past two years by medical definition of procedure, provider grouping and monetary value of claim.
2. **Section 2: Analysis of the current private healthcare industry and prognosis of potential impact in an NHI environment looking at the following areas: (Data to be supplied by Catalyst Pulse)**
 - a) Analysis of the current benefit offerings of the top ten medical schemes and identification of areas "Gap Insurance" could be used.
 - b) Identification of Areas where benefit options have been changed / reduced in the past three years , giving rise to the increase in market share for "Gap Cover" insurance.
 - c) Employer views with regard to potential changes in medical scheme offerings within an NHI environment
 - d) Rationing of services within an NHI / Universal healthcare environment looking at international examples
 - e) Private healthcare insurance products offered in countries with NHI / Universal healthcare

Research Methodology

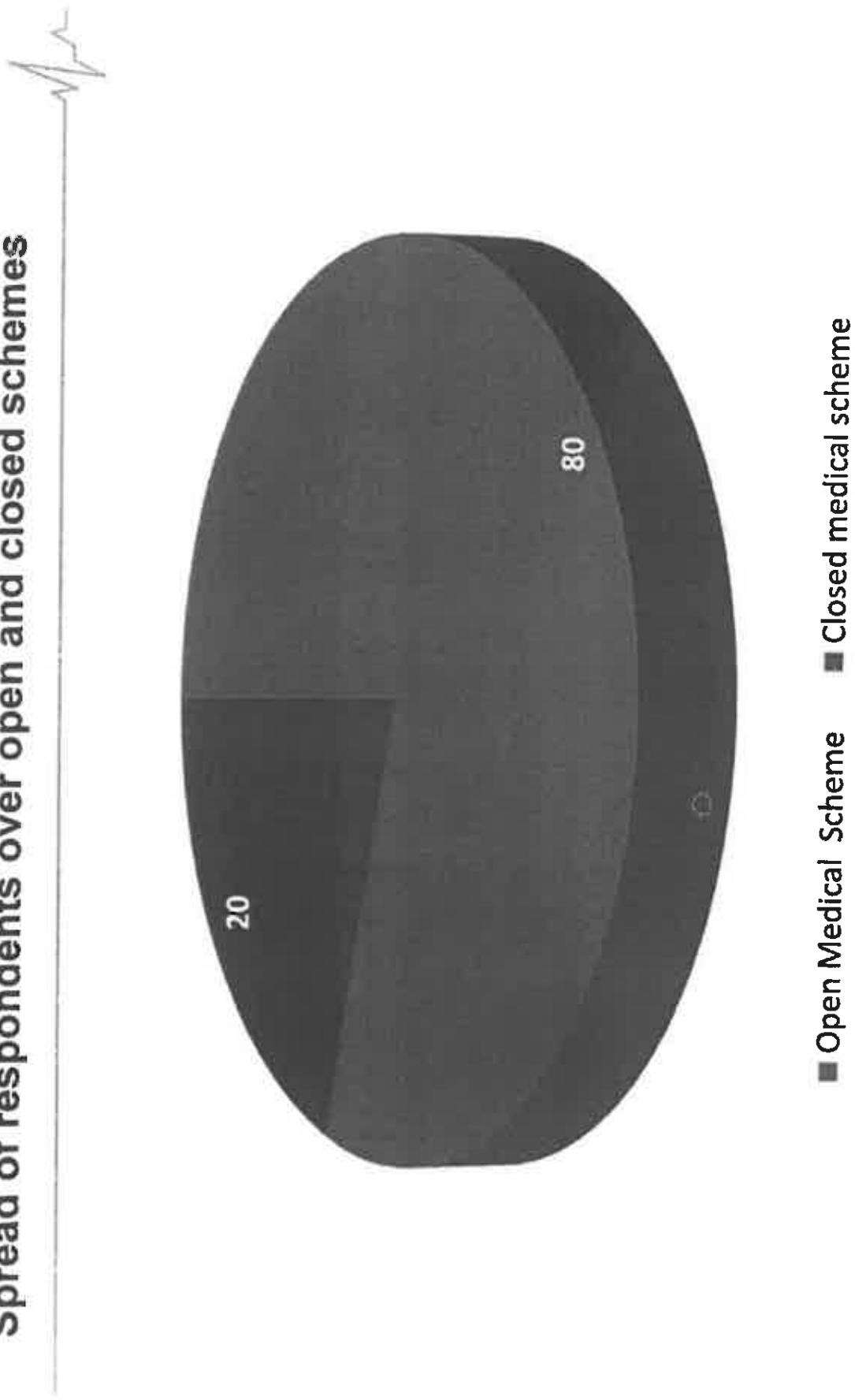
3. Section 3 - Telephonic interviews to be conducted with 100 policy holders per participating client, based on demographic profiling as per section 1 as well as policy cover. - 50% of the respondents will have processed a claim in the six months prior to the interview – 20% of the respondents will be policies taken out in the six months prior to the interview. We will evaluate the following issues: (Data to be supplied by Participating clients)
- a) Current medical scheme and benefit option
 - b) Demographic profile as per Section 1
 - c) Reasons for taking out "Gap Cover" – personal decision or part of EB benefits offered by employer?
 - d) Where claim has been lodged and processed, policy holders experience of the process.
 - e) Likelihood that the medical scheme member will "buy up" if "Gap Cover" is no longer allowed as from 2013.
 - f) Individual client specific questions.



Section 3

RESEARCH GAP COVER POLICYHOLDERS

Spread of respondents over open and closed schemes



Membership of current scheme and benefit option

n = 300 %

Length of membership of a medical scheme	Length of membership of current medical scheme	Length of membership of current benefit option	Length of time member has had Gap Cover
<1 year	2	4	6
1 – 2 years	8	18	25
3 -5 years	13	23	24
6 – 10 years	19	16	15
> 10 years	57	39	29
			4

Membership of current scheme and benefit option

n = 228 members who have belonged to a medical scheme for more than 6 years %

Length of membership of a medical scheme	Length of membership of current medical scheme	Length of membership of current benefit option	Length of time member has had Gap Cover
<1 year	4	5	13
1 - 2 years	12	22	47
3 - 5 years	12	14	21
6 - 10 years	19	21	20
> 10 years	57	51	39
			6

Membership of current scheme and benefit option by age group



**** Blue figures show the data for the entire respondent base.

20-29 n = 28	Length of membership of a medical scheme	Length of membership of current medical scheme	Length of membership of current benefit option			Length of time member has had Gap Cover		
			<1 year	1 - 2 years	3 - 5 years	6 - 10 years	> 10 years	
7	2	11	4	14	6	25	18	
36	8	36	18	50	25	61	46	
36	13	32	23	32	24	14	22	
11	19	14	16	4	15	9		
11	57	7	39		29	4	4	

30-39 n = 71		Length of membership of a medical scheme		Length of membership of current medical scheme		Length of membership of current benefit option		Length of time member has had Gap Cover	
<1 year		3	2	6	4	11	6	28	18
1 - 2 years	15	8	24	18	27	25	41	46	
3 - 5 years	21	13	39	23	39	24	30	22	
6 - 10 years	30	19	18	16	14	15	1	9	
> 10 years	30	57	13	39	8	29		4	

40-49 n = 61		Length of membership of a medical scheme		Length of membership of current medical scheme		Length of membership of current benefit option		Length of time member has had Gap Cover	
<1 year		2	2	2	4	2	6	13	18
1 - 2 years	3	8	13	18	20	25	46	46	
3 - 5 years	16	13	26	23	26	24	30	22	
6 - 10 years	31	19	26	16	30	15	11	9	
> 10 years	48	57	33	39	23	29		4	

Length of membership of a medical scheme	Length of membership of current medical scheme	Length of time member has had Gap Cover					
		<1 year	1 – 2 years	3 – 5 years	6 – 10 years	> 10 years	n = 52
<1 year	2	2	6	4	8	6	13
1 – 2 years	2	8	12	18	17	25	54
3 – 5 years	6	13	13	23	17	24	17
6 – 10 years	12	19	10	16	10	15	13
> 10 years	79	57	60	39	48	29	2
60 plus n = 87		Length of membership of a medical scheme	Length of membership of current medical scheme	Length of membership of current benefit option	Length of time member has had Gap Cover	Length of time member has had Gap Cover	Length of time member has had Gap Cover
<1 year	2	2	4	2	6	13	18
1 – 2 years	1	8	13	18	24	25	41
3 – 5 years	2	13	10	23	11	24	17
6 – 10 years	8	19	13	16	13	15	15
> 10 years	89	57	62	39	49	29	14

Percentage increase of medical scheme premium 2011/12

n = 300 %

	Overall	20 - 29	30 - 39	40 - 49	50 - 59	60 plus	R6000 - 9999	R10000 - 19999	R20000 plus	
No increase	2	11	3	0	4	0	0	0	1	4
1-5%	15	14	8	16	13	21	15	16	7	
6-8%	31	25	35	36	23	31	25	36	30	
9-12%	19	14	11	21	29	18	20	8	20	
13-20%	-	0	0	0	2	0	0	0	0	1
More than 20%	-	0	0	0	0	0	0	0	0	0
Rand Value Given	6	14	7	3	2	8	25	8	5	
Don't know	26	21	35	23	27	22	15	30	34	

Response to medical scheme premium increase

n = 300 %

	Gap Cover Research 2012	** PHP industry norm 2011
Did nothing other than just pay the increased premium	78	87
Looked at cheaper benefit options at your current medical aid ONLY but decided to stay with your current benefit option	4	2
Looked at cheaper benefit options at different medical aids but decided to stay with your current benefit option	1	1
Downgraded to a cheaper benefit option	-	4
Upgraded my benefit option	-	5
Changed medical aid to get better / the same benefits for a cheaper premium	-	2
Remained on my current benefit paid the increased premium and took out a medical insurance Gap cover product	16	-
Downgraded to a cheaper option and took out medical insurance Gap cover product	-	-

Response to medical scheme premium increase

n = 300 %

	Overall	20 - 29	30 - 39	40 - 49	50 - 59	60 plus	
Did nothing other than just pay the increased premium	78	64	68	79	83	86	
Looked at cheaper benefit options at your current medical aid <u>ONLY</u> but decided to stay with your current benefit option	4	7	6	6	4	4	1
Looked at cheaper benefit options at different medical aids but decided to stay with your current benefit option	1	4	1	3	0	0	0
Downgraded to a cheaper benefit option	-	0	0	0	0	0	0
Upgraded my benefit option	-	0	0	0	0	0	0
Changed medical aid to get better / the same benefits for a cheaper premium	-	4	0	0	0	0	0
Remained on my current benefit paid the increased premium and took out a medical insurance Gap cover product	16	21	25	10	13	13	22
Downgraded to a cheaper option and took out medical insurance Gap cover product	-	0	0	0	0	0	0

Response to medical scheme premium increase

n = 300 %

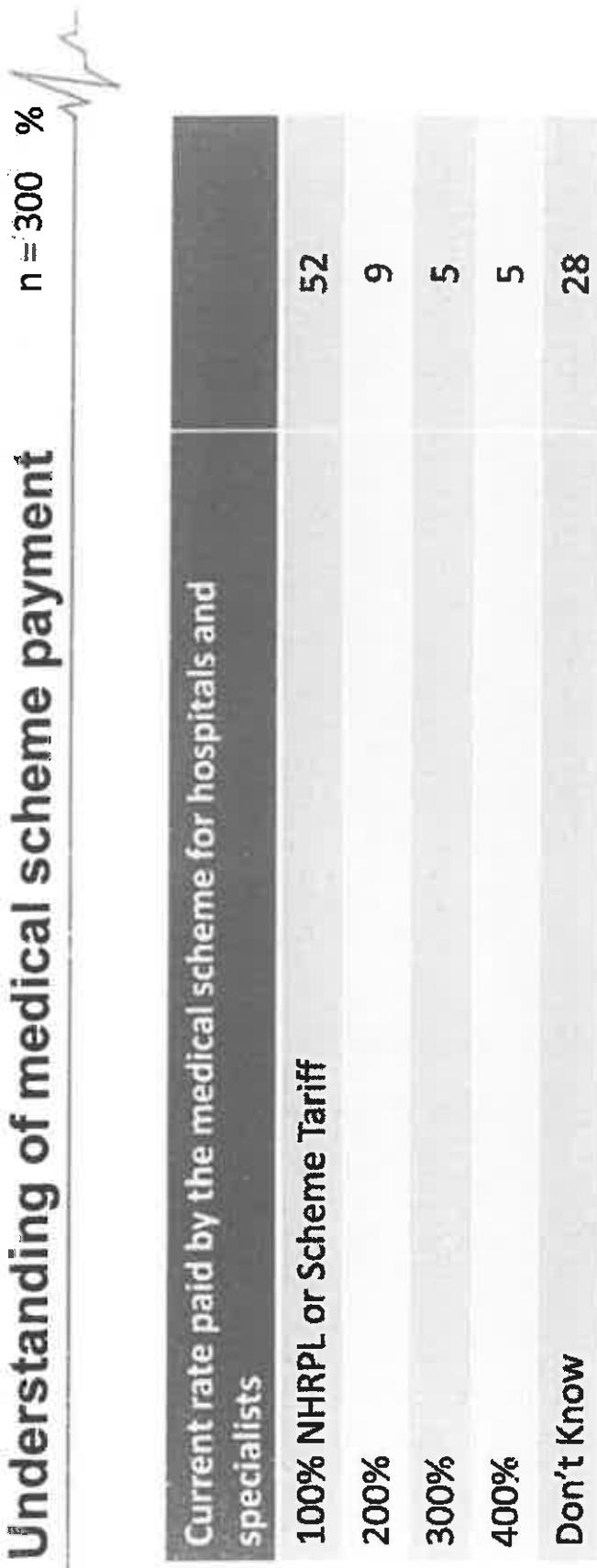
	Overall	R6000 - 9999	R10000 - 19999	R20000 plus
Did nothing other than just pay the increased premium	78	85	69	78
Looked at cheaper benefit options at your current medical aid <u>ONLY</u> but decided to stay with your current benefit option	4	-	5	6
Looked at cheaper benefit options at different medical aids but decided to stay with your current benefit option	1	-	4	-
Downgraded to a cheaper benefit option	-	-	-	-
Upgraded my benefit option	-	-	-	-
Changed medical aid to get better / the same benefits for a cheaper premium	-	-	-	-
Remained on my current benefit paid the increased premium and took out a medical insurance Gap cover product	16	15	21	16
Downgraded to a cheaper option and took out medical insurance Gap cover product	-	-	-	24

Understanding of medical scheme payment

n = 300 %

Understanding of NHRPL / medical scheme tariff	Overall	20 - 29	30 - 39	40 - 49	50 - 59	60 plus	R6000 - 9999	R10000 - 19999	R20000 plus
It is a fixed price that is regulated to be paid to medical scheme providers	28	46	35	28	21	22	15	25	38
It is the price the medical schemes pay to healthcare providers	61	46	56	66	65	63	65	61	52
Don't Know	11	7	7	7	13	15	20	12	10

Understanding of medical scheme payment



Policyholder understanding of Gap Cover

n = 300 %

Unprompted - What is your understanding of the medical health insurance cover that this policy gives	
Gap cover pays costs not covered by medical scheme	98
I am not sure what cover this policy provides	1
Some other reason	1
Prompted – Which <u>ONE</u> phrase that I am going to read best describes your understanding of Gap Cover insurance	
Gap Cover insurance is a substitute for medical aid insurance	4
Gap Cover insurance is an additional medical scheme benefit offered by a medical scheme	76
Gap Cover insurance is an insurance product offered by an insurance company who are not connected to a medical scheme	21
None of the above	-

Policyholder understanding of Gap Cover

n = 300 %

Unprompted - What is your understanding of the medical health insurance cover that this policy gives		60 plus	50 - 59	40 - 49	30 - 39	20 - 29	Overall
Gap cover pays costs not covered by medical scheme		98	100	100	98	94	99
I am not sure what cover this policy provides		1	0	0	2	4	0
Some other reason		1	0	0	0	2	1

Unprompted - What is your understanding of the medical health insurance cover that this policy gives		R20000 plus	R10000 - 19999	R6000 - 9999	Overall
Gap cover pays costs not covered by medical scheme		98	100	98	99
I am not sure what cover this policy provides		1	0	1	0
Some other reason		1	0	1	1

**** Income based on total household income

Policyholder understanding of Gap Cover

n = 300 %

Prompted – Which <u>ONE</u> phrase that I am going to read best describes your understanding of Gap Cover insurance	Overall	60 plus	50 - 59	40 - 49	30 - 39	20 - 29
Gap Cover insurance is a substitute for medical aid insurance	4	7	3	2	6	3
Gap Cover insurance is an additional medical scheme benefit offered by a medical scheme	76	68	75	77	75	78
Gap Cover insurance is an insurance product offered by an insurance company who are not connected to a medical scheme	21	25	23	21	19	18
None of the above						

Policyholder understanding of Gap Cover

n = 300 %

Prompted – Which <u>ONE</u> phrase that I am going to read best describes your understanding of Gap Cover insurance	Overall	R6000 - 9999	R10000 - 19999	R20000 plus	
Gap Cover insurance is a substitute for medical aid insurance	4			4	3
Gap Cover insurance is an additional medical scheme benefit offered by a medical scheme	76	80	88	71	
Gap Cover insurance is an insurance product offered by an insurance company who are not connected to a medical scheme	21	20	8	26	
None of the above	"				

How did policyholder hear about Gap Cover

n = 300 %

Heard about Gap Cover

The insurance is offered by my employer as part of my benefits	44
My healthcare broker told me about the insurance	34
I responded to an advert about the insurance	4
A friend / work colleague told me about this insurance	12
Direct from the insurance company	6

Reasons for taking out Gap Cover

n = 300 %



Reasons for taking out Gap Cover

Given to us as part of our company employee benefits - employer pays the premium	15
Offered to us by our employer but we pay the premium ourselves	12
The medical scheme does not pay enough to cover my medical bills if I need to be hospitalized and I am concerned as to how I would afford to pay what is not covered	51
The medical scheme benefits have changed and we have to pay a co payment for certain procedures which I cannot afford	9
I have a health condition that the medical aid do not give very much cover for and so I needed to insure the risk	8
The medical aid has limited the amount of money they will pay out for certain health conditions and I want to make sure I will have enough money to cover every eventuality	36

Reasons for taking out Gap Cover

Reasons for taking out Gap Cover	Overall	n = 300 %				
		20 - 29	30 - 39	40 - 49	50 - 59	60 plus
Given to us as part of our company employee benefits - employer pays the premium	15	11	17	20	13	14
Offered to us by our employer but we pay the premium ourselves	12	7	8	13	15	15
The medical scheme does not pay enough to cover my medical bills if I need to be hospitalized and I am concerned as to how I would afford to pay what is not covered	61	75	62	52	65	60
The medical scheme benefits have changed and we have to pay a co payment for certain procedures which I cannot afford	9	11	7	11	6	9
I have a health condition that the medical aid do not give very much cover for and so I needed to insure the risk	8	0	8	10	4	10
The medical aid has limited the amount of money they will pay out for certain health conditions and I want to make sure I will have enough money to cover every eventuality	36	39	41	28	37	32

Reasons for taking out Gap Cover

	Overall	R6000 - 9999	R10000 - 19999	R20000 plus	n = 300	%
Given to us as part of our company employee benefits - employer pays the premium	15	20	12	19		
Offered to us by our employer but we pay the premium ourselves	12	15	12	10		
The medical scheme does not pay enough to cover my medical bills if I need to be hospitalized and I am concerned as to how I would afford to pay what is not covered	61	65	67	54		
The medical scheme benefits have changed and we have to pay a co payment for certain procedures which I cannot afford	9	-	7	11		
I have a health condition that the medical aid do not give very much cover for and so I needed to insure the risk	8	10	10	5		
The medical aid has limited the amount of money they will pay out for certain health conditions and I want to make sure I will have enough money to cover every eventuality	36	15	45	41		

Total household income under R10,000 is where respondents appear to have the greatest concerns.

Change in medical scheme benefit option and Gap Cover claims

Action after taking out Gap Cover insurance	Overall	20 - 29	30 - 39	40 - 49	50 - 59	60 plus	n = 300 %
No I did not change my medical scheme benefit option	84	71	82	90	85	86	
I changed my medical scheme benefit to a cheaper benefit option	12	18	14	8	8	13	
I changed my medical scheme benefit to a more expensive benefit option	3	7	3	2	3	1	
Changed jobs	1	4	1	0	0	0	

Use of Gap Cover insurance	
I have claimed against my Gap Cover insurance to pay medical bills	54
Have not claimed against my Gap Cover insurance	46

Money paid out by Gap Cover Insurer

n = 162 %

	Overall	20 - 29	30 - 39	40 - 49	50 - 59	60 plus	R6000 - 9999	R10000 - 19999	R20000 plus	n = 162 %
R1-3000	17	36	10	27	13	15	18	16	21	
R4-5000	17	9	17	15	13	23	36	21	14	
R6-10000	27	36	32	33	21	21	27	24	31	
R10-R15000	14		20	12	17	11	9	22	11	
R16-20000	6		5	3	8	9		5	6	
More than R20000	4		2		13	6	9	7	1	
Don't know	14	18	15	9	17	15		5	15	

Impact of taking Gap Cover insurance



Prompted - Indicate which two phrases apply to you

n = 300 %

Taking out Gap Cover insurance means I do not have to buy up to a more expensive benefit option to ensure my medical costs are all covered

Taking out Gap Cover insurance means I can afford to remain on my current benefit option and I do not have to buy down to a cheaper benefit option to

ensure I would have money to pay for unexpected medical expenses I have to have Gap Cover insurance because none of the medical benefit options offered by my scheme offer full cover for medical expenses

My income is such that I can only afford a cheaper medical scheme benefit option and I have Gap Cover insurance so that I will not suffer financial hardship from unexpected medical costs.

My medical scheme offer a network of doctors / hospitals but I have taken Gap Cover insurance so I can choose which doctors / hospitals I use

I am a pensioner and cannot afford the level of cover I enjoyed when I was employed full time. I have had to take out a cheaper medical scheme option and have Gap Cover insurance to pay for unexpected medical expenses

My employer does not offer a subsidy for the higher medical scheme benefit options that would offer full cover for all medical expenses but has offered us Gap Cover insurance to make sure all medical costs would be covered.

19

8

6

27

Likely scenario if no Gap Cover



	n = 300	%
Ability to pay medical shortfall		
Yes I would be able to pay the shortfall that occurred straight away without having to go into debt	21	
I would be able to pay the shortfall straight away but <u>would have to make use of a debt facility or borrow money</u> and repay it over a period of time	17	
I would have to make a payment arrangement with the doctor/s	25	
I <u>would not be able to repay the shortfall</u> as I cannot not accommodate it in my budget	35	
Likelihood to buy up to a more expensive benefit option		
Very unlikely	Unlikely	Might
22	34	22
		Likely
		6
		Very Likely
		10

Likely scenario if no Gap Cover



n = 300 %

Ability to pay medical shortfall	Overall	20 - 29	30 - 39	40 - 49	50 - 59	60 plus
Yes I would be able to pay the shortfall that occurred straight away without having to go into debt	21	21	28	18	25	15
I would be able to pay the shortfall straight away but <u>would have to make use of a debt facility or borrow money</u> and repay it over a period of time	17	18	21	23	17	10
I would have to make a payment arrangement with the doctor/s	25	29	21	26	23	29
I <u>would not be able to repay the shortfall</u> as I cannot not accommodate it in my budget	35	29	28	31	33	45

Likely scenario if no Gap Cover

n = 300 %

Ability to pay medical shortfall	Overall	R6000 - 9999	R10000 - 19999	R20000 plus
Yes I would be able to pay the shortfall that occurred straight away without having to go into debt	21	5	25	23
I would be able to pay the shortfall straight away but <u>would have to make use of a debt facility or borrow money</u> and repay it over a period of time	17	5	13	31
I would have to make a payment arrangement with the doctor/s	25	35	20	23
I <u>would not be able to repay the shortfall</u> as I cannot not accommodate it in my budget	35	55	41	21

Likelihood to upgrade to more expensive medical scheme product.

	Likelihood to buy up to a more expensive benefit option					n = 300 %
	Very unlikely	Unlikely	Might	Likely	Very Likely	Don't Know
Overall	22	34	24	6	10	3
20 - 29	14	25	32	14	11	4
30 - 39	15	30	27	6	20	3
40 - 49	13	36	28	8	13	2
50 - 59	17	42	27	10	2	2
60 plus	40	34	16		5	5
R6000 - 9999	70	15	5		5	5
R10000 - 19999	21	26	28	7	15	3
R20000 plus	15	32	31	9	9	4

Affordability of a more expensive benefit option

n = 300 %



I can afford to upgrade and I would upgrade to a more expensive option with higher benefit payments for in hospital costs
I can afford to upgrade but my medical scheme pays the same benefit across all benefit options

10

13

If Gap cover insurance were no longer available I would have no option but to upgrade to a more expensive option with higher benefit payments for in hospital costs even though I cannot really afford it.
I would not be able to pay more for medical scheme premiums as I cannot accommodate it in my budget

29

44

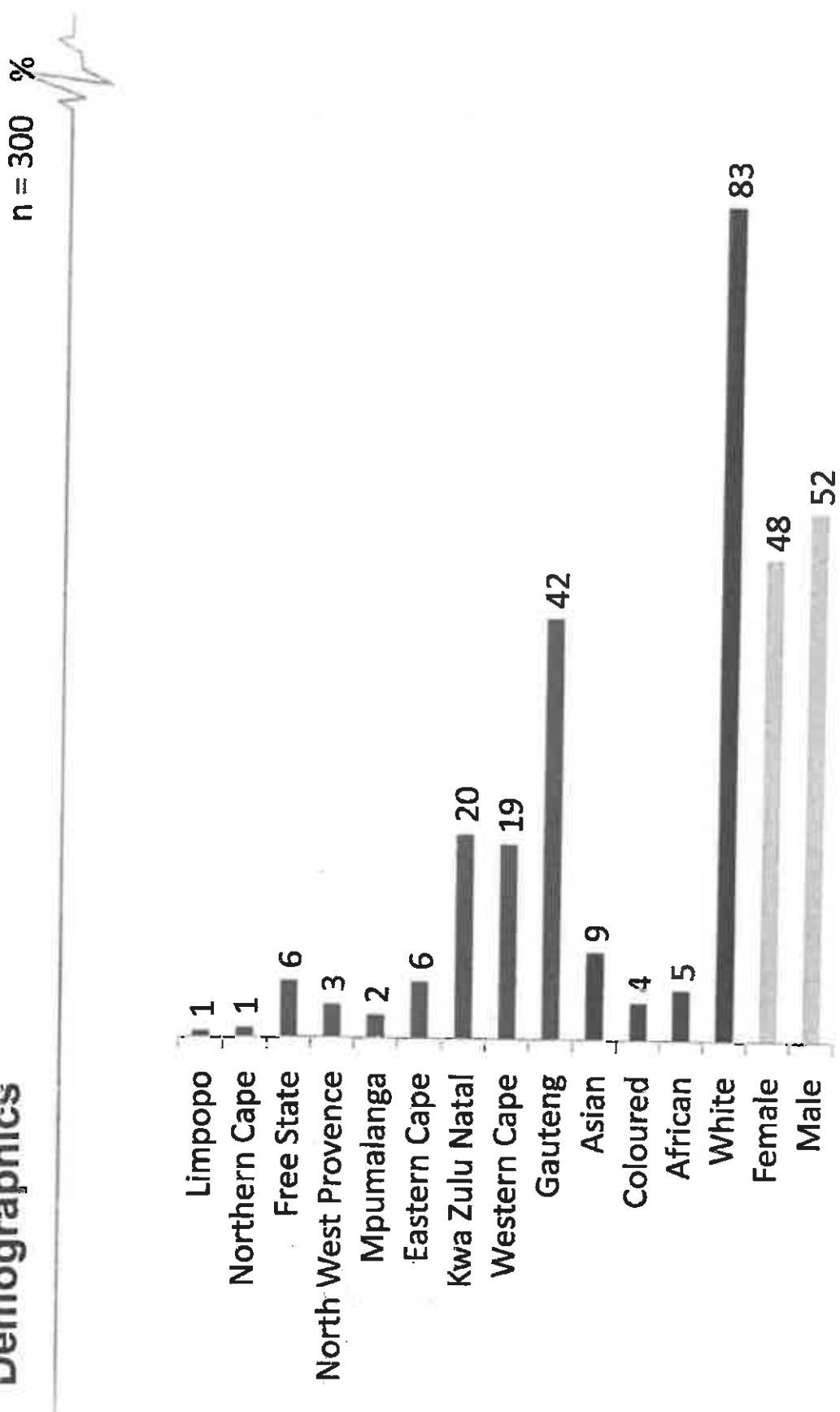
- 44% of policyholders would not be able to afford to upgrade to a different benefit option if Gap Cover were no longer available
- 29% would upgrade but cannot really afford it – hence something else within their budget would have to give way.

Affordability of a more expensive benefit option

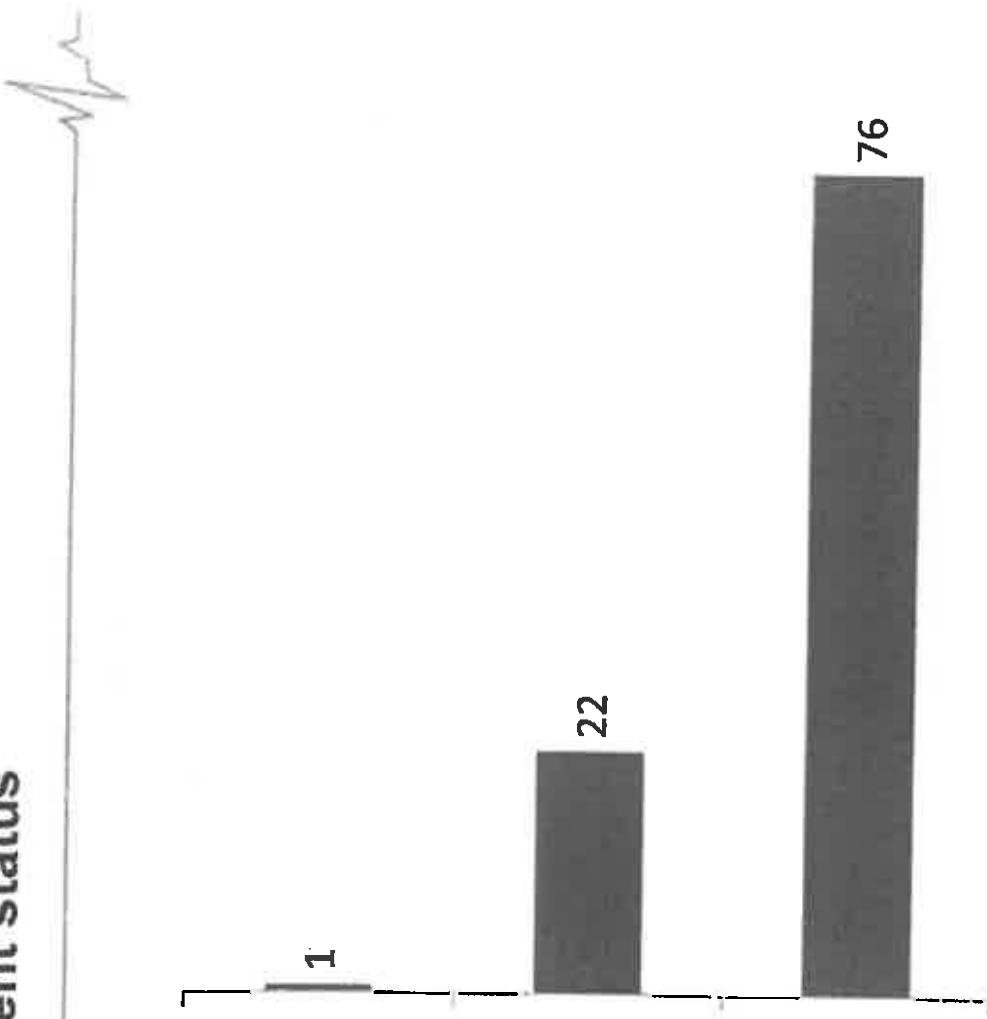
n = 300 %



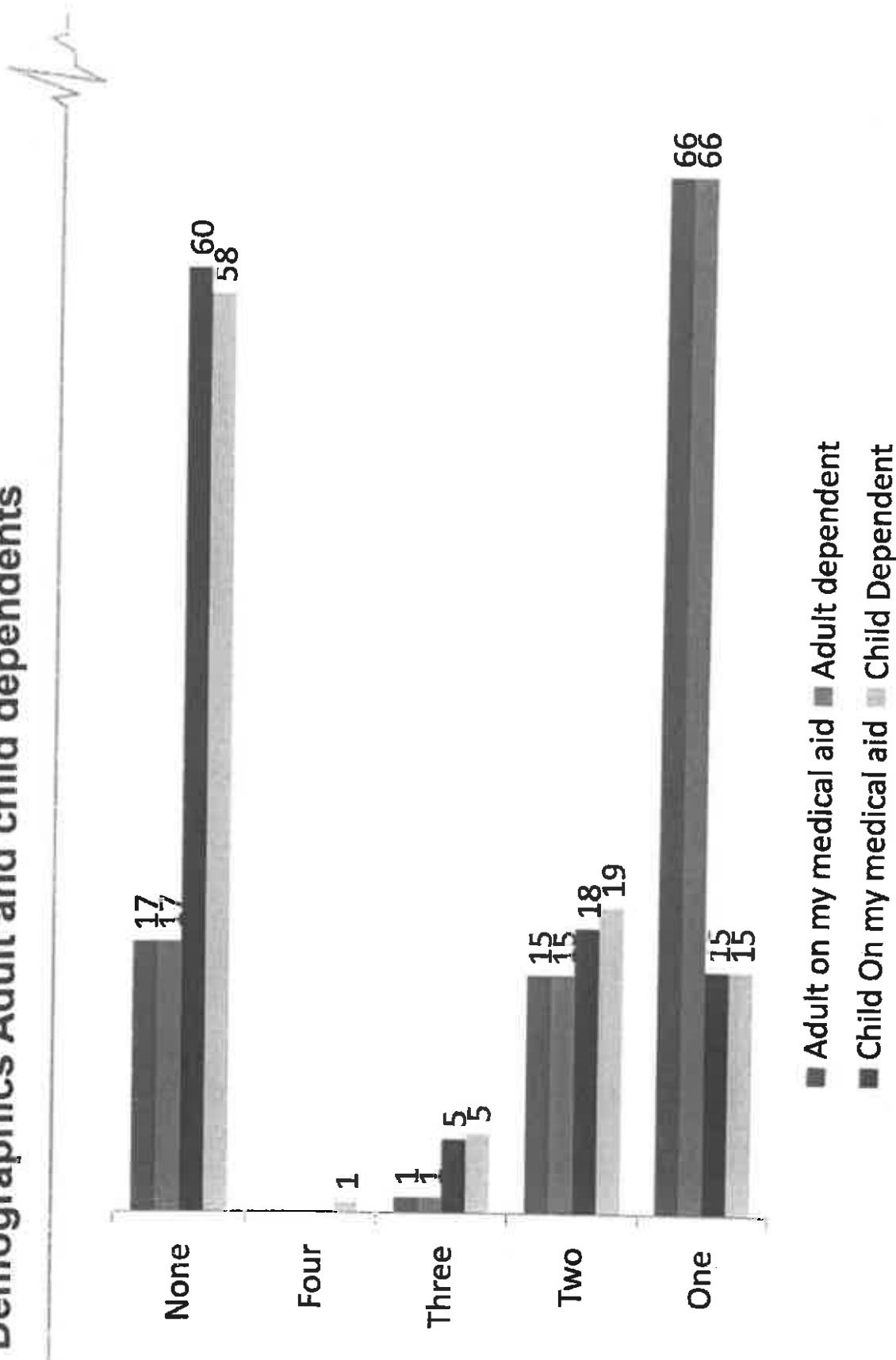
Demographics



Demographics – Employment status



Demographics Adult and child dependents



Demographics Income bands

