

# How to manage your future health costs under the cloud of the NHI

If the National Health Insurance bill ever becomes law, private healthcare will be a thing of the past. However, there are ways to still have top-of-the range healthcare.

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I am not a fearmonger and abhor people who play on people's fears to bolster their popularity or business – but the National Health Insurance (NHI) Bill, which is about to be promulgated, is different.

## **Why is this so problematic – universal healthcare should be celebrated, surely?**

Sure, but the biggest problem is that private healthcare is no longer going to be available as a choice. Medical aid is going to cease to exist, and you are no longer going to be able to choose your hospital, doctor, specialist or any other health practitioner (unlike the UK, Canada, and Europe, where you can still choose to go to a private practitioner). If you have the time (and funds), you could go overseas – but that is not going to help in an emergency (and for that, there is no solution).

You can find a comprehensive blog on the NHI, its history and implications [here](#).

## **So, what can you do?**

### **Medical emergency fund**

You can start your own medical emergency fund so that you can go overseas if you want to. This is not going to help in emergencies, of course, but could help thereafter. If an investment is going to be ring-fenced specifically for overseas medical intervention (because, in terms of the bill right now, there will be no private doctors), then you might as well start saving it offshore or at least aligned with an offshore exchange rate.

You can start small with a rand-denominated offshore unit trust/share portfolio or take your investments offshore using an offshore bank with investment capability. An offshore nest egg, while needing a bit of critical mass to be viable (circa R1 million), is a no-brainer in South Africa. This sort of Plan B at least keeps the money in your hands rather than offshore medical insurance, which is a sunk cost. You can see a blog I have written on investing offshore [here](#).

### **Offshore medical aid**

There are offshore medical aids available, but they only make sense closer to crunch time. Bupa (British United Provident Association) is the best-known of these (UK-based). Be warned, these medical aids are three times more expensive than South African medical aids.

## **Gap covers**

Gap covers rely on medical aids and are going to go the same way as medical aids if the NHI is implemented, but they are still a very useful way to cover those shortfalls that increase every year.

## **Dread disease cover**

Dread disease cover that is available as part of your life cover becomes even more attractive if the NHI becomes a reality. This cover (which comes under a wide variety of names with different providers) also comes with a bewildering range of benefits that are often difficult for the layperson to understand and can also be relatively expensive. Here are a few tips to navigate this minefield:

Make sure the cover is for the whole of your life – not expiring in 10 years or when you turn 70, for example. The chances of getting a dread disease dramatically increase as you get older.

Make sure the premiums are going to be affordable for the whole of your life.

Remember that when you retire, you're going to be on a fixed income, you cannot afford to have the premium increasing way faster than inflation and eating up a bigger and bigger chunk of your fixed income. The best way to ensure this long-term affordability is to ask for a level (not age-rated) premium. The premium may start off higher, but it will be affordable in the long term because those annual increases are at inflation, not inflation plus 5%, for example. If your quote doesn't give the premiums projected for the next 20-30 years and show the percentage annual increase, don't sign it. There is only one provider who will give you a true level premium (in other words, the premium goes up the exact same amount as the benefit), so shop around.

Most providers have a range of products ranging from a waste of time and money to the Rolls-Royce. Rather take out less cover with a high-end product. The top-end products will be reinstated after a claim – in other words, if you claim for cancer and then get a heart attack, you'll be paid out twice (there are always Ts and Cs). A good level of cover (if you have medical aid) is around R1 million to R1.5 million. If you want to go overseas, it would need to be more than double that.

Not all providers are created equal. Some providers only cover around 70 diseases, others over 400. Some pay on diagnosis; others wait until you're at death's door. A good advisor should be able to give you a comparison between their product and a competitor (they will have it in their marketing collateral). When you can, use an independent rather than a tied broker, as they will be able to give you comparative quotes from different providers and not just flog the one they are tied to.

Have cover that pays out 100% from Stage 1 from the start for all or most of the benefits. It's heartbreaking to be told, "Here's 25%, come back when you get sicker, have a more severe heart attack, or cancer comes back, and we'll pay you some more."

### **Short-term hospital cover**

This is not medical aid, and so, theoretically, it is not going to be impacted by the NHI – but with no private medical practitioners or doctors, I am not sure what help it is going to be either. This cover (sometimes with some dread disease cover thrown in for good measure) usually pays for specific events or days spent in the hospital.

### **Conclusion**

The best solution is probably a bit of all the above. It's a good idea to start an offshore investment anyway, as it gets you exposure to markets we just don't have here, and if the NHI Bill is thrown out, that money is not lost. Dread disease cover has become more and more compelling over the years (as long as you're still fit and healthy enough to get it without paying a loaded premium), and with medical aids year-by-year lowering their benefits, that lump sum could come in handy. Gap covers, in my honest opinion, are a no-brainer.