

SANLAM
BENCHMARK 2024

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A BETTER WORKING
SOUTH AFRICA





Access to private healthcare: **cost vs income**



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Private vs Public Healthcare Utilisation: Could Cost of Medical Scheme be the Driver?



	Public sector	Private sector
Number of lives	52m	9m
%age of population	85%	15%
Funding source	Taxes allocated to Health Budget	Medical Scheme contributions (excl Tax cr)
Amount	R259bn (2022/2023)	R232bn (2022/2023)
Per capita	R4 980	R25 777

It should be noted that this expenditure excludes out of pocket spend in both Public and Private sector

- ⦿ While the public healthcare system offers lower or free access, **quality and accessibility** can vary greatly.
- ⦿ Private healthcare is perceived to be faster and more reliable, but this comes at a price premium driven by various factors (PMB, anti-selection, underwriting, over-servicing, stagnant membership, voluntary participation, etc.)
 - ⦿ Medical Schemes offer options that range from entry-level hospital plans to comprehensive cover. Is choice well-informed?
 - ⦿ **In one employer case study, 10% of employees were on incorrect plans – under/overinsured.
- ⦿ Tax credits brings partial financial burden relief – is it well understood?
 - ⦿ Medical scheme tax credits apply if earning above the tax threshold
 - ⦿ *A family of 4 qualify for R1220 in tax credits pm = R14 640 pa

We often overlook this benefit as it's not hard cash in our wallets

*Taxpayer R364, First dependent R364, every subsequent dependent R246

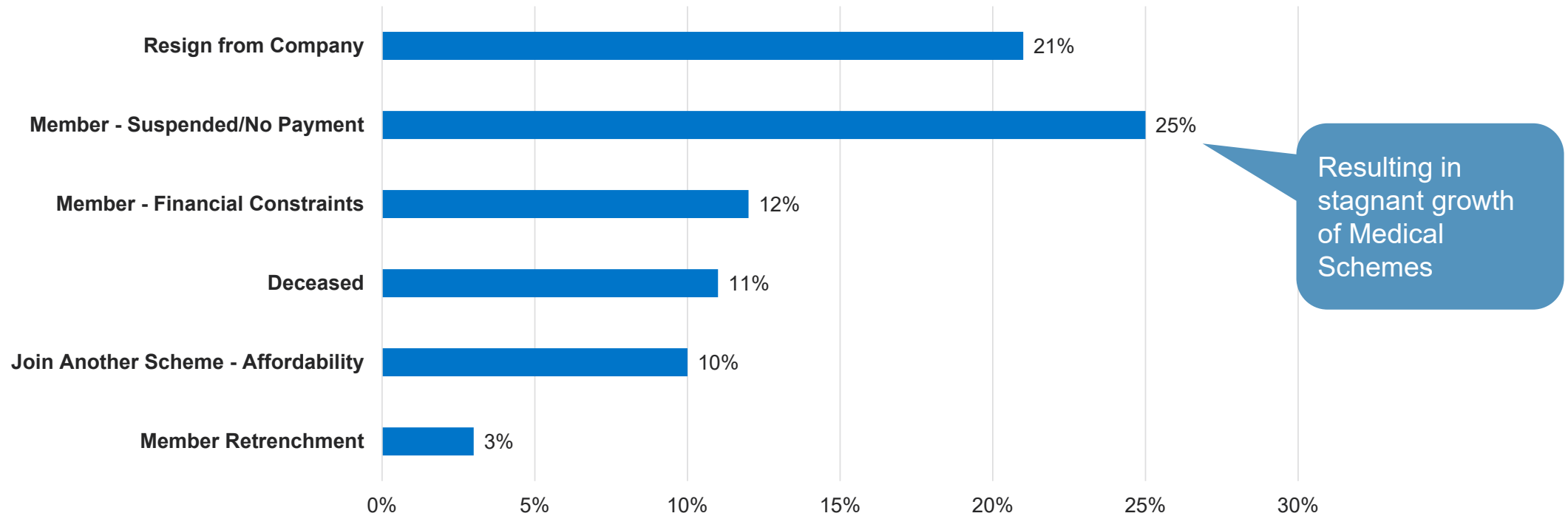
T Simeka health 2023



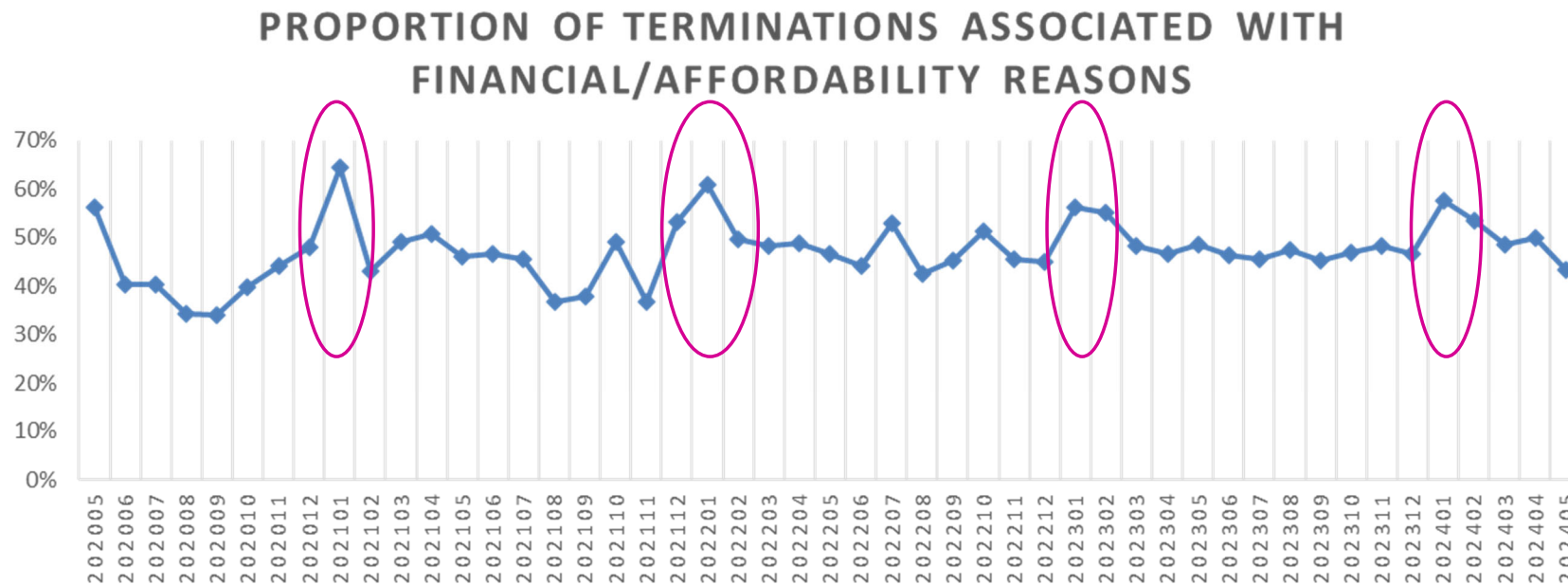


Monthly Termination drivers

Account for 82% of the Total Terminations



Affordability is the largest single driver of terminations



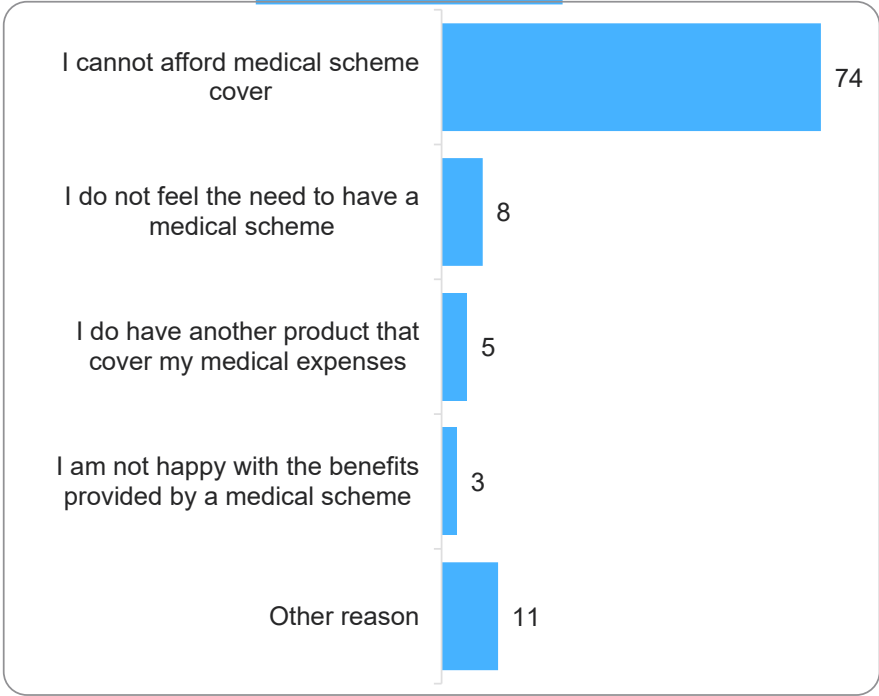
- ⊗ Contributes to **47% of monthly terminations.**
- ⊗ Retrenchment & affordability account for 50% of terminations
- ⊗ Although this impact has been sporadic during the Covid-19 period, it has since stabilised



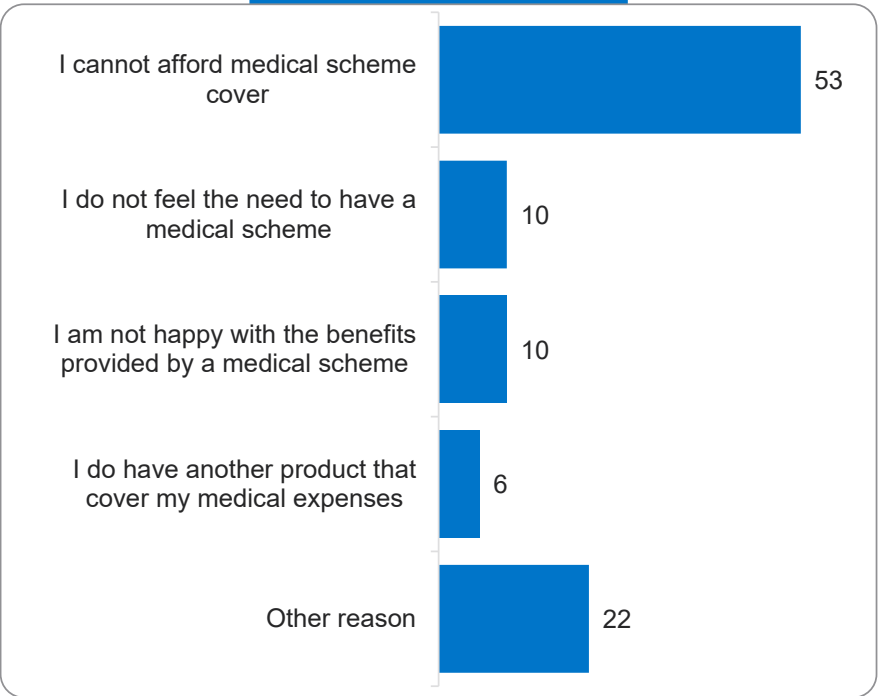
Affordability is one of main reasons for **opting out of Medical**



Workforce



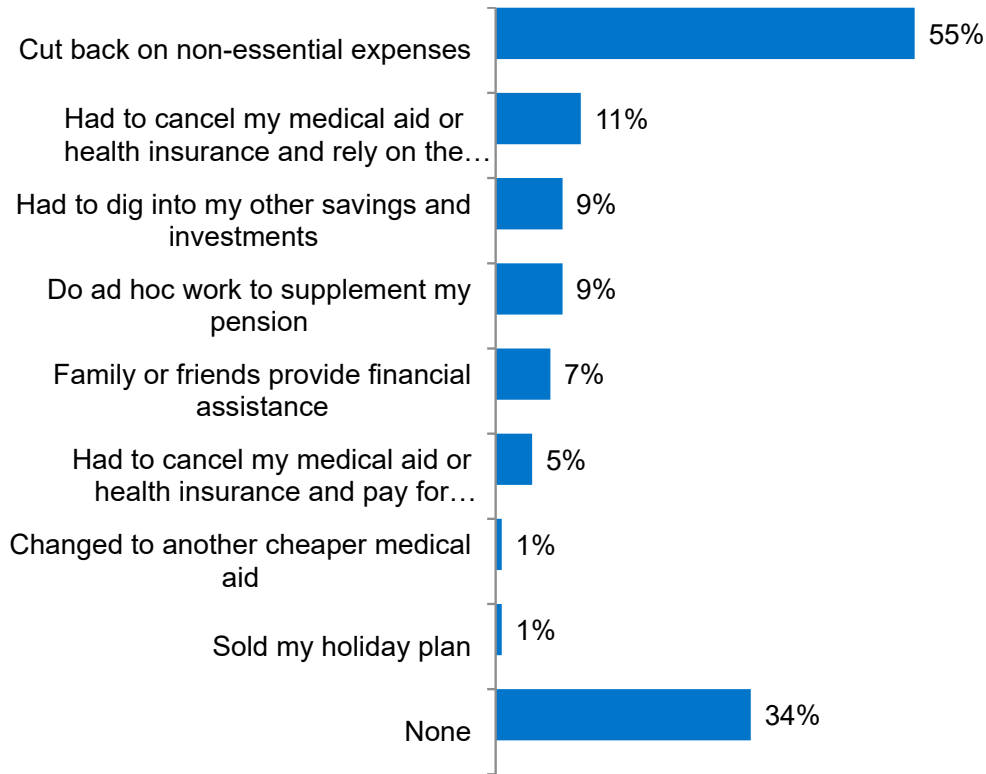
Business owners



Adjustments made by retirees to cope financially



Medical aid and primary health insurance come 2nd after eating out.

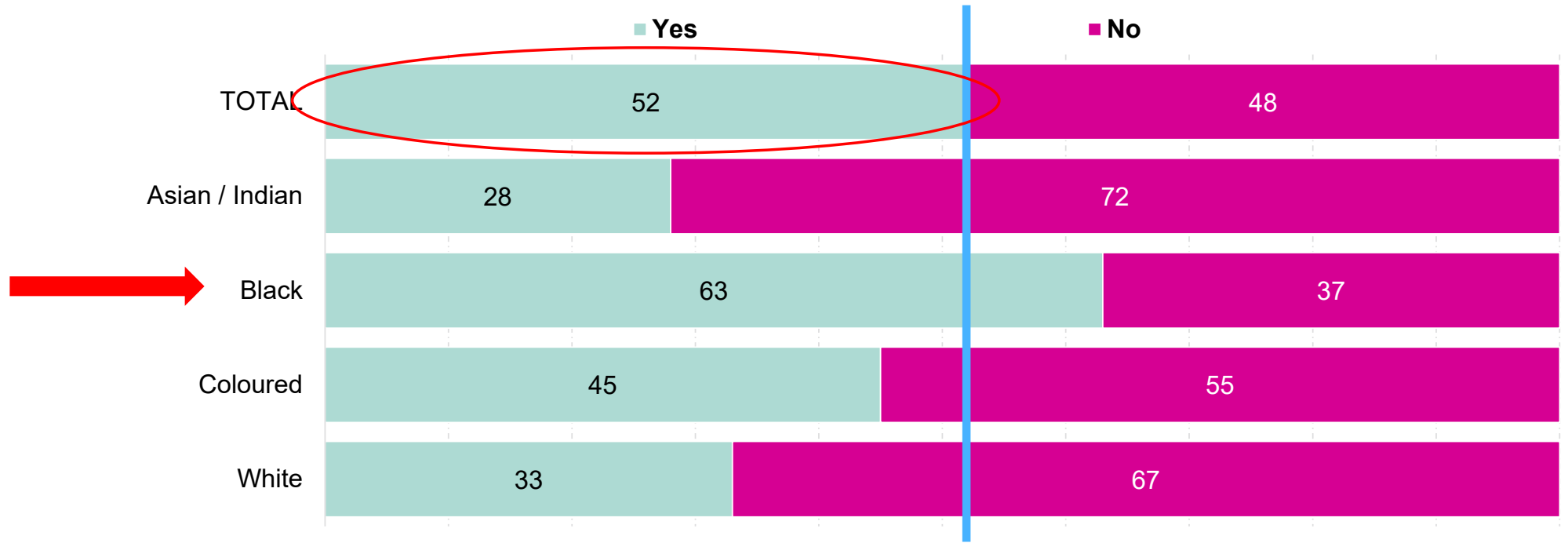


55% of retirees had to cut back on non-essentials to cope		%
Restaurants / eating out		55%
Medical aid and/or health insurance		43%
Groceries (food and household items)		43%
Travel / transport / petrol		41%
Credit cards / store cards		33%
Hobbies / sports / leisure activities / entertainment		33%
Internet / streaming subscriptions		16%
Household maintenance and repairs		16%
Telephone / cell phone		14%
Out of pocket healthcare expenses not covered under medical aid or health insurance		13%
Mortgage bond repayments / rent		10%
Gap cover insurance		7%
Everyday necessities		1%

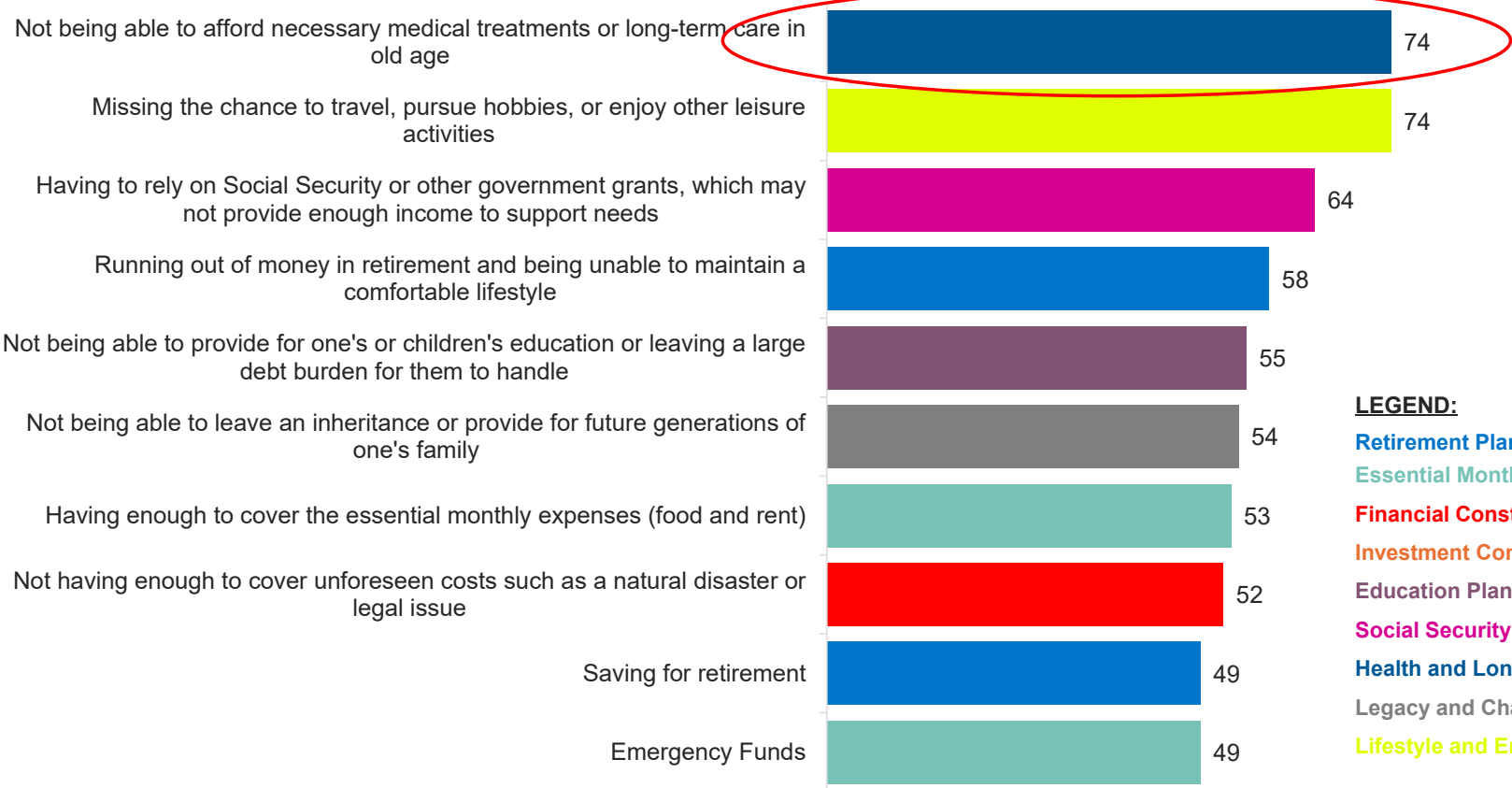
Financial dependents outside of household



The financial burden is further exacerbated by a need to financially support extended family members outside of your household on a regular monthly basis



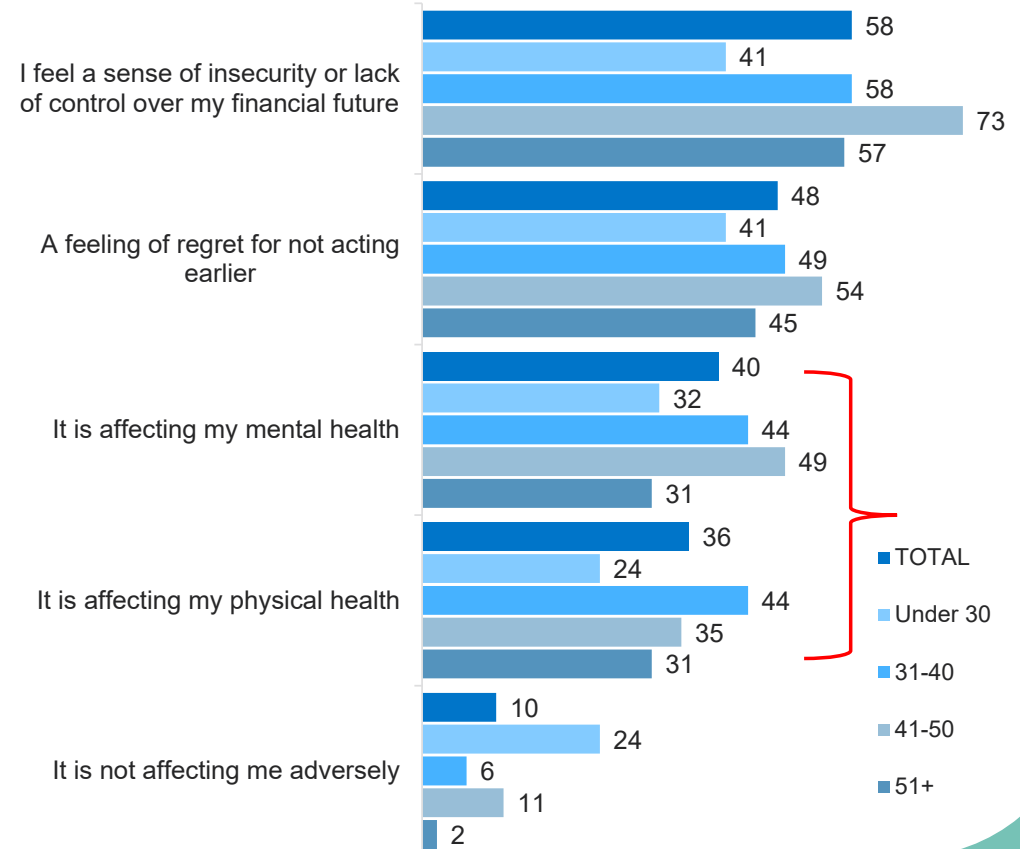
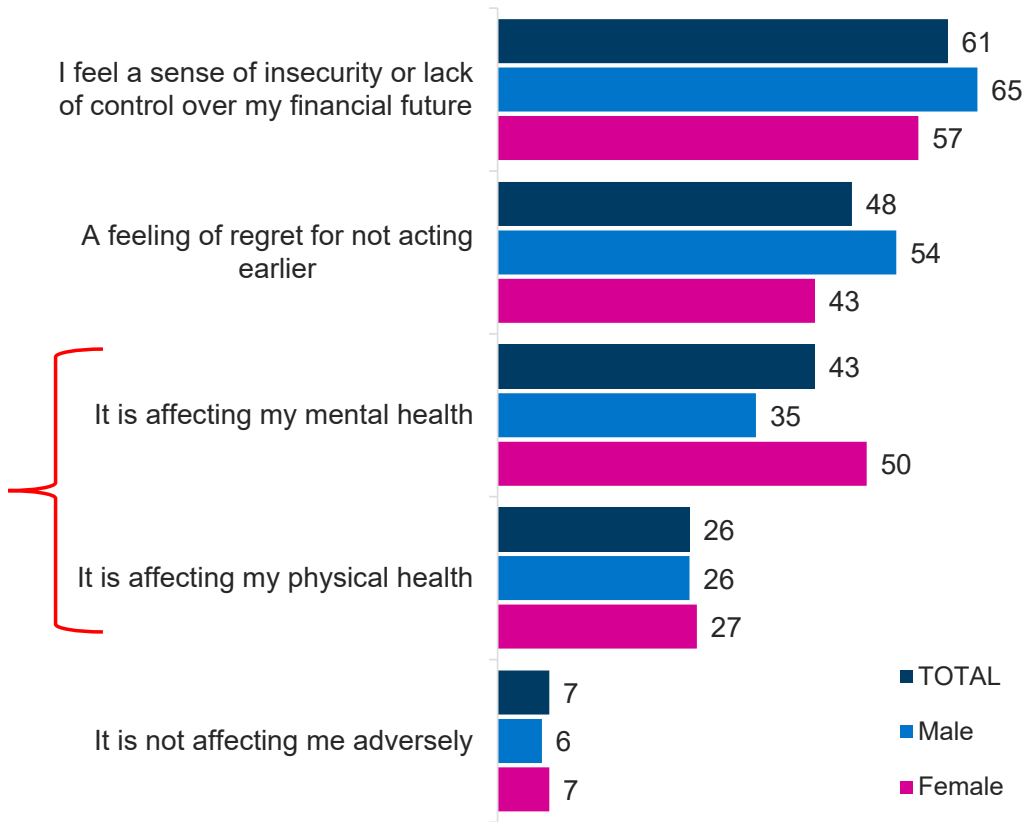
Lack of access to quality care is top of mind



This is the most worrying concern

- LEGEND:**
- Retirement Planning
 - Essential Monthly Expenses
 - Financial Constraints and Lifestyle Changes
 - Investment Concerns
 - Education Planning
 - Social Security and Government Grants
 - Health and Long-term Care
 - Legacy and Charitable Giving
 - Lifestyle and Enjoyment

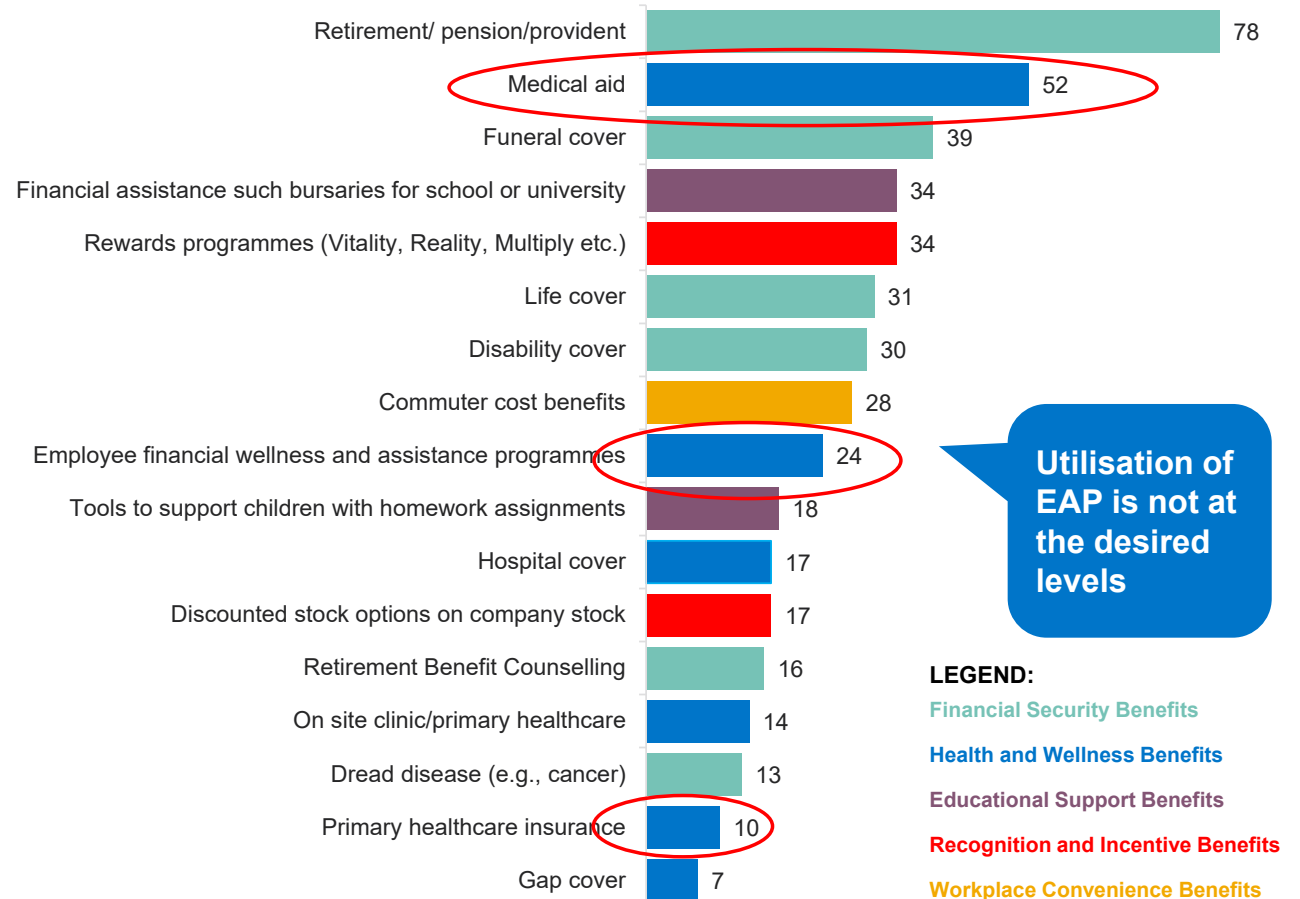
Impacts of financial stress drives mental and physical ill-health



Benefits provided by employer

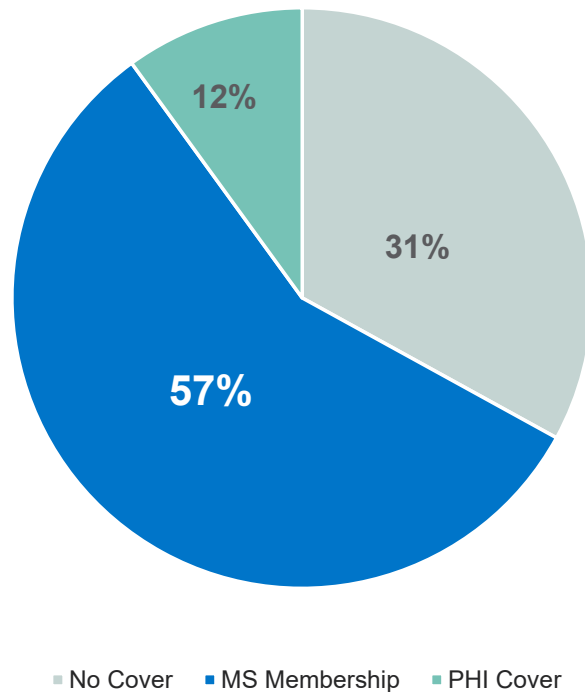


- Medical Aid is a condition of employment
- However, the shift by employers from compulsory to voluntary negates the take-up
- On average, participation in Employee Assistance Programs remains in the 20% range
- Primary Health Insurance becoming a popular solution for low-income earners



Current reality

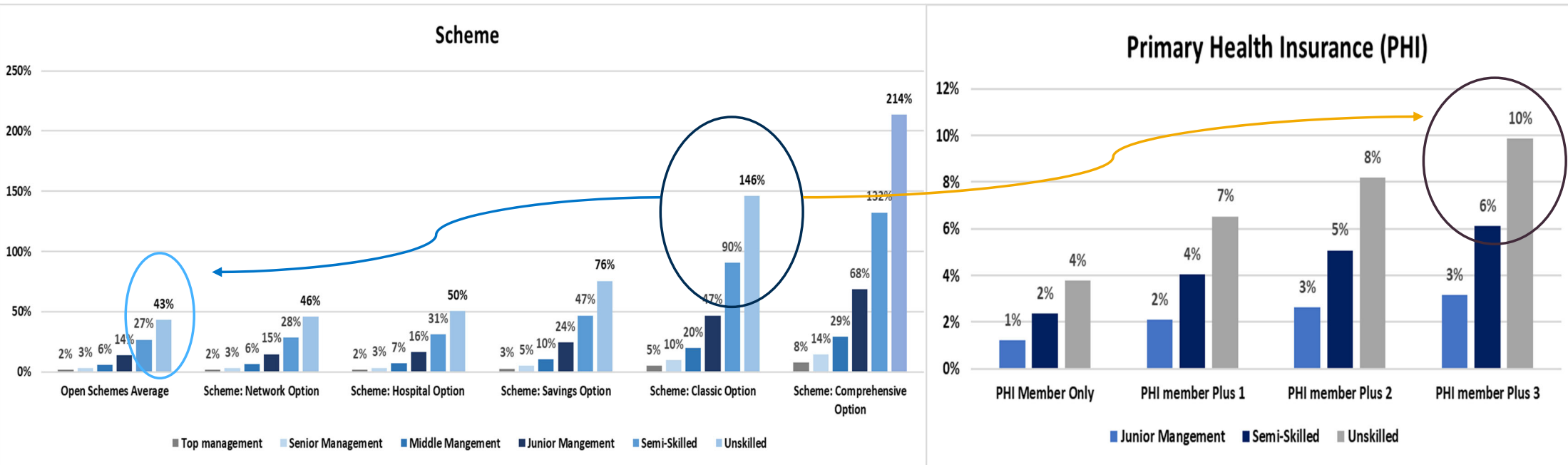
Simeka Health Employer Book



No Cover = could be on spouse cover

- ⦿ While medical scheme can be seen as unaffordable, the **cost is influenced by various factors** including the type of plan, coverage/benefit level, and individual health status
- ⦿ Many people choose private medical aid due to the advantages it offers over the public healthcare system
- ⦿ Medical scheme industry has been advocating for Low-Cost Benefit Options (LCBO) for some time, CMS is working on developing a legal framework since 2016. The CMS submitted its report on affordable medical scheme options to the then Minister of Health Dr Joe Phaahla in Nov. 2023
- ⦿ In the interim, CMS granted some insurers an exemption allowing them to sell health insurance products, and is renewed annually
 - ⦿ **This provides an affordable alternatives** for the many **uncovered lives, instead of having no cover at all,**
 - ⦿ **Primary health insurance:** Whilst these plans are generally more affordable, they offer limited coverage compared to comprehensive medical scheme cover and **mainly designed for low-income earners**

Affordability affects employees on the lower-end of the salary scale

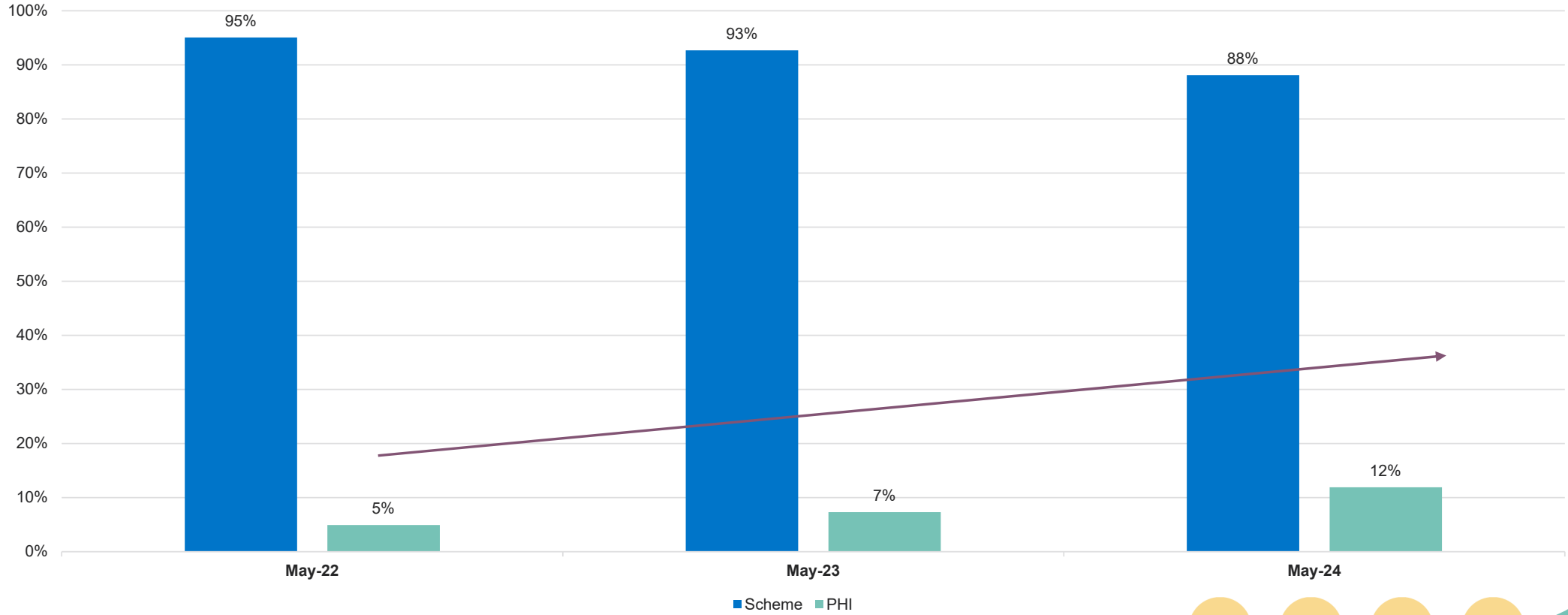


Scenario using an average Medical Scheme option vs Primary Health Insurance shows the affordability reality for employees on the lower end of the salary scale.

Simeka Health - the emerging shift from Medical Scheme to Primary Health Insurance

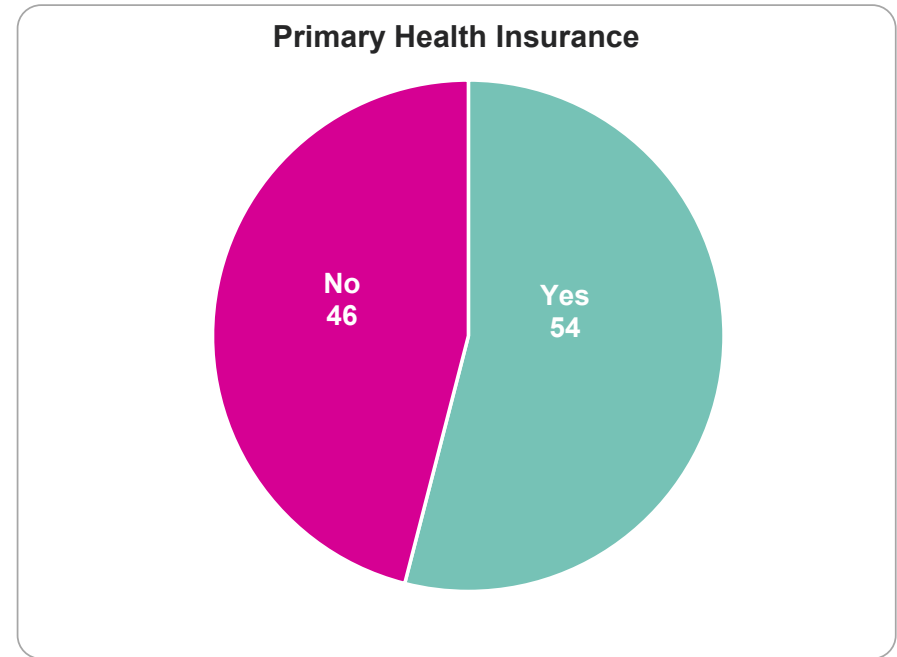
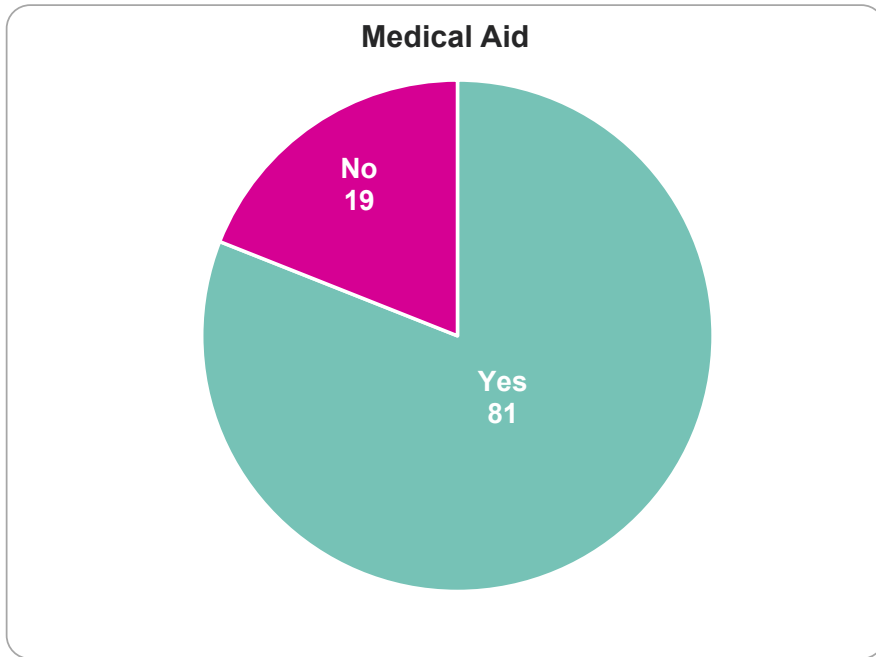


Scheme & PHI Members





Medical Aid & Health Insurance ownership



While Medical Scheme participation is high, trends show that employers are slowly starting to consider PHI for their uncovered and low-income employees

Based on Simeka Health's recent engagements with clients, it can be concluded that affordability is the main influencer of this trend, combined with opening up of access to quality care for uncovered employees

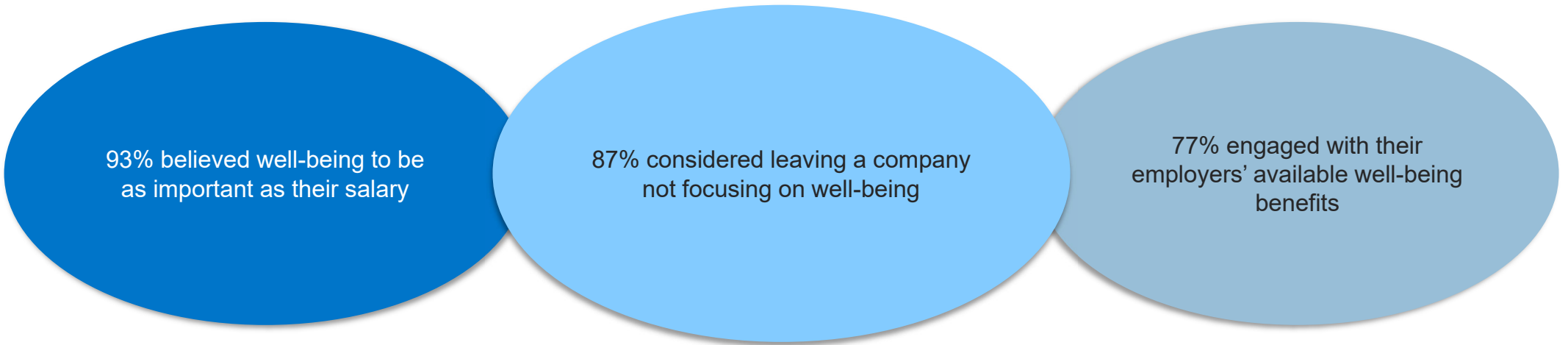
Difference between MS and PHI



	Medical scheme	Primary Health Insurance
Governed by	Medical Scheme Act / CMS	Short / Long Term insurance Act / Demarcation regulations / FSCA / CMS
Benefits	Includes PMB protection such as hospital and chronic benefits	Mainly day-to-day benefits. No PMB protection – benefits as defined in the product (Only accidental hospital benefits)
Contract period	Typically benefits change every year but contract is ongoing	Typically benefits change every year but insurers can cancel contract
Employer tax	The company can deduct any subsidy as an expense	The company can deduct any subsidy as an expense
Member tax	Medical scheme tax credits apply if earning above tax threshold Taxpayer R364, First dependent R364, Every subsequent dependent R246	No tax benefit
Payment	According to tariff – paid to provider	According to agreed contract - paid to provider / member
Underwriting	Yes, if not part of group	Yes, if not part of group
Contribution basis	Community rating	Risk-rated
Special Dependents	Subject to full underwriting	Not covered

Underwriting to rejoin Medical Scheme

Employers play a huge role and **have a responsibility**



Based on a 2024 Work-Life Wellness survey of >5000 employees



The industry provides affordable, tailor-made healthcare solutions for individuals and businesses of all sizes. For example, Sanlam Umbrella Fund provides an integrated healthcare solution for their participating employer groups in enhancing the convergence of healthcare and wealthcare.



Sanlam Gap

- ⊗ Various Retail products
- ⊗ Various Corporate products



Sanlam Primary Health Insurance

- ⊗ Various Retail products
- ⊗ Various Corporate products



Sanlam Staff Care

- ⊗ Staff Care
- ⊗ Virtual Doctor
- ⊗ Virtual Psychologist



Sanlam Wellness

- ⊗ Wellness Assessments
- ⊗ Corporate Nurse
- ⊗ Executive Wellness
- ⊗ Employee Assistance Programme
- ⊗ Lifestyle Programme



Sanlam Occupational Health

- ⊗ Occupational Health Services
- ⊗ Incapacity / Absenteeism Management
- ⊗ COIDA Management
- ⊗ Emergency Medical Services



Sanlam Clinics

- ⊗ Occupational Health Clinics
- ⊗ Primary Health Clinics
- ⊗ Wellness Clinics

If a consumer does not use the services of a broker to assist with their healthcare solutions, they may end up choosing the incorrect option, resulting in being over/underinsured



What is in it for me, **the employer?**



- ⌘ Limit negative impact on **employee morale** and improve the company's overall **productivity**
- ⌘ **Higher retention rates for employers**
- ⌘ Early access to treatment **reduces time off work**
- ⌘ Mitigate **increasing pressure on remaining employees** to compensate and fill the gaps of absent employees
- ⌘ Provision of healthcare benefits demonstrates an **investment into employee mental and physical wellness**, which will in turn encourage employee's **loyalty** and **commitment** to making the business thrive.

⌘ **Solution:** Healthcare employee benefits → employee well-being → employee productivity

