



HFA YEAR END REFLECTION

A Year of Progress, Purpose and Partnership

As we draw the year to a close, it feels fitting to reflect on the work that has kept us energised, challenged and firmly on our toes. It has been an exceptional year for HFA. Our voice has grown stronger, our partnerships deeper, and we have taken several decisive steps forward on issues that matter to our members and to the national health system. We are particularly encouraged to be welcoming several new schemes into the HFA family from 2026, a clear signal that our work continues to resonate.

STRENGTHENING STRATEGIC RELATIONS

Our engagements with the Registrar and his executive team have been constructive, solutions driven and firmly grounded in the Memorandum of Understanding with CMS. Discussions have ranged across the PMB Review, Regulation 30, Risk Based Capital, Low-Cost Benefit Options and other core reforms. This has created space for candid, evidence-based conversations that are helping us move toward more workable regulatory outcomes.

Throughout the year we submitted detailed and technically robust inputs on a wide range of matters, including pharmacoeconomic guidelines, the DTIC Tariff Regulations, LCBOs, the NHI Draft Regulations, the SCOPA RAF inquiry and the Home Affairs ID verification proposal. Our CMS related contributions covered the Value Based Contracting survey, the Scheme Risk Measurement project, Out-Of-Pocket payments, the POPI Code of Conduct, FWAE, DSP

guidelines, PMBs and Risk Based Capital.

We have also seen a significant increase in HFA's public profile. Since May 2025 we have secured 386 media placements across broadcast, print, online and social media. Our NHI legal challenge in particular has elevated HFA's visibility and ensured that our commentary is widely recognised as authoritative, credible and grounded in evidence.

Our membership of BUSA has been strategically valuable. Through this platform we have advanced discussions on essential primary care packages, contributed to Competition Commission engagements on the DTIC Block Exemptions and collaborated on NHI related issues. Importantly, our seat at BUSA creates a channel to elevate system wide issues to Nedlac, ensuring that matters affecting our sector are heard at the highest level of social partner

engagement.

While the risks posed by an unworkable NHI Act have dominated national debate, we have used this visibility to elevate the critical value of medical schemes, the financial protection they provide, the relief they offer to the state and the progressive role of medical tax credits in supporting working families. We have consistently promoted the expansion of primary healthcare as a practical, affordable step toward universal coverage.

A major milestone this year was the completion of the comprehensive economic analysis of the NHI by Genesis Analytics. This evidence base strengthens our legal challenge and provides a comprehensive and detailed financial assessment of the implications of the proposed NHI system.

Inside this issue...

- * Year end reflection
- * Strengthening strategic relations
- * NHI legal challenge
- * The case for PHC packages
- * Clarity on OOP
- * UBP Appeal
- * Section 59 & FWAE
- * PCR pricing complaint
- * Scenario planning
- * 2026 strategic focus areas

NHI LEGAL CHALLENGE



It remains concerning that the NHI Act, in its current form, fails to recognise the essential role medical schemes

play in supporting working households, protecting their access to care and complementing the public system. The absence of the long-awaited HMI reforms, together with the continued prohibition on introducing essential primary healthcare cover for lower income earners, threatens the stability of the entire health system and, ultimately, the economy.

The economic reality is that the NHI, as proposed, is *unaffordable, unworkable, and unconstitutional*. To deliver the comprehensive care currently accessed by medical scheme members to all 61 million South Africans would, even after applying a 45.5% assumed efficiency saving, require:

- ◇ Personal income tax increasing to 2.2 times the current average rate.
- ◇ A 12% to 36% reduction in take-home pay to fund the NHI.
- ◇ A VAT increase from 15% to 36%.
- ◇ And an additional 286,000 healthcare professionals (including doubling of GPs, Nurses, Pharmacists and tripling number of specialists), a workforce requirement that South Africa simply cannot meet.

Even a Shared Resources scenario would require significant tax increases and would require:

- ◇ Personal income tax to rise 1.5 times.
- ◇ Take-home pay would drop by 10% to 15%.
- ◇ Medical scheme members would pay 1.5 times more in tax while receiving 43% less care than they currently access. Without

sufficient funding or an expanded health workforce, the NHI system cannot deliver on its stated goals and risks the opposite: reduced access, lower quality and deeper inequity.

HFA's alternative: A practical, affordable hybrid model

Our legal challenge asserts that the Act is irrational and not capable of achieving universal health coverage, violates the constitutional right to healthcare, is not a reasonable measure under Section 27(2), and unlawfully delegates legislative authority. In parallel, HFA has proposed a hybrid, multi fund model that retains the NHI Fund but positions medical schemes as essential partners. This approach is more affordable, faster to implement and consistent with international best practice.

THE CASE FOR ESSENTIAL PRIMARY HEALTHCARE PACKAGES



A central priority for HFA this year has been advocating for affordable primary healthcare cover for the missing

middle, which refers to more than 10 million uninsured South Africans who live in households earning between R7 726 and R30 000 per month. These are young people who cannot afford current medical

scheme but pay for private primary care out of pocket.

Essential primary healthcare packages could be offered within medical schemes at approximately R400 per adult per month, or R1400 per family of four. After applying the medical scheme tax credit, families would pay R180, and an adult would pay R36.

This reform is immediate, affordable and system strengthening. It would expand access, reduce out of pocket

spending, relieve pressure on public clinics and accelerate the primary care platform needed for NHI. Most importantly, it provides reliable protection for millions of working people who cannot wait another decade for meaningful healthcare access.

HFA will continue to drive this work with unions, employers, BUSA, CMS and the Department of Health in 2026.



OOP: CLARIFYING THE FACTS



Over the past year, HFA has been engaging with the CMS on correcting inaccuracies in public statements regarding out-of-pocket expenditure. In September, CMS reported that members paid R43 billion rand out of pocket in 2023. This figure was significantly overstated.

A large portion of the amount was in fact medical savings account payments, which according to CMS's own data accounted for R22.6 billion in 2023. In addition, a further R9.3 billion in "OOP" arises from duplicate claims, incorrect billing, and provider tariff errors that never translate into a liability for members.

Once corrected along with adjustments for gap cover payouts, the realistic figure is closer to R8.5 billion, which is 3-4% of gross contribution income and is consistent with international benchmarks.

Beyond technical accuracy, the misrepresentation of OOP data risks fuelling damaging public narratives, such as the claim that members "run out of benefits" or that schemes are shifting members onto the public sector. These claims are not supported by evidence, and we have urged CMS to correct the public record and to accelerate the establishment of an Industry Research Forum to support collaborative, transparent and rigorous analysis.

APPEAL OF THE UNDESIRABLE BUSINESS PRACTICE DECLARATION



We continue to engage CMS on the 2021 UBP Declaration related to co-payments and DSP networks. As drafted, the declaration would unwind between R7 – R10 billion rand of savings secured through network arrangements, resulting in higher contributions for members without added value.

Left unchallenged, this declaration will drive up the cost of medical

scheme cover and threatens to undermine the very purpose of DSP arrangements, which exist to secure fair tariffs, protect members from unnecessary co-payments and ensure predictable, affordable access to care. HFA is appealing the declaration under Section 50 while seeking a constructive and workable resolution.

SECTION 59 AND FWAE

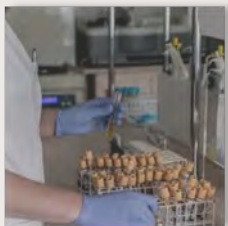
Although the Section 59 Panel found no evidence of racial profiling, public commentary resulted in reputational harm to the industry. This year we have worked to denounce and correct misrepresentations of the report and then to rebuild trust by promoting transparency, fairness and open dialogue. This included engagement on the Code of Conduct, participation in the FWAE Advisory Committee and representation at

SAMA's first Section 59 Dialogue, which brought clinicians, funders and regulators together for an honest and constructive conversation.

Dialogues like this help to strengthen the sector by fostering understanding, creating space for accountability, and building the partnerships required to ensure fairness, integrity, and sustainability across the healthcare system.



PCR PRICING COMPLAINT



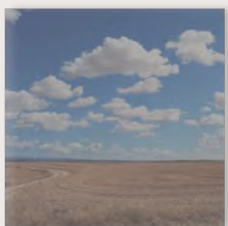
HFA continues to lead the sector's action against excessive Covid-19 PCR pricing during 2020/21. The Tribunal's dismissal of eight of the nine exceptions brought by the path labs was an important step and paved the way to proceed to a full hearing on the merits. HFA is

representing 36 medical schemes and 5.6 million beneficiaries, spanning both HFA members and non-member schemes - underscoring the scale and importance of this case for the industry.

We were also encouraged by the endorsement received from the CMS, which recognises the importance of pursuing accountability and fairness in the pricing of essential healthcare services.

Since the ruling on the exceptions, we subsequently experienced a procedural delay, relating to pre-hearing processes. While such delays are undeniably frustrating, they are procedural rather than substantive, and we will in due course announce some positive progress on the matters towards a hearing on the merits of our case.

SCENARIO PLANNING SUMPOSIUM



Our Scenario Planning Symposium in September was a resounding success, bringing together leaders from across the health system for an honest, solutions-focused conversation about what it will take to strengthen healthcare by

2030. Delegates agreed on the urgency of reform, the need for much greater alignment and the importance of practical, coordinated action. A key recommendation was the establishment of an Industry Think Tank. This will be a central focus for 2026 as we build a more structured platform for collaboration and long-term system strengthening.

STRATEGIC FOCUS AREAS FOR 2026

The themes from the Symposium align strongly with our emerging strategic priorities. In 2026 HFA will intensify advocacy for essential primary healthcare packages, continue to influence the PMB Review, establish a Working Group for Principal Officers and scheme executives, and advance key policy priorities including Regulation 30, Health Technology Assessment, the POPI Code of Conduct, the DTIC Block Exemption and FWAE mitigation.

We will also continue to drive our public campaign on the value of medical schemes and progress the PCR pricing matter, the UBP appeal and the NHI legal challenge.

Above all, we remain committed to being agile, responsive and deeply aligned with the needs of our members. HFA will continue to advocate for affordability, sustainability and protection for all those who rely on the private healthcare funding system.

*From all of us to all of you,
Happy Holidays!*