

Wealth



Is it worth keeping medical insurance?

Steve Lodge Wealth Questions

My 76-year-old father's private medical insurance (PMI) now costs £2,750 a year – is it worth keeping? It is a Bupa Care policy, the premiums have been increasing by 10 per cent a year and the policy has a £150 annual excess. Bupa has also just said it will no longer cover his treatment for dementia because it is a "chronic" condition, even though he was paying premiums for nearly 20 years before the illness was diagnosed. Is there anything we can do to reduce the cost of cover or get better value, or would "self-insurance" (putting money aside in a savings account to pay for private treatment) be a better bet? My father has a pension of £20,000 a year so paying for private treatment, if needed, would be an option.

Mike Izzard, chairman of the Association of Medical Insurance Intermediaries and director of Premier Choice Healthcare group, says that, at the age of 76, it would be better for your father to maintain his PMI

cover than to "self-insure" against the consequences of major illnesses that would not be treated quickly under the National Health Service (NHS). It is especially worth continuing with a policy that has been in existence for some time because it will cover more existing medical conditions than a new policy, which may carry exclusions.

Private treatment for something such as an orthopaedic condition could cost more than £12,000. This would take a sizeable chunk of your father's annual pension or savings.

PMI cover may also be worth keeping because, in the current economic climate where government finances are stretched, NHS funding is likely to face continuing pressure, particularly for non-heart and non-cancer treatments.

At 76, it would be very difficult to transfer to another PMI insurer on a "no worse" terms basis that does not trigger further policy exclusions. So, rather than switching to another provider, it would be worth

considering ways to reduce the premium by changing benefits on your existing policy. You could increase the policy excess to £500, which would significantly reduce the premiums.

If the choice of hospitals is not critical, you could cut the premiums by as much

YOUR QUESTIONS

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as 30 per cent by switching to Bupa's Local Care product, which has the same benefits but uses a network of private hospitals rather than paying for treatment at NHS units. This would still give adequate coverage in most parts of the country.

To further reduce premiums, you could opt to pay for out-patient treatment yourself and transfer to one of Bupa's cheaper policies that only covers in-patient and day-patient treatment.

These measures could

reduce premiums by up to 40 per cent while not compromising medical underwriting.

Regarding your father's dementia, any PMI policy is for the treatment and relief of "acute" medical conditions only – those that can be cured. Even though dementia is a debilitating condition, it is "chronic" – it cannot be cured. No PMI policy will cover any chronic condition.

Is our council tax too high?

My husband has Alzheimer's and receives the higher rate of Attendance Allowance of £70.35 a week. Are we entitled to a reduction in our council tax? We are both in our 70s and the council tax – £2,000 a year, based on two adults – is paid from my husband's bank account. If we are entitled to a reduction, can we backdate our claim to when he started receiving Attendance Allowance a year ago? Also, is it worth me claiming Carer's

Allowance? I receive £57.05 a week of basic state pension, which, I believe, is based on my husband's National Insurance contributions, as well as 23p a week of "graduated retirement benefit". I have a six-figure sum in savings and we do not receive any means-tested benefits.

Harvinder Channa, income specialist at the newly-merged Age Concern/Help the Aged, says your household would be entitled to receive a discount on your council tax bill for your husband, as he is being paid Attendance Allowance at the highest rate.

To apply for this discount, you must get a doctor's certificate saying that your husband has a severe mental impairment (Alzheimer's) and is receiving the highest rate of Attendance Allowance. The discount would be for 25 per cent off the total household bill because only one person would be counted for the purposes of council tax.

This discount should also be backdated to the date

your husband became entitled to Attendance Allowance. It is not means tested, so your savings do not make any difference.

Carer's Allowance is paid to people who spend at least 35 hours a week caring for a severely disabled person. The weekly rate is £53.10 and is taxable. However, this allowance depends on the level of your state pension. In your case, because your £57.05 state pension is higher than the allowance, you would not receive anything. To receive a Carer's Allowance "top-up", your pension would generally have to be less than £53.10 a week. Whether your state pension is based on your husband's NI contributions does not make any difference.

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