2 November 2023

PRESS RELEASE

TO ALL:
MEDIA PARTNERS,
HEALTHCARE PROVIDERS AND
MEMBERS OF MEDICAL AID FUNDS

THE REALITY OF THE MEDICAL AID FUND INDUSTRY: SECRECY, ABUSE OF PUBLIC POWER and UNREGULATED

1. BACKGROUND

The medical aid fund industry recently informed the public and private sector healthcare providers that medical aid funds are experiencing financial difficulties, in that the funds are experiencing higher than expected claims as from 2022 and are now using past reserves to honour claims. In a presentation by Dr Johann van Zyl, an advisor to the Namibian Association of Medical Aid Funds (NAMAF) the main driver of the recent (and largely unexpected) increased claims experience was the increase in utilisation of healthcare services by members, brought about by the sharp increase in both the number of healthcare providers as well as the type of healthcare services which were previously not available in Namibia. The inflationary effect of the fees of healthcare providers was negligible. Put differently, the healthcare provider is financially not much better off than s/he was 5 to 10 years ago, but his patients, the members of the fund, increased their use of healthcare services substantially due to the increased availability.

The NPPF accepts that the sustainability of the private healthcare industry is dependent on the sustainability of medical aid funds (and vice versa). The high-quality private healthcare currently available in Namibia cannot be sustained if the industry will become solely dependent on out-of-pocket payments. The situation is already precarious with only 8% of Namibia's population being able to afford membership of a medical aid fund or scheme (PSEMAS

included). Put differently, only 8% of Namibia's population enabled the development of the high-quality private healthcare currently available in Namibia.

Given the above, it is thus crucial that all parties act responsibly to ensure the sustainability of private healthcare. These parties are the medical aid funds (including PSEMAS), their members and the healthcare providers. For more than a decade the Namibia Private Practitioners' Forum (NPPF) endeavoured to establish a balance and level playing field in this sustainability debate. This is because this debate has always been dominated by the funding industry, which is far more concerned about curtailing its expenditures, than it is concerned about the sustainability of quality private healthcare to its members.

Sadly, the funding industry often revert to underhanded tactics in its drive to cut costs, most notably, and concerningly, the tactic of discrediting, and outright defaming of healthcare providers. This was a tactic employed by PSEMAS in 2017 (to pave the way – essentially look for an excuse – to "reform" PSEMAS) when the Minister of Finance made the headlines with quotes such as "*Doctors milk PSEMAS*", "*Medical aid fraud rocks PSEMAS*", and "*84 doctors linked to fraud*". When the NPPF sometime afterwards followed up with the Health Professions Council of Namibia (HPCNA) (the umbrella regulator of all healthcare professionals) and PSEMAS, we established that PSEMAS did not pursue a single complaint against any healthcare professional with the HPCNA. PSEMAS also refused to provide any information on any case that could possibly be designated as criminal behaviour. We remain unaware of any such cases.

Judging from recent communications by some funds to their members, this underhanded tactic appears to have now again reared its head, with the funds making slanderous and unfounded statements aimed at discrediting private healthcare providers in general. The funds run elaborate campaigns against what they call "*fraud, waste and abuse*". In their communications to members, they often leave the impression that all healthcare providers are criminals (or at least potential criminals) who must be policed by the funds and their members.

The private healthcare industry cannot continue to sit idly by while the funding industry abuses its member databases to tarnish the image of private healthcare providers. Although we can never disregard the possibility that the basket may contain a few bad apples, private healthcare providers are hardworking, dedicated, caring professionals, who are at all times, in their

conduct as professionals, regulated by the HPCNA. For them to provide the best care for their patients, they had to, and continuously still make considerable investments in time, money and effort. If the funds (administrators and trustees) were truly responsible towards their members, they would follow the regulatory structures and procedures in place, and other existing legal remedies available to them. They would follow the laws of the country. But they don't, as is explained in more detail hereunder.

It is in light of the above that the NPPF wants to provide the public, and more specifically the members of medical aid funds, with more information on the funding industry, in order for them to have a better perspective when they in future receive communication from their fund.

2. NO REGULATORY PROTECTION

Contrary to popular belief, neither members of medical aid funds nor their healthcare providers enjoy any regulatory protection against the conduct of the funds. This places the members, and their healthcare providers in a very precarious position, while the two entities, NAMAF and NAMFISA, who's duty it is by law to regulate and to provide such protection, remain unconcerned. We elaborate on this in more detail hereunder.

3. NAMAF

NAMAF was established by the Medical Aid Funds Act of 1995 (the "MAFA"). NAMAF is merely an extension of the medical aid funds, as its Management Committee (responsible for all NAMAF's decisions and actions) consists solely of representatives of the medical aid funds themselves. In terms of the MAFA, NAMAF has a statutory duty to set rules of conduct with which medical aid funds must comply, and at the hand of such rules, to discipline non-compliant funds. In practice then, the medical aid funds, by the determinations of the MAFA, should regulate themselves through their association NAMAF. Little wonder that now, 28 years after its establishment, NAMAF has not yet put such rules in place (despite it having a statutory imperative to do so). NAMAF clearly has no intention to regulate the conduct of medical aid funds, and thus no intention to provide protection to the members of the funds, or those deriving their claims from members, the healthcare providers.

As an example of the above, a test case was reported to NAMAF. In that case a medical aid fund distributed details of patients of a healthcare provider (in the psychology profession) to a large number of recipients (including other patients of the healthcare provider). NAMAF refused to take any action against the fund involved, stating that the fund is an administrative body, and that the complainant's only recourse is against the fund itself. The fund refused to be held accountable. Should the complainant wish to take the matter further, he would have had to approach the High Court, spend several million in legal fees, and expose his relationship (and that of other patients) with the healthcare provider in a public court (and ultimately to the media). This was an untenable option he decided not to pursue.

NAMAF sets what is called the Namaf Benchmark Tariffs ("NBT"). It has no express statutory powers to do so, yet the NBT has become the standard whereby claims are processed by the healthcare funding industry. By way of these tariffs, NAMAF dictates the description of clinical procedures/treatments done by healthcare providers and "advises" the funds on a tariff for each such descriptor. In South Africa descriptors are set by the healthcare professionals who know what it involves. In Namibia it is set by NAMAF who operates in the financial services industry. Furthermore, it should be remembered that all the large open medical aid funds were originally established by financial services providers, who until today, act for, and get paid as the administrators of those funds. These fund administrators remain, despite many complaints from the side of NPPF over many years until today, unregulated entities and as such have no duty to provide members or trustees of medical aid funds with any information, including financial information. Members simply do not know what portions of their monthly contributions are paid to the administrators. In what may perhaps be the pinnacle of self-assertiveness NAMAF makes the healthcare professionals pay for a NAMAF Practice Number, without which it is impossible to claim on behalf of members. NAMAF charges this fee without statutory powers to do so, and the healthcare providers who wish to assist their clients with direct claims, have no option to pay.

In 2014 the NPPF commissioned a health cost study amongst GPs (the only profession that provided sufficient statistical data), conducted by a South African firm of experts called HealthMan. The purpose of the study was to assess all factors driving input costs and expenses (and other variables) to establish a fair and ethical tariff for service. The study also assessed the NAMAF tariffs and found that the methodology employed by NAMAF's (which

unilaterally sets such tariffs in Namibia) is in many instances "*irrational, has no science behind it and is not cost based*".

Shortly after the publication of the HealthMan study, NAMAF locked public access to the NBT. The result is that, until today, neither members of the funds nor the trustees of the funds have access to the NBT; neither does the Registrar of Medical Aid Funds (i.e. NAMFISA), who must approve the benefits and all the rules of all the funds on an annual basis. The latter is especially disturbing since the Registrar approves benefits without actually knowing what they are. A benefit described as "*X% of NBT*" does not provide information on the nominal value of a benefit.

For argument's sake, the NBT tariff for a consultation with a GP can be N$10, and the Registrar may, because he does not have access to the tariffs, be satisfied to approve a fund's proposed benefit at "*500% of NBT*", i.e. N$50 per consultation. He would not know that he approved an unrealistically low benefit which is of negligible value to the fund member. Put differently, the Registrar has no means of assessing whether any benefit he approves is fair and reasonable. He does not know how the NBT tariff was derived at, how it correlates to the actual cost of healthcare, or what the actual nominal tariff is. The NBT remains closed for any form of scrutiny by any person. In this regard the NPPF lodged a complaint with NAMFISA. NAMFISA responded by stating that "*this should not be the case*", but no further action was taken, and the situation prevails.

4. NAMFISA

The Registrar of Medical Aid Funds is the CEO of NAMFISA. The Registrar must approve all fund rules, including the benefits payable by funds, as well as the procedures to be followed when there is a dispute over a claim. Knowing that NAMAF refuses to take any disciplinary action against the funds, the NPPF assisted a member with a complaint against one of the open funds to NAMFISA.

In that case the fund unilaterally, and more than a year after a claim was submitted, was assessed and was paid by the administrator, informed the healthcare provider that the fund is of the opinion that some of the moneys paid must be refunded to the fund. At the core of this matter was a dispute over the interpretation of the descriptors in the NBT (descriptors

unilaterally set by NAMAF). The complainant disputed the fund's unilateral interpretation and subsequent demand for repayment. The fund's rules stated that any dispute over a claim shall first be referred to arbitration. The fund refused the process of arbitration, and simply deducted the amount from a subsequent claim by the healthcare provider.

More than a year after the complaint was lodged, NAMIFSA advised that the Registrar agrees that the fund breached its rules, but that: "*The Registrar does not have the requisite powers … to compel the fund to … follow the appropriate process as per* [its rules]". Should the healthcare provider in question (and her patients) wish to pursue this matter further, her only option was to approach the High Court, spend (probably) several million in legal fees, and expose her patients (on whose behalf she derived her claim) and the procedures performed on them, in a public court (and ultimately to the media). She could thus not only for ethical reasons pursue the matter any further, but also because she has a statutory duty not to divulge confidential patient information to third parties, which she would have had to do in legal proceedings in order to establish her case.

The clear and complete lack of regulation over medical aid funds, and the consequences for fund members and their healthcare providers are illustrated in the two examples above. The NPPF has several other examples of abuse of public power (by medical aid funds, NAMAF, and Government) as a result of this regulatory vacuum, but for purposes of brevity will not elaborate on those any further.

5. MEDICAL AID FUNDS

Of late, and realising that they are essentially unregulated, medical aid funds (and their extension, NAMAF) have become more brazen in their decisions, communications and actions. As per the examples above, they now confidently act as judge, jury and executioner in their own cause. One fund informed all specialists and GPs (on a few weeks' notice) that it will cut payment for in-hospital procedures by between 37% and 44%. In essence it means that benefits to members were to be cut.

In taking this decision, no consultations were held with either healthcare providers or their patients (the members of the fund). Such consultations are mandatory as the fund is an administrative body. The fund can also not reduce benefits to members without approval by the Registrar to amend its rules. Upon enquiry by a fund member, the fund refused to provide

the member with the approved rule amendment, claiming that it is "*confidential communication between the fund and the Registrar*".

In another example a fund recently issued a communication to all healthcare providers (and possibly also fund members), claiming to have evidence of several counts of fraud and unethical conduct committed by healthcare providers. The communique contains several defamatory remarks of the private healthcare industry. With our experience of this underhanded tactic (see PSEMAS matter discussed before), we confronted the fund's trustees (and copied the HPCNA). We requested the fund to indicate how many of these alleged cases were reported to the HPCNA, for surely that is the proper entity to deal with such matters. In their response the trustees did not indicate that any cases were reported to HPCNA. They only explained that the "*aim of the communication was to highlight concerns*". There is no way any person can independently verify or assess the alleged basis for, or truth of the fund's "concerns".

In the absence of any regulation over medical aid funds, as explained above, the funds can simply do what they want, feed their members misinformation and falsehoods, as they like, and continue to tarnish the reputation of the private healthcare industry as a whole, an industry consisting of hard-working professionals, of which Namibia can be proud of, and who by no means deserve to be abused in this fashion.

We trust that this press release will better inform members of medical aid funds, to make them aware of how the funds take decisions without consulting them, how the funds keep their benefits in secret, how they deal with members' claims, and how the funds tarnish the reputation of the private healthcare industry, without the decency of following their own rules, or the actual statutory procedures in place to deal with the isolated cases of fraud, waste and abuse which may be of concern.

Yours faithfully
Dr Dries Coetzee
CEO - NPPF

Note to Editor:

The Namibia Private Practitioners' Forum (NPPF) is a non-profit, Section 21 company. Its members are private sector healthcare providers from all healthcare disciplines.

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