

Mega gap insurance claims soar to R440k in 2023 amid escalating specialist fees

An analysis of three massive gap-insurance claims amounting to R440k paid by Sirago Underwriting Managers during 2023 highlights an alarming reality of just how financially devastating the shortfalls are for in-hospital treatments that medical schemes are not paying for.



Source: Supplied. Martin Rimmer is the chief executive officer of Sirago Underwriting Managers.

Secondly, it highlights how specialist fees have rocketed in the absence of any price regulation in healthcare provisioning, meaning providers charge any rate they wish, often many more times that of the medical-scheme rates.

Martin Rimmer, chief executive officer of Sirago Underwriting Managers, explains that average gap claims values continue to rise exponentially, and mega gap claims are increasing in frequency, with massive shortfalls ranging anywhere between

R50,000 and R191,000 (the regulated overall annual limit for 2023 per beneficiary per annum that gap insurers cover) for in-hospital treatments not paid by medical schemes.

Gap insurance covers the difference that arises from the rate that healthcare specialists charge for in-hospital procedures versus what a medical scheme pays.

"Of the thousands of claims processed in 2023, Sirago paid over 100 mega claims – internally classified as upwards of R40k per claim – in shortfalls not covered by medical-scheme benefits on these mega claims alone.

"Total gap insurance claims paid between January and November 2023 by Sirago amounted to over R106m that policyholders would otherwise have had to foot from their own pockets had they not had gap insurance in place," explains Rimmer.

These are the three biggest gap-insurance claims Sirago paid in 2023:

- A 69-year old man presented with cardiovascular issues and symptoms linked to coronary artery disease. His disease was treated with stent implantation. The gap cover paid was R181,376; his medical scheme paid R140,681. The sum-total of the doctor's fee was R322,057.
- A 58-year old female presented with a complex musculoskeletal issue involving the spine, potentially causing pain and limited mobility. Her surgical interventions amounted to R361,386. The gap cover in this case was R175,709 and her medical scheme covered R185,677.
- A 61-year old male presented with acute ischaemic heart disease. His treatment involved unblocking a coronary artery, which was obstructing blood flow to the heart muscle. The gap cover paid was R163,640; his medical scheme paid R110,933. The total doctor's fee was R274,573.

"Of the R958k in specialist charges for these three claims alone, medical schemes only paid out 46% of the total specialist bills, while gap cover stepped in to pick up the 54% shortfall.

"The standout for anyone analysing these stats is that being on a comprehensive medical-scheme option is no guarantee that your bills for in-hospital treatment will be paid for in full by your medical scheme – in fact in these three case studies, two members were on the top-end comprehensive medical scheme options, but less than half of the bills from their specialists were paid by the medical scheme.

"We are seeing more frequently that gap cover is paying more than what the medical schemes are paying to doctors for in-hospital treatment. It's a perverse situation where specialist doctor and hospital fees are now running levels that are many times more than the rate at which medical schemes reimburse.

"The reality is that even if you're on a medical scheme benefit option that pays at 200% of tariff, it may very well not be

enough given that healthcare providers are free to charge whatever they want in the absence of any pricing regulation,” he adds.



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• **The main drivers behind escalating costs in private healthcare:** High demand for scarce specialist services, emigration and insufficient medical graduates are the most serious contributing factors in this private healthcare cost spiral, with a skills shortage that is guaranteed to remain problematic for many years as the NHI Bill drives uncertainty, disinvestment, and an exodus of healthcare professionals.

Gaming of the system by unscrupulous healthcare providers (and in many instances aided by patients) is also a contributing factor, but one that medical schemes are clamping down heavily on, investigating and prosecuting.

“In the absence of any legislative overhaul to better protect users and funders (medical schemes) and balance this against proper price regulation for service providers, consumers are left between a rock and hard place, as any alternatives in the public healthcare space all but collapse.

“In an effort to manage the massive increase and risks related to healthcare costs, medical schemes are left without many alternatives, other than to continue to remove, reduce or even limit benefits related to certain procedures, leaving this burden on members and gap-cover providers.

“The erosion of medical-scheme benefits is very real and accelerating, with many of the drivers entirely outside of the control of healthcare funders and their members,” explains Rimmer.

• **Critical role of gap cover:** Rimmer adds that if you consider that when gap cover was first introduced as a financial solution to medical-scheme shortfalls, gap claims averaged between R6,000 to R12,000. However, in the last three years or so, large claims of R50k+ are increasingly almost a daily occurrence.

The bottom line is that gap cover is a critical part of your healthcare-funding strategy and that medical scheme membership, whether on a comprehensive or core benefit, simply isn't enough.

For total peace of mind, no medical-scheme member should be without gap cover if they want a hand-in-glove solution to protect themselves against the risk of onerous financial shortfalls on in-hospital treatment and procedures.



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“Consider at an average of just over R50,000 per mega claim and measured against an average premium of R498/pm per policy on an individual basis, or R566/pm for a family (*Sirago Ultimate Gap, 2023 rates), it means policyholders have claimed approximately eight years' worth of premiums paid or still to be collected.

“If you take one of the three massive gap claims paid at an average of R174k – that's 29 years of premiums – demonstrating the crucial role that gap insurance plays in your healthcare financial planning, protecting you from large and unexpected costs which you would need to self-fund if you do not have gap cover in place. Very few people, if any, have that sort of money available unless they go into serious debt.”

- **Protect yourself from unexpected costs and unethical practices:** Rimmer provides the following advice to consumers to protect themselves when it comes to unexpected costs and unethical billing practices: Firstly, he advises, always negotiate the pricing of any planned surgery with healthcare providers before the procedure and ask for a formal quote from all the medical role players – from the surgeon to the anaesthetist. That way there are no surprises or unexpected costs creeping in after the fact, unless there were specific complications during the procedure.

Secondly, he says, your gap cover should be of no interest whatsoever to your doctor. Be wary of doctors asking you upfront whether you have gap cover or not. Overbilling based on a client's insurance portfolio is a growing practice by some unscrupulous medical specialists looking to capitalise on the patient's insurance cover by overcharging, and in some of the worst cases, scheduling unnecessary procedures, knowing that the patient has the insurance to cover the inflated price.

You are not obliged to tell your specialist that you have gap cover, and it should be of no consequence whatsoever to your doctor whether you have gap cover in place.

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