

Bonitas and LMS join forces amid a stressed economy

 By [Nicci Botha](#)

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Against the current tight economic background and a healthcare system that's in a state of flux, medical aids Bonitas and LMS (Liberty Medical Scheme) have announced that they have received approval from both the Competition Commission and the Council for Medical Schemes (CMS) to merge.

The deal will create a stronger and more sustainable scheme providing enhanced cover and benefits through economies of scale. It will also provide a broader national footprint and consolidation of resources and fixed costs which will assist with relieving pressure on future contribution increases.



According to Dr Bobby Ramasia, Bonitas' principal executive officer, the Bonitas pool of nearly 296,000 principal members and some 650,000 beneficiaries will be bolstered by the additional 55,000 LMS members.

The process started two years ago with a feasibility study to investigate an amalgamation between the two – which Bonitas says is the largest transaction of its kind in the SA healthcare industry. Apart from creating a stronger scheme this is seen as one of the proactive ways to control costs. “With our combined years of experience we have an intricate understanding of the needs of the consumer in the complex healthcare market.”

Premium increase

At the same time, Bonitas announced a premium increase for 2017 across all its options of 11,9%, without a decrease in savings.

Ramasia says a negligible economic growth, increased interest rates, inflation and basic costs of living have resulted in significant financial strain on consumers. These factors were compounded by a falling rand, adverse global developments, rising costs of hospital admissions, fraud, wastage and abuse, the cost and increased use of PMBs. Medical inflation has, as expected, surpassed the consumer price index by between 3 and 5%.

Impact of the rand

“The fluctuating exchange rate has an impact on the costs associated with imported healthcare appliances and medicines.

A weaker rand results in the cost of these medicines and appliances increasing which translates into higher claims. The exchange rate has been quite volatile this year and was at unprecedented levels at the beginning of the year,” he says

In addition, events such as Brexit – which have impacted on the rand – have trickled down to medical schemes. Falling commodity prices due to weakening demand from China have also resulted in mining firms restructuring, resulting in loss in membership for medical schemes.

Hospital admission costs

Regarding the rising costs of hospital admissions, Ramasia say there has been an increase in hospital admission rates. “Although average length of stay in hospital has remained stable the increase in hospital admissions has been accompanied by an increase in average cost per day and average cost per admission.”

“We have observed that the increase in claims is industry wide and has been mainly driven by in-hospital claims. We have conducted an extensive research into the reasons for the spike in claims and established several reasons for the increase in hospital admissions and associated claims.”

The research shows that this is a result of more hospital facilities and beds and relates to Roemer’s Law, a widely cited principle in healthcare policy, which states that hospital beds that are built tend to be used.

“This simple but powerful expression has been invoked internationally to justify certificate of need regulation of hospital beds in an effort to contain health care costs. Several studies have been conducted that prove the effects of Roemer’s Law, thus suggesting that variations in hospitalisation rates have origins in the availability of hospital beds. “

As the supply of hospital beds increases the use of hospital services also increases. Excess hospital beds lead to an over-utilisation of hospital services. Some 1,500 extra beds were planned in 2016 and six new hospitals have been built since June 2015.

Other factors include:

- Increasing burden of disease
- High increase in costs for beneficiaries with multiple chronic conditions
- Increasing costs aligned to increasing chronic conditions
- Overall chronic prevalence is increasing
- Increasing chronic-related admissions

- Lifestyle factors
- Mothers are having babies at older ages
- Anti-selection
- Fragmented care
- New technology and specialised drugs
- Fraud, waste and abuse

“We have therefore concluded that the industry is in the midst of a high claiming cycle which is often followed by a lower claiming cycle. This is a dynamic in insurance and medical schemes,” says Ramasia.

Fraud, wastage and abuse of benefits

The prevalence of healthcare fraud involving collusion between medical aid members and healthcare providers is increasing.

Estimates by the Healthcare Forensic Management Unit (HFMU) of the Board of Healthcare Funders of Southern Africa (BHF) find that at least 7% of all medical aid claims in South Africa are fraudulent and the figure could be as high as 15%. That adds between R192 and R410 per month to every principal member’s medical aid contributions.

“Fraud wastage and abuse of medical aid benefits is a serious challenge that hampers efforts to solve one of the biggest challenges facing our country – providing affordable, quality healthcare to all,” he explains.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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