

Debating medical insurance vs medical aid

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The legislative changes being considered in the current demarcation debate have put medical insurance products into the spotlight. In an effort to save money, consumers have been opting out of having medical aid in exchange for the often cheaper medical insurance and hospital plans. However, is it enough to have only medical insurance or a hospital plan?



When choosing between medical insurance or medical aid, it is important to know what each covers. The first point to consider is that medical insurance is exactly that - a monthly premium in exchange for a fixed insurance payout in case of a certain medical event. Medical aid cover is based on contributions by members into a mutual fund, from which a wide variety of benefits are paid when needed by the members of a scheme.

Medical schemes protected by regulation

Medical schemes are regulated by the Council for Medical Schemes, as appointed by the Department of Health, which means that any medical scheme decision can be challenged publicly, providing members with a powerful level of protection. Medical insurance products, on the other hand, are not subject to any tight regulation that focuses exclusively on healthcare matters.

Unlike medical insurance providers that profit from the sale of these products, medical schemes are non-profit structure with the best interests of their members at heart. Part of the law that governs medical schemes stipulates that they cannot discriminate against any prospective members based on the state of their health and/or age. Equal care is provided to all members on the respective benefit options, with all members in a scheme receiving certain basic cover - commonly known as Prescribed Minimum Benefits [PMBs].

If you are thinking about only joining a medical scheme later in life when health problems start occurring, it is important to know that you may be hit with late-joiner penalties. Late joiner penalties are applied to new medical aid members over the

age of 35 who have not belonged to a medical aid scheme prior to that. Therefore, while you may be saving by not having a medical aid when you are young and healthy, in the end you put yourself at risk of having to cover hefty medical bills in the case of an accident or sudden illness.

As part of the Medical Schemes Act, medical schemes can impose waiting periods (3-month general waiting periods and/or excluding pre-existing conditions for up to 12 months) on any new member joining the scheme. Waiting periods are designed to protect the pool of member's money from people signing up only when they need medical treatment. Medical aid is designed to help you when you are sick. If you wait until you are already ill before getting medical aid you run the risk not being covered at all for your treatment.

Seek advice

South African open medical schemes (schemes that any member of the public can join) offer a range of options that have been structured to best meet the needs of the consumer. While the amount of information available directly to the consumer empowers individuals to do their own comparisons and find cover that suits them, it is still important to chat to your healthcare advisor. The healthcare adviser industry is very well governed and is equipped to best advise consumers on what medical scheme and benefit option would suit their individual lifestyle and health needs.

It is important that consumers do their homework before signing up with any medical insurance or medical scheme. Having all the facts at hand and by asking the right questions, they will be better positioned to find the right healthcare cover that suits both their wallet and lifestyle.

Whether opting for entry-level cover or more comprehensive benefits, belonging to a medical scheme is an important part of ensuring an individual's overall state of wellness... after all, one's health is one's wealth.

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