



The Impact of COVID-19 on Medical Schemes



Introduction

The South African healthcare system and global healthcare systems have recently come under additional pressures following the outbreak of the Corona (COVID-19) pandemic. Efforts of Health systems and providers are focused on delaying the spread of COVID-19 to reduce the risk of hospitals being overwhelmed with cases. The COVID-19 pandemic is highlighting the need for health care organisations to evaluate and adapt their care delivery models to move towards a virtual care environment. Industry is collectively working on a vaccine (a Phase 1 Clinical Trial has been initiated), but, will take time to test and be granted approval from regulatory bodies. Pharma ingredients from China specifically could have an effect on the global supply chain network; Supply chain disruption could represent an industry opportunity to re-examine current channels. Consumer health divisions of both life sciences and health care companies could benefit as consumers stock up on OTC medications and sanitizing products while medical scheme benefits are depleted. As the Pandemic progresses there will be increasing challenges for healthcare providers / elderly care organisations to maintain a work force as the impact of the virus is felt in the work force itself.



What this means for the Healthcare sector...

- A large influx of patients, unsure of their COVID-19 status, are anticipated to arrive in person to health care providers seeking consultation/ treatment, increasing the risk of transmission and overwhelming the care delivery infrastructure. These health care providers are working to address this short term higher demand and potential backlog for services and capacity as well as supply chain issues.
- Both Commercial and Governmental Health Payers anticipate significantly higher costs / lower margins while supporting efforts to educate members and control further outbreak. Lower acuity elective cases will diminish.
- The global health care ecosystem's evolution to address COVID-19 may accelerate long-term change, particularly with respect to alternative delivery models/virtual care, technology and data management/analytics, requiring significant investment.



Medical Scheme Specific Challenges...

Some of the key areas of challenge for Medical Schemes are as follows:

- Setting up a help-line to assist their members to get accurate and up to date information around COVID-19. This will go a long way to being viewed as a Scheme that cares;
- Setting up a triage facility within the Call Centre to deal with different levels of risk patients using appropriate algorithms;
- Assessing the impact of this virus on overall claims expected, taking into account the incidence/infection rates, severity levels, treatment costs, duration and levels of PMB's that apply. In particular, consideration needs to be taken of the scheme's specific demographic and disease profile as it has a direct impact on the severity of the symptoms, hospitalisation rates and the death rates.

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Some of the key factors include:

- Age
 - Smoking status
 - Chronic diseases
 - Co-morbidities
 - HIV/AIDS
 - TB
 - BMI level
 - Various other relevant factors
- Assessing the impact of these claims on **solvency levels**, which is linked to the initial assessment and ongoing assessments around increased claims levels.
 - **Member Education** initiatives aimed at providing appropriate communication to members around costs and benefits related to the tests and where this will be funded from. This might also relate to the number of tests to be funded from risk, from savings, etc. This is essential to get right for claims containment purposes;

- Effective Medication **delivery channels**. Impact of delivery via courier pharmacies to chronic patients rather than pharmacy collection in-store might need to be considered from a cost and logistics perspective in order to contain the spread of COVID-19; A cost vs. benefit (long to medium term) assessment to be considered;
- Any other ideas around **minimising of human interaction** and early methods of detection such as thermometers to all patients, etc. could be considered using a cost-benefit analysis;
- COVID-19 impact together with the anticipated downturn in the economy (catalysed by the recent Moody's downgrade) for the next few years, will have a direct impact on member growth rates; member affordability of medical aid; option buy-down, need for contribution holiday's due

to financial stress, higher levels of retrenchments at employer groups and individuals, which all need to be modelled and understood from a Budget, Sales and Strategy perspective;

- Benefit design considerations for the future;
- Crisis management- Dealing with urgency and communicating with members appropriately;
- Supply chain- Understanding providers supply chain issues to identify delivery shortages and assess how this may impact the risk pool;

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