Circular 19 of 2017: Demarcation Exemption Framework

On 23 December 2016, the Minister of Finance – in consultation with the Minister of Health - published the Demarcation Regulations. In these Regulations the Minister of Finance has determined that certain insurance policies that have elements of a business of a medical scheme shall be ‘health policies’, and ‘accident and health policies’ respectively.

The ‘health policies’, and ‘accident and health policies’ determined as such by the Minister of Finance exclude primary healthcare products and hospital indemnity products. These Regulations will come into effect on 1 April 2017. As a result, after 1 April 2017, any provider of primary healthcare products and hospital indemnity products shall be conducting the business of a medical scheme as defined, and fall within the ambit of the Medical Schemes Act, 131 of 1998.

The Council for Medical Schemes (CMS) has, in consultation with the Financial Services Board, National Treasury and the Department of Health, concluded an Exemption Framework, which serves as a guideline to providers of indemnity products that conduct business of a medical scheme who wish to apply for exemption in terms of section 8(h) of the Medical Schemes Act. The exemption framework is a transitional arrangement whilst the Department of Health leads the development of a Low Cost Benefit Option (LCBO) type of product for medical schemes.

The Exemption Framework provides for granting a two year exemption, subject to certain conditions. Providers of indemnity products that conduct business of a medical scheme are required to submit their application by 31 March 2017 in accordance with the exemption framework.

The CMS would like to bring the Circular to attention of all its stakeholders, as the Demarcation Regulations will impact operations of many stakeholders.

Kindly click here to view the Exemption Framework.

Dr S Kabane  
Acting Chief Executive & Registrar  
Council for Medical Schemes