

New law crimps cash-back plans

By [Roland Buys](#)

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The [demarcation regulations clearly distinguish between medical insurance products and medical aid schemes](#). For the consumer, this means that while limited gap cover and hospital cash-back plans will still be allowed, primary healthcare insurance policies will no longer be available. All existing policies will need to align with the regulations from 1 January 2018.



Photo: Mediclinic

Affected markets

These regulations will primarily affect those between 20 and 35 years of age. The annual Council for Medical Schemes (CMS) report shows that children up to the age of 20 usually stay on their parents' medical aid. Then you see a significant drop in the number of dependents between the ages of 20 to 35, and then the line goes up again. This is a clear indication that the young and healthy are exercising their freedom of choice to not have medical aid cover. This is the group that, until now, has often relied on hospital cash-back plans for catastrophe cover.

As a young and healthy person, you're mostly at risk for some sort of catastrophe – an accident, a fall while cycling downhill, having your appendix removed – and that's why this demographic has been buying hospital cash-back plans. But if you got cancer, it wouldn't work, so it's been a gamble, albeit one with some validity.

Legislated limitations

From 1 April 2017, payouts on hospital cash-back plans will be limited to R3,000 a day, with a maximum of R20,000 per year per insured life. The way it's been restructured is that you'll get very limited benefits from this kind of cover. It places the young and healthy at serious risk and they will need to rethink their cover, as R20,000 won't necessarily pay in full for a catastrophic event like an accident.

The hospital cash-back plan is now something you would buy as an add-on. It could help someone who has medical aid if they were in hospital for quite a while and needed some extra income for additional expenses. It's changing its nature and a different group of people will buy it if it is cheap enough.

Future planning

But where does this leave the young and healthy? Those with a hospital cash-back plan have a few months to get themselves sorted. Their cover for 2017 will remain as is But by 1 January 2018, they need to reassess their risk and investigate the lower tier of medical aid plans that cover the primary expenses of hospitalisation and chronic medication.

Regardless of the plan you choose, it's really important that you understand what the limitations are and that you're happy with them. Are you perhaps restricted in your choice of GP, for example? Or can you only go to certain hospitals and pharmacies? Scrutinise the restrictions as well as the benefits and ensure you know how you would go through the system should something go wrong. Read the fine print and make very sure it suits your lifestyle and needs. As for gap cover (for medical expense shortfalls), this will be limited to a maximum of R150,000 per insured life per year. Again, existing policies will remain unchanged until 1 January 2018, when the new limits will apply.

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