



Reference : Pro-ration of benefits upon resignation / termination of membership
Contact : Daisy Ditshoene
Telephone : 012 431 0580
Facsimile : 012 431 0680
E-mail : d.ditshoene@medicalschemes.com
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Circular 20 of 2011: Pro-ration of benefits upon resignation / termination of membership

It has come to our attention that some medical schemes and administrators are applying Regulation 9 of the Medical Schemes Act, 131 of 1998 in a manner that is inconsistent with the Act.

Regulation 9 provides for:

9. Limits on benefits. – A medical scheme may, in respect of the financial year in which a member joins the scheme, reduce the annual benefits with the exception of the prescribed minimum benefits, pro-rata to the period of membership in the financial year concerned calculated from the date of admission to the end of the financial year concerned.

Medical schemes apply this provision to pro-rate benefits in instances where a member is admitted during the course of a financial year and the benefits are adjusted in proportion to the period of membership, calculated from the date of admission to the end of the particular financial year. This application of Regulation 9 is correct.

However, this Office has noted certain practices where Regulation 9 is interpreted to imply that benefits may be applied retrospectively if the member resigns or terminates membership during the same year of joining the scheme.

Instances have occurred where, upon termination of the member's membership, benefits already paid were recalculated and pro-rated based on the period of membership, with the result that members had to accept personal liability for such expenses. Medical schemes and administrators are requested to refrain from such an interpretation as there is no basis for it.

The only pro-ration of benefits permissible in terms of the Medical Schemes Act is from the date of admission to the end of the financial year concerned.

Medical schemes and administrators are advised to desist from this practice with immediate effect and apply Regulation 9 in the manner explained. Any incorrect or unlawful application of Regulation 9 in the past must be reversed and restitution must be made to any members or providers who have been adversely affected by such an incorrect or unlawful application of Regulation 9.



Dr Monwabisi Gantsho
Chief Executive & Registrar