

Mind the gap

Medical insurance products, including hospital insurance and gap cover, have got a (not necessarily undeserved) bad rap for overselling and under-delivering, to the extent that the National Treasury stepped in to ensure consumers are safeguarded.



Gerhard van Emmenis, acting principal officer, Bonitas

The government was approached to ensure that the business of medical aid and medical insurance is clearly defined, resulting in the Demarcation Act.

The National Treasury communicated the latest version of the Demarcation Regulations (DR) in Parliament, for implementation 1 April 2017. Although the regulations became effective then, existing health insurance products will only need to comply with the regulations by 1 January 2018.

- **The demarcation regulations underwriting:** Gap cover will be aligned to the same underwriting requirements imposed by medical schemes, such as open enrollment and three- and 12-month waiting periods for various specified conditions.
- **Medical expense shortfall:** The gap benefit is limited to a maximum of R150,000 per annum, per insured life, which is applicable to any co-payment and medical expense shortfall. It should be noted that claims in excesses of over R15,000 only amount to 1% of all historical gap claims.

“We welcome the demarcation as it is designed to protect consumers and will assist in stabilising the medical schemes industry. The demarcation will further aid in clearing the misperception that exists between health insurance products and medical aid. We are pleased to note that legislative requirements, particularly with regard to underwriting and gap cover products, have been aligned,” says Gerhard van Emmenis, acting principal officer of Bonitas Medical Fund.

Is gap cover hero or villain?

The advantage of having a Gap Cover is being insured against some of the additional costs that could be incurred with an in-hospital procedure, in that it will help lessen, or cover, the shortfall between the rates paid by your medical scheme and the actual charges by the hospital or specialist. But it is also a case of “buyer beware”.

You should never assume that all costs will be covered as the payment options depend on the product you have taken out which is subject to limits and exclusions. The onus is on the policyholder to check what is covered, what is excluded and how much will be paid.

However, consumers have not always been safeguarded against being, at best confused and at worst taken for a ride when purchasing 'medical insurance' which includes hospital insurance and gap cover. The issue is that these medical insurance products are doing 'the business of a medical scheme' but often fail to meet their legal requirements. This is the reason demarcation regulations were introduced.

You also need to remember that gap cover is an insurance product and the companies that sell them are 'for profit' organisations, unlike medical aid which is not for profit. This also means that your contributions are not tax deductible.

So who should take gap cover?

It is only available to someone who has a medical aid plan. Taking out gap cover is an individual choice based on a range of factors, centred on personal need and the benefits of medical aid plan you are currently on.

The way forward

Some health insurance companies sell primary healthcare policies which offer limited day-to-day limited cover and hospital cover. This is not to be confused with gap cover. They are often even more misunderstood or misused as they are billed as being equivalent to medical aid which is definitely not the case. The Department of Health is looking to outlaw these policies. It is envisaged that once completed, all primary care products operating under insurance companies will migrate into the low-cost benefit option framework within medical schemes.

According to the new demarcation regulations any product related to the selling healthcare products will be subject to Council of Medical Schemes regulations. For this reason the Department of Health is looking at ways of creating affordable healthcare for all South Africans including the development of low-cost benefit options (LCBO) within the next two years. Medical schemes are also creating more affordable plans for low-income earners.

"There has been a growth in health insurance products over the past few years, mostly taken up by low-income earners which means there is a 'gap' in the market for low-cost plans which cover both hospital and primary healthcare claims," Van Emmenis says.