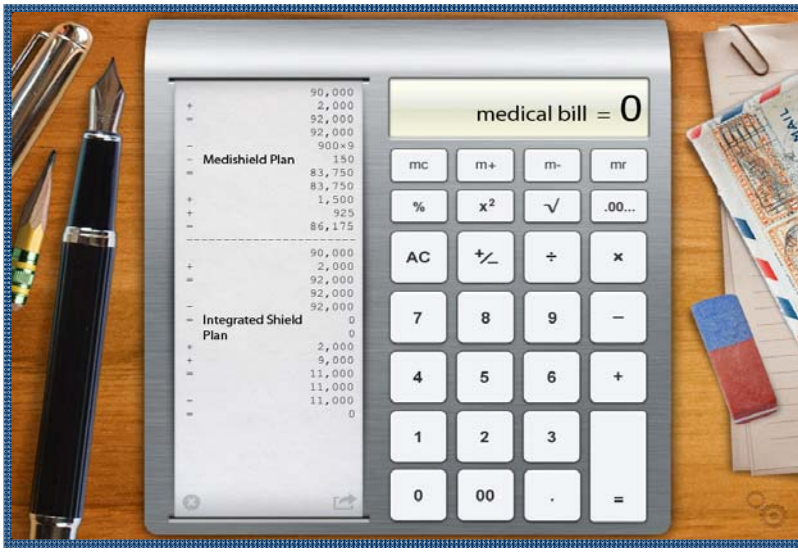


With ISP and rider, you can reduce your medical expense to $0.

Key to $0 Medical Expenses...

- ***Medisave-approved Integrated Shield Plan and Riders***
- ***Whole-Life Insurance for Critical Illness***
- ***Term Insurance for Death and TPD***

$0 for Medical Expenses: is it possible?

Singapore healthcare is one of the more well-established system in the world. While the costs for medical treatment at the heavily subsidized B2 and C wards at the Singapore Restructured hospitals remain affordable, treatment and medication at private hospital or non-subsidized wards can be high. So, having sufficient medical (hospitalisation) and life insurance coverage for you and your family members are important in order to battle against the increasing medical expenses.

Hospitalisation Plan for Medical Treatment

Claimable Amount for Medical Expenses

Every working individual (Singapore citizen or Singapore Permanent Resident) is required by law to contribute to the Medisave portion of his CPF account. Typically, most people will utilize their Medisave to buy Medishield, a low-cost medical insurance scheme provided by CPF Board, for themselves or their family members as financial protection against hospitalisation expenses and treatment.

Medishield, however, is usually inadequate in covering the incurred medical expenses due to its low claimable limits for hospital services and surgical treatment. As illustrated in Table 1 below, a patient who stayed 9 days in B1 wards in a Singapore Restructured Hospital, is only able to claim for $8,250 out of the $92,000 medical expenses via the Medishield plan.


Pick the right shield plan and complete it with additional rider(s).

Benefits	Incurred Expenses (E)	Medishield Limit (L)	No. of Days (n)	Claimable Amount (CA)
ICU and Hospital Services	$90, 000	$900/day	9	$8, 100
Surgical Benefit 1	$2, 000	$150	-	$150
Total	$92, 000			$8, 250

Table 1: Medical Bill for a patient who stayed 9 days in B1 wards

Key in Reducing Medical Expenses

- ***As-charged plan for full Claimable Amount***
- ***Riders for Deductible and Co-insurance***

In order to cover the expenses, it is highly recommended that one should purchase the **Medisave-approved Integrated Shield Plan (ISP)** offer by insurance companies like NTUC Income, AIA, Aviva, Great Eastern and Prudential. All these insurers now offer the "As Charged" plan that gives 100% coverage of all medical expenses (i.e. fully claimable) at a small additional premium using your Medisave. In the above example, the claimable amount for the medical expenses will be $92,000 if the patient is covered under the ISP.

Deductible and Co-Insurance for Medical Expenses

Wait a minute! When we say the medical expenses is fully claimable, it does not mean that the patient needs not to pay a single cent. He is still required to pay for the Deductible and Co-Insurance for the hospitalisation bill. By definition, **Deductible** is the initial amount an insured needs to pay for his claim(s) made in a policy year before any payout from the insurance company. **Co-insurance** is the percentage of the claim that an insured needs to pay, on the portion of the claimable amount above the Deductible. Figure 1 below illustrates the amount payable by the patient (the Insured) and the insurer for his total medical expenses.

Key in Considering ISP…

- ***Deductible and Co-insurance***
- ***Coverage of Rider(s)***
- ***Reputation of Insurer***

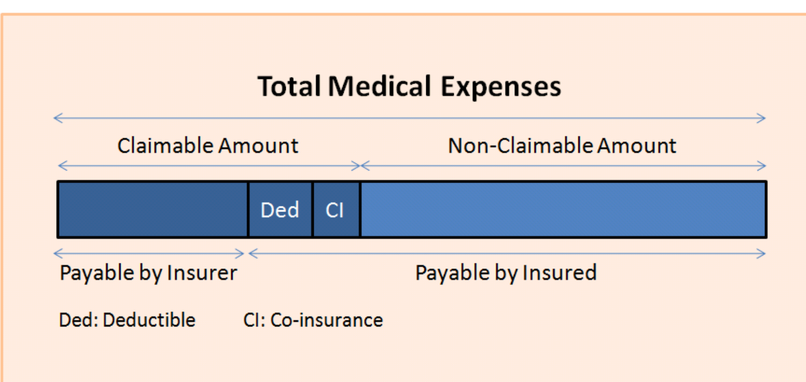


Figure 1: Medical expenses payable by the insured and insurer.

In simple Math,

Amount of Medical Expenses payable by Insured **=** ***Total Expenses - Claimable Amount + Deductible + Co Insurance***

Under Medishield, the patient's share of the Deductible ranges from $1,000 to $3,000, depending on the patient's age. The Co-insurance ranges from 10% to 20%, depending on the size of the hospital bill. The details are as shown in Table 2 and Table 3 respectively.

	For age 80 and below*	For ages above 80*
Class B2 and above	$1, 500	$3, 000
Class C	$1, 000	$2, 000

Table 2: Deductible under Medishield Plan
*As of next birth date

Claimable Amount for All Wards and Day Surgery	Co-insurance
$0 - $3, 000	20% of Claimable Amount less Deductible
$3, 001 - $5, 000	15%
Above $5, 000	10%
Outpatient Treatment	20% (no deductible)

Table 3: Co-insurance under Medishield Plan

Under ISP, the Deductible varies on the Ward class as shown in Table 4 below.
The Co-insurance for ISP is 10% of the claimable amount above the Deductible.

	For age 80 and below*	For ages above 80*
Class A /Private Hospital / Day Surgery	$3, 000	$4, 500
Class B1	$2, 000	$3, 000
Class B2	$1, 500	$3, 000
Class C	$1, 000	$2, 000

Table 4: Deductible under ISP
*As of next birth date

Following the earlier example of the medical bill for the patient who stayed 9 days in B1 wards in a Restructured Hospital, the Deductible, Co-insurance and eventually the amount payable by the patient (the Insured) are calculated and showed in Table 5 below:

	Claimable Amount (CA)	Deductible# (D)	Co-insurance# (CI)	Expenses Payable by Insured (Id)	Expenses Payable by Insurer (Ir)
Medishield	$8, 250	$1, 500	$925~	$86, 175 =E – CA + D + CI	$5, 825 = E - Id
Integrated Shield Plan (ISP)	$92, 000	$2, 000	$9, 000 = 10% x (CA – D)	$11, 000^ = D + CI	$81, 000

Table 5: Medical Expenses Payable by Insurer and Insured

Assume the patient is below 80 year-old
~ CI = 20% x $1, 500 + 15% x 2, 000 + 10% x $3, 250
^ For ISP, Total Expenses, E, is fully claimable. Thus, E = CA.

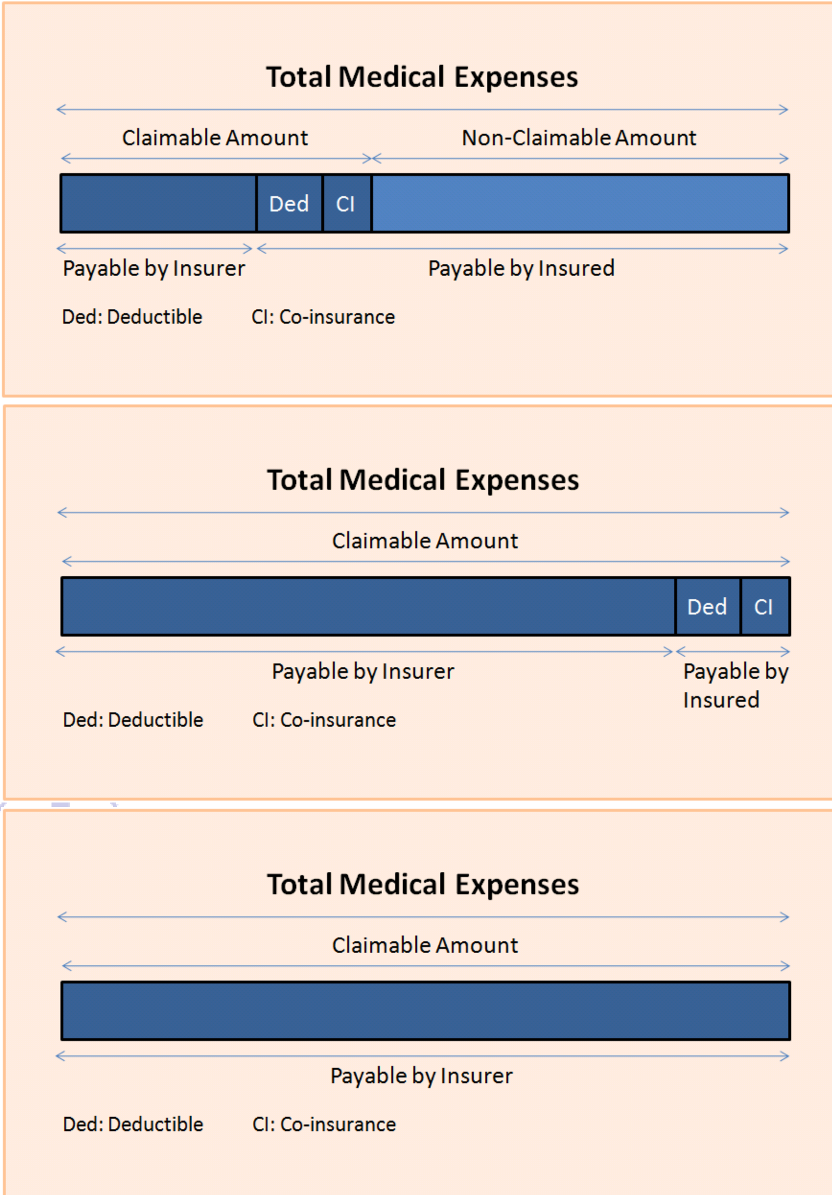
In this example, payouts from the ISP is $81,000 whereas Medishield only reimburses $5,825 for a hospitalisation bill of $92,000!

Rider for Deductible and Co-insurance

All ISP comes with option to purchase a rider to waive off the Deductible and Co-insurance. With this rider, it simply means that you pay $0 (yes, no typo error here!) instead of $11,000 for your final medical bill. The yearly cash-only premium for the rider for age 31-40 costs only $105 from NTUC Income. And this takes 100 years of yearly premium of $105 to make up to the $11,000 medical bill! So, you should be thinking of buying the rider even for your new born when his health is good.

Figure 2 in the following page shows the differences in the portion of the medical bill payable by the patient (the insured) and the insurer for the three different plans, i.e. Medishield, ISP and ISP with Rider.

Shield plan and rider are not only for adults but also the young ones.



Expenses under Medishield Plan

Expenses under ISP

Expenses under ISP with Rider

Figure 2: Amount Payable by the Insured under various Shield Plans

It is obvious that the 'As Charge' and rider offer by private insurer's Integrated Shield Plan is much more superior than the basic Medishield Plan. The additional premium is little compared to huge benefit it will reap in the long run. Before you decide on which ISP to purchase, you are encouraged to visit Ministry of Health (MOH) website at http://www.moh.gov.sg/mohcorp/hcfinancing.aspx?id=342 to study the differences of the ISPs offered by different insurers. The service indicators of the insurers are also available at the website for you to make an informed decision on what is best for you.

Life Insurance for Critical Illness, Death and TPD

Life Insurance for Critical Illness

The life insurance plans cover death, TPD and the 30 defined critical illnesses.

Unlike Shield plan with standard coverage and premium, there are a few factors to consider when getting the life insurance.

- Sum Assured Required
- Type of Plans (Whole-life or Term insurance) and
- Coverage Term

Sum Assured Required

The total amount of sum assured required is recommended to be **$100,000 plus 3 to 5 times your annual expenses.** The $100k will be the lump sum amount needed for immediate treatment and the alternative herbs and medication to boost immunity and improve well-being. The rest of the payout will be the Income Replacement for the 3-5 years when the patient is recuperating at home to recover from any of the 30 critical illness, esp, cancer.

Type of Plans (Whole-life or Term insurance) and Coverage Term

It is advisable to provide the **whole-life protection of $100K with the limited payment term whole-life insurance**, since critical illness can strike at any age! As the protection value increases with time, it will address the increasing medical cost due to inflation. If there is no claim for critical illness or TPD, then the amount can be used for one's FINAL EXPENSES.

For the remaining 3 to 5 times of your annual expenses, you can either cover by whole-life or term insurance. Table 6 shows the Pros and Cons in the 2 types of plans.

	Whole-life	Term Insurance
Coverage	Whole-life.	Cover till age 65 only, normally.
Premium	Higher cost.	Low cost.
Cash Value	Returns of about 3-5%, depending on duration and insurer.	No cash value.
Opportunity for other Investment	Less money for other investment.	Money saved in buying term insurance should be used for investment to achieve >6% investment returns.
Others	Policy will not lapse if there is sufficient cash value to pay for premium.	Will lapse when premium is not paid for a month.

Table 6: Comparison between Whole-life and Term Insurance.

Key in Life Insurance…

- ***Sum Assured Required***
- ***Type of Plans***
- ***Coverage Term***

The comparison suggests that it is probably good for **the risk-adverse to consider buying whole-life insurance**, if the premium amount is not an issue. However, for **the investment-savvy person, term insurance to cover the 3-5 years of annual expenses should be better off.** And coverage till age 65 will not be an issue, if his dependents no longer require his financial support by then.

Life Insurance for Death and Total/Permanent Disability (TPD)

All Singapore Citizens and Singapore Permanent Residents who contributes to their CPF will automatically be included in the Dependent Protection Scheme (DPS). This is a term insurance that covers CPF members with Sum Assured of $46,000. The aim is to insure members as early as possible when they are likely to be healthier and insurable at that time.

The downside to DPS is that the cover ceases at the age of 60, and the annual premium get more expensive for older age group. There are cheaper and flexible alternatives that provide cover till at least age 70 and up to age 99.

The general rule of thumb is to **provide 10 times your annual expenses for death and TPD**. You can get this through Group Term Insurance (e.g. SAFRA, NTUC Union) with cheaper premium. However, take note that Term insurance will terminate once you leave the group. On the other hand, you can get this term insurance coverage from any insurer that provides competitive rate for the pure protection.

Conclusion

As explained in this article, the dream for $0 medical expenses can come through if you and your family have the right amount of appropriate hospitalisation and life insurance plans. Act now to upgrade to Medisave-approved Private Integrated Shield Plan with "As-Charged" feature and the rider. Provide yourselves with $100,000 whole-life insurance and 3-5 times of your annual expenses whole-life or term insurance for critical illness coverage. Finally, insure yourselves with another 10 times your annual expenses with term insurance so that your family, particularly the children, is adequately provided in case you are not around to provide the financial support they most needed.

Risk-adverse individuals should buy Whole-life insurance…

Investment-savvy person should cover the 3-5 years of annual expenses with Term Insurance

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