

# A DEMAND-SIDE PERSPECTIVE ON HOSPITAL CASH PLANS IN SOUTH AFRICA

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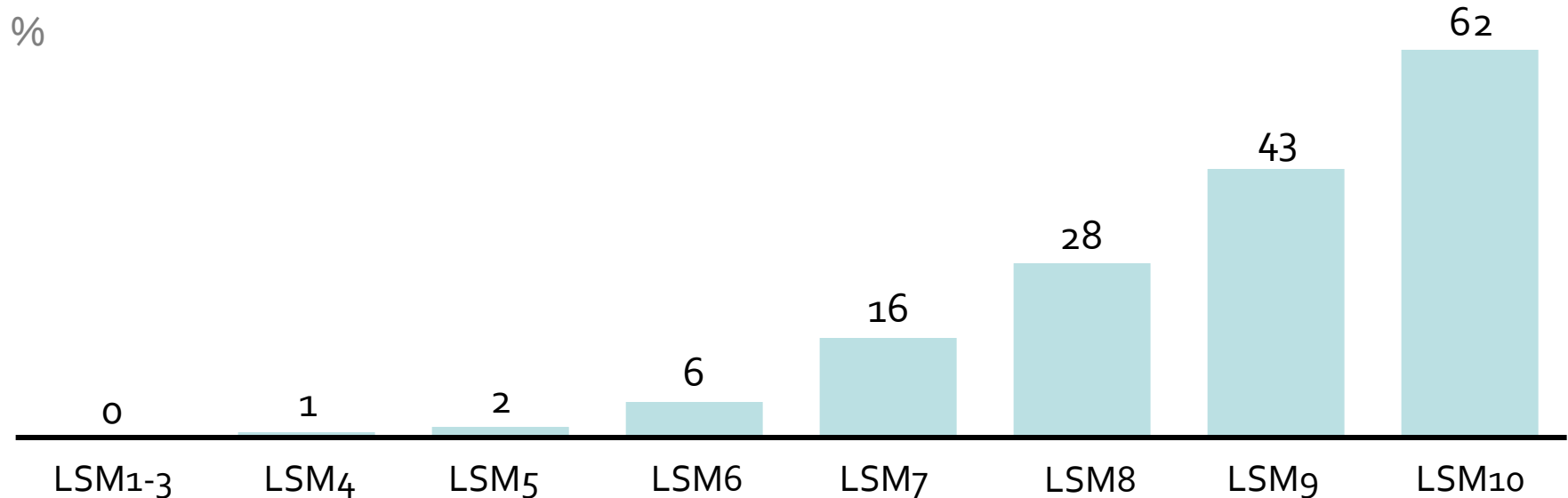
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  - Role of health cover in insurance portfolio
  - Awareness and understanding of different health cover products
  - Hospital Cash Plans in more detail
- Conclusions and recommendations

# INTRODUCTION



# Background to research study

- Very few South Africans can afford to belong to medical aid



SOURCE: AMPS

- Can HCPs play a role in at least providing some cover and, in so doing, does it serve as substitute or complement to medical schemes?

# Background to research study (cont'd)



- In 2012 FinMark Trust commissioned Lighthouse Actuarial Consulting to review market for HCPs as alternative form of health cover for lower income market from a supply-side perspective
- This study explored the dynamics of the demand-side of the market for HCPs with a qualitative mind-set
- The results of both studies will be used to inform :
  - FinMark Trust's ongoing work promoting inclusion in the health cover sphere
  - The ongoing policy debate with regard to demarcation between medical schemes and health insurance products

## To obtain a deeper understanding of the dynamics of the demand for hospital cash plans from the consumer point of view

- Current medical needs and how these are addressed
- Main financial implications of healthcare needs and how these expenses are met
- Awareness and understanding of different medical aid and insurance products on the market
- Understanding of and reaction to hospital cash plan features and benefits
- How participants first became aware of the product
- Buying process dynamics
- Reasons for buying the product
  - What the pay-out is, or will be used for
- Experience of claiming
- Awareness of fraudulent claims practices and the expected impact thereof on legitimate claims

- Hybrid/mixed methodology qualitative approach



## Group discussions

- Existing HCP policyholders (6)
- Potential HCP policyholders (4)



## Individual in-depth interviews

- HCP product suppliers (4)
- Regulators (2)

# Consumer sample profile



## Existing HCP owners

- Male vs. female
- Johannesburg vs. Durban
- Owners of standard plan HCPs with cover levels of up to/max R500 per day
- Owners of premium plan HCPs with cover levels of R750 or more per day
- Plan holders who acquired their HCP product during the past 18 months
- Plan holders who have submitted a HCP claim during the past 18 months

## Potential HCP owners

- 25 – 49 years of age
- Male vs. female
- Johannesburg vs. Durban
- Personal income of between R6000 – R12000 per month
- Do not currently have any form of medical cover or medical aid
- Have experienced a medical incident during the past 18 months



All findings are qualitative in nature,  
and cannot be generalised to the  
population at large



# RESEARCH FINDINGS



# Role of medical expenses in overall budget



## Typical expenses participants need to provide for

### Primary

- Groceries/Food
- Housing/rent/water/electricity
- Transport
- School fees
- Policies/investments ← Premiums for HCP

### Secondary

- Clothing and furniture accounts
- Entertainment
- Stokvels
- Telephone/airtime
- Medical expenses ← Out of pocket medical expenses

Money is not freely available. Available income is spent on necessities

# Meeting medical needs and expenses: Facilities used

Most aspire to make use of private facilities, but cannot afford it ...



## Public facilities

- First port of call
- Clinics: Close to home, free
- Public hospitals charge nominal fee
- BUT crowded, long waiting times, lack supplies, inferior medical care



## Private doctors

- Are consulted when money is available (after payday)
- For serious illness, regardless of time of month, even if they need to borrow money to pay
- Offer superior health care, helped faster



## Pharmacies

- Used to fill prescription of OTC medication for minor condition



## Traditional healers

- While some (females in particular) do not believe in traditional healers, many believe they play a role in treating persistent problems not solved by medical treatment

# Public facilities



*I got sick at night. I called the ambulance to come and get me but ... It didn't arrive until 3 in the morning. One of my brothers took me to the hospital ... I woke up in the morning, lying on a stretcher in a corridor. It was crowded and there was no one who could help us the whole day. No one cared about anybody else. There were a lot of us sleeping in the passage and nobody would help us. We were forced to go to another hospital and things were better there. They don't know how to take care of people in public hospitals.*

Durban Female Potential Clients

# Private doctors

*I only go to the private doctor if my child is vomiting or maybe if he has a high temperature because I can't go to the clinic since they'll just tell me to go to queue no matter how serious the situation is.*

Johannesburg Female Potential Clients



# Pharmacies



*Sometimes you go (to pharmacy) if you have something you don't understand going on with your body.... So you tell the pharmacist and they give you medication. Sometimes you go there to buy what's on your script that you got from the clinic.*

Durban Male HCP <R500pd, have claimed

# Traditional healers

*I go to the traditional healers when I need to clean myself (to clean blood 'detox'). They know how to give you Zulu things to gquma (sweat out the toxins from the body) and to phalaza (induce vomiting).*

Durban Male HCP <R500pd, have claimed



# Methods of meeting expenses



## Participants generally find it difficult to meet medical expenses

- Very few with standard HCPs (cover <R500pd) have medical aid
  - Most with Premium HCPs (cover R750+pd) do belong to medical aid
    - Use HCP to top up medical aid when in hospital and to cover additional non medical expenses
- Most borrow money to pay unexpected medical expenses
  - From family, neighbours, friends, last resort is loan sharks
- Some try to save for emergencies, but find it difficult
  - Savings often not sufficient to meet medical expenses
- Some make arrangements with doctor/provider to pay off account in monthly instalments
- Also make adjustments to budget (less groceries/ entertainment )
- HCP owners will use it to cover some expenses (medical and non-medical) related to hospitalisation





*Sometimes you don't pay, or take money out of the stokvel just so you can pay for your medical bills, or you use your transport money hoping your family members would assist you when you need it.*

Johannesburg Female HCP <R500pd, have claimed

*You go to people who can lend you money, if you agree to pay it back with interest. So you borrow R1000 from them and when the end of the month comes, you can't pay it back because of other debts. The amount continues to increase to a point where they come to your house as a team, and collect your belongings.*

Durban Male Potential Clients



# Current insurance portfolio



## Reminder

- Recruited HCP owners
  - Majority of premium plan owners have medical aid (8/10)
  - Minority of standard plan owners have medical aid (1/10)
- Potential Clients recruited not to own any medical cover

Funeral cover

Majority  
(9/10)

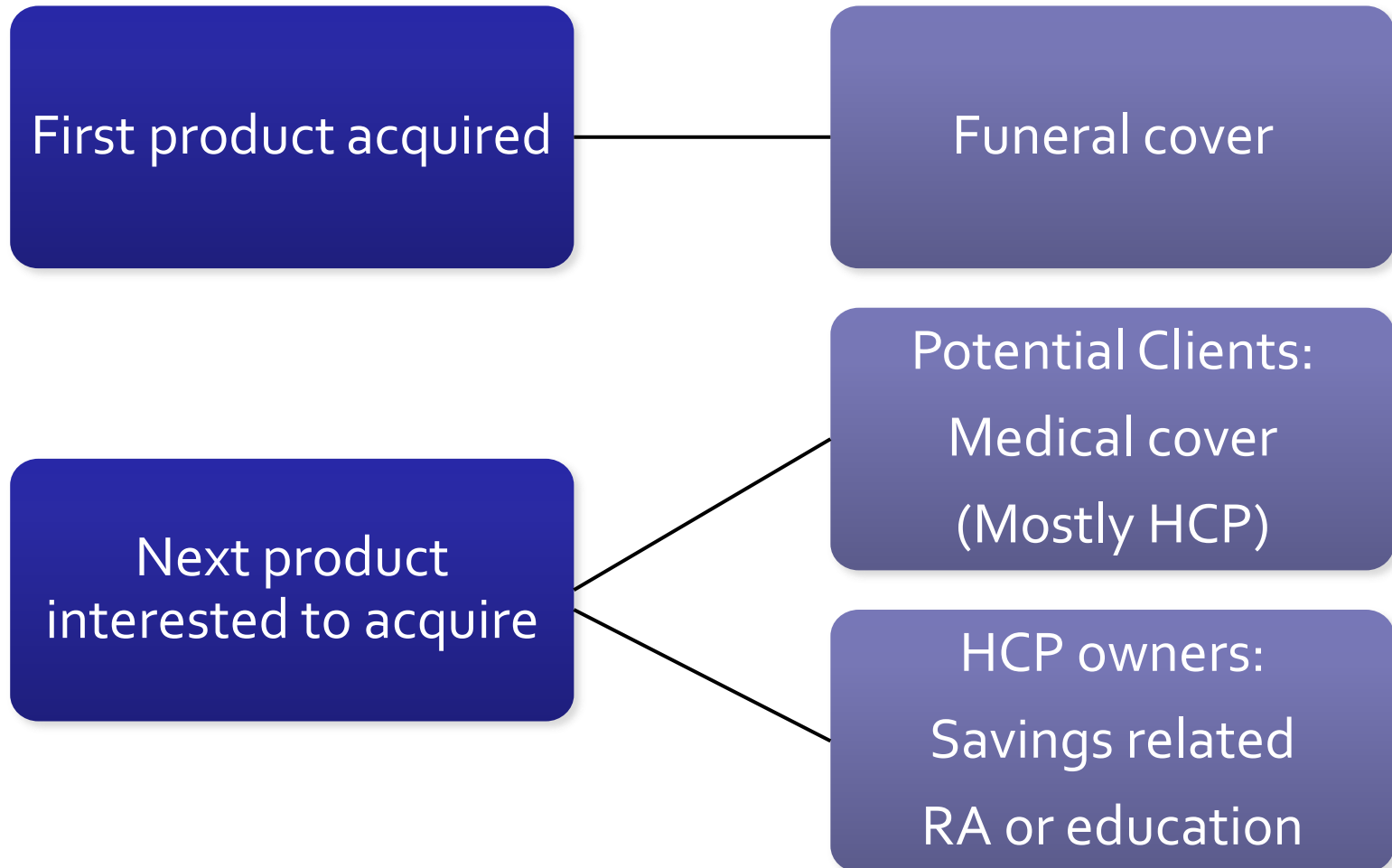
Life cover  
Education

Some  
(2/10)

Retirement provision  
Short-term insurance  
Savings/investments

Few  
(individuals)

# Insurance portfolio priorities



# Awareness and understanding of different medical cover products



- Hospital cash plan
- Hospital plan
- Medical aid
- Critical illness cover
- Gap cover

**1**

**First spontaneous**

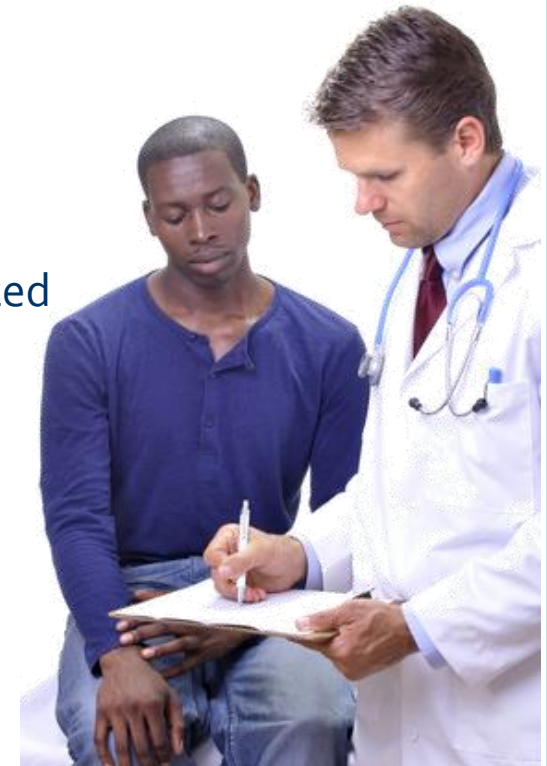


**2**

**Then with help of  
concept description**

# Hospital Plans vs. Hospital Cash Plans

- High level of confusion between hospital plans and HCPs
- Don't understand difference
  - Believe it is different names for the same product
- Appear to be familiar with HCP and describe features and benefits of HCP
  - Good understanding of HCP
    - Money is paid as compensation for being hospitalized
    - Money is paid to plan owner, not hospital
    - Pay out determined by premiums paid
  - Do not expect to receive hospitalisation benefit



## Advantages

- Gateway to private medical care
  - Faster attention
  - Better quality medical care and facilities
- Comprehensive cover
  - Consultations
  - Hospitalisation
  - Medication
  - Chronic conditions
- No need to pay upfront

## Disadvantages

- Expensive/ unaffordable
- Restrictive
  - Prescribe which hospitals/doctors to use
  - Limitations of benefits/ medical procedures covered
  - Don't pay all bills in full
  - Pre-authorisation
- Wasted expense if not used/don't claim

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Having medical aid is very important when you are working. Because today the governmental health system in South Africa is collapsing. If you're an employed person, at least you have the means to get medical aid. Get the best health care that you can afford. ...You don't get the assistance you expect at government hospitals. It's better to go to private hospitals.

Durban Male HCP <R500pd, have claimed

*We have asked for medical aid at work and they refused because our income was too low.*

Dbn Male Potential Clients

*With medical it's either you pay less or more, you're not allowed to see certain doctors and sometimes you have to use money out of your pocket and you ask yourself what the point is.*

Johannesburg Female HCP  
<R500pd, have claimed

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- Restrictive
  - Prescribe which hospitals/doctors to use
  - Limitations of benefits/ medical procedures covered
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# Critical illness cover

- Claim to be aware of critical illness cover
  - But confuse it with provision for chronic illnesses
- Did not display awareness/understanding of lump sum payment to those diagnosed with cancer/heart attack etc.



# Gap Cover

- Majority display lack of awareness and understanding

*Is it for your teeth?*

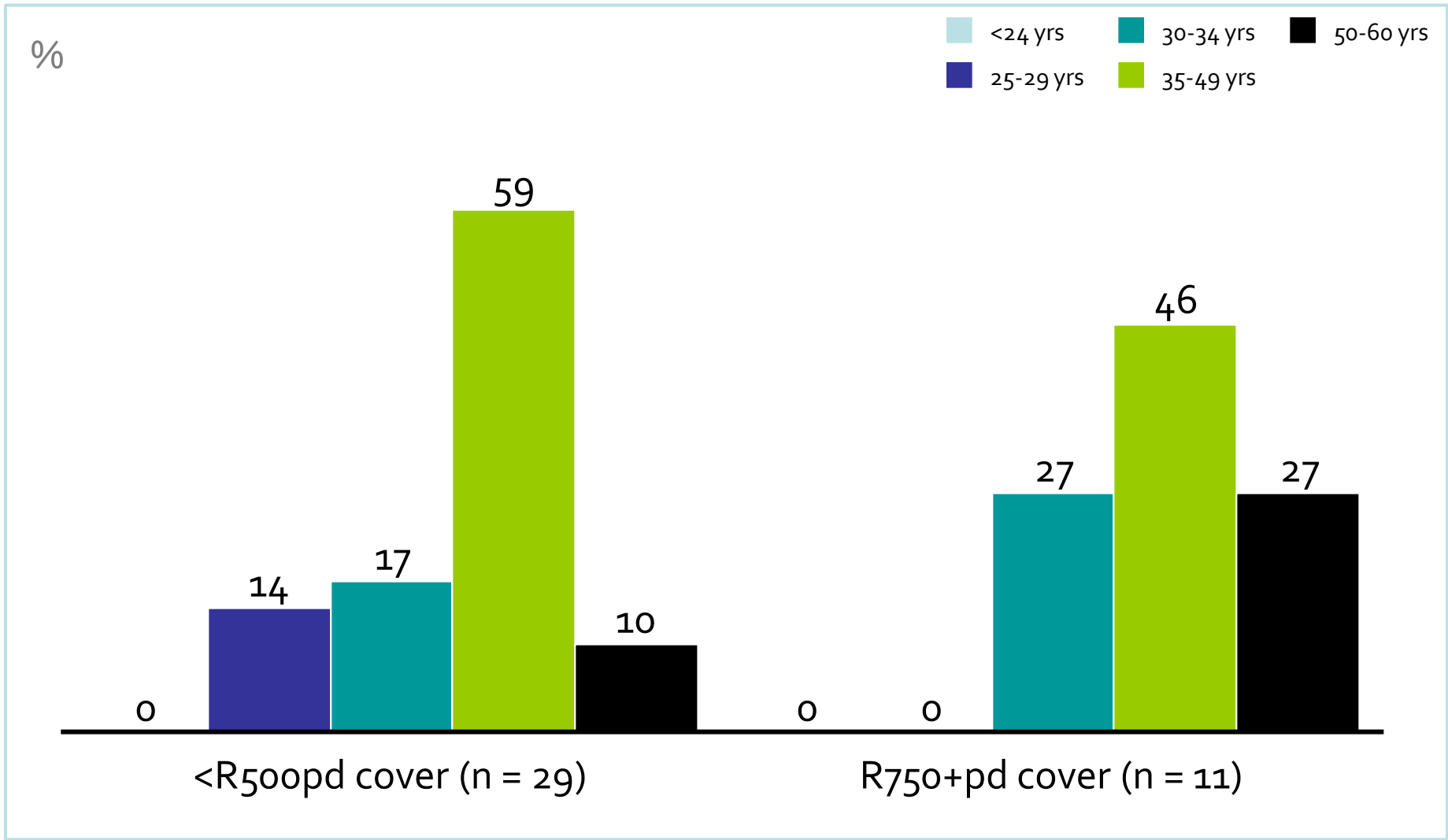
Durban Male Potential Client



# HOSPITAL CASH PLANS IN MORE DETAIL

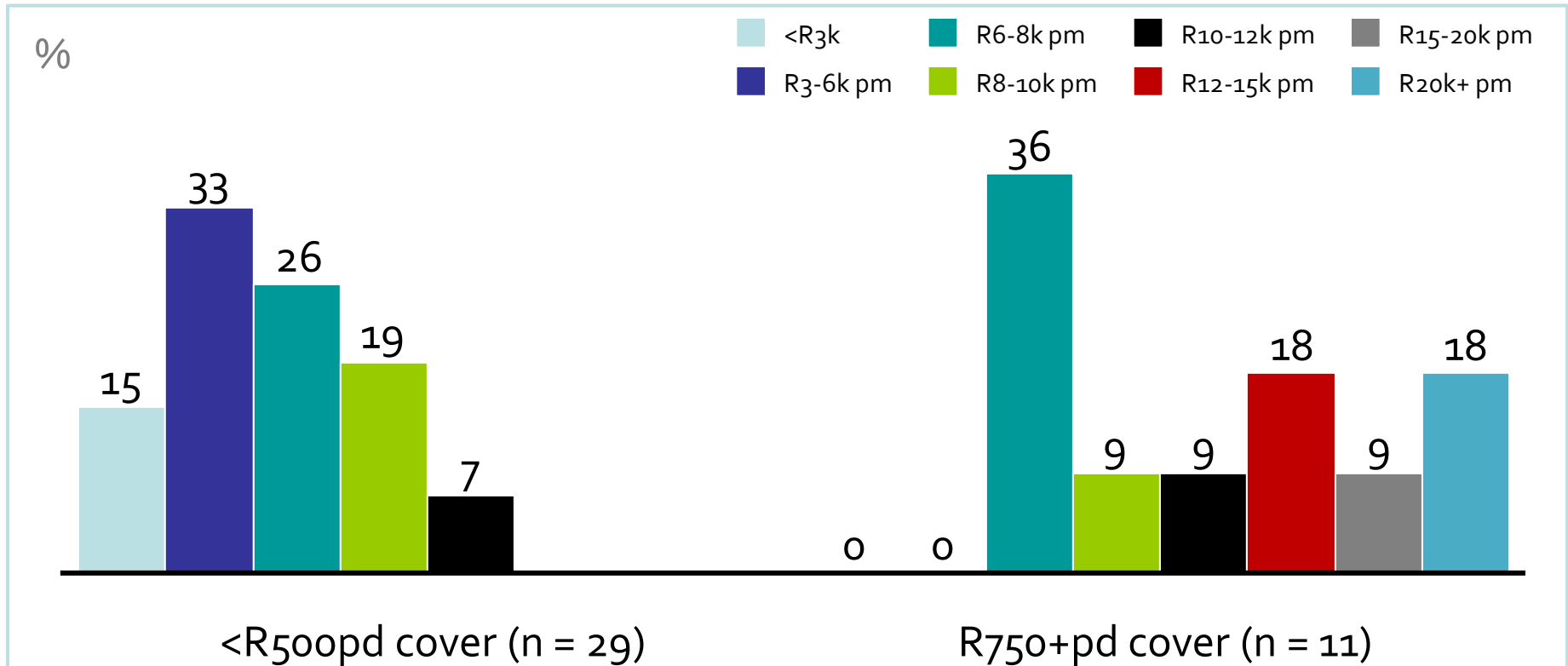


# Profile of participants that were HCP owners: Age



Caution: Based on small sample sizes

# Profile of participants that were HCP owners: personal income



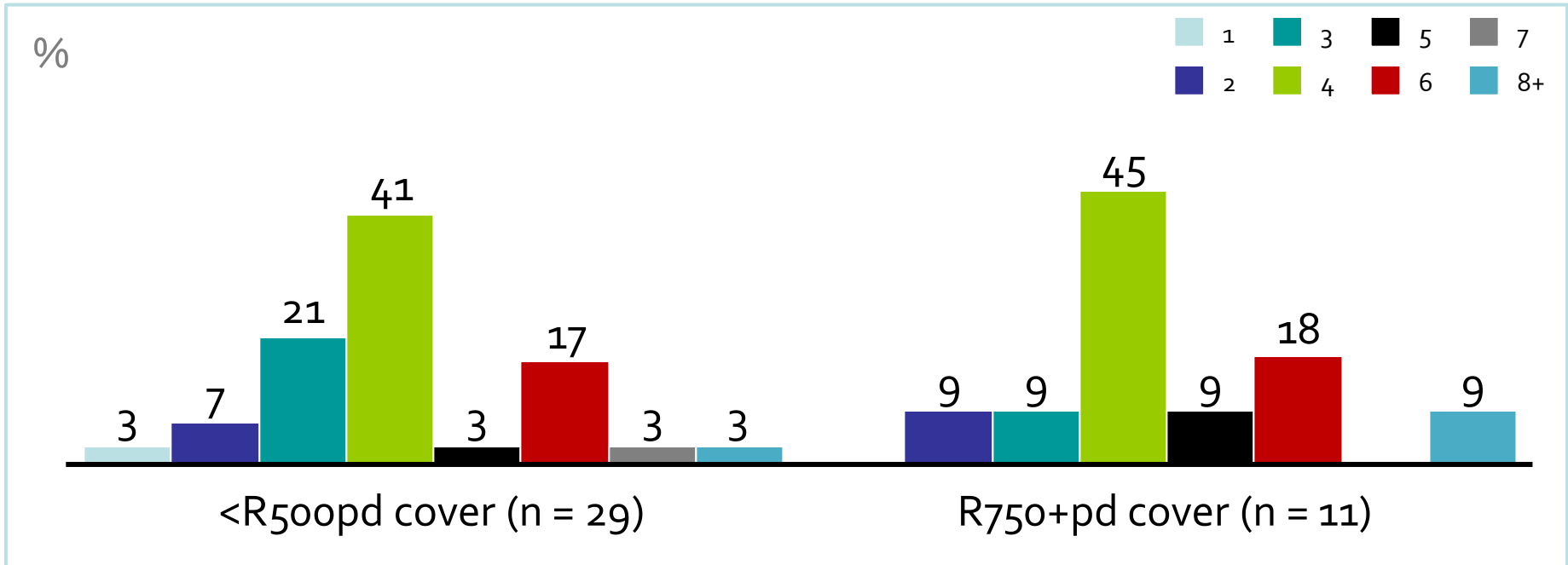
## Working Status:

All HCP owners were working (mainly in full-time employment).

- R500 or less per day cover level: "lower level" jobs: assistants, security officers, drivers and admin clerks
- R750+ per day cover level: "higher level" jobs: HR officers, teachers and legal advisers.

Caution: Based on small sample sizes

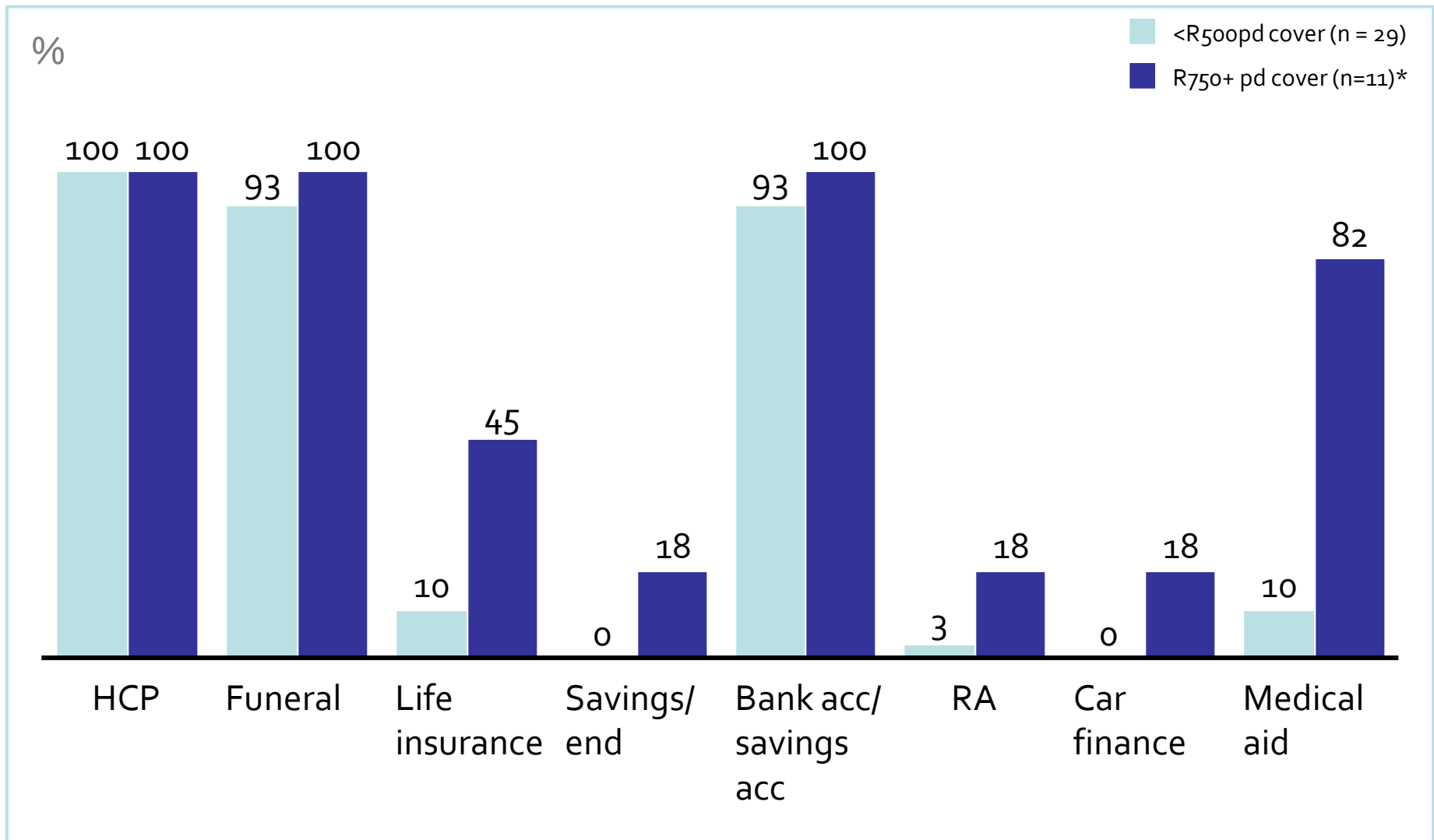
# Profile of participants that were HCP owners: size of household



	<R500 cover	R750+ cover
	%	%
Spouse/partner	69	82
Children in primary school	66	55
Children in high school	55	45
Babies/pre-school children	24	27
Children in tertiary education	3	36

Caution: Based on small sample sizes

# Profile of participants that were HCP owners: financial product portfolio



Caution: Based on small sample sizes





# Buying process dynamics



- Source of awareness of HCP products
  - Mainly TV advertising
    - Mention advert featuring Desmond Dube
    - Invited to sms details and then called back
  - Representatives that come to workplace and explain different types of cover
  - Upselling after buying another product
  - Word of mouth/ experiences of friends
  - General media: newspapers; radio; magazines
- Generally report positive buying experience
  - Features and benefits explained adequately
  - Documents received as promised

No complaints of serious misrepresentation was evident

# Perceived advantages of HCP

- Cash pay-out very attractive
  - Plan owner has free choice how to use pay-out
- Peace of mind
  - Assurance that family will not suffer when breadwinner is hospitalised
- Affordable
  - Cheaper than medical aid
- Can cover family/ seniors
- Offers value
  - Like idea of cash-back benefit (offered by some providers/ plans)
  - Some perceive it as investment
    - Cover amount significantly more than they earn per day

# Perceived disadvantages of HCP

- **Does not pay out for hospital stays of less than 3 days**
- Only pays out if hospitalised, not when sick at home
- Can only submit claim after being discharged or after every 30 days (prolonged hospitalisation )
- Drawn-out claims process
  - Believe providers look for reasons not too pay claim (feel exploited)
- Maximum limit of 180 days
- Waiting period
- Want longer premium holiday before lapsing
- Age limit:
  - Senior age group need hospitals
  - Young people are responsible for elders
- Documentation in English
- Should pay-out for same condition more than once

# Reaction to cover level and premiums



- Some HCP owners confused between premiums paid and amount of cover per day
- Generally considered affordable
  - Appreciate freedom to choose premium/cover level according to affordability
- In reaction to concept description of typical HCP:

Cover level	R 200	R400	R600
Premium per month for individual	R100	R120	R130
Premium per month for family	R150	R200	R250

- Does not make sense – higher premium offers much better value for money

# How pay-out is used/will be used

- To replace income while hospitalised
  - To cover daily necessities and expenses incurred as a result of being hospitalised

## Primary

- Groceries/Food
- Housing/rent/water/electricity
- Transport
- School fees
- Policies/investments

This is what  
the pay-out  
was/will  
mainly be  
spent on

## Secondary

- Clothing and furniture accounts
- Entertainment
- Stokvels
- Telephone/airtime
- Medical expenses

# How pay-out is used/ will be used (cont'd)



- To pay off debt; pay back loans/ loan sharks
- Some (who do not have HCPs or who have not yet claimed) hope to save some of pay-out for future unexpected medical expenses/rainy day
- Minority (who do not have HCPs or who have not yet claimed) regard money as bonus and dream of spending it by spoiling themselves/family with luxuries such as entertainment; shopping e.g. shoes/handbag; holiday; hairdresser; home renovations

# How pay-out is used/will be used

*When I lie in hospital that means I am not at work anymore. So there are areas that will fall short because there is no money coming in. No work, no pay. So I am trusting the money I get from the plan to help me pay at Jet, Edgars, funeral policies and other things*

Durban Female Potential Clients



# How pay-out is used/ will be used (cont'd)



- Evident that pay-out not intended to cover cost of hospitalisation
  - Can afford to pay public hospital from own pocket
  - Or make arrangement to pay off over time
- Some imagined needing to buy necessary medication after discharge
- Those who belong to medical aid
  - Use part of pay-out to cover shortfall not covered by medical aid
  - Rest for non-medical expenses already mentioned

Bulk of pay-out therefore intended to substitute income and pay for **non-medical** expenses incurred as result of hospitalisation, rather than to cover cost of hospitalisation and medical care



# Claims experience



- **VERY NEGATIVE!**
- Need to provide substantial proof of hospitalisation and medical reports
  - Mission to obtain doctors' reports
    - Seen by different doctors
    - Doctors are busy and take long to complete reports/forms
  - Durban participants remarked that they are required to pay doctor and hospital fee for filling in forms/ obtaining copies of reports
- Consultants who handle claims display negative attitude
  - Make claimant feel like they are committing fraud
- Perception that legitimate claims are rejected unfairly
  - Claim that all information about medical conditions was not disclosed upfront
  - Provider questioning necessity of treatment/ length of hospitalisation
  - Repeat hospitalisation for same condition not covered
- Some who have experienced claims process consider cancelling HCP

# Claims experience

*The doctor told me he suspected a miscarriage and admitted me .... I actually stayed for five days and was released on a Friday. After being discharged, I started bleeding again on a Monday. So I was re-admitted for another five days. When I went to claim from my hospital plan, they didn't want to pay me. I was hospitalised for a total of ten days... When they did pay me, they only paid for two out of the five days. When I got angry and asked them about it, they told me about their policy on days. They said they started counting from the third day and they don't count the day you are discharged. Then they told me that when I returned for the second time, they couldn't count that because I had gone back for the same thing, during the same year.*

Durban Female HCP R750pd, have claimed



- Mainly due to financial constraints/ affordability
  - In particular if become unemployed
- If perceived legitimate claim is rejected unfairly
  - Leads to disillusionment and feeling exploited
- As result of feeling that they are paying without experiencing any benefit (no incidence to claim)
  - Cash-back benefits liked because they address this need

# Awareness of fraudulent claims



- Participants from Durban were highly aware of incidence of fraudulent claims
  - Some mentioned it spontaneously earlier in discussion
  - Well-known practice to negotiate with doctors and pay doctor part of claim
  - Doctors admit people who are not sick and falsify records
  - Claim that government employees (nurses and teachers) are notorious offenders
- Participants in Johannesburg groups were mostly unaware of this practice
  - Some had heard (radio discussion/ read in newspaper) about syndicates that work together and share money afterwards

# Awareness of fraudulent claims

*They worked in the same office and were admitted by the same doctor on the same day, with the same diagnosis. They faxed their documents at work using the same number. That's how they were caught.*

Durban Female HCP R750pd, have claimed



# Awareness of fraudulent claims



*The doctors hospitalise you, but you don't go there. You stay at home....All that's needed to show that you were there, is paper work. They cover it and make it seem as if you were there. You get a cut from the money [payout].*

**Durban Male Potential Clients**

# Awareness of fraudulent claims (cont'd)



- All displayed understanding of the negative impact of fraudulent claims
  - All claims are scrutinised like possible fraudulent claims – prolongs claims process, delays pay-out
    - Legitimate Clients are made to feel like criminals
  - Financial implications
    - Company will be forced to increase premiums to recover losses
    - Money will not be available to pay claims
- Suggestions to combat fraud:
  - Representative of HCP provider should visit patient in hospital to verify hospitalisation and assist client with completion of claim forms
  - Creation of bureau that allows hospital to capture patient information and HCP provider can verify information from this source
  - Limit number of hospital visits that can be claimed per year

# CONCLUSIONS





# Conclusions



- The market under investigation aspires to medical cover that enables them to make use of private medical facilities
  - Current medical aid solutions too expensive/ unaffordable
  - Suitable medical aid solution also needs to address negative perceptions
    - Restriction of providers and limitation of benefits
    - Wasted expense if no reason to claim
- Hospital cash plans are mostly not used to provide cover for medical care and do not substitute medical aid
  - HCP customers use public hospitals – can afford cost
  - Would prefer to use private hospitals, but out of reach
- Hospital cash plans are used to substitute income and pay for **non-medical** expenses incurred as result of hospitalisation
  - It is evident that product is used in line with what it is intended for
  - Meets a key need for this budget constrained market

## Conclusions (cont'd)

- Did not find evidence of conflict/ cannibalisation between medical aid and HCP
  - HCP owners did not expect hospital costs to be covered/ paid
  - HCP owners that also own medical aid, do not consider cancelling medical aid in favour of HCP
- Demarcation between HCP and medical aid appears sufficiently clear
- Confusion was however identified between the terms 'hospital plans' and 'hospital cash plans'
  - Recommended that names be reviewed to eliminate confusion
- Research results confirmed incidence of fraudulent claims and that it is particularly rampant in KwaZulu Natal

**THANK YOU FOR  
YOUR TIME AND  
INTEREST!**

