

EXAMINATION

11 September 2006 (am)

Subject SA1RSA — Health and Care Specialist Applications

Time allowed: Three hours

INSTRUCTIONS TO THE CANDIDATE

1. *Enter all the candidate and examination details as requested on the front of your answer booklet.*
2. *You have 15 minutes at the start of the examination in which to read the questions. You are strongly encouraged to use this time for reading only, but notes may be made. You then have three hours to complete the paper.*
3. *You must not start writing your answers in the booklet until instructed to do so by the supervisor.*
4. *Mark allocations are shown in brackets.*
5. *Attempt both questions, beginning your answer to each question on a separate sheet.*
6. *Candidates should show calculations where this is appropriate.*

AT THE END OF THE EXAMINATION

Hand in BOTH your answer booklet, with any additional sheets firmly attached, and this question paper.

*In addition to this paper you should have available the 2002 edition of the
Formulae and Tables and your own electronic calculator.*

1 You are a consultant actuary, who is providing advice to a large employer in the mining sector (gold) concerning the healthcare needs of its lower income employees.

The key details for the employer are:

- 3 000 employees working in two mines in the Northern Free State, and a head office with 350 employees in Gauteng.
 - It is compulsory for all employees earning more than R5 000 per month to belong to one restricted membership medical scheme.
 - The vast majority of employees earning less than this do not belong to a medical scheme.
- (i) Discuss, with reasons, how different types of health care cover that could be offered to employees would meet the employer's requirements. [18]
- (ii) The employer is particularly interested in offering cover to lower income employees. Discuss the challenges the employer faces in providing this cover to them. [6]
- (iii) Discuss the likely impact of HIV / AIDS on the mine, and how the lack of medical scheme cover is likely to affect lower income employees who are HIV positive. [12]
- (iv) Explain the protection offered to employees by the Mines and Works Compensation Fund. [4]
- (v) Discuss how the Risk Equalisation Fund and recent Government healthcare reforms are likely to affect the employer's ability to offer health care cover to lower income employees. [10]

[Total 50]

- 2 You are the consulting actuary to a medium sized open medical scheme. The scheme has historically been fairly loose on actively managing claims, and has no specific contracts with any providers, but is now getting concerned that its financial position is weakening. You have been able to gather the following statistics relating to the scheme.

	2005	2006
Average number of principal members	85 000	115 000
Average number of beneficiaries	212 500	287 500
Hospital spend	R321 300 000	R508 599 000
Number of admissions	20 570	28 943
Average length of stay	2.2	2.1
Chronic medication claims	R40 931 376	R64 920 996
Number of claimants on chronic medication	8 279	12 881
Average age of principal members	39.4	39.6

[Note: Candidates should assume that the numbers in table above relate to full calendar years.]

- (i) Discuss the various drivers of the increase in hospital experience and possible causes of them. [12]
 - (ii) Discuss ways in which the scheme can contain hospital costs without contracting with hospitals. [10]
 - (iii) Discuss ways in which the scheme can contain hospital costs through contracts with hospitals. [6]
 - (iv) Discuss possible explanations for the increase in chronic medication costs. [10]
 - (v) Suggest measures the scheme can take to lower its spend on chronic medication. [6]
 - (vi) One of the trustees has suggested that the scheme should be pro-active in channelling members to particular pharmacies in order to obtain lower prices on its medication spend. Comment on the advantages and disadvantages of this suggestion. [6]
- [Total 50]

END OF PAPER