‘Complex’ but important CareShield Life may be tough for public to grasp: Experts

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The more abstract nature of severe disability insurance, coupled with the increased complexity of the new CareShield Life scheme, could make it tough for people to grasp.

And while details such as base premiums and the quantum of the “catch-up component” are yet to be announced, the significant increase in premiums for CareShield Life – compared to ElderShield, which it will largely replace from 2020 onwards – could pose the biggest challenge in attracting more people to join the new scheme, some experts said.

According to some examples provided by the Ministry of Health (MOH) using estimated base premiums and catch-up components, CareShield Life premiums could be about double or more than four times that of ElderShield premiums, but offer enhanced benefits.

Unlike ElderShield, which provides payouts of S$300 to S$400 a month for five or six years to severely disabled individuals, CareShield Life will provide payouts for as long as one is severely disabled. CareShield Life payouts will start at S$600 per month in 2020 and increase over time. It will be administered by the Government, unlike ElderShield which was administered by three private insurers.

According to an example provided by MOH, a 54-year-old woman on ElderShield 400 (which pays out S$400 a month for up to six years) would pay S$218 in ElderShield premiums per year from the age of 40 to 65. Under CareShield Life, her base premium would be S$800 in 2021 and increase over time until age 67 – although with premium subsidies and an incentive for opting in, the net premium payable in 2021 would be reduced to S$410.

The catch-up component of CareShield Life will apply to existing ElderShield 300 (paying out S$300 per month for up to five years) policyholders and those not insured under ElderShield, as they would not have paid as much premiums as ElderShield 400 policyholders in the same cohort. The component will be a flat amount paid over 10 years.

CareShield Life will be optional for Singapore residents born in 1979 or earlier and who are not severely disabled, but will be compulsory for those born in 1980 or later.

“(CareShield Life) is unprecedented — there is a lot of uncertainty,” said Dr Jeremy Lim, who heads the health and life sciences practice in Asia at global consultancy Oliver Wyman. “The biggest challenge, I think, will be in communicating why premiums are what they are, when the loss ratios under ElderShield have been so modest thus far.”

Of two million Singaporeans who were aged 40 and above last year, 36 per cent – or 717,000 residents – opted out of ElderShield.

Unlike MediShield Life – the Government's basic insurance scheme to protect against large hospital bills – CareShield Life will be more difficult to explain, said Mr Alfred Chia, chief executive of financial advisory firm SingCapital.

"CareShield Life is very abstract and unlike medical insurance. People believe that they will fall sick and will very likely be hospitalised," Mr Chia said. "A lot of people are concerned about medical costs, critical illnesses, death, but long-term care is the least of their priorities."

Long-term care is a "harder sell" as most people would not think they need it unless they have experienced it in their family, said Mr Chia.

According to the MOH, one in two healthy Singaporeans aged 65 could become severely disabled in their lifetime. About three in 10 Singaporeans will live a decade or more after they become severely disabled (unable to perform three or more daily activities of living such as feeding, dressing and going to the toilet).

Some 38 per cent of ElderShield policyholders currently claim payouts for the full five or six years.

"While providing premium subsidies offers an incentive, I think more efforts need to be made in helping individuals at different ages understand the risk of severe disability over their life course, and how the CareShield premiums are priced to be actuarially fair given the inclusion of those with pre-existing severe disabilities in the same risk-pool," said insurance economist Joelle Fong.

The experts said that while Singaporeans have to trust the Government when it comes to actuarial calculations of premiums and payouts, they should not be passive policyholders.

"We should… be active in monitoring the claims experience, the adequacy of the payouts in real life and be vocal when justified to advocate for premium rebates as the financial situation permits," Dr Lim said.

Nobody knows with a high degree of confidence the number of Singapore residents who will suffer severe disabilities and qualify for CareShield Life payouts, or the duration they will qualify for payouts, Dr Lim said.

Given the uncertainty in actuarial computation and the need for CareShield Life to be financially sustainable, it is "understandable that the Government has erred on the side of conservatism with higher premiums", he said.

On the MOH announcing on Tuesday it would allow, for the first time, Medisave withdrawals in cash for long-term care, Dr Lim was cautious about the "unprecedented" move. The Government should closely monitor this and adjust as needed, he said. "I'm cautious about the signal this sends about what Medisave can be used for but understand the need to provide cash (which is most fungible) in the event of severe disability," he said.

Institute of Policy Studies senior research fellow Christopher Gee said severe disability insurance should be part of discussions around advance care planning.

Experts pointed to previous outreach efforts for MediShield Life and the Pioneer Generation Package, and suggested the same could be done for CareShield Life.

Singapore General Hospital medical social worker Sherylene Heah said patients' confusion typically stem from differentiating between various schemes.

While details of CareShield Life are being worked out by the authorities, she said care professionals could first gain an understanding of the scheme and be able to break it down for patients.