

Medical aids can't bear the brunt of hospital increases

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Hospital admissions are one of the biggest cost drivers for any private medical scheme which is why the tariffs are under review and negotiated annually by Bonitas Medical Fund. If no agreement is reached, medical aid members will bear the brunt of high co-payments.



Lee Callakoppen, principal officer of Bonitas Medical Fund

According to Lee Callakoppen, principal officer of Bonitas Medical Fund, hospital admissions account for half of the scheme's annual claims cost. 'Last year due to the pandemic, hospital admissions and the utilisation of other medical aid benefits fell to record lows. However, the 2021 claims' experience has shown that a lot of services, particularly the day-to-day benefits and several hospital admission categories, are already close to 2019 levels.

Since the start of the pandemic, Bonitas has spent more than R2,7bn on Covid-19 related costs, of which R1,73bn pertain to 2021 year-to-date. More than 80% of these Covid-19 costs relate to hospitalisation. Non-Covid utilisation patterns are almost back to typical levels and, since June this year, overall claim ratios have returned to pre-Covid levels. Schemes are therefore not generating the same level of short-term surpluses in 2021 as was seen in 2020.

'We anticipate that during 2022, utilisation is going to go back to where it was in 2019 or even higher. Which is why it is critical that schemes, such as Bonitas and hospital groups, through an annual negotiation process agree fair and equitable tariff charges, to ensure the lowest possible increases in the interest of members. This will not only help keep costs down but also ensure quality and affordable healthcare for current and future members, while maintaining the sustainability of schemes. We must acknowledge that over the last three years concerted efforts have been made by hospital groups to support and keep tariffs low. However, there are still significant opportunities to drive healthcare cost down.

'We know that all sectors had been hard hit by the pandemic and the poor economic outlook in this country. Healthcare and medical schemes are no exception. However, we need to remain mindful that key to the survival of the private medical aid industry is its members. If hospital costs balloon above CPI, so will membership premiums, which will result in medical aid becoming unaffordable. We are appealing to all our service providers, including hospital groups, not to pass their costs on to schemes and, by extension, to members.

The pandemic saw healthcare facilities and healthcare providers intensify their efforts to ensure that South Africans received the appropriate care for Covid-19 as far as possible. And while their efforts have been lauded, consumers have had to contend with tough conditions as well.

Moving into 2022

There are major concerns about 2022 utilisation levels, notably due to the risk of an increased burden of disease due to gaps in care that may have arisen during the pandemic, which is no fault of any party. We anticipate an elective procedure claims catch-up after so many were cancelled in 2020 and 2021 during national lockdowns.

Other areas of concern include the unknown impact of long-haul Covid as well as new or more expensive Covid-19 treatment costs, including booster vaccines, which may emerge.

All stakeholders in the healthcare value chain need to be prudent in managing their costs of doing business. The intention of negotiated hospital tariffs is to reach an agreement that supports sustainability of the healthcare ecosystem and, ultimately, members. The issue comes when there is no agreement reached and members may have to pay in the difference between what the hospitals charge versus what the scheme is able to pay. We try to avoid such a situation so as not to have a negative member impact, but if parties are unreasonable in their demands, this situation may arise.'

To assist our members and reduce the effect of significant contribution increases for 2022, Bonitas used R600m of its reserves to keep increases as low as possible. Contribution increases were kept below 5% for both 2021 and 2022 despite underlying claims expenditure increasing by a significantly higher margin. Bonitas' medium-term objective is to sustain solvency levels above the statutory minimum of 25% and to make strategic decisions about current reserves in the interests of its members. This while facing significant uncertainty, especially in terms of the cost and prolonged impact of Covid-19, non-Covid-19 utilisation and roll-out of vaccines. All non-healthcare costs are capped below CPI for 2022.

However, if healthcare providers and hospital groups do not negotiate favourable tariffs for the year ahead, it results in higher increases in the long run, for all patients and unnecessary out of pocket costs.

The benefits of negotiations

Negotiations resulted in a 3.1% saving in 2021 terms – these savings could exceed R200 million in 2021 – while in 2020 strategic purchasing yielded hospital negotiation savings of R346 million. These savings contribute to a lower contribution increase.

The impact of failed negotiations

However, when the costs of doing business is passed on to schemes and, by extension, customers – or medical aid members – things become complicated, especially where tariff increases agreements cannot be reached.

In these instances, there are two possible scenarios:

- A scheme pays what it deems to be a reasonable rate and the hospital bills its rate. This means the member would be required to pay in the shortfall on the account unless the hospital decides to override the difference
- A scheme excludes the hospital from on its network and actively discourages a member from using this hospital. The member may need to pay a deductible or co-payment if they choose to be admitted at this facility unless the hospital decides to override the difference.

'Neither of these situations is a favourable outcome,' says Callakoppen. 'Which is why reaching a workable middle ground on hospital cost/tariffs is imperative.'

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