CHAIRMAN'S REPORT, ANNUAL GENERAL MEETING, MEDICAL SERVICES PLAN

I have pleasure in presenting to you the sixth Annual Report of Medical Services Plan. This covers the period 1 January—31 December 1964.

Finance and Growth of the Plan

The Balance Sheet shows that at the close of the year under review, the capital account stood at R34,894, which represents the balance of R41,050 brought forward from the last balance sheet, less the sum of R6,156, which was the excess of expenditure over revenue for the year under review. The Plan held as an additional reserve the capital sum of R15,560, which was the aggregate amount of the loans of R20 each subscribed by 778 participating doctors in the Plan. As at the close of the balance sheet, the cash resources on hand, in savings account, and in fixed deposits amounted to R177,159.

The income for the year was R589,238, being R584,242 from subscriptions and the balance from interest on investments. On the expenditure side, the sum of R526,641 (equivalent to 90% of subscription income), was allocated for the payment of medical fees and hospitalization. Included in this figure was the sum of R6,941, which is the amount pro-rated by the Plan from participating doctors' accounts. Having regard to the increased liabilities of the Plan due to increased membership, the Board considered it prudent to raise the reserve for services rendered to subscribers, but for which accounts had not yet been submitted, from R39,000 to R46,000. The administration expenses for the period amounted to R56,681 (equivalent to 9·7% of subscription income).

The growth of subscriber membership and of monthly income is shown in the following table. In order that members may be brought up to date with the latest position, the figures for the first 6 months of the current year have also been included:

	31 Dec. 1963	*30 June 1964*	*31 Dec. 1964*	*30 June 1965*
1. Number of groups	193	205	213	219
2. Number of subscribers	7,356	7,897	8,545	8,884
3. Number of persons covered	21,027	22,447	24,099	24,888
4. Monthly subscription income	R45,054	R48,227	R51,856	R53,934

As will be observed, there has been a slowing down in the growth of the Plan. This was due to two main factors: uncertainty regarding the Bill to Provide for Medical Schemes, and the protracted negotiations between the Medical Association and the Medical Aid Societies over the question of fees. Numerous groups have been waiting for these issues to be resolved before making a decision to join an existing prepayment scheme, or to start a medical aid society of their own. Some existing medical aid societies are faced with the alternatives of restricting benefits, of raising subscriptions, or joining with some other scheme. The Bill has been referred to a Select Committee of Parliament, and the tariff of medical fees for approved medical aid societies has been increased as from 1 July 1965. So far as the Plan is concerned, these changes will probably result in a considerable increase in subscriber membership because the benefits offered by the Plan relative to subscriptions are, at present, substantially greater than those of any medical aid or commercial insurance company.

The Plan's Tariff of Medical Fees

As members are aware, the schedule of fees applicable to participating doctors is determined by the Medical Association and not by the Plans. The question whether this schedule needs to be amended in the light of the recent increase in the tariff for approved Medical Aid Societies is, at present, under consideration by the Federal Council of the Medical Association. Until this question is resolved by the Federal Council, the Executive Committee of the Federal Council has ruled that the fees payable by the Plans shall remain unchanged. In this connection, it needs to be stressed that the present schedule of fees of the Plans is still higher than the new schedule for approved Medical Aid Societies. The fact that the Plans have, since their inception, been able to compete successfully with existing prepayment schemes despite the payment of higher and more realistic fees for medical services, was undoubtedly a potent factor in the negotiations which led to the recent increase in medical fees for approved Medical Aid Societies. However, it does not follow that an increase in fees of corresponding magnitude will automatically be applied to the Plans. In this regard the policy of the Plans is (as it has always been), to pay fair and reasonable fees for professional services rendered, and it is for the Association to determine what those fees should be.

Participating members may recall that Medical Services Plan was launched by the Association with its 'benevolent blessing'. It was the specific intention of the Federal Council, at that time, that the Plan should provide a more comprehensive service to the public than that provided by other prepayment schemes, and that it should also benefit the profession in various ways: it should pay reasonable fees; it should exercise discipline in the interest of the profession by dis-

couraging over-servicing by doctors and unnecessary demands for service by subscribers; it should provide the Association with first-hand information regarding the problems involved in the actual operation of a prepaid medical care scheme; and it should provide statistical and other information which could assist the Association in formulating its policies in respect of all prepaid insurance schemes. With respect to the last of these objectives, I have prepared a table for the information of all concerned: it shows what proportions of the money expended by the Plan during 1964 for medical services were received by each of the groups—general practitioners and specialists—and the corresponding proportionate sizes of the groups in terms of the numbers of participating doctors.

Categories of practitioners	*No.*	(%)	*Proportion of fees received* (%)
General practitioners	421	54·1	49·3*
Anaesthetists	40	5·1	4·1
Dermatologists	9	1·2	1·2
Surgeons	58	7·5	7·4
Gynaecologists	42	5·4	6·8*
Ophthalmologists	33	4·2	2·3
Orthopaedic surgeons	17	2·2	1·8
Otorhinolaryngologists	19	2·4	3·5
Paediatricians	16	2·1	1·8
Pathologists	9	1·2	6·1
Radiologists	32	4·1	9·2
Physicians	40	5·1	2·6
Physical medicine	7	·9	1·4
Urologists	9	1·2	1·0
Psychiatrists	26	3·3	1·2
Ex gratia grants	—	—	·3
	778	100%	100%

*Maternity grants amounted to 6·7% of the fees paid. This has been allocated arbitrarily as 4·7% to general practitioners and 2% to obstetricians.

As can be seen, with few exceptions, the proportion of the expenditure for medical fees accruing to each of the groups corresponds remarkably closely with the relative sizes of the groups. Because the medical benefits provided by the Plan are virtually unlimited, except in respect of pre-existing conditions, this analysis is unique in the information which it provides. It demonstrates that there is very little difference in the average earnings of the various categories of medical practitioners. This is contrary to what many people believe—inside and outside the profession. That there are marked individual variations in earnings as between individual practitioners is, of course, well known, but that the average earnings of the various groups approximate each other so closely will, I believe, come as a revelation even to many of those who are presently responsible for formulating policies in the highest councils of the profession. I need hardly stress the importance of information such as this in determining the tariffs of fees which should apply to prepaid medical care schemes. Yet, despite the prolonged deliberations of the Federal Council of the Association and its Committee for Contract Practice on the question of the recent revision of the tariff for approved medical aid societies, no attempt whatever was made to obtain any information from the Plans. In the event, medical aid fees for general practitioners' visits and consultations and for specialist consultations have been increased by 25%, and fees for procedures—whether by general practitioners or specialists—by only 10%. However well deserved the 25% increase may be—and this Plan, since its inception 6 years ago, has been paying more than this higher rate for *all* medical services—the discrimination now introduced, particularly with regard to specialist groups, is clearly inequitable.

As I have already stated, the question of the fees to be paid to participating doctors in the Association-sponsored Plans is a matter for the Federal Council to decide. I can only express the hope that the inequities of the new medical aid tariff will not be imposed upon the Plans.

Pro-rating of Accounts

Because of the uncertainties surrounding the medical fees and pending legislation for the control of medical schemes, your Plan has been reluctant to increase subscriptions prematurely despite the clear indications that current subscription income is inadequate. For this reason, the Board decided that, as from 1 July 1964, a provisional pro-rating of 7% should be applied to all accounts of participating doctors. I am happy to announce that it has been decided to repay in full all amounts pro-rated during 1964. However, a provisional pro-rating of 7% will still apply for accounts received during the current year. A speedy resolution by the Federal Council of the question of the tariff of fees applicable to the Plans should make it possible for us to effect the appropriate adjustment in our subscriptions and, although the Board has the right to waive all amounts pro-rated if the expenditure during any particular period falls short of subscription income, I think it is fairly certain that the 7% presently being deducted will also be repaid in due course.

It is with considerable pride that I have to report that during the entire period which accounts have been pro-rated, not a single protest or complaint regarding this issue has been received by the Board. Critics of the Plan would do well to ponder the significance of this fact: it is a demonstration of the bona fides of our participating doctors in relation to our subscribers and of their confidence in the Board itself. Moreover, it underlines a feature of prepayment insurance which applies exclusively to the Plans, namely that the solvency of the scheme is guaranteed at all times by the participating doctors themselves.

Donations to the Benevolent Fund

During the year the Board decided that the entire amount of R15,560 standing to the credit of the Participating Doctors' Loan Account should be repaid. Approximately half of the total number of the participating doctors who had each loaned R20 have signified their willingness to waive their loans in favour of the Benevolent Fund of the Medical Association and the sum of R6,865 has so far been handed over to the Fund. This magnificent donation (the largest, I believe, ever received by the Benevolent Fund), has been acknowledged with gratitude by the Chairman of the Fund.

In conclusion, I wish to express to the members of the Board—both professional and lay—my personal thanks for their support and encouragement. I wish also to thank our Medical Assessor, Dr. J. Alexander Bell, our General Manager, Mr. P. J. Parvus, and all the members of the staff of the Plan for the very efficient and painstaking manner in which they have carried out their duties.

MAURICE SHAPIRO