

Medical Scheme Governance

The principal enabling factor for fraud in medical schemes appears to be the collusion between members, service providers and administrator staff, according to the medical schemes' anti-fraud survey released by KPMG in the 2nd half of 2006.

This should ring warning bells for an industry where experts estimate fraud to be in the region of 10% to 30%, and is a clear sign for medical scheme boards and its trustees to take this bull by its horns and steer it in the direction of transparency, accountability and good governance.

The framework for medical scheme corporate governance is derived from the common law, King II and the Medical Schemes Act of 1998. A major challenge facing all trustees, including medical aid trustees, is to act 'with due care, diligence and the utmost good faith'.

Ongoing governance failures amongst medical schemes, prompted the Council for Medical Schemes to undertake a project to review their governance practices and to identify the key determinants of governance failures. Potential sources of governance failure, in the context of the Council for Medical Schemes 'governance model', were identified.

The findings and recommendations of the Council's "Governance Theme Project" were released in mid 2006, to recommend additional strategies to improve medical scheme governance and to mitigate the risk of governance failure.

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