

Is Medical Aid too expensive for you?

Being a broker for medical schemes and risk cover (life, disability, severe illness cover, etc.), I often come across situations where medical aid cover is simply too expensive for people to access.

The problem could be that someone is over 35 and cannot afford the Late Joiner Penalty that would be imposed on joining a medical scheme. Maybe medical scheme cover is too large a portion of their income to afford. Or, as happens regularly, people leave their medical scheme cover until they are older and they realise they are going to need it, when it is too big a bite out of their budgets to afford. Especially when they realise they need to catch up their retirement funding.

With a background as a Discovery Consulting Services consultant I have gotten to know the Discovery Life product range well and sometimes the **following solution** is better than “not at all”.

Medical schemes cover “actual cost”, i.e. they pay towards the actual cost of operations, procedures, etc.

A Risk product uses a “sum assured” approach and is not regarded as a medical scheme. So, instead of insuring you for an operation you might have, it would insure you for an amount (you select) on diagnosis of an illness.

Where affordability is an issue and some medical cover is needed, you could:

Let’s begin with **why... do I do this?**

As mentioned earlier this approach uses the philosophy that **some cover is better than no cover.**

Premiums 2008

Discovery Life’s minimum premium is R200 and Discovery Health’s medical scheme cover minimum (lowest hospital plan and income below R6800) is R397, up to R2306 for the Executive Plan.

At this point, I would like to make something **absolutely clear.** That risk cover (in this case, severe illness cover) is not intended as medical scheme cover and does not fulfil the job of a medical scheme.

So what exactly am I saying?

Sometimes it is advantageous to take an Impairment fund (stand alone Severe Illness Benefit cover) if you can only afford a lower premium and are **you need some kind of medical cover.**

Why would I suggest this as an alternative to no cover?

A few years back you could buy what was called Dread Disease cover (you probably still can with some companies), these products paid out on the diagnosis of a dread disease. Cancer would be an example.

Then, a company launched a benefit called the Severe Illness Benefit.

This allows looking at the body as a system, an interacting organism, a holistic approach.

The product covers the major physiological and anatomical systems of the body.

Broken down in the following systems:

- Heart and Artery Benefit
- Cancer Benefit
- Nervous System Benefit
- Respiratory Diseases Benefit
- Gastrointestinal Benefit
- Urogenital Tract and Kidney Benefit
- Connective Tissues Benefit
- Advanced HIV/ AIDS Benefit
- Eye Benefit
- Ear, Nose and Throat Benefit
- Endocrine and Metabolic Diseases Benefit
- Musculoskeletal Benefit

You are able to get payments for illnesses around these systems from 5% to 100% of the sum you have insured yourself for.

So this is the closest product to medical scheme cover I have in my financial planning arsenal.

Another great advantage of the product is that it is possible to get cover up to age 75 (you are underwritten for the product).

A real case:

A female client who is a month away from turning 75 years old. She is on a medical aid plan (hospital type cover). I know from experience that severe illnesses start becoming more prevalent in your later years. The opportunity to get some sort of extra cover for expenses that would happen if she contracted an illness and the medical aid didn't pay the full expenses, would be lost at age 75. She instituted an impairment fund for R100 000.

She now has more certainty.

Another issue to think about is the contracting of severe illness by your children. At present time this is rising worldwide. The costs associated are the same for your child as if the illness happened to you.

You can add your parents and your children to your Discovery Life policy for severe illness cover. So be certain to look at a few options if you consider the above advice. As, due to the costing of the product you might find for instance that it is cheaper to

add your parent to your own policy than to take out a separate Impairment Fund policy.

All this being said...remember, if you look at something along these lines as an option, there is no “one size fits all” and your broker / agent / planner will need to play around with various options to determine which fit is best for you.