

Hospital cover can leave you feeling ill

One of the first choices you need to make is whether to go with a more traditional option, or whether a hospital plan on its own will meet your needs, writes Mandy Collins

MEDICAL aids are a lot more complicated than they were in days gone by. There are now so many, each with so many options, that choosing the right plan for your needs can seem a little overwhelming.

One of the first choices you need to make is whether to go with a more traditional option where the scheme covers at least a portion of your day-to-day medical expenses as well as hospitalisation costs, or whether a simple hospital plan might do the trick.

After all, you reason, you and your family are pretty healthy so you can cough up when you're coughing, but hospitalisation is beyond the reach of your wallet. But again, there's an array of options to choose from.

"Hospital plans offered by medical aid schemes typically only provide cover for basic hospitalisation and the other minimum benefits under prescribed minimum benefit (PMB) legislation," says Johan Lombard, head of technical marketing for Momentum Health.

"These PMBs include cover for a set list of procedures done in-hospital, and some chronic conditions, but not day-to-day benefits such as GP visits and over-the-counter medication."

Katy Caldis, CEO of Fedhealth, says the term "hospital plan" is a bit of a misnomer in that all medical schemes are required by law to provide certain benefits out of hospital under the PMB regulations.

"In this context, a hospital plan generally is a plan that only provides savings and not out-of-hospital expense benefits. Hospital plans generally offer fewer benefits than a more comprehensive plan and are designed to be attractive to lower-income individuals and those just starting out their working careers."

But as they say in the annoying TV adverts, that's not all.

"Essentially there are two types of hospital plans available to consumers in SA," says Grant Newton, CEO of Sanlam Health.

Check on list of prescribed cover

Prescribed Minimum Benefits (PMBs) are a minimum list of procedures and benefits that every medical aid option must cover in full. As a result, these are also covered by hospital plans, but medical aids are allowed to specify a designated service provider for these benefits. This means members will be required to have these procedures done at a specified list of hospitals or healthcare providers.

According to the PMB legislation, members have the right to get a basic level of cover for a list of specified medical conditions and their associated basic treatments. This applies regardless of your chosen health plan, and whether you have run out of benefits and cover.

All medical schemes must cover PMBs, which include cover for the diagnosis, treatment and cost of the ongoing care for a list of 271 specified conditions, most emergency conditions and 27 listed chronic conditions, including HIV/Aids.

Hospital cash plans are not affected by PMBs, because they are not registered as medical schemes, and as such the Medical Schemes Act does not apply to these products.

"One falls within the ambit of the Medical Schemes Act and the other is based on life-insurance principles. The medical schemes hospital plan essentially provides cover for hospital and related procedures and PMBs only, although nowadays many hospital plans (in order to provide more comprehensive benefits) may provide small out-of-hospital benefits, such as some preventative care consultations and radiology/pathology benefits."

"Unlike the medical scheme version, an insurance-based hospital plan merely pays out a lump sum or daily benefit in the event that a member suffers a pre-determined hospitalisation event. Generally, the benefit payment in this kind of hospital plan has no relation to the actual cost incurred while hospitalised."

As with anything, there are risks and benefits to having a hospital plan — even those offered by your medical aid.

"Members who may be unable to afford more comprehensive medical cover can benefit from having a hospital plan only because it provides a basic level of medical cover," says Alain Peddle, head of research and development at Discovery Health.

"Having this hospital cover can be beneficial because emergency and planned admissions to hospital can be extremely costly. So essentially a hospital plan provides insurance against the large, unforeseen medical expenses of planned or unplanned in-hospital treatment."

Peddle says the main risk of taking just a hospital plan is that many types of out-of-hospital treatment can be extremely costly and most people underestimate just how costly it can be.

"One need only think of a battery of tests, some x-rays and ongoing treatment or therapy that involves a number of consultations every week," he says.

In addition, some events may need temporary or permanent medical devices or appliances like casts, crutches and wheelchairs,



WAITING FOR A PAYOUT: Hospital plans offered by medical aid schemes can hurt your pocket as they typically only provide cover for basic hospitalisation and the other minimum benefits required by law. Picture: THINKSTOCK

none of which is covered by a hospital plan.

"The other risk is that people often think that out-of-hospital costs are more predictable. This is true for chronic illnesses or people with young children — you can be pretty certain you will have out-of-hospital claims."

But if you are working on the assumption that you are healthy and don't expect to have any significant healthcare costs, beware — there are many examples of high out-of-hospital costs arising from unexpected and unpredictable events.

"Think of the out-of-hospital costs for events such as rehabilitation after accidents, major sports injuries, unexpected pregnancies or unexpected diagnosis of severe illnesses, many of which can and do occur in the 20s and 30s," says Peddle.

"If we flesh out the example of a severe car accident, under a hospital plan, the member would be covered for the in-hospital treatment but could be faced with significant bills when it comes to rehabilitation, medical devices and ongoing therapy after the accident. These rehabilitation costs can be incurred over a long time

and can mount significantly."

Lombard says that for most, the appeal of a hospital plan is the saving in monthly contributions. "If you are a young, healthy adult and a bit short on disposable income, a hospital plan may be a solution for you," he says.

"However, when you get older or plan on expanding your family with children, it is advisable to upgrade to a more comprehensive option."

Just ensure you are not being penny wise and pound foolish — what may look like a saving might well leave you high and dry if hospital costs are incurred.

"Hospital plans very often have an overall annual limit that could range from R250 000 a family a year to an unlimited benefit," says Caldis. "The lower the overall annual limit, the less you'll pay in contributions, but the higher the risk of having insufficient cover when you need it most."

"If you choose a hospital plan with a low reimbursement rate, you will obviously have to pay any shortfalls between what has been charged and what the hospital plan covers from your own pocket."

"And with regard to dread

disease cover and limits, for example, cancer treatments, organ transplants and renal dialysis in the case of kidney failure, most hospital plans have set limits on the treatment of these major medical expenses in hospital.

"Make sure that you are aware of these limits, and that you limit your risk in this regard. Some hospital plans only cover these expenses up to the PMBs, and only in a state hospital," Caldis says.

It's important too, that you ensure you get what you think you're getting. There has been a growing trend for South Africans to take up insurance to cover medical expenses, but confusion still reigns in terms of the most appropriate benefits required, says Andrew Edwards, principal officer of Liberty Medical Scheme.

"Hospital cash plans are often confused with hospital plans or benefit options offered by medical schemes, a misconception that often leads to the policyholder unexpectedly being left with large uncovered medical bills," he says.

"The premium payable is often a function of the daily cash payout, the age of the member and the number of dependants," says Dr James Arens, clinical operations

executive at Pro Sano medical scheme.

"Cover is not comprehensive, and is limited to the daily payout, irrespective of what the actual healthcare costs turn out to be, potentially leaving consumers with a huge shortfall in healthcare bills."

"In addition, these products are not regulated by the Medical Schemes Act, and therefore may exclude existing conditions for longer than 12 months."

The main difference is the level of benefits paid when an individual is hospitalised, says Edwards.

"Insurance-based hospital cash plans will only provide a rand amount usually ranging from R200 to R2 500 for each day the policyholder is hospitalised."

"Given the high cost of medical services, this rand amount will in almost all instances not be sufficient to cover the hospital account, let alone the specialist consultations, procedures and operations performed in hospital, and bills for medication dispensed in hospital."

He gives the example of a typical hospital bill for a childbirth without complications, which can cost in the region of R10 000 to R25 000 at a private hospital.

And in most cases there are additional costs to be considered, such as a gynaecologist, paediatrician, anaesthetist and the pathologist's bills.

"Hospital plans not offered by medical schemes will typically pay a benefit of about R800 a day for each day a patient is hospitalised," says Edwards.

"Therefore the total benefit paid will be about R2 400, often substantially less than the cost of an average hospital stay. Some plans may even exclude cover for certain hospital procedures, leaving members to pay for these out of their own pocket."

Another important consideration is that if you take out a hospital cash plan you're not entitled to a tax deduction.

Members of medical schemes are entitled to a tax deduction on their contributions up to a certain monetary amount — R720 for the first two beneficiaries and R440 for beneficiaries thereafter. Based on a marginal tax rate of 40%, this implies that the medical scheme contributions for a family with one child is effectively R752 cheaper (40% of R720+R720+R440).

On the bright side, hospital insurance can also be used along with your existing medical aid as a total cover option that ensures cover for your medical costs as well as for each day in hospital.

However, Edwards points out, a hospital cash plan should never be considered an alternative for medical cover, and most plans of this nature state as much in their marketing material.

"For basic cover, a medical scheme hospital plan is an ideal, affordable entry level way to get into the system," says Caldis.

"Those needing day-to-day benefits, chronic medication or those who have pre-existing medical conditions should not consider a hospital plan but rather invest in a comprehensive medical aid option."

Peddle agrees: "A hospital plan can benefit some only, and still provide access to the best quality private healthcare cover, as long as you appreciate the real costs and risks associated with not being covered for out-of-hospital care."

"Your choice ultimately depends on your personal appetite for risk," says Lombard. "If you don't like the idea of running into significant out-of-pocket healthcare expenditure, comprehensive medical aid options are typically a better fit for most people."

“ Beware — if you assume you are healthy and don't expect to have any significant healthcare costs