

## Why You Need Gap Insurance



Imagine a scenario where you or one of your dependents is hospitalized in need of an emergency medical procedure. Without a second thought, you head to the hospital, confident that your medical aid cover will take care of everything. But when you make a claim to settle the bill, you discover that what your scheme will pay out falls far short of the cost of treatment. You frantically begin emptying your accounts and calling friends and relatives who you think can chip in.

This scenario is not far-fetched, it is a reality for many South Africans. The cost of healthcare in the country is constantly rising. Much as you may be a member of a good medical scheme that promises to pay 300 percent of the medical scheme rate, treatment costs can easily exceed that rate. Specialists at times charge 500 percent of the medical scheme rate. If this is the case, you will be left with a shortfall of 200 percent to make up. It is not unimaginable that the 200 percent can be the equivalent of tens of thousands of Rand.

### Gap Cover to the Rescue

If you're like most South Africans, you won't have this kind of money lying around in an account. Gap cover will help you to avoid putting yourself and your family in such an unpleasant situation. Whenever you or any of your medical scheme policy's beneficiaries seek specialist treatment and the costs overshoot the rate your scheme will pay out for that kind of treatment, gap cover will cater for the difference. This means you don't have to endure the diversion of your savings or the hassle of raising funds from well-wishers.

Every year, the Council of Medical Schemes sets a base rate at which medical aid schemes should pay for different kinds of treatment. This rate is usually far below what hospitals and specialists charge for in-hospital and various kinds of outpatient treatment. For this reason, you will see medical schemes saying that they will pay for treatment up to, say, 300 percent of the medical scheme rate. But even this rate, offered by the better medical schemes, may not suffice. Specialist treatment may cost up to 500 percent of the medical scheme rate.

### **Points to Note on Gap Cover**

Gap cover was created to cover shortfalls in medical scheme cover. This means you cannot have gap cover without first being a member of a medical scheme. It is not an independent product on its own that can take the place of a full medical aid plan.

You also need to read the fine print on your gap cover contract as regards the extent of cover it provides. Continuing with the example above, if you took a gap cover that caters for up to 400 percent of the medical scheme rate, you would have to top up the extra 100 percent to meet the specialist's bill. Although you will pay much less than you would have out of pocket, you will still feel the pinch of having to divert your savings to cover the shortfall.