BIZCOMMUNITY

Medical funds and administration schemes

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People who are on private medical aids are often unclear as to the difference between the administrator of the scheme and the medical aid scheme, and what the roles and responsibilities are. Gerhard van Emmenis, acting principal officer of Bonitas Medical Fund gives the lowdown on both entities and their role in delivering medical aid to members.

The essential difference between the two is that medical schemes are *not-for-profit* and owned by the members of the scheme. In turn the scheme appoints a Board of Trustees to manage the affairs of the scheme to ensure that they are in the member's best interests.

Medical scheme administrators are separate entities to the actual medical scheme and operate on a *for-profit* basis. The medical scheme may go out to tender for an administrator but an existing contract with the administrator may also exist for a certain number of years. This means the relationship is not necessarily of one agency, which in turn means a scheme can take legal action against its own administrator. It also means failure of the administrator can mean failure of the scheme.

Both the administrator and the scheme are governed strictly by the Council for Medical Schemes (CMS). Unlike medical schemes, administrators do not need to prove a level of solvency but are required to be 'financially sound,' as determined by Regulation 17(2) (f) (iii). The CMS reviews the fiscal health of the administrator annually and gives accreditation. Although the scheme and administrator are separate entities, the administrators are still under the auspices of the Board of Trustees as this forms part of the contracts set up between the Board of Trustees and the administrator of the scheme. These contracts include detailed services and service level agreements that need to be adhered to.

Functions of the administrator:

- Running information systems and databases
- Employing skilled personnel
- Paying the claims of beneficiaries on behalf of the scheme
- Collecting contributions to the scheme from its members
- Operating the scheme's banking accounts
- Conducting marketing activities on behalf of the scheme
- Dealing with member and other queries regarding the scheme
- Liaising with providers of the health services who service beneficiaries of the scheme
- Negotiates rates with providers on behalf on the medical scheme

Functions of the medical scheme:

- The medical scheme is run by a Board of Trustees who are appointed, elected and remunerated according to the scheme rules.
- Decides on restrictions and benefits, all of which have to be approved by the CMS before they can be affected
- Prescribed Minimum Benefits are determined by the schemes rules which are defined by both the administrator and the scheme
- Determines the annual increases in premiums, in line with a thorough investigation by the actuaries

The Medical Scheme Act clearly states that there should not be any conflict of interest between medical schemes and administrators, for example a staff member of the administrator is not allowed to be on the Board of Trustees of the medical

scheme.

Note: Bonitas Medical Fund is administered by Medscheme.

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