



## MEDICAL AIDS, DISABILITY & DREAD DISEASE INSURANCE:

### WHICH COVERS ME FOR WHAT?

Despite medical aid contributions being a major monthly budget item we find that few clients are fully aware of what their scheme covers. Many mistakenly believe medical aids provide full financial stability in the event of a major medical event.

In recent years insurance benefits either attached to life cover policies or purchased on their own have increased in scope and now deserve to be considered as important factors in a client's 'health portfolio'. They can also often present excellent value for money.

*The core distinction is between **medical aid schemes** and **life insurance benefits**. The former cover medical costs, the latter assist with lifestyle requirements after a life-altering event.*

Technical detail and industry jargon can confuse when and how these benefits are applied so below we have attempted to detail their core elements:

### LIFE INSURANCE 'HEALTH' BENEFITS

**Severe/Critical Illness (aka Dread Disease) Benefits:** Pay out a percentage of a lump sum to the insured as per insurers' medical criteria on diagnosis – this is totally separate from any medical aid payments which may be received. The insured is free to use the proceeds as they see fit. An example would be a 100% claim payment on diagnosis of Stage 4 cancer.

#### Disability Benefits:

- 1. Capital Disability:** Pays out a percentage of a lump sum to the insured as per insurers' definitions of disability or impairment. Again, the insured is free to use the proceeds as they see fit. It is possible that in the event of a severe illness (such as Stage 4 cancer) this Capital Disability benefit will pay in addition to the Severe Illness benefit payment since the client is considerably impaired. Our preference is that this benefit at least covers all family debt.
- 2. Income/Salary Replacement:** Pays the insured a monthly income if they are unable to perform their nominated occupation due to illness or injury. Again, this could well be in addition to the lump sum benefits mentioned above. This can be an expensive benefit since the present value of all future income payments for young people is usually large.

*An important tax point: your premium contribution towards Income Replacement is deductible.*



### MEDICAL AID SCHEMES

Medical aid schemes assist in paying for measurable medical costs – emergencies, hospital stays, procedures, doctors, medicines and rehabilitations. Below we briefly set out the major variables worth considering when analysing which plan is most appropriate.

**Are there limitations on how much will be paid in the event of a major illness?** Be aware of possible co-payments on treatments and procedures over certain rand amounts.

**Will the scheme cover the cost of the specialist?** Schemes will cover a certain percentage. Medical professionals are free to charge as they see fit so ask them what their rates are and check what your chosen plan would cover.

**Is a medical savings account necessary?** MSAs are a means by which certain payments are made easier - but remember that your contributions are paid towards the account. It's your money in the end. Comparisons often require close analysis since the medical insurance aspects mentioned above are very often boosted on plans which have savings accounts.

### CONSEQUENCE 'GUIDELINES'

1. An appropriate amount of Severe Illness cover should complement your medical aid scheme.
2. Capital Disability cover should at least settle all debt in the instance of either spouse becoming disabled.
3. Income Replacement is a must-have for younger people – their greatest asset is their ability to build a future career and income stream
4. Consider saving on your own rather than purchasing a medical savings account.
5. Gap cover is a new market option worth considering. The 'Gap' referred to is the difference between what a specialist may charge and what your medical aid will pay.
6. Make use of wellness programmes to earn discounts and monitor your health but understand what will be required of you and stick to the programme.

*Please contact us or a product provider for more detailed information on the items mentioned above.*

*Consequence Private Wealth (Pty) Ltd is accredited to advise on medical aid schemes by the Council for Medical Schemes and authorised to advise on Long-term Insurance benefits by the Financial Services Board.*