News release from GTC

Can I freeze my medical aid contributions because of financial strain during COVID-19 lockdown?

GTC Healthcare gives members guidance on medical aid payment options during "COVID times"

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South Africans are under significant financial strain following recent occurrences, particularly regarding the extreme measures implemented by President Cyril Ramaphosa in an attempt to curb the spread of the Coronavirus.

South Africans' budgets came under pressure following the President's declaration of a National State of Disaster on 15 March and the subsequent implementation of a nationwide lockdown of all "non-essential services" for 21 days at midnight on Thursday 26 March. Investors' budgetary pressures were further complicated when Moody's announced their downgrade of South Africa to "junk status" late last week.

With many people now having to accept that they will probably have little or no income in their foreseeable future, individuals are looking to cut expenses wherever possible. One big expense on the list is medical aid. Is it possible to freeze or pause your medical aid contributions during the COVID-19 outbreak?

"Medical Aid contributions are certainly one of the biggest monthly budgeted expenses for most households," says Zee Gumede, senior healthcare consultant at leading wealth and financial advisory firm, GTC. "As a consequence, members are looking for every opportunity to cut or reduce this expense. They want to know how this will affect their benefit levels, how quickly changes can be made and what would happen if they have to cancel their medical aid altogether - hopefully with the option to re-join at a later stage, once finances allow."

The Medical Schemes Act, in Chapter 5, Section 29 (2) confirms that "*A medical scheme shall not cancel or suspend a member's membership or that of any of his or her dependents, except on the grounds of – (a) Failure to pay, within the time allowed in the medical scheme's rules, the membership fees required in such rules."*

In addition, the Circular 25 of 2020 which was released on 26 March 2020 by the Council for Medical Schemes (CSA) addresses non-payment of medical aid premiums and asks that all Medical Aids, *"In the spirit of social solidarity as outlined by the President during his address to the nation on Monday, 23 March 2020, the CMS requests that schemes investigate all disruptions to member contributions on a case by case basis and determine the merits thereof, prior to termination."*

"While the CMS' request to handle all defaulters individually is laudable, two problems arise: firstly, that schemes are only allowed to operate within the confines of their specific rules; and that many medical aids have staff members working from home on a decentralised basis which further complicates matters - especially now that a dedicated team of administrators needs to focus on the very many 'defaulting' members on a case-by-case basis," says Gumede. "Calling defaulters now needs to take place from the administrators' homes, which will create additional administration complications and tracking difficulties for the schemes."

She cautions that, of even greater concern is what the long-term effects would be on each individual medical scheme community.

“If a scheme allows a ‘premium holiday’ which might not get reimbursed, whilst having claims met by the medical aid, this will create deficits which in turn will need to be covered by premiums,” she says.

When looking further into the future, Gumede also questions what will happen to the medical aid premiums in 2021, if the outstanding arrears are never repaid.

“Will the balance of the members be expected to carry the loss? Will we see very large premium increases for 2021, because of the leniency granted by medical aids to members in financial difficulty during the COVID-19 pandemic?”

Many medical aid schemes outline in their rules that a member may terminate their membership to the scheme by giving 30 days written notice. This also means that all benefits will cease after the last day of membership.

“Discovery Health, the biggest medical aid scheme in South Africa, confirms that the scheme has the right to suspend any benefit payments should contributions be unpaid or in arrears by three days,” says Gumede. “If these contributions remain unpaid after 14 days, membership may be cancelled entirely.”

While Discovery is currently monitoring the risk of financial strain which members might go through, Gumede confirms that Discovery’s normal billing process still currently applies, namely: “

- *1 unpaid premium will result in suspension*
- *Upon receipt of payment, we will un-suspended the membership*
- *Any unpaid claims during the suspension period, will be reprocessed*
- *Any claims the member may have paid during the suspension period, can be submitted to us with the proof of payment and we will process to pay to member”*

“The Council for Medical Schemes has received proposals from numerous medical schemes, on ways to provide ‘payment holidays’ to members,” confirms Gumede, “Once these proposals are analysed and exceptions granted, further relief options will be released”.

Zee Gumede outlines some recommendations and considerations for individuals battling to pay their medical aid contributions:

1: Try to maintain your premium payments as far as possible.

2: Where you have no other option, consider the following, in order of importance:

a. Change your plan from “Non-Network” to “Network”

“If you are currently on a plan without any limitations regarding which hospital you can go to when required, you could consider moving to a plan which restricts members to certain, predefined Network hospitals, for the benefit of a reduced premium.

b. **Consider a downgrade in your plan:**

- If you are on a Comprehensive plan, Gumede suggests members consider the cost-saving opportunity of moving to a Saver plan. She cautions, however, that members should be aware that Above Threshold Benefits will fall away when you downgrade to a Saver plan, and the savings account is likely to be much smaller.
- “If you are on a Saver Plan,” says Gumede, “Consider downgrading to a Hospital-Only plan, on the understanding that any savings which you had previously accessed since January will need to be repaid to the medical aid.” She advises that the

schemes are very open to making arrangements with members to assist in the repayment of savings.

- If you are on a Hospital Only plan, Gumede advises that members could consider moving to an Entry-Level plan, but this comes with limitations on benefits and Networks.

Gumede urges individuals to be aware that, while each suggested downgrade discussed is cheaper than the previous plan - with corresponding less benefits - the move to a more cost-effective medical aid plan also transfers more of the healthcare risk from the medical aid to the member.

"There may also be other limitations which apply, and we always advise that changes to medical aid plans should be discussed with your professional healthcare consultant," Gumede adds.

c. If all else fails, then cancelation is the only option

"If all options discussed are still unaffordable, then cancelling your medical aid will be the only option," states Gumede. "Members will need to provide the scheme with one month's notice and any amount of Savings which has been used, in excess of the pro-rated amount at the date of cancellation, must be repaid to your medical aid."

She cautions that some medical aids require a longer notice period.

If your medical aid has been cancelled as a result of income limitations, Gumede reminds individuals to advise the scheme that this is the reason for the cancellation because all schemes have been requested by the CMS to handle each client on a case-by-case basis.

Reinstating your medical aid should be done within three months

Another important consideration for members who have cancelled their medical aid is that, if they are thereafter able to reinstate the medical aid, it is extremely beneficial to do so within three months.

"Reinstating your medical aid plan requires a Declaration of Health, confirming your current health status," says Gumede. "Also, the medical aid may impose a three-month General Waiting Period, during which only Prescribed Minimum Benefit (PMB) cover will be available."

Gumede confirms that, "If the reinstatement of an individual's medical aid occurs after the three months, then an additional condition specific waiting period may also be imposed, excluding benefits for anything related to the member's pre-existing conditions, for a period up to 12 months."

(GTC Healthcare has approached the medical aids on behalf of their clients requesting them to waive this onerous requirement, given that these are exceptional circumstances requiring leniency, though the team is still awaiting responses.)

"Once the COVID-19 crisis is over, we believe that all South African medical schemes will be considering a range of options to try and entice members back onto their medical aids," Gumede adds. "Post COVID-19, we expect to see numerous concessions granted - specifically regarding these two 'waiting periods'."

However, if the schemes fail to offer any reasonable concessions, members may choose – preferably with the advice from a professional healthcare consultant - not to reinstate their medical aid membership at all, and instead consider other cheaper medical insurance options within the Primary Care or Low Cost Benefit Option space.

“Making a decision to cancel your medical aid plan during this health crisis will have a major impact on safeguarding your health and wellbeing. It should not be taken lightly and all options should be carefully discussed – with a healthcare consultant – before any life altering decisions are made,” Gumede concludes.

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