

MEDICAL SERVICES PLAN

REPORT BY THE CHAIRMAN, DR. M. SHAPIRO, TO THE SECOND ANNUAL GENERAL MEETING HELD AT
MEDICAL HOUSE, ESSELEN STREET, JOHANNESBURG, ON 26 JULY AT 8 P.M.

I have pleasure in presenting the second Annual Report of Medical Services Plan.

In order to bring the publication of our annual accounts into line with the provisions of the Friendly Society Act of 1956, the accounts have been prepared for the 8-month period from 1 May 1960 to 31 December 1960. All future financial accounts will be for the calendar year, as required by the Act.

The expenditure for the 8 months under review amounted to R60,106, more than double the expenditure for the whole of the first year of operation of the Plan. As will be shown this resulted from the great expansion in the scope of operation of the Plan with a corresponding increase in expenditure for benefits to subscribing members and for costs of administration. A sum of R50,652 was allocated for benefits to subscribing members, i.e. for payment for medical services and hospitalization. Of this amount, the sum of R38,202 had been paid out at 31 December and a further R6,540 had been allocated for payment, but not yet paid out at that date. The balance of R6,000 is represented by a provision for unclaimed benefits as shown in the Balance Sheet. This latter amount is, of course, only an estimate, since it is impossible to determine at any particular time the Plan's liability for services already rendered to subscribers, but for which accounts have not yet been received. However, the sum of R6,000 is regarded as a very liberal and safe estimate of our outstanding liabilities at that date.

Administration expenses for the 8 months amounted to R9,376. Although this sum is considerably in excess of the sum expended in the first year of operation, the ratio of administration expenditure to subscription income was actually reduced from 18.6% in the first year of operation to 13.7% in the period under review. The low administration costs at this very early stage in the growth of the Plan is a tribute to the efficiency and diligence of our staff and encourages us to anticipate that, when the Plan is fully developed, the overheads will not exceed 10% of subscription income. I need hardly stress that in a non-profit-making organization of this nature, the lower the administration expenditure the greater the proportion of subscription income which is available for the provision of benefits and for the creation of adequate reserves for future contingencies.

The subscription income received during the 8-month period amounted to R69,030 as compared with R33,668 for the entire preceding year. A further sum of R458 accrued from interest on investments.

The Balance Sheet shows that the Capital Account as at 31 December 1960 stood at R16,192, which sum represents the balance of R6,800 brought forward from the last Balance Sheet on 30 April 1960, plus the sum of R9,382 which was the excess of Revenue over Expenditure for the 8 months under review. In addition, the Plan holds in trust for the participating doctors the sum of R14,540, which represents the loans of R20 each deposited by the 720 participating members who had joined the Plan up to that time. This loan fund has so far not been required either to finance the development of the Plan or to meet any of its commitments. It has nevertheless been decided by the Board that the loans be not repaid until the financial reserves are considered to be

such as to make it entirely safe to abolish the Fund. New doctors joining the Plan will therefore continue to be required to provide these loans as a condition of their participating membership.

As at the date of the close of the Balance Sheet the cash resources at the bank, in savings accounts and in fixed deposits, amounted to R42,328.

The growth of subscriber population and of subscription income is shown in the following Table. In order that participating members may be brought up to date with the latest position, the figures as at 30 June 1961 have also been included:

| | 30 April 1960 | 30 June 1960 | 31 Dec. 1960 | 30 June 1961 |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|
| Number of groups admitted | 33 | 44 | 61 | 89 |
| Number of subscribers | 887 | 1,309 | 1,733 | 3,105 |
| Number of persons covered | 2,417 | 3,499 | 4,852 | 8,605 |
| Monthly subscription income | R2,416 | R8,154 | R10,400 | R18,882 |

New applications effective as from 1 August 1961 are expected to bring the total number of groups admitted to 119, the number of persons covered to 11,654, and the monthly subscription income to R25,494. Some of the groups which have been admitted to the Plan comprise subscribers who have not previously carried any sickness insurance. However, more than half of the groups admitted consist of subscribers who were previously insured with commercial insurance companies.

The rapid growth of and widespread public and professional interest in the Plan indicates that there is a great need for the comprehensive type of insurance cover against the cost of medical services and hospitalization such as the Plan provides.

At present, the area of operation of the Plan includes only the areas embraced by the Southern Transvaal and Eastern Transvaal Branches of the Medical Association of South Africa. Requests for extension of the Plan have been received from many of the larger towns and cities in the Republic. The Medical Association itself has, through its Federal Council, recently reiterated for the third time its desire that the Plan be extended throughout the country as soon as possible. These requests have received the most earnest and sympathetic consideration of the Board. However, it is my duty to report that in this matter the attitude of the Board remains the same as it was a year ago, viz. that the Plan be not extended beyond its present area of operation until the policies of the Association in relation to commercial insurance companies and to the Plan itself are clarified to the satisfaction of the Board. Lest the attitude of the Board in this matter be misconstrued, I should like briefly to review the considerations which have led the Board to this decision.

Participating members may recall that when the Plan was launched the official policy of the Association was against the granting of any form of recognition or of concessions to commercial insurance companies. Indeed, the main reason for the

creation of the Plan and of its sponsorship by the Association was that, through the comprehensive nature of the benefits which it was to offer to subscribers and the scales of professional fees which it would pay to participating doctors, the Plan would establish satisfactory standards against which the benefits provided by medical aid and insurance schemes could be measured and which such schemes would be encouraged to emulate. However, since the time of the launching of the Plan, the Association's policy has undergone a radical change. Commercial insurance companies have been officially recognized by the Association as qualifying for the preferential tariff of fees applicable to approved medical aid societies in respect of all persons insured with these companies whose declared earnings fall below R4,600 per annum, regardless of marital status or family size. The Board of Medical Services Plan, which was not consulted by the Association in this matter, is not prepared to recommend to its participating members that these conditions should be applied also to the Plan, since this would constitute a negation of the basis upon which participating members were invited to join the Plan. As a consequence of the Association's present policy in relation to commercial insurance companies, the Plan now finds itself handicapped in the pursuit of the very objects for which it was conceived and sponsored by the Association itself. Until a formula is evolved which will satisfactorily resolve this paradoxical situation, it would be folly on the part of the Plan to court unequal competition in areas other than those in which it is already irrevocably committed. The fact that within the pilot area the Plan is prospering and is operating to the benefit and satisfaction of both the subscribers and the participating doctors does not detract from the importance of the issues and principles involved. It is possible that, as a result of decisions taken at a special meeting of the Federal Council a few weeks ago, the policies of the Association may

be so modified as to encourage the Board of the Plan to contemplate extension of its area of operation with a greater degree of confidence than hitherto. The results of these deliberations will therefore be awaited with interest. It appears that our colleagues in several other areas have been so impressed by the example of the Plan that they are impatiently determined to establish, independently, schemes similar to Medical Services Plan, notwithstanding the considerations which I have mentioned. While counselling circumspection we extend to them our very best wishes and the offer of whatever technical assistance and advice we are able to give.

Late last year, the post of Medical Assessor was created and the Board was fortunate in securing the services of Dr. J. A. Bell, a highly esteemed senior colleague with experience both as general practitioner and specialist physician. His appointment has not only enhanced the liaison between the Plan and the participating members, but has relieved the members of the Board of the great burden of scrutinizing applications for membership and accounts for services rendered and greatly improved the speed and efficiency with which these functions were previously performed.

In conclusion, I should like to convey the thanks of the Board to our business manager, Mr. Parvus, and to the members of his staff, for the splendid way in which they have coped with the work of the Plan under very difficult conditions. I am happy to report that more commodious and congenial accommodation for our staff was obtained early this year at Thames House in Hospital Hill. This accommodation is on lease to the Plan for only 18 months, but it is hoped that some more permanent arrangement will have been arrived at before the expiration of the lease.

I now have pleasure in moving the adoption of this Report and the financial accounts.