



RE: National Health Care (NHC)

demarcation application

The following is an extract from a notice send to NHC management by the Council of Medical Schemes.

NHC does not meet the relevant demarcation exemption criteria and needs to register as a medical scheme, to comply.

Rule:

1. The Demarcation Regulation Framework provides that exemption from doing the business of a medical scheme shall apply if all of the following eligibility criteria are met:

Answer from the CMS

1.1. The entity applying for exemption is a short term or long term insurer or a financial service provider registered with the Financial Services Board (FSB) and subject to regulatory oversight by the FSB:

1.1.1. The applicant submitted a letter of motivation via Guard Risk Insurance Company Limited who is a registered insurer at the FSB during December 2017. This was not submitted as at 31 March 2017 and will therefore be seen as a new product submission;

1.1.2. According to discussions – NHG is not a registered insurer nor a registered financial service provider and as such not regulated by the FSB – criteria not met;

Rule:

1.2. The products are insurance products and were subject to review by the FSB:

Answer by the CMS:

1.2.1. The insurance product is a new product and was not subject to regulatory oversight by the FSB;

Rule:

1.3. The products are doing the business of a medical scheme:

Answer by the CMS:

1.3.1. The product submitted with three options are doing the business of a medical scheme;

1.3.2. The business of undertaking liability for a premium or contribution – is met as there will be contributions per employee – based on the three options;

1.3.3. All the services as per the benefit brochure meets the definition of relevant health service.

Rule:

1.4. The products were in existence as at 31 March 2017 and with an active membership base as at 31 March 2017;

Answer by the CMS:

1.4.1. The product was not in existence as at 31 March 2017– criteria not met;

1.4.2. There were no active members as at 31 March 2017 – criteria not met;

Rule:

1.5. Entities had to apply for exemption in terms of section 8(h) of the Medical Schemes Act 131 of 1998 from doing the business of a medical scheme. Phase 1 exemption submission was due on 31 March 2017 and subsequent detailed submission of Phase 2 was due 30 days after notifications were received by the CMS:

Answer by the CMS

1.5.1. Stage 1 and 2 exemption applications were not submitted within the prescribed timeframes - criteria not met.

Rule:

1.6. In terms of section 8(h) the exceptional circumstances for which exemption was applied for, was for the protection of existing policyholders of demarcation products doing the business of a medical scheme.

Answer by the CMS:

1.6.1. This is a new product and as such there are no members on this product – the exceptional criteria requirements are not met.

2. The following was communicated to NHC/NHG:

2.1. There were no existing members as at 1 April 2017;

2.2. The products are new products and have not been launched;

2.3. The product meets the requirements of doing the business of a medical scheme but has not been registered as an insurance product and should therefore register as a medical scheme;

2.4. Therefore the “Mediclub” product does not meet the necessary eligibility requirements for the application for demarcation exemption;

2.5. Even though a “letter of motivation” was submitted – it is for the entering of a new product to the market, as the Demarcation exemption framework aims to only protect current members on existing policies.

4. CMS Conclusion and way forward:

4.1. No products should be launched to the public and or employer groups;

4.2. No contributions should be collected;

4.3. As indicated NHG "Mediclub" did not meet eligibility criteria

4.4. Ideally you have to submit an application to register as a medical scheme in terms of Section 22 of the Medical Schemes Act.

4.5. The company that will provide administration services for "Mediclub" should apply for accreditation in terms of Regulation 17 of the Medical Schemes Act;

4.6. The company that will provide managed care services should apply for accreditation in terms of Regulation 15B;

Reference : Extracted from Link: <http://www.medicalschemes.com/Content.aspx?133>

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