

Late Joiner Penalties

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Have you ever heard of late joiner penalties? If not, it is important that you read this article. If you have, you will most probably feel that it is unfair, and so it is just as important for you to read this article to understand why late joiner penalty fees are implemented.

Late joiner penalty fees will be applicable to anyone aged older than 35 with no credible coverage from a previous medical aid scheme.

Statistically speaking, if you look at the majority of people, a young person at the age of say 25 will be healthier than an older person at the age of 75. In other words, it is safe to say that a person aged 25 will claim less than a person aged 75. As you get older and sicker, your medical costs will then be subsidized by the younger members' contributions. This should show you then that if someone joins a medical aid scheme at a later age they are robbing the elders of their benefits, since they have not been making contributions from a young age.

A formula for calculating these penalties has been introduced and it is as follows:

$A = B - (35 + C)$ Where A is the late joiner penalty, B is the age of the joining member and C is the credible contribution period (the amount of years this person was a member beforehand).

The penalties vary, and are worked out like this:

1 – 4 years maximum penalty = 5% of risk premium

5 – 14 years maximum penalty = 25% of risk premium

15 – 24 years maximum penalty = 50% of risk premium

25+ years maximum penalty = 75% of risk premium

To put this closer into perspective, if a person is 45 years old and has only been a member of a medical

aid scheme for one year:

$$A = B - (35 + C)$$

$$A = 45 - (35 + 1)$$

$$A = 45 - 36$$

$$A = 9$$

Thus, this person will receive a maximum penalty of 25%. When all of this is put into perspective and understood, one should quickly realize that it is actually unfair to not implement a penalty fee, since a member paying his/her whole life and is starting to claim should not be paying the same amount as someone who has just joined and is starting to claim. Hopefully this article makes late joiner penalties easier to understand and will save you from having to pay one.