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Broker Fees and Medical Schemes Membership, South Africa

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Broker Fees and Membership-Trend

Medical scheme membership is used as a proxy for assessing medical scheme performance in terms of enrollees into the schemes. Increasing membership is primarily driven by new enrollees, which potentially implies a higher contribution income for the scheme and thus a possible increase in the bottom line of the scheme. Membership in medical schemes has been stagnating in the region of eight million for the past decade [1]. Non-health care costs which include broker fees marketing and distribution costs have been increasing and outstripping membership growth in the sector, as depicted in Figure 1 below.

Broker fees are largely seen in open schemes that freely admit beneficiaries and they account for approximately fourteen percent (14%) of non-healthcare costs. In many instances, the increase in marketing costs is not correlated to growth in membership. Studies have shown that poor marketing strategies lead to poor organizational performance. Rodriguez, Peterson and Vijaykumar [2] noted that most companies have failed to record an increase in their sales revenue, due to poor marketing strategies.

Figure 2 below depicts medical scheme broker fees as a percentage of non-relevant health care expenditure; being as high as fifty percent (50%), which is significant and is not correlated to membership growth over time. Though only five of the fifty-eight (58) employer-based schemes are attracting broker fees, it is still

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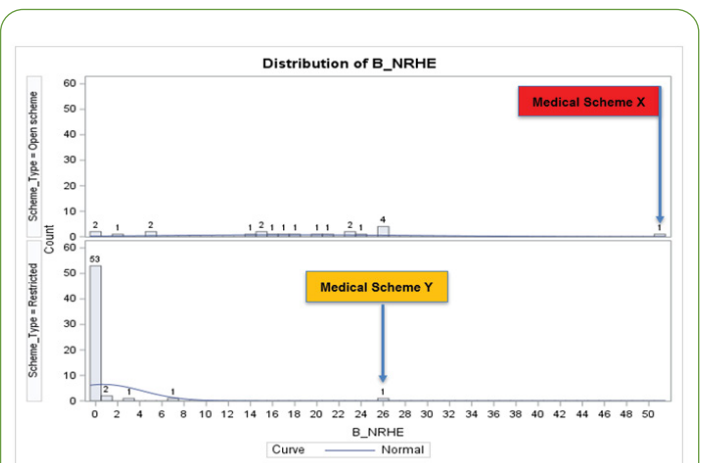


Figure 2 Broker Fees-2018.
Source: Generated by the author.

a concerning phenomenon that these employer-based types of medical schemes also attract broker fees which in some instances can be as high as twenty-six percent (26%). Employer-based types of medical schemes should not be attracting broker fees.

Capping of broker fees as per section-Section 65 of the Medical Schemes Act

In 2018, the Minister of Health announced an increase in the maximum amount payable to brokers by medical schemes in respect of broker clients who are members of medical schemes, in terms of Section 65 of the Medical Schemes Act. The amount was increased to rupees 90.00 per member per month, with effect

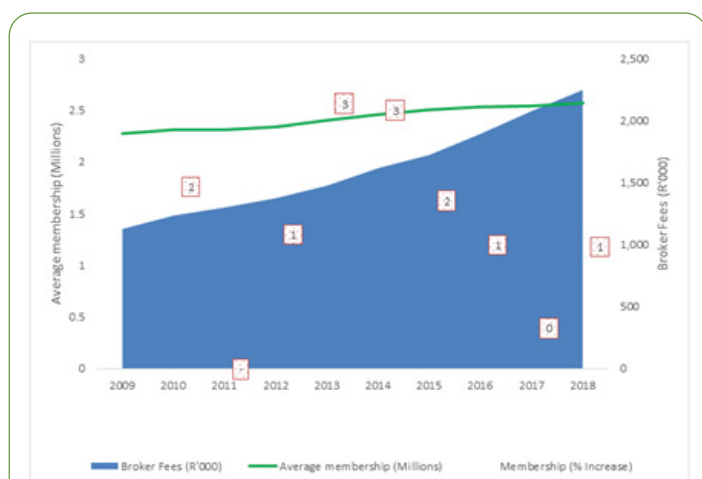


Figure 1 Broker Fees versus Average Membership 2009-2018.
Source: CMS 2018.