

# Medical aid and medical insurance - what's the difference?

By [Reo Botes](#)

24 Oct 2023

There is a lot of confusion and misunderstanding when it comes to medical aid versus medical insurance, and where hospital plans fit in, and this can make it difficult to decide what the best solution is to meet your needs.



Source: Supplied. Reo Botes, managing executive at Essential Employee Benefits.

The reality is that they are not the same, and you cannot actually compare them, as they offer completely different benefits and serve different purposes. In fact, many people choose to have both, to cover all eventualities. It all comes down to affordability and personal needs, but understanding what each offer, and talking to a financial advisor or broker, can help you to make an informed decision.

## Demystifying the difference

Part of the confusion that comes in around the various healthcare products is the naming of them. Medical aids are also known as medical schemes, and medical insurance is also called health insurance. In addition, and to add to the complexity there are hospital plans, which can fall under medical schemes or medical-insurance products, but the benefits they offer will also differ slightly.

The most basic difference comes down to the way they are regulated – medical schemes fall under the Council for Medical Schemes, while medical or health insurance is offered by insurance companies and is regulated by the Financial Services Conduct Authority. But what does this mean for consumers?

The Council for Medical Schemes regulates the pricing of medical schemes and mandates that all medical schemes must provide cover for a list of 271 Prescribed Minimum Benefits (PMBs), which must be factored into the cost of premiums.

Health insurance has different regulatory requirements, but they do not have to cover PMBs; some do cover chronic diseases, which in turn means they are able to offer significantly reduced premiums and have more leeway in choosing the way certain chronic conditions are covered.

Health insurance is typically aimed at day-to-day medical expenses such as visits to GPs, dentistry and optometry. Hospital plans offer cover for in-hospital procedures, but under a medical scheme will still offer cover for PMBs. However, under medical insurance, this is not the case; some do offer very specific cover for chronic diseases and the management thereof.

Medical schemes will not have an overall limit for hospital procedures and will cover elective procedures, while medical insurance will have set limits on the amount of hospital cover and typically will not cover elective procedures.



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## Cost versus benefits

For consumers, the most significant difference at face value is the price. While medical aids run into thousands a month, medical insurance is significantly less expensive, which makes it an attractive option. However, it is vital to weigh up the pros and cons and the differences in coverage before making any decisions that could potentially be life-altering.

Health insurance and medical aid serve different needs, often to different markets. Health insurance is a more affordable option and gives more people access to quality private healthcare, but there are limitations.

Medical insurers will work with networks of preferred suppliers, especially for dentistry and optometry, and will not cover hospitalisation unless a hospital plan add-on is selected. This hospital cover will not be the same as a hospital plan offered by a medical-aid scheme.

## Access to the best private healthcare you can afford

It all comes down to affordability and personal needs. Some people choose to have a basic hospital plan through medical aid and to top it up with health insurance to cover day-to-day medical expenses in a more cost-effective way than having comprehensive medical aid, but for others, this is still not an option.

The reality is that there are no perfect solutions, and you need to align with your own unique needs, personal health challenges and goals, especially when it comes to affordability.

Reviewing the various products that are on the market can be a confusing exercise, however, it is always a good idea to chat with a financial advisor or a broker to help you get the best fit for your budget and circumstances.

## ABOUT THE AUTHOR

Reo Botes is the managing executive at Essential Employee Benefits.

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