

# PRICES ARE RISING

## But how do medical schemes determine their increases?

We are all feeling the effects of cost-of-living increases.

According to the Consumer Price Index report published by Statistics South Africa in June, food inflation is up by 9%, electricity and other household fuels by 14.5%, and petrol by a massive 45.3%

Unfortunately, your medical scheme premiums are no exception to the pinch we are all feeling in our wallets and purses.

As discussed in our Health-Connect 5/2022, in a medical scheme, members pay a monthly premium into a 'pot' which is used to cover medical claims submitted by members. This means that financial resources are only sourced from member contributions and investment returns. Any surplus funds are transferred, in accordance with regulations, to serve as a safety net for the security and benefit of members. If more claims are experienced, this surplus will be depleted, and premiums could go up.

Once a year, all medical schemes can change the structure of their benefit options, and increase the amount of your monthly contributions, so that they can continue providing the best possible service to you.

Traditionally, this review takes effect on **1 January each year**. But recently, due to the Covid-19 pandemic, a number of schemes postponed their review date in order to assist members during the current financial hardship.

However, as things slowly start returning to normal, most schemes are expected to announce increases to their options effective 1 January, as per before the Covid-19 pandemic.

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## How are increases calculated?

It's important to remember that your medical scheme is not making a profit. Medical schemes need to consider a number of factors when deciding on what their premium increase will be:



Legislative changes.



Performance of investments.



The availability of certain new procedures /treatments.



Whether there is a surplus.



Inflationary increase, which affect the cost of medical services and products.

## What you need to do:

We all need to rethink, review, adapt, and evolve as our daily lives and the obstacles we face change.

- Use the opportunity you are given to review your option every year, in consultation with your healthcare consultant.
- Take some time to consider the increase in your premiums, and whether you can still afford the monthly payment.
- Assess your changing healthcare needs, and whether your current level of cover is still in line with your needs.
- Submit an option change if you think that this is the right step for you to take.

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