

## Focus on underwriting

Momentum Medical Scheme underwriters assess the medical risk that new applicants pose to the Scheme and use the risk management tools provided by legislation to ensure the long-term sustainability of the Scheme. These risk management tools include late joiner penalties, three-month general waiting periods and twelve-month condition specific exclusions.

### What is a late joiner penalty?

This is a financial penalty that may be imposed on individuals who have not been on a previous South African medical scheme. This applies to people over the age of 35 and is calculated on a sliding scale, according to age and length of time without previous cover. The penalty is waived for members who have continuously been part of a medical scheme since 1 April 2001. This measure was implemented to protect medical schemes from adverse selection. In other words, late joiner penalties are meant to discourage people from waiting until they are old or sickly before joining a medical scheme.

### What is a three-month general waiting period?

Where appropriate from a risk management perspective, we may apply a three-month general waiting period to a beneficiary on the membership. This means that the beneficiary has to wait three months from the date that the membership starts before claiming Momentum Medical Scheme benefits. Beneficiaries who qualify for the Prescribed Minimum Benefits would be eligible to obtain treatment at a State facility, provided that the condition is one that is covered by the Prescribed Minimum Benefits. A list of the Prescribed Minimum Benefits is available on [medicalschemes.com](https://www.medicalschemes.com).

### What is a twelve-month pre-existing condition specific exclusion?

In some cases, members are subject to a twelve-month specific condition exclusion. This means that for the first twelve months from the date that their membership commences, Momentum Medical Scheme will not fund any costs of treatment in any form for the specified condition and related disorders. Should members qualify for the Prescribed Minimum Benefits they would be eligible to obtain treatment at a State facility, provided that the condition is one that is covered by the Prescribed Minimum Benefits. A list of the Prescribed Minimum Benefits is available on [medicalschemes.com](https://www.medicalschemes.com).



## Underwriting: Individuals

Legislation allows for the classification of different types of applicants, based on previous medical scheme coverage and/or change in employment.

**Type One:** Applicants who have had no previous medical scheme cover or have allowed more than ninety days break in membership since resigning from their previous scheme.

Momentum Medical Scheme may:

- Impose a three-month general waiting period
- Impose a twelve-month condition specific waiting period per member
- Apply a late joiner penalty

Note: Type One members do not qualify for the Prescribed Minimum Benefits

**Type Two:** Applicants who have had less than two years continuous cover and who applied to join Momentum Medical Scheme less than ninety days after termination from their previous medical scheme.

Momentum Medical Scheme may:

- NOT impose the three-month general waiting period
- Impose a twelve-month condition specific waiting period for conditions that occurred within the last twelve months
- Impose the balance of a condition specific or general waiting period that existed on the previous medical scheme
- Apply a late joiner penalty

Note: Type Two members do qualify for the Prescribed Minimum Benefits

**Type Three:** Applicants who have had two or more years of continuous cover and who applied to join Momentum Medical Scheme less than ninety days after termination from their previous scheme.

Momentum Medical Scheme may:

- Impose a three-month general waiting period
- NOT impose a twelve-month condition specific waiting period
- Apply a late joiner penalty

Note: Type Three members do qualify for the Prescribed Minimum Benefits

**Type Four:** Applicants who are changing from a restricted / closed medical scheme and are no longer eligible to remain on the scheme, who applied to join Momentum Medical Scheme less than ninety days after termination from their previous scheme.



Momentum Medical Scheme may:

- NOT impose the three-month general waiting period
- Impose the balance of a condition specific or general waiting period that existed on the previous medical scheme
- Apply a late joiner penalty

Note: Type Four members do not qualify for the Prescribed Minimum Benefits

### **Underwriting: Groups**

#### **Small groups**

Momentum Medical Scheme defines small groups as those that are compulsory, or of which membership is made up of a defined compulsory group, and varies in size between 2 to 9 principal members.

We require the following information in order to consider acceptance of a small group:

- Fully completed group quote template (available from your Business Consultant, Practice Consultant or Specialist Health Marketing Adviser), with the demographic information of the group, including number of principal members, dates of birth, number of adult dependants and number of child dependants.
- A fully completed Momentum Medical Scheme company application form, including the compulsory nature of the group.
- Fully completed Individual Application for Membership forms, including answers to all medical questions, for all employees.

The demographic, industry and health profile of the group will be analysed, after which the group will be accepted with or without late joiner penalties, declined, deferred for additional information, or individual decisions will be offered. Groups are subject to an annual review and Momentum Medical Scheme reserves the right to renegotiate original terms.

#### **Large groups**

Momentum Medical Scheme recognises large groups as those that are made up of 10 or more principal members.

Acceptable demographics are:

- Average age less than 45 years;
- Family chronic ratio of less than 25%; and
- A direct claims ratio of less than 75%.



We require the following information to be completed in the group quote template (available from your Business Consultant, Practice Consultant or Specialist Health Marketing Adviser), in order to consider acceptance of large groups:

- Demographic information of the group, including number of principal members;
- Dates of birth, number of adult dependants, including spouse and number of child dependants; and
- Chronic utilisation.

This needs to be submitted together with the following information:

- Correct employer name and company registration number;
- Definition of the compulsory group if not compulsory for all employees, excluding those on their spouse's medical scheme;
- Confirmation that Momentum Medical Scheme will be compulsory for future employees; and
- Confirmation of the industry, as well as a breakdown of job functions expressed as a percentage, eg 80% administration, 10% manual labourers and 10% management.

On receipt of the above information, the group will be accepted without late joiner penalties, declined, or alternatively individual decisions will be suggested. The decision will be communicated in writing to the employer via the financial adviser. Groups are subject to annual review and Momentum Medical Scheme reserves the right to renegotiate original terms.

For large groups, the following percentage of application forms must be received before membership will be activated:

- 10-100 principal members: 75%, subject to a minimum of 10
- 101-500 principal members: 70%
- 500+ principal members: 65%

In all instances, the balance of membership is required by the following billing date, unless prior negotiations have been entered into regarding the need for a specific take-on period, which may not exceed three months.

### **Concession Business groups**

The Medical Schemes Act allows for employer groups to switch between medical schemes without any waiting periods on the 1<sup>st</sup> of January of each year. This is referred to as Concession Business.

The following criteria apply to all applications for Concession Business:

- A legitimate employer/employee relationship must exist.
- Employer groups need to have a minimum of two employees.
- Self-employed individuals do not qualify for the underwriting concession.
- Billing and contribution collection will always be in advance, by debit order only.
- It must be compulsory for all staff on an existing medical scheme to transfer their membership to Momentum Medical Scheme.



- Employees who are not beneficiaries of an existing medical scheme will be subject to full underwriting.
- Late joiner penalties may be imposed, where applicable.
- The balance of any existing waiting periods or exclusions will be applied.

We require the following information to be submitted by the 30<sup>th</sup> September:

- A letter of intent to join Momentum Medical Scheme;
- A fully completed company application form;
- The previous three months' payroll (if the employer does not have proof of payroll, then documentation submitted to SARS, proof of UIF payments per employee, or a letter from the auditor confirming a list of the employees will be accepted); and
- Demographics of the group submitted electronically (MS Excel spreadsheet) containing the following information:
  - Full names, date of birth and gender of principal member
  - Spouse, adult and child dependants
  - Chronic condition indication
  - Income.

If all the criteria are met and the documentation is received in time, terms of acceptance will be issued. The terms of acceptance need to be signed by the employer and submitted together with the following documentation:

- Fully completed individual member application forms; and
- Certificate of existing medical scheme membership for each employee.

Groups that meet the usual large group underwriting criteria should be submitted via the regular new business channels.

### Late Joiner Penalties

How Momentum Medical Scheme applies the late joiner penalty:

- No late joiner penalty may be applied to members younger than 35 years of age.
- No late joiner penalty may be applied to members who have been on a medical scheme since before 1 April 2001 with a break in membership of not more than three consecutive months immediately before joining Momentum Medical Scheme.
- In all other instances, use the following formula, as provided by legislation:
  - $A = B - (35 + C)$  where B = age and C = creditable coverage (number of years on a South African registered medical scheme).

Example: A prospective member is 85 and has had creditable coverage of 61 years.

$$A = 85 - (35 + 61)$$

$$A = 85 - (96)$$

$$A = -11$$



Therefore, the late joiner penalty = zero (for the purpose of this calculation a negative number always defaults to zero).

The maximum penalty as a percentage of the risk contribution per member is as follows:

1-4 years	5%
5-14 years	25%
15-24 years	50%
25+ years	75%

International or foreign cover as well as hospital cash plans or stated benefit insurance policies are not recognised by Momentum Medical Scheme as creditable coverage for the purpose of determining the member type or for the calculation of late joiner penalties.

How we apply late joiner penalties at inception:

- Individual membership - in all cases where applicable
- Small groups - in certain cases as per the small group decision
- Large groups - no late joiner penalty, except for adult dependants (spouses excluded) joining after the date of commencement of the principal member, or who were not dependants of the principal member on the previous medical scheme

How we apply late joiner penalties on additions to existing groups:

- Small groups - as per the group decision
- Large groups - not applicable, except for adult dependants (as detailed above)

Note: No commission will be paid on the late joiner component of the contribution.

## **Underwriting: Dependants**

### **Spouse or partner dependants**

Momentum Medical Scheme rules define a spouse as the person to whom the member is married in terms of any law or custom. Partner means the person with whom the member has a serious relationship akin to a marriage based on objective criteria of mutual dependency and a shared and common household, irrespective of the gender of either party.

Addition of spouses as dependants (Super Group employees only): An active member that is an employee of a Super Group has 30 days from the date of their marriage to add their spouse without underwriting applying. A copy of the marriage certificate must be included with the Addition of Dependants application form.

### **Child dependants**

Momentum Medical Scheme's rules define a "child dependant" as the unmarried child of a member, including a stepchild, adopted child or a foster child, who is under the age of 21 years and is not self-



supporting, or who is a full time student under the age of 21 years. We need copies of the relevant documentation, i.e. adoption order or official proof that a child is a foster child.

Momentum Medical Scheme does not cover second-generation children (i.e. a child dependant's children).

### **Addition of newborn child dependants**

Newborns must be registered and a newborn registration form completed within 30 days of birth to be accepted without underwriting.

### **Adopted children**

If we receive an application for an adopted child under the age of 18 to join Momentum Medical Scheme **within 30 days** of the date of legal adoption, we will add the child to the adoptive parents' membership, without underwriting. We need proof of legal adoption.

If we receive an application for an adopted child under the age of 18 to join Momentum Medical Scheme **more than 30 days** after the date of legal adoption, we will add the child to the adoptive parents' membership with full underwriting. We need proof of legal adoption. If the adoption of a child under the age of 18 is still in progress, we need confirmation - such as a letter from the social worker or the court - that the adoption is in progress and from what date the child was placed in the adoptive parents care. In this case, the child will be accepted without underwriting, provided the member submits the application within 30 days of the child being placed in the adoptive parents' care.

The member must add the child to the membership from the first of the month that they were placed in the care of the adoptive parents. Unlike in the case of a newborn child, the contribution for the first month is not free.

If we receive the request to add the adopted child more than 30 days after the adoption, or more than 30 days from when the child was placed in the care of the adoptive parents, we will apply full underwriting and will need proof of legal adoption.

If we receive an application for an adopted child over the age of 18 to join the Scheme, we will add the child to the adoptive parents' membership with full underwriting, provided we receive proof that legal adoption took place while the child was under the age of 18.

### **Child dependant as a principal member**

Parents, legal guardians or third parties may apply for a child to be the principal member on their own Momentum Medical Scheme membership. The contribution payable will be the principal member rate, as opposed to the child rate.

We need the following documents to consider the application:

- A fully completed Individual application for membership form, signed by the biological parent, legal guardian or third party.



- A letter from the biological parent or legal guardian explaining the reason for the child being a principal member as well as the whereabouts of the parents, and providing consent for the child to apply for membership.
- If the biological parents are deceased or their whereabouts are unknown, the applicant needs to provide consent.
- A copy of the minor's identity document, birth certificate or passport.
- A copy of the contribution payer's identity document.
- A copy of the identity document for the parent, guardian or third party who signed the application form, if different from the contribution payer.
- Proof of school or study registration, if applicable.
- If the option selected is Ingwe, we require a Declaration of income for new membership application form to be completed for the minor.

### **Adult dependants**

Momentum Medical Scheme's rules define an "adult dependant" as:

- A person who does not qualify for child dependant status in terms of the definition of a child dependant, is 21 years or older, is dependent on the principal member for financial support and related to the principal member whether by affinity or consanguinity (blood, marriage, adoption, etc.); or
- The divorced spouse of a member; or
- The second spouse of a member (eg according to indigenous African law or custom or under the tenets of any religion).

Note: The applicant must satisfy at least one of the above before they may be granted adult dependant status.

### **Underwriting of adult dependants**

- Momentum Medical Scheme has no maximum entry age limits for adult dependants. However, they need to meet the qualifying criteria at application stage and every year during the annual review period.
- Individual underwriting applies in respect of adult dependants where individual underwriting applies to the group as a whole.
- Adult dependants are assessed as part of the group when group underwriting applies. Any adult dependants included on the quote will be subject to individual underwriting if they are not covered by the current medical scheme. For these members, we require a fully completed Individual Application for Membership form or Certificates of Membership from the current scheme.
- If an adult dependant is added to an active contract under a group, individual underwriting will apply.

### **Addition of adult dependants**

Any adult dependants added after the date of commencement of a member (or who were not dependants on the member's previous medical scheme and join Momentum Medical Scheme as an





adult dependant) will be subject to individual underwriting and will need to submit a fully completed Individual Application for Membership form.

## Changes to membership

### Continuation members

Under the following circumstances, Momentum Medical Scheme members are eligible to continue membership without additional medical evidence on the same terms and conditions that applied during the principal member's membership:

- Retirement: subject to the conditions of the member's employment agreement, members may remain on Momentum Medical Scheme when they retire.
- Death of the principal member: the spouse and dependants may retain Momentum Medical Scheme membership on the death of the principal member.
- Divorce: subject to the conditions of the member's divorce agreement, the spouse may retain Momentum Medical Scheme membership after becoming legally divorced from the principal member.
- Dependant: a child dependant who becomes a self-supporting adult may become a principal member on their own Momentum Medical Scheme membership.
- Withdrawal from employment: Momentum Medical Scheme members may remain on Momentum Medical Scheme on withdrawal from employment.

Note: In order for continuation to apply, there can be no break in membership. Full underwriting will apply if a member, who has been part of a large group for less than three months, chooses to stay on Momentum Medical Scheme following retirement or resignation from the group.

### Reinstatements

Lapse: Momentum Medical Scheme allows a one-month grace period for non-payment of contributions before membership is lapsed. Full underwriting applies if the member requests reinstatement after the membership has lapsed.

Voluntary withdrawal: If members withdraw and then later request re-admission to the Scheme, full underwriting will apply, regardless of the size of the group.

### Change of benefit option

Members may upgrade or downgrade their option within 30 days from the date of activation of their membership. Thereafter, option upgrades and downgrades may only be done at the beginning of each year. No new underwriting restrictions would be applied.