

Guide to Late Joiner Penalties

Introduction

This guide is designed to provide prospective medical aid members with a clear understanding of late joiner penalties (LJPs) as stipulated by the Medical Schemes Act of 1998 in South Africa. It is essential for individuals aged 35 and older to be aware of these penalties to make informed decisions regarding their healthcare coverage.

What Are Late Joiner Penalties?

Late joiner penalties are additional charges that may be applied to individuals who join a medical scheme at the age of 35 or older without having sufficient prior medical scheme coverage. These penalties are intended to maintain the financial integrity of medical schemes by discouraging individuals from joining only when they anticipate needing medical care.

When Are Late Joiner Penalties Applied?

Late joiner penalties are imposed under the following circumstances:

- The individual is **35 years of age or older** at the time of joining.
- The individual lacks the necessary years of **creditable coverage**, which is defined as any verifiable medical scheme membership, excluding coverage as a child dependant.

It is not applied where applicants are transferring between schemes and have been on unbroken cover since April, 2001.

Understanding Creditable Coverage

Creditable coverage is critical for determining whether a late joiner penalty will apply. It refers to periods during which an individual was a member of a registered South African medical scheme. Key points include:

- Coverage must be documented and verifiable.
- It does not include coverage enjoyed as a child dependant.

How Are Late Joiner Penalties Calculated?

The LJP is calculated according to the table. It is your current age LESS 35 years LESS the number of years of creditable coverage. It is expressed as a percentage as per the table.

Years without Coverage	Penalty Rate
1 - 4 years	Plus 5% of monthly contribution
5 - 14 years	Plus 25% of monthly contribution
15 - 24 years	Plus 50% of monthly contribution
25+ years	Plus 75% of monthly contribution

Example Calculation

Consider Mary, who is 63 years old. She had medical scheme coverage for 3 years (ages 26 to 28) and again for 7 years (ages 42 to 48).

1. Calculate Years Without Coverage:

- Current Age: 63
- Years of Prior Coverage: 10
- Years Without Coverage: $63 - (35 + 10) = 18$ years.

2. Determine Penalty:

- Based on the 18 years without coverage, Mary qualifies for a **50% late joiner penalty**.
- If her desired plan's monthly contribution is R1,500, her total premium would be R2,250 (R1,500 + 50% of R1,500).

Proof of Creditable Coverage

To mitigate or avoid late joiner penalties, individuals must provide **membership certificates** as proof of prior membership. If the schemes are no longer in existence, applicants may provide an **affidavit** as proof. This affidavit should include:

- The name(s) of previous medical scheme(s).
- The duration of coverage.
- Relevant membership numbers or identifiers.

Important Considerations

- **Permanent Nature of Penalties:** Once imposed, late joiner penalties are permanent and will affect monthly contributions for the duration of membership.
- **Exclusion of Overseas Coverage:** Membership in overseas medical schemes or health insurance products does not count as creditable coverage in South Africa.
- **Recommendation for Early Enrolment:** To avoid late joiner penalties, it is advisable to join a medical scheme earlier in life.
- **Transferred LJP's:** Once imposed, LJP's are transferred between schemes should you change.