

AV2



COMMENTS ON PROPOSED AMENDMENT OF PART 7 IN THE REGULATIONS UNDER THE SHORT-TERM INSURANCE ACT, 1998, AS AMENDED

Dear Dr. Sheoraj

According to the media statement issued by national treasury there seems to be many misconceptions with regards to the following:

- 1. What do our (Gap) policies actually cover**
- 2. Effects these policies have on medical schemes**
- 3. Why is Gap cover necessary**
- 4. The effects of removing Gap cover**





What do our policies cover?

- Stratum Gap cover policies work in conjunction with Medical Schemes, the policy simply provides cover to the Medical Scheme members, in the event that the medical practitioner charges a higher tariff than what is provided for by the Medical Scheme for in hospital related services.

Effects Gap Cover policies have on Medical Schemes:

- A Gap cover policy is in no way a cost effective substitute for a Medical Scheme.
- Our policies are only available to medical scheme members and cannot be purchased on a stand-alone basis. Gap cover benefits only apply to In Hospital related procedures, day to day cover being completely excluded.

It is therefore not possible that our products undermine medical scheme risk pools, as Gap Cover is in no way an alternate insurance based cover for younger members.

- Gap Cover policies also have no impact on the migration of members to either higher or lower Medical Scheme options.
In a recent online study conducted by the Office of the Registrar of Medical Schemes on why members are buying down or selecting lower benefit options it was found that was due to affordability and access to benefits
- Gap Cover underwriting and premiums are not based on age or health of the member. Premiums are community based.
Underwriting is applied as follows:
A three month general and 12 month condition specific waiting period is applied to new members. Late joiner penalties are not applied as is the case with Medical Schemes.
Based on this it is clear that our products are not designed to cover only young and healthy members, quite to the contrary it is the aged and sick that benefit most from Gap cover.

Why is gap cover necessary?

- The majority of Medical schemes provide for benefits of 100% of scheme Tariff. Options are available that pay up to 300% however they are extremely expensive.
In our experience the vast majority of medical specialists charge between 350 and 450% of scheme tariff.
The above scenario in most instances leaves a large difference between the medical scheme tariff, and the actual fees charged by the specialist for his or her services.
Shortfalls can vary between R 2 000.00 to R 40 000.00





- The fact is that there is really no such thing as comprehensive Medical Aid cover. Gap cover offers Medical Scheme members the only alternative for being comprehensively covered for all in-hospital events.

The effects of removing Gap cover:

- Our products predominantly benefit low to middle income earners and pensioners. These are financially responsible adults who understand that whilst being a Medical Scheme member, in hospital events will ultimately result in a personal financial obligation which will have to met.
- The Removal of gap cover products would be financially catastrophic. Most middle income families and pensioners are already under severe financial strain, and do not have the disposable income to cover costly medical shortfalls.
- The removal of Gap cover products would in fact result in higher costs for Medical Schemes as members would delay seeking medical treatment due to the financial implications of the shortfalls.
- Bad debt levels would also increase significantly which in turn would negatively affect the economy.

At Stratum Benefits we help people every day; we help pensioners pay for hip replacements and mothers and fathers pay for the births of their children.

The current draft regulations if passed will in effect do more harm than good.

It is our view that that the individual consumer should have the choice of selecting the most appropriate Medical Scheme option and to provide for these unforeseen events by purchasing a R100 a month Gap cover policy.

We thank you for giving us the opportunity to put forward our comments.

Kind Regards

