July 2026

HEALTH FUNDERS ASSOCIATION

Monthly MATTERS

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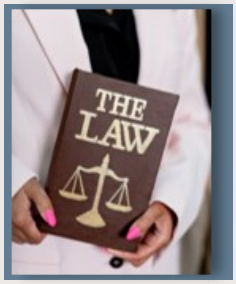
Inside this issue...

July has been an extremely eventful month, with several important legal, regulatory and policy developments affecting the medical schemes industry. In this edition, we share the latest updates, highlight the work HFA has been doing on behalf of members, and look ahead to some important initiatives and opportunities to get involved.

HFA INTERVENES IN LANDMARK PMB COURT CASE



HFA has resolved to intervene in a High Court application that could have far-reaching implications for Prescribed Minimum Benefits and the affordability of medical scheme cover in South Africa.

The application, brought by the Autoimmune Alliance of South Africa and individual applicants, seeks a declaratory order on the interpretation of the PMB Regulations. Although the dispute originated with a single medical scheme, the Court's interpretation could apply across the industry.

At the heart of the case is whether, as the applicants contend, schemes must fund any clinically appropriate treatment for a PMB condition where formulary medicines or managed care protocols have proved ineffective, even where that treatment falls outside the scheme's approved formulary or protocols. If the applicants succeed, the decision could substantially expand funding obligations, weaken managed care and affect healthcare costs, contributions and the long-term sustainability of medical schemes.

HFA believes that the applicants' interpretation alters the balance the PMB framework seeks to achieve between access, affordability and sustainability. Given the potential industry-wide implications, the HFA Board has resolved that HFA should intervene as a respondent to ensure that the broader legal, financial and policy considerations are fully placed before the Court.

HFA recently convened a Member Consultative Forum to brief member schemes on the litigation and proposed legal strategy and is working with them to secure the necessary mandates. The Board has also extended participation to non-HFA medical schemes and administrators, enabling them to join HFA collectively as co-respondents in opposing the declaratory relief sought. This not only saves costs and time but enables close alignment as an industry. This is likely to become one of the most significant medical schemes cases in recent years.

For more information on HFA's application to intervene, please contact maureenl@hfassociation.co.za.

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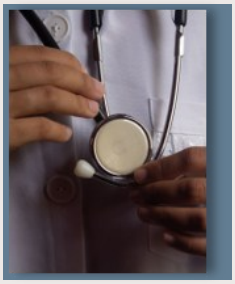
HFA HEALTH FUNDERS ASSOCIATION
MATTERS

HFA SUBMITS RECOMMENDATIONS ON THE CMS DSP FRAMEWORK



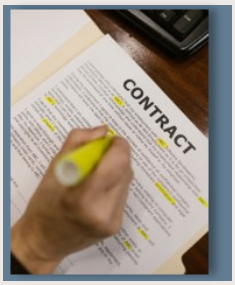
HFA has submitted comments to the Council for Medical Schemes on its discussion document on Designated Service Providers.

HFA's submission emphasises that DSP networks help keep medical scheme cover affordable by enabling schemes to negotiate competitive prices while maintaining access to quality care. Any future framework should preserve the flexibility needed to develop innovative provider networks, strategic purchasing and value-based contracting arrangements.

HFA supports greater transparency, fair procurement and clear member communication. However, new guidelines should be evidence-based, aligned with the Health Market Inquiry recommendations and avoid overly prescriptive requirements that could increase costs, reduce competition and constrain innovation.

Encouragingly, the CMS discussion document recognises several principles underpinning effective DSP arrangements, including selective contracting and the role of provider networks in improving affordability. These principles are directly relevant to HFA's concerns regarding the current Undesirable Business Practice Declaration.

CIRCULAR 16: HFA CALLS FOR EVIDENCE-BASED GOVERNANCE PROPOSALS



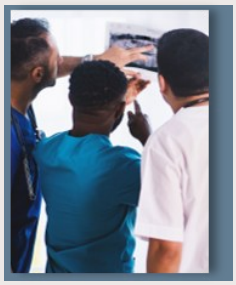
HFA has submitted comments on CMS Circular 16, which proposes changes to accreditation standards for administrator and managed care contracts. These include limiting contracts to five years and requiring schemes, after a single renewal, to undertake a competitive procurement process before renewing them again.

HFA supports strong governance and regular oversight of service providers. However, there is no evidence that mandatory contract limits and compulsory procurement will improve governance, promote competition or deliver better value for members.

Feedback from HFA members indicates that schemes already monitor service providers through service-level agreements, performance reviews and established procurement and governance policies. The Deloitte study commissioned by the CMS also found that longer-term relationships can support investment in technology, innovation and infrastructure, as well as operational stability.

HFA has cautioned that mandatory re-tendering could increase costs, disrupt services and discourage long-term investment without clear benefits for members. It has recommended further engagement to develop an evidence-based framework that strengthens accountability while preserving the flexibility of boards of trustees to act in beneficiaries' best interests.

HFA PROTECTS MEMBERS' INTERESTS IN DSP DECLARATION MATTER



HFA continues to engage with the National Department of Health, the CMS and the Independent Community Pharmacy Association regarding the Undesirable Business Practice Declaration affecting DSP arrangements.

The discussions are aimed at finding a practical, non-legal solution that protects the affordability benefits of provider networks while addressing the concerns that gave rise to the Declaration.

As the Declaration remains legally enforceable, HFA is considering legal action to preserve its rights. HFA's preference remains a negotiated resolution, with litigation serving as a precaution should agreement not be reached.

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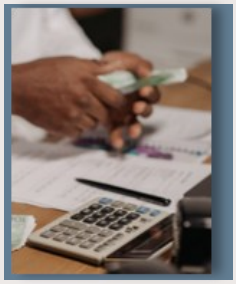
HFA HEALTH FUNDERS ASSOCIATION

MATTERS

HFA PUBLISHES REMUNERATION GOVERNANCE CHECKLIST



Following discussions at HFA's Member Consultative Forum, HFA has published a Principal Officer and Board of Trustees Remuneration Governance Checklist.

The checklist consolidates CMS requirements and the recommended practices and disclosure provisions of King V into a practical reference to help boards review their arrangements, identify gaps and promote fair, transparent and responsible remuneration.

The CMS has welcomed the checklist and confirmed that it aligns with areas the Council intends to address in its own guidelines. Medical schemes wishing to receive a copy may contact maureenl@hfassociation.co.za.

NDOH CLARIFIES PRIVATE HOSPITAL LICENSING

The National Department of Health has confirmed that provinces may continue licensing private hospitals following the Constitutional Court judgment declaring the Certificate of Need provisions in sections 36–40 of the National Health Act unconstitutional.

Uncertainty over the legal basis for licensing came to a head when Mogalakwena Health launched urgent High Court proceedings after a newly completed private hospital in Mokopane could not commence operations because its final inspection and registration had been halted.

The Department has now confirmed that the Regulations Relating to Private Hospitals and Unattached Operating-Theatre Units (Regulation 158) remain valid and provide the legal basis for provincial licensing.

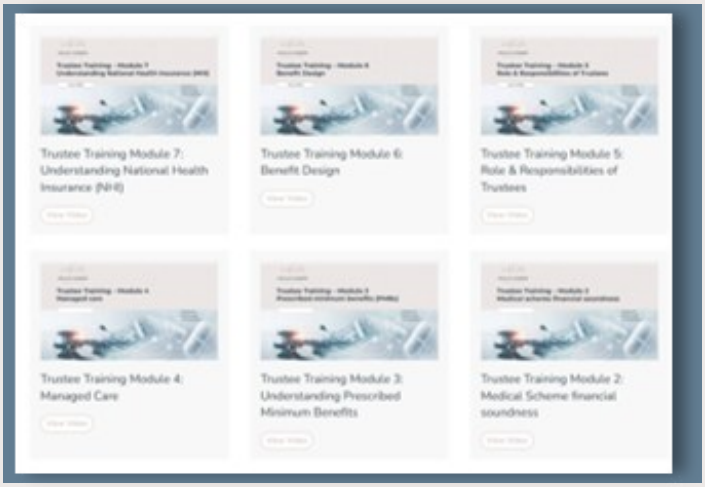
It has also advised provinces to review their licensing policies for alignment with the judgment and intends to develop a discussion paper on harmonising the framework, addressing the Court's concerns and promoting a more consistent national approach.

BUILD YOUR KNOWLEDGE WITH HFA'S TRUSTEE TRAINING PROGRAMME

HFA's free online Trustee Training Programme equips trustees, Principal Officers and other industry professionals to navigate the increasingly complex medical schemes environment.

Its seven self-paced modules cover industry fundamentals, financial sustainability, PMBs, managed care, benefit design, governance and National Health Insurance. The programme combines practical insights with current legal, regulatory and policy developments to support informed decision-making and the effective discharge of fiduciary duties.

Whether newly appointed or seeking to refresh existing knowledge, trustees, Principal Officers and other industry professionals are encouraged to take advantage of this learning opportunity.



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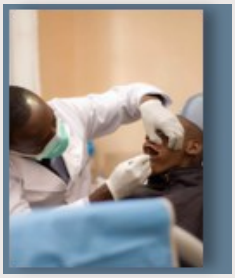
HFA HEALTH FUNDERS ASSOCIATION
MATTERS

PROGRESS ON AFFORDABLE PRIMARY HEALTHCARE BENEFIT OPTIONS (LCBO)



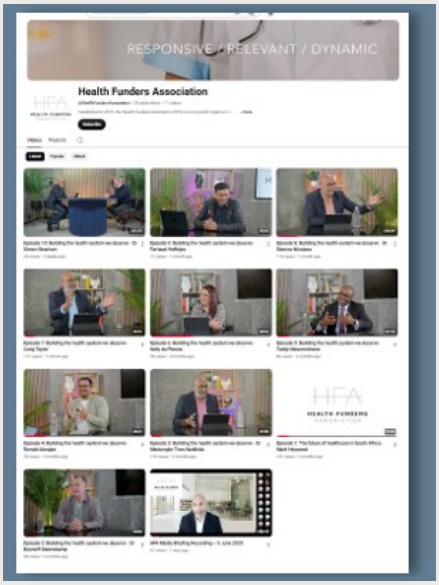
HFA continues to advance affordable primary healthcare benefits within the medical schemes environment, a key strategic priority aimed at extending cover to South Africa's "missing middle".

In addition to its engagement with the CMS, HFA recently presented its proposal to the BUSA HealthPol Committee, which accepted it as a policy priority in principle.

Before it can be formally incorporated into HealthPol's work programme, it requires endorsement from the remaining participants. Several have indicated their support, and HFA continues to engage those whose responses remain outstanding.

We will keep members updated as this initiative progresses.

CONVERSATIONS SHAPING THE FUTURE OF HEALTHCARE



How can South Africa improve healthcare affordability, expand access and secure the long-term sustainability of its health system? These are among the questions explored in HFA's podcast series, Building the Health System We Deserve.

Hosted by HFA CEO Thoneshan Naidoo, the series brings together healthcare thinkers and decision-makers for candid conversations about the trade-offs, policy choices and innovations shaping the future. Across 10 episodes now available on YouTube and Spotify, guests have included activists, policymakers and leaders from the broader healthcare sector.

COMPETITION COMMISSION CONSIDERS HEALTHCARE EXEMPTION APPLICATIONS

The Competition Commission is considering applications by the South African Private Ambulance and Emergency Services Association (SAPAESA) and the Independent Community Pharmacy Association (ICPA) for exemption from certain provisions of the Competition Act.

Both organisations seek permission for members to engage in forms of collective negotiation that would ordinarily be prohibited. SAPAESA's application relates mainly to tariffs, reimbursement models and commercial arrangements for independent ambulance services. ICPA seeks relief relating to dispensing fees, network participation, reimbursement arrangements and the collective procurement of certain medicines.

HFA is considering both applications through the Commission's public consultation process. While recognising the commercial challenges facing independent providers, HFA believes the proposals must be assessed against the interests of medical scheme members and the broader reform agenda. The Health Market Inquiry recommended a Multilateral Negotiating Forum as a transparent, sector-wide mechanism for structured negotiations among funders, providers and other stakeholders.

HFA will continue to participate constructively, including by requesting a meeting with the Competition Commissioner, with a focus on affordability and sustainable access for members.

Continued on the next page...

HFA HEALTH FUNDERS ASSOCIATION

MATTERS

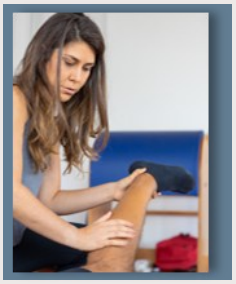
SHAPING THE FUTURE OF HEALTHCARE

Against a backdrop of technological innovation, evolving regulation and growing pressure to improve affordability and access, HFA's 2026 Scenario Planning Symposium will bring together policymakers, regulators, clinicians, funders and industry leaders to consider the reforms shaping South Africa's health system.

The programme will include the launch of HFA's inaugural State of Medical Schemes Report, presenting new analysis of the trends, challenges and opportunities facing the industry. It will also examine strategic priorities for schemes, opportunities to build consensus on health-system reform, innovative models of care, and the implications of artificial intelligence and emerging technologies.

We invite healthcare stakeholders to join us for a day of discussion, debate and collaboration as we work together to build the health system South Africa deserves. The event is free and offers both in-person and virtual attendance. Please register here.

SASP SEEKS LEAVE TO APPEAL FWAE JUDGEMENT



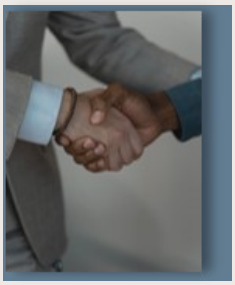
The South African Society of Physiotherapy (SASP) has applied for leave to appeal the June High Court judgment concerning section 59(3) of the Medical Schemes Act.

The High Court dismissed SASP's constitutional challenge, finding that section 59(3) does not infringe healthcare providers' constitutional rights and that providers have an established statutory right of appeal to the CMS.

The judgment reaffirmed HFA's position that schemes are entitled, and have a responsibility to recover amounts paid irregularly as a result of fraud, waste, abuse or error. This is an important safeguard for members' contributions.

HFA will monitor the appeal process and keep members informed of significant developments.

STRENGTHENING DIALOGUE WITH THE CMS



HFA recently held its quarterly engagement with the CMS, providing an opportunity for open and constructive discussion between the industry and regulator.

The agenda covered the PMB review, Autoimmune Alliance litigation, DSP framework, section 59 reforms, medicine pricing, value-based care, low-cost benefit options and emerging legal developments.

Although perspectives will inevitably differ on some matters, these engagements allow concerns to be raised early, ideas to be tested and practical solutions to be explored before positions become entrenched.

Constructive engagement between the regulator and industry is essential to building a stronger, more sustainable healthcare funding environment that serves members and the broader health system.

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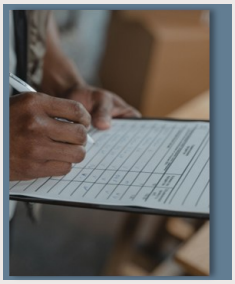
HFA HEALTH FUNDERS ASSOCIATION

MATTERS

HAVE YOUR SAY: PRINCIPAL OFFICER SURVEY LAUNCHING SOON



HFA will shortly distribute its inaugural Principal Officer Survey, which will inform the State of Medical Schemes Report being launched at the Scenario Planning Symposium on 2 September 2026.

The survey will capture Principal Officers' perspectives on the challenges and emerging priorities shaping the industry, including membership trends, affordability, sustainability, regulatory confidence, innovation and access.

All responses will be treated in strict confidence, reported only in aggregate and will not identify individual schemes.

We encourage all Principal Officers to participate. Their insights will help ensure that the report reflects the realities, challenges and opportunities facing medical schemes and their members.

STRENGTHENING PARTNERSHIPS ACROSS THE HEALTHCARE SECTOR

HFA recently attended the KwaZulu-Natal Doctors Healthcare Coalition's 30th Annual Medical Conference, providing an opportunity to engage with doctors and other healthcare professionals on issues affecting clinical practice and the broader health system.

These engagements help HFA understand the challenges facing frontline professionals, build relationships and identify practical solutions. HFA remains committed to working with clinicians and other stakeholders to improve patient care while strengthening the sustainability of South Africa's health system.

(L to R) Dr Neren Chetty; Mr Niresh Bechan; Prof Nyaweleni Tshifularo; Ms Precious Matsoso; Prof Glenda Gray; Riaz Motara

(L to R) Deon Kotze; Dr Musa Gumede

(L to R) Prof Dion du Plessis; Dr Numaan Mohamood; Thoneshan Naidoo

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