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RULINGS ISSUED BY THE OFFICE OF THE REGISTRAR

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M v Discovery Health Medical Scheme

Imposition of a Late Joiner Penalty

This matter was referred to the Office of the Registrar by Mrs. M (“the Complainant”) against Discovery Health Medical Scheme (“the Respondent”) concerning the Respondent’s decision to impose a 25% Late Joiner Penalty (“LJP”) on the Complainant’s membership. The Complainant asserted that both she and her husband joined the Respondent in 2007 but were unfairly subjected to a 25% LJP despite having continuous medical scheme coverage since 1970. She claimed to have provided the Respondent with full documentation of their previous memberships, including periods under Bonitas Medical Scheme (1970–1979) and Spectramed Medical Scheme (1979–2004), along with supporting employment verification from Eskom and SARS. The Complainant stated that, despite submitting all relevant proof, the Respondent did not review or amend the imposed penalty nor provide an adequate response.

In its response, the Respondent explained that the Complainant’s membership application, submitted in March 2004, included a declaration of prior cover which it used to calculate the LJP. The Respondent considered multiple prior memberships, including Bonitas, MHVS, Metropolitan Medical Scheme, Consolidated Employers Medical Aid Society, and Spectramed. However, it disregarded coverage under Bonitas and MHVS, arguing that Bonitas was not registered during the claimed period and that MHVS did not appear as a known medical scheme. Based on this, the Respondent calculated the Complainant’s creditable coverage as 22.67 years, thereby imposing a 25% LJP in line with the Medical Schemes Act for members aged 64 requiring at least 29 years of cover to avoid penalties. The Complainant accepted the offer and membership commenced on 1 June 2007. When new evidence of membership from 1979 to 2004 was later provided, the Respondent maintained its position due to conflicting records. Only after the complaint was lodged with the Registrar did the Respondent conduct a full review, discovering that “MHVS” was the Afrikaans acronym for the Public Service Medical Aid Association (PSMAA), a registered scheme. This recognition increased the Complainant’s creditable coverage to 27.5 years, resulting in a recalculated LJP of 5% rather than 25%.

The Registrar's investigation confirmed that Bonitas Medical Fund was not registered prior to 1982, validating the Respondent's exclusion of that period. However, the Registrar found that the Respondent failed to exercise due diligence by not recognising the PSMAA membership earlier, despite receiving relevant documentation. Applying the formula prescribed in Regulation 13 of the Medical Schemes Act ($A = B - (35 + C)$), the Complainant, who was 64 at the time of joining and had 27.5 years of creditable cover, should have been placed in the 5% penalty band applicable to individuals with one to four years uncovered. The imposition of a 25% LJP was therefore inconsistent with the Act.

After acknowledging its miscalculation, the Respondent corrected the penalty and agreed to refund the Complainant for the excess contributions paid from the start of membership until termination. The Registrar concluded that the Respondent erred in its initial assessment by not accounting for the Complainant's full history of medical scheme coverage and that the correct LJP applicable was 5%.