

# REGULATING MICRO-HEALTH INSURANCE

Salient features of a legal framework: Perspectives from South Africa

## FRAMEWORK

- Definitions and objectives
- Community health insurance structure
- Micro-health insurance units (MIUs)
  - Establishment
  - Governance
  - Financing
  - Membership
  - Contributions
  - Structure of benefit package

# FRAMEWORK (cont.)

- Risk Carrier
  - Establishment
  - Governance
  - Financing
- Enforcement, adjudication and dispute resolution
- Other/General issues

## 1. DEFINITIONS, APPLICATION AND OBJECTIVES

- Definitions – for example:
  - “Community“ – geographical location only?
  - “Member“ – ensuring that the poor will be covered
  - “Dependant“
  - “Health care benefits“ – agreed upon by community or any specific community group?

# 1. DEFINITIONS, APPLICATION AND OBJECTIVES (cont.)

- Application and objectives
  - To whom and to what applicable? E.g.:
    - MIU established as a medical scheme (in SA)
    - Its members and dependants
    - The Risk Carrier
  - Objects – e.g.:
    - Provision of micro-health insurance to poor people on an insurance basis
    - Enabling affordable health insurance arrangements
    - Reinsuring risks carried; Using REF mechanism

# 1. DEFINITIONS, APPLICATION AND OBJECTIVES (cont.)

- Directive principles informing provision of health insurance to community members
  - E.g. contributory capacity of community members; Government and donor support; flexible and targeted arrangements; basic but adequate levels and forms of protection and provision; re-insurance and Risk Carrier; REF.
- (Binding) interpretative value of directive principles

## 2. COMMUNITY HEALTH INSURANCE STRUCTURE

- Community-based non-profit MIUs operating as specialised medical schemes
- Collection of premiums and provision of targeted range of benefits based on a modular approach
- Risk Carrier establishment
- Provision of reinsurance (and/or REF approach?)
- Direction and supervision

## 3. MICRO-HEALTH INSURANCE UNITS

- Establishment
  - Conditions
    - Voluntary formation; community-based; non-profit
  - Registration/accreditation required for operations
  - Composition
    - Minimum number (e.g. 100)
  - Suspension and termination of operation

# 3. MICRO-HEALTH INSURANCE UNITS (cont.)

- Governance

- Board of Trustees
- Eligibility criteria and *good conduct* (Code?)
- Powers, duties and functions
- Removal grounds
- Management and staffing: *good conduct code*
- *Client care and service delivery requirements*
- *Accessibility*
- *Liability, supervision and accountability*

# 3. MICRO-HEALTH INSURANCE UNITS (cont.)

- Financing

- Sources: multi-source
- Supervision (e.g. independent Registrar)
- Taxation (tax exemptions and tax deductions)
- Investments (directives; secured financial instruments)
- Operational issues (e.g. bank accounts)

## 3. MICRO-HEALTH INSURANCE UNITS (cont.)

- Financing (cont.)
  - Government and donor co-contributions
  - Dedicated taxes?
  - Reporting: financial statements and auditing
  - Periodic actuarial evaluation
  - Measures to deal with underfunding
    - Reserve Fund/REF
  - Limitation on administration costs

## 3. MICRO-HEALTH INSURANCE UNITS (cont.)

- Membership
  - Eligibility criteria: natural person only?
  - Registration, membership number and card
  - MIU constitution requirements
  - Conditions for access to arrangements provided for by law
  - Termination, suspension and transfer of membership

# 3. MICRO-HEALTH INSURANCE UNITS (cont.)

- Contributions

- Fixing premium rates
- Conditions
- Risk- or community-rated?
- Consultation with MIU members
- Involvement of Risk Carrier
- Irregular and varying contributions
- Protection of contributions

# 3. MICRO-HEALTH INSURANCE UNITS (cont.)

- Benefits

- When entitled and when not
- Determination of actual package and range of benefits
- Dependants' benefits
- Transfer to another MIU
- Protection of benefits
- Restriction on double benefit

# 4. RISK CARRIER

- Establishment

- Criteria
  - Public company
  - Meeting certain objectives
- Membership – MIUs
- Registration
- Oversight/supervision
- Shareholding – apportionment of shares
  - MIUs
  - Government
  - Investors

# 4. RISK CARRIER

- Governance

- Board (of Directors)
- Composition; eligibility criteria; tenure; removal
- Powers, duties, functions and liability
- Code of good conduct
- Duty to accredit MIUs and health facilities
- Management and staffing
- Reporting and accountability

# 4. RISK CARRIER

- Financing
  - Sources: multi-source
  - Taxation: tax holiday?
  - Investment (investment directives & prohibitions)
  - "Maintenance of a *financially sound condition*"
  - No granting of loans?
  - Government and donor co-contributions
  - Returns, reporting, and audited financial statements
  - Periodic actuarial evaluation
  - REF inclusion?
  - Limitation on administration costs

# 5. ENFORCEMENT & DISPUTE RESOLUTION

- Complaints
- Appeals
- Inspections

# 6. OTHER/GENERAL ISSUES

- Database creation and maintenance
- Disclosure of information
- Migration to alternative status
- Merger of MIUs
- Regulations
- Rating: Community or Risk-rating?

# 7. Conclusions

- Consider existing legal framework (see SA context)
- Qualify framework where necessary (e.g. taxation)
- Incorporate specific micro-health context
- Clearly define and distinguish roles of affected parties (members; MIUs; Risk Carrier; Government; supervisory bodies)
- Build in sufficient protection measures (e.g. liability; good conduct; Risk Carrier involvement; supervision; reporting; underfunding provisions)

## 7. Conclusions (cont.)

- Ensure client care and service delivery orientation from functionaries
- Include proper flexibility arrangements (e.g. premium payments; flexible benefit package design; autonomy)
- Adopt an inclusive approach: Involve those directly affected (e.g. consultation with members)
- Incorporate principle of government's duty to provide for the poor (co-contribution; protection and supervision)

## 7. Conclusions (cont.)

- Strengthen social insurance principles
- Make provision adequate and affordable (e.g. government and donor co-contribution; flexible premiums and benefit packages; special taxation arrangements; incorporating reinsurance; administration costs cap)
- Easily accessible and clear adjudication and dispute resolution mechanisms
- Effective monitoring and enforcement