

Pitfalls to avoid when buying medical cover

Buying medical cover can be complex and daunting and many consumers turn to brokers to help them choose the right benefits and plan. Principal officer of Resolution Medical Scheme, Mark Arnold says a broker isn't acting as a financial advisor if he is just selling medical cover from one medical scheme - he's simply an insurance salesman.

A broker should have done his homework and done an in-depth analysis of different medical schemes before he recommends products. This means not only comparing different options and benefit plans, but also conducting a thorough check of the scheme's risk profile, membership numbers, growth and premium increases from year-to-year. A scheme risk profile is related to the average age of its members and the size of its pensioner ratio. "You want to make sure that the scheme you are signing up to is financially stable, sustainable and has consistently affordable increases," adds Arnold.

Broker must be qualified

It's also important to make sure that your broker has the necessary qualifications to be giving you financial advice, such as his licence from the Financial Services Board. In addition, verify what processes he follows in recommending different schemes and products to you. Your broker should not only do a thorough financial needs analysis based on your individual circumstances, but also conduct a background health check. "You may find that you have too much life and funeral cover, but can't afford comprehensive medical cover," says Arnold. "Your broker should help you balance your portfolio of cover to ensure that you are sufficiently covered for potential medical expenses."

It's vital to determine what level of cover you need at each particular life stage. If you are in your twenties and are fit and healthy you're likely to only need a hospital plan that covers catastrophic events. However, in your early thirties, you're more likely to start a family and would need more comprehensive cover. As you hit your forties and fifties you'll need a medical scheme plan that pays generously for chronic medication as this is when most lifestyle diseases start to develop.

Waiting period

If you're new to a scheme, it is entitled to implement a waiting period where you won't be able to make a claim, even for Prescribed Minimum Benefits. Ask your broker whether you will be subject to a waiting period and rather switch between plans on the same medical scheme than between medical schemes if your cover is not sufficient. Your broker should regularly assess your healthcare needs, look ahead to the next five years and advise you on what plan you should be on.

Cheaper premiums may mean that your medical cover limits you to a particular network of hospitals and doctors called designated service providers. Check with your broker to see which healthcare providers you can use and whether this will be convenient if you fall ill. Weigh up the cost difference of moving to a more flexible plan if you would prefer to use your preferred doctor or specialist.

Very few doctors and specialists charge standard tariffs, so ask your broker whether your medical scheme will refund you at 100% or a higher percentage of the tariff or you could face steep co-payments. You could also opt to take out gap cover to make up the difference, without incurring the higher premiums of a more comprehensive plan.

Medical declaration form

Each medical scheme will require you to fill in a medical declaration before taking out cover. "Make sure you go through this with your broker with a fine tooth comb," says Arnold. "Even innocent omissions can lead to dire consequences." He says schemes use the medical questionnaire to accurately assess your risk and the scheme can terminate your contract on the basis of non-disclosure if you didn't declare previous medical conditions.

If you need authorisation for a treatment within the first 12 months of joining a scheme, they can also approach your doctors to see what you have been treated for before you joined the scheme and refuse to cover treatment if you weren't honest up-front. Arnold says some members do omit information deliberately, but the vast majority make a genuine mistake in not disclosing. "The best advice is to not fill in this form in a rush and make sure your broker goes through it with you so that you don't miss anything out," he concludes.

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