Insurance regulations may deny thousands access to private care

THOUSANDS of people could be denied access to insurance cover, and possibly private hospital care, if draft regulations on health insurance are implemented as proposed, according to insurers. They also say the draft regulations issued under the Short-Term and Long-Term Insurance Acts, which seek to demarcate health insurance policies from medical schemes, could affect millions of dread disease policies and have cost implications for many other policies. The proposed regulations also threaten to close down policies that enhance medical scheme cover, such as gap cover and top-up cover. In its explanatory memorandum to the draft regulations released in March this year, National Treasury says insurance products that provide similar benefits to medical schemes could harm schemes by attracting younger and generally healthier members away from schemes, or encouraging healthier members to buy cheaper options. The risk pools of more expensive comprehensive options are undermined if healthier members buy down or leave schemes, and this in turn increases contributions. The financial services industry - through the Financial Planning Institute, the Financial Intermediaries' Association, the Association for Savings & Investment SA, the Actuarial Society of South Africa, the South African Insurance Association (SAIA) and various insurance companies - has criticised the proposals on gap and top-up cover, which could, it is estimated, close down about 300 000 policies. SAIA says the draft regulations could affect some 887 000 policies, which means that at least half-a-million policies other than gap and top- up cover will be affected by the draft regulations.

However, Tiago de Carvalho, director of Ambledown Risk and Underwriting Managers, which underwrites many health insurance products, says the draft regulations threaten many thousands of policies that defray medical costs in the event of an accident. These policies may be taken out by individuals or employers on behalf of employees. Millions of South Africans cannot afford basic medical scheme cover, and denying them basic cover for their medical costs after an accident will force them to use public health facilities, which, Health Minister Dr Aaron Motsoaledi conceded last year, offer a "totally unacceptable" quality of care, De Carvalho says. The assumption that these policies attract young and healthy members away from medical schemes "is speculative and only considers the privileged few of our society", De Carvalho says. Thousands of consumers, particularly lower-income earners, also use hospital cash plans, which pay out a cash amount for each day you spend in hospital, either after an accident or in the event of illness. If the proposed regulations are implemented as drafted, hospital cash plan benefits will be limited to 70 percent of one's income for each day spent in hospital. Insurers point out that this would discriminate against low-income earners, because 70 percent of a low-income is unlikely to be sufficient to cover private hospital costs. One insurance company, The Unlimited, administers more than 225 000 policies that provide a daily cash benefit of R1 000 for each day in hospital after an accident. It says the average income of its policyholders is R9 160 a month, and to limit a benefit to 70 percent of this amount could restrict the benefit to an average of about R295 a day.

Sandy Pistorius, chief operating officer of The Unlimited, and Steph Bester, chief executive officer of The Unlimited, say 58 percent of their policyholders earn less than R9 000 a month, and by linking the policy benefits to daily income, these most vulnerable members of society will be prejudiced. Pistorius and Bester say while at least 50 percent of policyholders who claim benefits use the money for medical expenses, the other 50 percent

did not use the money for medical expenses but rather to replace or repair vehicles, for travelling costs, for household expenses, or to recuperate after an accident. SAIA says some policyholders who are unemployed, retired or stay-at-home parents would be denied cover if the proposal to link hospital cash plan benefits to income was implemented, and this would amount to unfair discrimination. SAIA says the draft regulations do not define the term "income" and the manner in which income should be measured for the purposes of the proposed regulations is unclear. The proposed regulations will prevent you from insuring 100 percent of your income, SAIA says, and linking cash plan benefits to your income will require an insurer to verify your income, which will add to the cost of the policy. Day1Health provides access to a network of healthcare providers that offer day-to-day health services in return for a monthly fee and various health insurance policies, including hospital cash plans. It covers about 12 000 principal lives or 18 000 in total signed-up for its day-to-day services, managing director Richard Blackman says. Day1Health says in its submission to National Treasury that the proposed regulations may be unconstitutional, because the constitution guarantees your right to access to healthcare services. The company says that the demarcation regulations aim to support and enhance the objectives of medical schemes, but in South Africa medical schemes enable only a select and privileged part of the population to make provision for their healthcare. Day1Health says the costs of medical scheme membership are notoriously high, whereas health insurance costs are lower, and consumers should be entitled to choose.

Viability of dread disease, travel policies threatened

Millions of dread disease, or critical illness policies could be affected if draft regulations relating to health insurance policies are implemented as they are worded currently. Warwick Bloom, general manager of marketing at Hollard, says the insurance industry has asked National Treasury for clarification about the dread disease policies, because it believes the current wording of the proposed regulations under the Short-Term and Long-Term Insurance Acts affects more products than was intended. The Association for Savings & Investment SA has taken the view that the regulations were not intended to apply to dread disease policies. Bloom says the draft regulations propose conditions for certain products that could make them significantly more expensive, or these products will cease to be available. If implemented, one of the conditions in the draft regulations would prevent insurers from offering you policies that exclude cover for pre-existing health conditions. If insurers are prevented from using this clause, people with existing medical conditions may not be able to obtain cover at all, Bloom says. The South African Insurance Association (SAIA) says not allowing insurers to use an exclusion clause for pre-existing conditions will also make local insurers' travel insurance products uncompetitive relative to international competitors. Being forced to underwrite these policies in full will add to the costs of local travel insurance, SAIA says. The draft regulations also propose that health insurance policies must be submitted to the registrars of short- and long-term insurance, and the relevant registrar will have to seek the opinion of the registrar of medical schemes on the desirability of the products, Bloom says. The registrars could at any time before or after the product has been launched declare it undesirable and order the insurer to stop selling the product, he says. This will have significant implications for both insurers and consumers, Bloom says.

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