Covid-19: Make sure your medical aid, savings and risk benefits are covered

By Rita Cool & NT Snyman

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The Covid-19 pandemic has placed additional financial pressure on South Africans. If you are being retrenched or having your hours cut, you might be pondering your options on pausing or cancelling retirement fund or medical aid payments.

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Pension and provident fund payments

Pension and provident contributions shouldn't be stopped as long as you are paid an income, as they are based on your salary. If you are not receiving a salary, then no contributions will be deducted and the lockdown shouldn't affect your contributions. If your salary is reduced during the lockdown, your contributions will also be less because they are a percentage of your salary.

Even if contribution rates can be changed on a fund, this can usually only happen once a year, or as set out in the rules of your retirement fund.

Retirement annuity payments

With regard to retirement annuities (RAs), older policies could have a penalty when you make your policy paid up, as it recoups upfront advice and set-up costs over the period of your policy. New-generation RAs are more flexible normally, as the broker is only paid as and when and it is likely that you can stop the premium without incurring penalties and then just restart the contributions once your cash flow is better. You can't access the RAs accumulated values until retirement age.

Risk insurance policies for death and disability cover

Your risk insurance policies covering death, disability and other associated benefits are important to maintain during this time. If you are experiencing financial difficulties in funding this cover, chat to your financial adviser to help with discussions with your underwriter to determine if they have any temporary relief strategies in place during this time. This cover is essential for you and your dependants in the event of claim.

Medical aid payments

Covid-19 is a prescribed minimum benefit, and while it is understandable that many medical aid members will consider cancelling their medical scheme membership as a result of financial pressure from Covid-19, they will be able to access private healthcare should they require hospitalisation because of the virus.

Recently the Council of Medical Schemes issued a circular to confirm that all schemes are to regard Covid-19 as a prescribed minimum benefit and pay for the diagnosis and treatment of this condition in full as required by the Medical Schemes Act irrespective of plan type or option. This is to include the costs of all consultations, diagnostic tests, appropriate medication and hospitalisation.

- ### Buying down

  There are alternatives for members to consider before making the decision to cancel their medical scheme membership, which may differ from scheme to scheme. Some medical schemes do allow members to buy down to a lower option during the year. This way members can reduce their monthly contributions to the medical scheme without giving up their membership. It is important for members to be mindful that terms and conditions apply to downgrading and these must be checked before a downgrade is requested.

- ### Reducing the number of dependents

  Another less favourable alternative available to members is to reduce the number of dependents they cover on their medical scheme. This should be considered as a last resort as it is imperative, especially now, that medical scheme membership for all family members remains active. If members are not able to continue paying their fees, they should engage with the medical scheme to ascertain if the scheme will allow them some relief.
  Members need to ensure they had a good understanding of what they were covered for, making sure they were on the right plan for their needs.

  It is vitally important that members engage with their broker or financial advisor who can conduct a proper needs analysis and guide them to the most appropriate solution.

- ### Consider the consequences of cancelling your membership

  Another important point to remember is that if a member decides to cancel their membership, the medical scheme will have the right to underwrite the member when the member reapplies in the future.

  In terms of underwriting, the worst-case scenario is when the break in membership is more than 90 days. In this case, underwriting would mean that the scheme may impose the following on the membership:

  - A three-month general waiting period (no benefits for the first three months).

- A 12-month exclusion from cover for any existing medical condition (this means that the scheme will not cover any medical expenses related to any existing medical condition for the first year of membership).
- Late joiner penalties on all persons over 35 years of age.

ABOUT THE AUTHOR

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