

HEALTHCARE FINANCE

You'll pay the price for medical non-disclosure

Some medical schemes strictly apply the law and terminate the membership of people who failed to provide important information about their healthcare history.

Failing to disclose your medical history accurately on a medical scheme membership application form can have severe financial consequences or even become a matter of life and death, more and more medical scheme members are finding.

Medical schemes are entitled, in terms of the Medical Schemes Act, to terminate your membership and that of any of your dependants if you fail to disclose on your medical scheme application form "material information" about your medical history or that of your dependants.

The aim of allowing schemes to terminate your membership if you fail to disclose important information is to prevent people from joining schemes only when they need to claim - for example, when they know that they need an operation. This practice is known as anti-selection. Anti-selection by some members prejudices other members who are contributing to the scheme on an ongoing basis, because they have to bear the medical expenses of those who anti-select without benefiting from their contributions.

As a result, some schemes are aggressively applying the law, with dire consequence for the members whose benefits are terminated. These members may in some cases have brought the hardship on themselves by being dishonest, while in other cases they may have been misled or uninformed. Three recent cases are outlined in "Families face massive bills after schemes end benefits" on this page.

These cases illustrate the dire financial and other risks you take if you fail to fully disclose your medical history, fail to ensure your application form has been completed correctly or fail to check with your adult dependants that their medical history is fully disclosed.

Stephen Harrison, the head of strategy at the Council for Medical Schemes, says the termination of membership when a scheme uncovers material non-disclosure is quite widespread.

Harrison says he is not sure of the reason for the increase in the number of such cases. But he says there is a perception among some members that schemes are using the fact that they can terminate membership for non-disclosure to target high-risk members and remove them from a scheme.

Open schemes stricter

Mostly, it is open medical schemes that take action against members who fail to disclose their medical history because restricted schemes generally accept members who join by virtue of their employment, without imposing waiting periods.

Some schemes, however, report higher incidents of non-disclosure than others.

Spectramed is a large, growing medical scheme with about 174 000 beneficiaries. Every month it receives about 1

250 applications for membership, Quincy Beukes, the principal officer of the scheme, says.

Beukes says in June this year the scheme received 1 231 applications for membership.

Among such new applications, the scheme found 228 cases of non-disclosure following an application within 90 days for hospitalisation or other medical treatment.

The scheme considers all such cases on the basis of the materiality of the non-disclosure and referred only 24 of the 228 cases to a committee with legal, clinical and member representation. The committee is expected to consider whether an ordinary person could reasonably have been expected to declare what the member did not declare.

Beukes says the 24 cases the committee considered in June resulted in the termination of 22 members' and their families' membership of the scheme for the protection of existing members.

These members had joined the scheme and immediately sought authorisation for operations such as hysterectomies, tonsillectomies or even hip replacements, Beukes says.

Jacky Mathekga, the principal officer of Discovery Health Medical Scheme, which receives 800 to 1 000 applications for membership a day, says Discovery does have cases of members anti-selecting but not a lot.

Mathekga says these cases are usually detected by the claims department, which sees big claims from members who have been with the scheme for only a few days or weeks or months.

For example, he says, there was the case of a woman who informed the scheme two weeks after joining that she had just discovered that she was pregnant and did not know this when she joined. Her doctor said she was then two to three months pregnant, but within four months she gave birth to a normal healthy baby who appeared to have been carried to term.

James van Vught, the principal officer of Oxygen Medical Scheme, says for the first six months of this year, the total number of cases in which membership was cancelled as a result of non-disclosure amounted to about 0.5 percent of applications for membership.

The Council for Medical Schemes appeal committee has heard a number of cases concerning terminated memberships in recent months.

Families face massive bills after schemes end benefits

Case 1: Secrets and collusion

Spectramed terminated the membership of a woman, her family and her dependent father because she failed to disclose (allegedly unwittingly) her father's heart condition. The woman was left with about R60 000 in medical bills and her father without adequate medical treatment that could possibly have prolonged his life.

The woman's father had a heart attack a few months after she joined the scheme in 2006. At that stage Spectramed found out about his earlier diagnosis and refused to pay claims for his hospitalisation.

The woman, who says her father was secretive and did not inform her of his condition, complained to the Council for Medical Schemes.

In March last year, the council found that the disclosure was not material because the woman's father had not been treated for his heart condition within the 12 months immediately prior to joining the scheme.

The Registrar of Medical Schemes ordered Spectramed to reinstate the woman, her family and her father as members of the scheme. However, Spectramed refused and appealed to the council's appeal committee, saying it had new evidence.

In April, the woman's father died. She believes that had her father had cover and access to further treatment, his life would have been prolonged.

Quincy Beukes, the principal officer of Spectramed, says the scheme plans to present evidence to the appeal committee that the woman's father was treated for his heart condition in the year before he joined the scheme, and that this treatment was the result of collusion between the woman's father and a pharmacist, who supplied him with medication based on a fictitious and invalid script.

Beukes says Spectramed is of the view that the woman knew her father was ill because he was taking scheduled medicines and would have been quite sick.

The woman is concerned that she does not have the money to pay a lawyer to represent her case when it is heard by the appeal committee.

Case 2: R2 million in claims unpaid

The membership of a Richard's Bay man and his wife was terminated nearly a year after he joined a scheme, on the grounds that he had failed to disclose a pre-existing condition.

The medical scheme reversed certain claims and refused to pay further claims for medical bills amounting to some R2 million, mainly for his now-deceased wife's treatment in intensive care.

Stephen Harrison, the head of strategy at the Council for Medical Schemes, says the Registrar of Medical Schemes initially ruled in favour of the scheme involved, but mediation talks are now under way.

Harrison says in the meantime the member has appealed to the appeal committee, disputing the allegations of non-disclosure.

Case 3: Alegations against an adviser

Oxygen Medical Scheme terminated the membership of a family for failing to disclose the heart condition of a child, allegedly on the advice of an adviser.

The scheme also reversed claims paid for the child's treatment in hospital, as well as for an emergency appendectomy for a second child, leaving the family with medical bills of about R93 436.

Oxygen investigated after the daughter of a man identified in an appeal committee ruling as AA was admitted to hospital for an emergency procedure to correct a heart condition within five months of the family joining the

scheme in 2007.

It found the child had been diagnosed with the condition in 2004, had had an electrocardiogram within the 12 months before the family joined the scheme and was still taking medication for the condition.

In an appeal to the appeal committee, OA, AA's father who was paying his contributions, says the child's condition was not disclosed on AA's application form because an adviser employed by Old Mutual informed them it was not necessary to do so.

However, the appeal committee dismissed the appeal. The committee said that since AA had signed the application form and had confirmed that he had read the form and warranted that the information in it was correct, he "must, unfortunately, bear responsibility for his conduct".

OA also complained to the Ombud for Financial Services Providers, but the ombud's office said it was unable to help him and suggested OA take the matter to court.

OA says he does not have the money to take the matter to court and his appeals to Old Mutual to reconsider have been unsuccessful.

Don't be afraid to declare

Whatever you declare about your health on a medical scheme application form cannot be used to increase your contributions, because by law a medical scheme cannot charge you more than it charges other members. Your contributions can be based only on the number of dependants you have and your income.

A late-joiner penalty may be imposed if you join a medical scheme late in life without having been a member before.

The only consequence for disclosing a condition on your medical scheme application form is that the scheme may impose a 12-month, condition-specific waiting period.

Waiting periods are aimed at preventing members from joining a scheme only when they need to.

The 12-month, condition-specific waiting period cannot, however, be applied if you have been a medical scheme member for more than two years, and if you join a new scheme within 90 days of leaving a previous one.

However, if, for example, you have never been a member of a medical scheme, are diagnosed with osteoporosis and days later join a medical scheme, you will probably face a 12-month waiting period, during which time you will not be able to claim for any treatment related to osteoporosis.

But this could be a lot less of a financial burden than not declaring the condition, and your scheme finding out and reversing all claims paid to date for you.