**Innovation can help counter the rising costs of medical aid in South Africa**

Kevin Aron, Principal Officer at Medshield Medical Scheme

**JOHANNESBURG - As South Africa braced itself for yet another round of medical aid contribution increases, it is clear that the healthcare landscape is undergoing significant and challenging shifts. The situation's complexity requires a nuanced understanding of the interplay between regulatory frameworks, economic pressures, healthcare provider costs and the to-be-implemented NHI, which was signed into law on 15 May 2024.**

At Medshield Medical Scheme, we have navigated these turbulent waters with prudence and strategic foresight, but the road ahead demands innovative solutions and urgent policy reforms.

**A year of resilience amid economic hardship**

In recent years, medical scheme contribution rates in South Africa have consistently exceeded consumer inflation, creating significant affordability and industry sustainability challenges. According to the [Council for Medical Schemes](https://www.medicalschemes.co.za/latest-publication/circular-35-of-2024-guidance-on-contribution-increases-and-benefits-changes-for-2025/#:~:text=Circular-,Circular%2035%20of%202024%3A%20Guidance%20on%20contribution%20increases%20and%20benefits,for%20the%202025%20benefit%20year.) (CMS) 2022 Industry Report, the average industry contribution increase rate for the 2023 benefit year was 6.8%, surpassing the average Consumer Price Index (CPI) of 6.1% by 0.7%. This reversion to pre-pandemic trends, where contribution increases routinely outpaced inflation, raises concerns about the long-term viability of the medical schemes industry, particularly for financially strained consumers. One of the biggest challenges that medical schemes face is attracting young adults just entering into the formal job market. Given that the existence of a medical scheme is based on the principle of cross-subsidisation, the reality is that an ageing population in a medical scheme will result in high healthcare costs, which in turn requires a higher than CPI contribution increase. Regulatory reform is required – medical schemes need to be able to offer low-cost benefit options which can compete with the proliferation of health insurance products out in the market currently.

Reflecting on our performance in 2023, Medshield maintained a robust solvency ratio of 64.4% despite the economic challenges that plagued many sectors. This stability, however, is a testament to good governance, strong risk management strategies and our conservative and responsible management approach. We resisted the temptation to impose steep contribution increases, rather utilising some of our reserves in order to ease the financial strain on our membership which, in 2023, was experiencing severe financial challenges from loadshedding, rising inflation and low employment growth.

While this approach had a positive impact on our members, it is not a sustainable long-term strategy. Medical schemes cannot continually underprice their products without eventually compromising their financial health. This delicate balance highlights a critical issue: the need for a more supportive regulatory environment that allows for flexibility and innovation, especially in pricing and benefit structuring.

**Numerous challenges faced by medical schemes**

One of our most pressing challenges is the lack of approval for low-cost benefit options (LCBOs), which are crucial for attracting young and healthy first-time entrants into the formal employment market. However, the regulatory framework continues over many years to remain rigid, stifling innovation and preventing schemes from offering affordable alternatives. It cannot be explained that health insurers are allowed to offer low-cost health insurance products, without the constraints of PMB regulation as well as solvency requirements, whilst medical schemes are continually denied this opportunity. The low-cost health insurance market, dominated by young and healthy people is thriving, whilst medical schemes are struggling to attract this market due to the regulatory constraints. One can only speculate on why medical schemes have not been given approval to launch low-cost benefit options and one can only suspect that this may be influenced by the government's focus on implementing the NHI. While the goal of universal healthcare is commendable and should be supported by all stakeholders, the approach must be pragmatic and inclusive. The current trajectory could jeopardise the stability of medical schemes and the quality of healthcare they provide. The introduction of LCBOs, for instance, would give a much-needed gateway for younger and healthier members to be part of a medical scheme and have access to a range of healthcare benefits, and would balance the risk pool and reduce overall costs.

Beyond the challenge of attracting new and younger members, existing members are increasingly struggling with affordability. Economic pressures force many to downgrade to cheaper options not designed for their healthcare needs. This misalignment leads to higher claims costs and necessitates further contribution increases, creating a vicious cycle that threatens the viability of these options. At Medshield, we design benefit options based on life stages under the banner *Partner for Life*. While we aim to provide appropriate cover as members' needs evolve, older members are often compelled to opt for low-cost plans due to financial constraints. Therefore, the cross-subsidisation model is disrupted, resulting in higher claims and economic strain on these options. There is sufficient evidence to support the conclusion that as people age, their healthcare deteriorates, leading to higher claims costs. These higher claims costs need to be balanced by a young population that has a healthier health profile, with a lower claims ratio profile.

Moreover, the industry also deals with regulatory changes affecting prescribed minimum benefits (PMBs). The PMB legislation and the challenges of PMBs have not been addressed by the Regulator for years. A recent case highlighted in the ombudsman's report involved a claim rejection for a cardio-related procedure because it is a PMB, which the gap policy no longer covers following an amendment. This regulatory shift mandates that medical aids fully cover the costs of PMBs, excluding them from gap insurance cover. The [ombudsman](https://iono.fm/e/1466911) emphasises the importance of consumers staying informed about their policies and any changes, as insurers must communicate these amendments. However, the responsibility also lies with the consumers to thoroughly understand their policies, including the terms, conditions, and exclusions. Regulation 8 which requires medical schemes to pay PMBs in full, irrespective of the amount charged by the treating practitioner has seen practitioners capitalising on this opportunity and charging excessive rates, often in excess of 700% of medical scheme tariff.

We highlighted a stark example of the value of medical aid during our AGM, where we reviewed the highest cost case for 2023 – a claim amounting to R9.2 million for a middle-aged woman who developed severe complications following a routine spinal fusion. Without medical aid, such catastrophic events would financially devastate most South Africans. It underscores the indispensable role that medical schemes play in safeguarding against unforeseen medical expenses. In fact there has not been enough publicity by medical schemes that their fundamental role is not to pay day-to-day healthcare costs, such as GP consultations. A medical scheme is there for you when you need it most, when you are in hospital with a catastrophic condition that will cost hundreds of thousands of Rands, if not millions. A medical scheme will cover you in full, whereas there are no health insurance products that will cover you in full for major conditions, trauma events and other situations where the hospital and specialist bill can accumulate to a significant amount of money. Another example is a case where Medshield covered in full the cost of a heart and lung transplant for a patient, amounting to over R 4.5 million. This is where the real value of a medical scheme lies.

**Embracing pragmatism and innovation**

In response to these challenges, Medshield proactively explores various initiatives to enhance sustainability and affordability. We are introducing specialist networks across 15 disciplines in 2025 and optimising our existing hospital networks to reduce costs and improve the level of care. Hospital expenses account for nearly 50% of medical scheme costs, and by negotiating better rates and ensuring better quality care, we aim to pass on savings to our members. Additionally, we are expanding our disease management programmes and refining our network of general practitioners (GPs) to ensure high-quality, cost-effective care. With our strict underwriting practices and targeted marketing efforts, these measures have helped us attract younger members, lowering our Medshield's average age and risk profile.

The increases in medical aid costs highlights the urgent need for a more pragmatic approach to healthcare policy. The new government of national unity offers a glimmer of hope for more balanced discussions and policies. All stakeholders must ask tough questions and demand realistic solutions. Can South Africa afford the NHI in its proposed form? How can we ensure that a tax base, which is already under strain, can support the additional burden? These are not just political questions but fundamental concerns that affect the lives of millions of South Africans. In addition, there needs to be acknowledgement that the public healthcare sector, especially tertiary hospitals are largely broken and need to be fixed before an NHI can be implemented. A task team, ideally consisting of a public/private partnership, should be formed with the objective of addressing the severe weaknesses and problems in most public hospitals.

The road ahead for South Africa's healthcare system is fraught with challenges, but it also presents opportunities for meaningful reform. As we navigate these complexities, policymakers, medical schemes, and the broader public must engage in constructive dialogue and collaborative action. The goal should not merely be to implement the NHI but to create a healthcare environment that is inclusive, sustainable, and responsive to the needs of all South Africans. By embracing pragmatism, fostering innovation, and prioritising affordability, we can ensure that medical schemes continue to play a vital role in our healthcare system, providing essential coverage and peace of mind to millions.

Medshield remains committed to its members, striving to offer high-quality healthcare options that are both affordable and sustainable. As we look to the future, we call on all stakeholders to join us in advocating for a regulatory framework that supports innovation and meets the diverse needs of our society. Together, we can build a healthier and more equitable South Africa.

**FIN**

(1599 words)

**EDITORS NOTES**

**FURTHER MEDIA INFORMATION AND INTERVIEW REQUESTS**

* Stone issues this release on behalf of the Medshield Medical Scheme.
* For media enquiries or interview requests, please contact Willem Eksteen, CEO of Stone or a media liaison member of the Stone team at media@stone.consulting / 011 447 0168
* Alternatively, contact Lilané Swanepoel at Medshield at 010 597 4982 / lilanes@medshield.co.za

**ABOUT KEVIN ARON, PRINCIPAL OFFICER OF MEDSHIELD MEDICAL SCHEME**

A qualified Chartered Accountant, Aron has a wealth of healthcare industry knowledge and is well-known in the industry. He started his career at South African Druggists, where he spent many years working in various financial and management roles within the Group, including stints at Mediscor and Medical Services Organisation, where he was Chief Operating Officer.

After completing his MBA, Aron joined Medscheme in 2001, where he had a long and successful career, culminating in his appointment as Chief Executive Officer in 2014. Before joining Medshield, Aron consulted for various institutions in the healthcare industry, focusing on value-based healthcare delivery systems.

**MORE INFORMATION ON THE 2025 MEDSHIELD BENEFIT OPTIONS AND CONTRIBUTIONS**

Benefits and Contribution amendments are subject to CMS approval.

Please refer to the 2025 Product Page on the Medshield website at <https://medshield.co.za/>.

You can review the benefit adjustments, and value adds and download the 2025 benefit guides by visiting <https://medshield.co.za/2025-products/2025-benefit-options/> or by scanning the relevant QR code:

|  |  |
| --- | --- |
| **Benefit package and descriptor** | **QR code to view more detail** |
|  |  |
| **PremiumPlus** provides mature families and professionals with unlimited hospital cover in a hospital of their choice, with In-Hospital Medical Practitioner consultations and visits paid at 200% Medshield Private Tariff, and the freedom to manage daily healthcare expenses through a comprehensive Personal Savings Account and extended Above Threshold Cover. c | A qr code with a white background  Description automatically generated |
| **MediBonus** provides mature families and professionals with unlimited hospital cover in a hospital of their choice, with In-Hospital Medical Practitioner consultations and visits paid at 200% Medshield Private Tariff, and the independence to manage daily healthcare expenses through a substantial Day-to-Day Limit. | A qr code on a white background  Description automatically generated |
| **MediSaver** is perfect for independent individuals and young professionals thinking about expanding their families. MediSaver offers unlimited hospital cover in the Compact Hospital Network, with the freedom to manage daily healthcare expenses through a generous Personal Savings Account. | A qr code on a white background  Description automatically generated |
| **MediPlus** provides middle to upper-income families with complete healthcare cover for major medical and daily healthcare needs. Unlimited hospital cover is provided through a choice of two hospital networks, Prime or the value-focused Compact Hospital Network. Daily healthcare expenses are covered through a generous Day-to-Day Limit. Benefits are identical in both categories, Prime and Compact, with care coordination and doctor referral mandated on MediPlus Compact.  | A qr code on a white background  Description automatically generated |
| **MediCore** is ideal for healthy individuals looking for comprehensive hospital cover, with daily healthcare expenses self-managed. This option offers unlimited hospital cover in the Compact Hospital Network, with In-Hospital Medical Practitioner consultations and visits paid at Medshield Private Tariff 200%. Day-to-day healthcare expenses are self-funded. | A qr code on a white background  Description automatically generated |
| **MediValue** is the ideal option for growing families. It offers affordable cover for major medical and daily healthcare needs. Unlimited hospital cover is provided through a choice of two hospital networks, Prime or the value-focused Compact Hospital Network. Daily healthcare expenses are covered through a sizeable Day-to-Day Limit. Benefits are identical on both options, MediValue Prime and MediValue Compact, with care coordination and doctor referral mandated on MediValue Compact. | A qr code with a white background  Description automatically generated |
| **MediPhila** is ideal for families seeking first-time access to affordable private medical cover. As a MediPhila member, you have full cover for Prescribed Minimum Benefit (PMB) treatment plus R1 million per family for non-PMB In-Hospital treatment in the MediPhila Hospital Network. Coupled with this is Day-to-Day cover for your essential daily healthcare needs. | A qr code on a white background  Description automatically generated |
| **MediCurve** If you are tech-savvy, young and healthy, then MediCurve is the ideal first-time option for you! MediCurve provides generous hospital cover in the MediCurve Hospital Network combined with unlimited virtual Family Practitioner consultations and essential optical and dental cover through network providers | A qr code on a white background  Description automatically generated |

**MORE ABOUT MEDSHIELD MEDICAL SCHEME**

* You never know when you or your family member/s may require medical care or treatment, and most importantly, whether you will have funds available to cover the costs. Medshield is a healthcare fund where all members contribute to the fund every month to cater for medical coverage should the need arise. Medshield is a healthcare fund where all members contribute towards the fund monthly to cater for medical cover should the need arise.
* Medshield has been in operation since 1968, making us one of the most experienced, knowledgeable, and reliable medical schemes in South Africa. Our extensive experience in the healthcare sector guides our understanding of our members' needs. Our excellent cover and benefits and the best quality systems and services have resulted in our exceptional size and strength.
* Each of our options offers affordably priced benefits. We continuously review and improve the range of benefits in each option to bring you what you need.
* We partner with our stakeholders to enable access to sustainable and **affordable quality healthcare** through innovative products and benefits.
* Our impeccable reputation of prompt payments to hospitals, doctors, pharmacies and other medical caregivers guarantees approval from service providers when you present your Medshield membership card.
* Our extensive partner networks place us in the perfect position to offer exceptionally competitive rates to our members.
* Medshield is well-represented throughout all nine provinces and provides seamless access to service providers in your area. Our geographical spread provides convenience if it becomes necessary for you to have a personal discussion with one of our experienced consultants. We also have a streamlined online claim submission system and immediate contact centre assistance, making it easier to manage your membership and claims from the convenience of your home or office.
* Another distinguishing factor is our extensive range of additional benefits and services. These benefits and services have been designed to give members additional support when needed, for instance, in an emergency or when suffering from a chronic or life-threatening condition.
* Compared with other medical schemes, our trustworthiness, impeccable history, and exceptional service guarantee that we come out tops!
* As the interface between the Scheme and our members, Medshield staff are the backbone of our customer service delivery. The successful delivery of service depends entirely on the calibre of our people.