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Inside this issue...

- * From the CEO
- * Section 59 Developments
- * Auditor Independence
- * HFA Trustee Training
- * Supporting the SEPA
- * FLAC Instruments
- * HFA Strategy
- * PCR Complaint Update

A MESSAGE FROM THE DESK OF THE CEO...

As we approach the Constitutional Court hearings on the NHI Act next week, healthcare reform in South Africa appears to be entering a particularly important phase. The matters before the Court, which focus on the adequacy of public participation in the legislative process, carry implications that extend beyond the NHI itself. They speak to broader questions of governance, consultation, and the credibility of reform processes in South Africa.

At the same time, the public discourse on healthcare reform is becoming increasingly polarised. Much of the narrative directed at the private healthcare sector, and medical schemes in particular, risks overlooking the significant and important role they currently play in funding access to care for over 9 million South Africans, supporting infrastructure, and contributing to overall system sustainability.

This makes it essential that HFA continues to provide a balanced, evidence-based perspective in national debates. As the country progresses toward Universal Health Coverage, the focus must remain on practical, implementable solutions that advance access, affordability, and sustainability, rather than ideology alone.

To support this, we are expanding our engagement platforms, including through our [podcast series](#), which aims to bring more nuanced and informed perspectives into the public conversation. Our second episode features Dr Boshoff Steenekamp, a longstanding and highly respected figure within the healthcare sector, who has spent over 40 years working at the intersection of clinical practice, public health, healthcare regulation, and system design provides valuable insight into the realities of healthcare reform.

It is precisely these kinds of nuanced and informed discussions that are needed as the country continues to navigate complex healthcare reform debates.

SECTION 59: ENGAGEMENTS AND EMERGING MATTERS



Following our previous update on CMS Circular 10 of 2026, there have been further developments regarding the implementation of the Section 59 Investigation Report.

On 20 April, HFA was invited to engage with the Minister of Health, alongside the National Department

of Health and the Council for Medical Schemes, on emerging proposals. A central proposal is the

establishment of an Interim Restitution Adjudicative Panel. According to the discussion document shared at the meeting, the proposed Panel would function as a temporary 'restorative' mechanism to deal with historical Section 59-related disputes pending the establishment of a permanent statutory tribunal. The proposed mandate would include matters such as alleged improper recoveries, network terminations and procedurally defective enforcement actions.

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While HFA supports fairness, transparency and respectful engagement, we remain concerned that aspects of the proposal, in its current form, may:

- ◇ Imply wrongdoing by schemes without legal findings
- ◇ Undermine legitimate forensic and recovery processes
- ◇ Create uncertainty around the protection of member funds

There are also material considerations relating to legal authority, jurisdiction, evidentiary standards, and funding,

all of which require careful assessment.

At a broader level, we are concerned that the evolving narrative risks underplaying a fundamental principle: trustees and schemes have a fiduciary duty to protect member funds and combat fraud, waste, abuse and error (FWAE). Weakening these controls would have direct consequences for affordability and system sustainability.

HFA is engaging with its members on 8th May to ensure a considered and coordinated response. We remain committed to constructive engagement to reach a balanced and workable outcome.

AUDITOR INDEPENDENCE: A BALANCED APPROACH



HFA recently submitted comments on CMS Circular 44 of 2025 relating to auditor independence.

While we support the underlying objectives of strengthening governance and public confidence, we cautioned against the introduction of Mandatory Audit Firm

Rotation (MAFR) as a rigid regulatory requirement.

HFA's submission emphasised that the Independent Regulatory Board for Auditors (IRBA), rather than the CMS, remains the appropriate statutory authority to regulate audit standards and independence requirements across sectors. The submission therefore recommended that the CMS align its approach with IRBA frameworks and guidance to avoid regulatory fragmentation, duplication and legal uncertainty.

Our submission also highlighted concerns:

- ◇ Market concentration: A limited pool of specialised auditors already exists

- ◇ Cost implications: Increased audit costs ultimately flow through to members
- ◇ Operational disruption: Frequent firm changes may reduce efficiency and continuity

HFA's position is that Audit and Risk Committees should remain the primary custodians of audit quality and independence, supported by principles-based frameworks, audit quality indicators, and partner rotation mechanisms.

HFA supports transformation within the audit profession but emphasises that this should be achieved through sustainable capacity building initiatives, mentorship, skills transfer and structured participation opportunities for emerging firms, rather than rigid regulatory interventions that may inadvertently compromise audit quality or market stability.

Overall, HFA's submission calls for a balanced and proportionate approach that strengthens independence and governance while recognising the operational realities of the medical schemes environment and protecting the interests of members.

HFA TRUSTEE TRAINING SERIES

A reminder that HFA's online Trustee Training lecture series is now available on our [website](#).

The training series has been developed to support trustees and other professionals working within the medical schemes industry by providing practical, accessible and self-paced learning on key industry topics.

There are currently four training videos available, covering topics such as:

- ◇ An introduction to the medical schemes
- ◇ Medical scheme financial soundness
- ◇ Understanding Prescribed Minimum Benefits (PMBs)
- ◇ Managed care

The modules are designed to provide both new and experienced trustees with a stronger understanding of the healthcare funding environment, including industry trends, governance responsibilities, financial sustainability and the practical challenges facing schemes

Additional modules covering topics such as the roles and responsibilities of trustees, benefit design, FWAE and NHI will be released shortly.

We encourage trustees, principal officers and industry professionals to make use of these valuable resources as part of ongoing learning and governance development within the sector.

SUPPORTING A SUSTAINABLE SEPA OUTCOME



HFA recently wrote to the Department of Health, supporting the 2026 Single Exit Price Adjustment of 1.47% noting that the adjustment appropriately balances the sustainability needs of the pharmaceutical sector with the equally important need to protect

affordability and access to medicines for South Africans.

In the medical schemes sector, medicines account for R36 billion or 14% of expenditure, and the inflationary pricing has a direct impact on medical scheme contributions for 9 million members. At the same time, 16 million non-insured South Africans make use of private sector through out-of-pocket payments, therefore the medicine price increases remain a significant affordability issue for many families.

Against this backdrop, a 1% percent increase in medicine prices can translate into billions of Rands.

A key principle in our submission was the importance of maintaining a consistent, rules-based pricing framework. The strength of the SEPA methodology lies in its predictability and transparency, allowing fluctuations in inflation and currency to balance over time.

We also noted that SEPA increases have exceeded CPI in six of the past 10 years, and that the lower increase for 2026 reflects prevailing economic cycles.

In conclusion, we urged the Department to maintain its current determination and continue applying the SEPA methodology consistently and transparently in order to support both healthcare sustainability and equitable access to medicines.

REG 30 ANNEXURE B: FLAC INSTRUMENTS AND MEDICAL SCHEMES



HFA has engaged CMS on a regulatory misalignment arising from the introduction of Financial Loss Absorbing Capacity (FLAC) instruments, which could result in approximately R100 million in reduced investment income per annum across the industry.

These instruments are part of banking reforms designed to strengthen the stability of banking systems by ensuring that large banks are able to absorb losses during periods of financial distress without relying on taxpayer-funded bailouts.

In South Africa, this has resulted in banks being required to issue certain forms of debt through their holding companies rather than through the operating banks themselves. Over time, these FLAC instruments are expected to replace traditional senior unsecured bank debt as part of the Prudential Authority's resolution framework.

While this development is primarily a banking regulatory matter, it has unintended consequences for medical schemes because of the way investment regulations under the Medical Schemes Act are currently structured.

Under Regulation 30, Annexure B of the Medical Schemes Act, medical schemes are required to hold a portion of their investments in qualifying banking instruments.

However, because FLAC instruments are issued by the bank's holding company rather than the registered banks themselves, they may not currently qualify under the existing definitions, despite effectively replacing the traditional bank instruments schemes have historically invested in.

This creates a potential regulatory misalignment.

As existing qualifying bank instruments mature and are replaced by FLAC instruments, schemes may be forced into lower-yield investments to remain compliant.

The estimated impact is a reduction in investment income of approximately R100 million per year, with direct implications for affordability.

This is not a risk issue, but a technical misalignment between evolving banking regulations and legacy investment definitions within the medical schemes' regulatory framework. HFA has proposed that the CMS consider a targeted clarification, exemption or amendment to Annexure B in order to appropriately recognise FLAC instruments within the existing prudential framework, while still maintaining appropriate safeguards and regulatory intent.

We believe this matter presents an opportunity for constructive engagement between regulators and industry to ensure that medical schemes are not inadvertently disadvantaged by broader regulatory developments occurring within the banking sector.



HFA STRATEGY SESSION: RESPONDING TO A CHANGING ENVIRONMENT

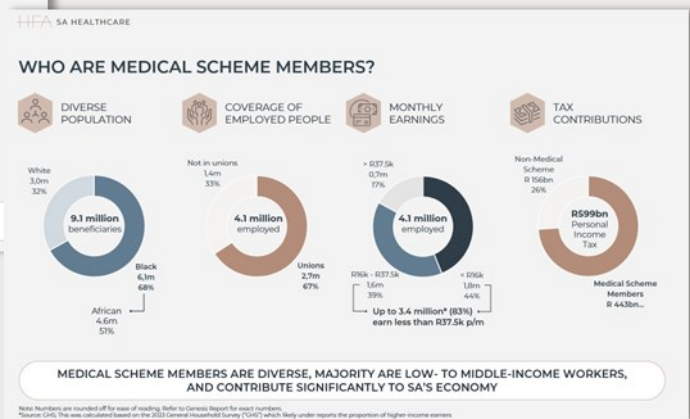
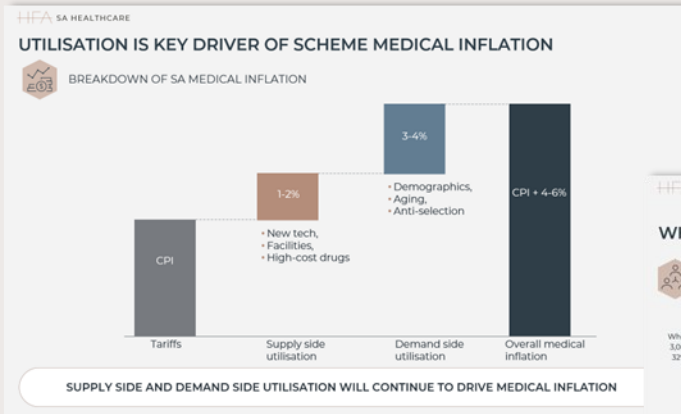
On 5 May, the HFA Board and management will convene a strategic session to reflect on the evolving healthcare funding environment and to align on the organisation's priorities for the next 12 months and beyond.

An important input into this process has been the recent HFA member satisfaction survey, which provided valuable feedback from members across a range of strategic, operational and policy areas. Encouragingly, the survey reflected strong support for HFA's work and direction, with all respondents indicating that HFA adequately represents their organisations' interests in engagements with policymakers and regulators.

Several clear themes emerged from the survey, including the need for continued engagement on the drivers of medical inflation, value-based care delivery models, primary healthcare options, regulatory reform and ongoing engagement with key stakeholders such as the CMS, NDoH and the broader business community.

The strategic session will also be informed by our latest healthcare funding trend analysis and environmental assessment, which highlight the increasingly complex environment in which medical schemes are operating. Among the dominant themes identified are growing affordability pressures, rising medical inflation, regulatory uncertainty, stagnant membership growth, increasing disease burden, ageing demographics, increase in PMB costs, increasing legal and policy intervention and the need for greater system integration. These dynamics reinforce the need for collaboration, innovation and practical reform.

We would like to thank all members who participated in the survey. The feedback received will play an important role in shaping HFA's priorities and workstreams for the year ahead.



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PCR COMPLAINT: PROGRESSING TO THE NEXT PHASE



HFA's complaint lodged at the Competition Tribunal relating to the pricing of COVID-19 PCR testing has now moved into the next major phase of the litigation process.

Following the conclusion of the pleadings stage earlier this year, the Tribunal recently held a pre-hearing

meeting to determine the timetable for the information gathering phase of the matter, commonly referred to as the discovery process. During this phase, parties exchange relevant documents and information that may be used as evidence in the case.

We are encouraged that the process is now progressing in a more structured manner, with the Tribunal having established timelines for the next stages of the matter,

including the resolution of any disputes that may arise during the discovery process.

This next phase will involve a significant exchange of information and documentation between the parties and is expected to be both detailed and complex. To support the process, a dedicated PCR sub-committee comprising representatives from participating administrators, together with HFA and the legal team, is being established to assist with coordination and oversight during this phase of the matter.

While the litigation process remains complex and will still take time to conclude, we are encouraged that the matter is continuing to move forward in a structured and constructive manner.

CLOSING REFLECTION...

The healthcare sector is going through a pivotal moment. The combination of legal developments, regulatory reform, and affordability pressures requires clear thinking, balanced engagement, and practical solutions.

INVITATION TO COMPLIMENTARY WWASA WEBINAR

Workplace Wellness Association Southern Africa are inviting you to register for this complimentary CPD-accredited webinar.

- Title:** From Wellness Practitioner to Industry Leader: The Leadership Gap Holding the Sector Back
- Date:** 6 May 2026
- Time:** 14:00 – 15:30
- Format:** Online (1 CPD Point accredited by FPD and approved by HPCSA)

This session focuses on the growing importance of leadership in addressing the current workplace wellness crisis. While significant investment has been made in wellness programmes, outcomes such as burnout, absenteeism, and productivity challenges persist.

The webinar explores the view that these challenges are fundamentally linked to a leadership gap, rather than a lack of services.

Key themes include:

- ◇ The role of leadership in shaping employee wellbeing and organisational outcomes
- ◇ The shift from fragmented wellness activities to integrated, system-level approaches
- ◇ The evolution of wellness practitioners into strategic leaders
- ◇ The use of data and diagnostics to drive measurable impact

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