

4 burning questions

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Next week, Parliament is set to debate the report on MediShield Life by the review committee. Andrea Ong examines four questions that should get an airing.

Will premiums be manageable?

PRIME Minister Lee Hsien Loong has pledged that Medisave contributions will be enough to pay for MediShield Life premiums. And the impact is cushioned by transitional subsidies up to 2019 and premium subsidies for low- to middle-income households.

Still, MPs tell Insight some residents remain worried about premium rises. Marine Parade GRC MP Tin Pei Ling, vice-chairman of the Government Parliamentary Committee for Health, and fellow GPC MP Patrick Tay say those without enough savings in Medisave accounts may need extra help. These could include stay-at-home mothers, caregivers and the unemployed.

Another worry is what happens when the transitional subsidies end. Ms Ang Sock Sun, financial services insurance partner at PwC Singapore, calls this the "key unknown" of MediShield Life.

Health Minister Gan Kim Yong has said premiums will not change for the first five years of the scheme. But Dr Jeremy Lim of consulting firm Oliver Wyman says fixing premiums for five years at 2015 rates may be "actuarially over-optimistic", given the uncertainty of claims. "To maintain actuarial soundness, 2020 premiums may see a sharp increase unless the Government has strategically overpriced the 2015 premiums."

One group flagged by observers and MPs is the elderly who just fall short of qualifying for the Pioneer Generation Package and its subsidies. PwC's Ms Ang says there should be mechanisms to help them.

Mr Tay says the Government should review MediShield Life regularly and after transitional subsidies end to ensure it stays affordable.

Others question how the risk should be shared and the qualifying criteria for subsidies. MediShield Life will cover those with pre-existing conditions - without putting them in a separate risk pool - but they must pay 30 per cent more in premiums for the first 10 years. Some wonder if it is fair to apply the same rate to all illnesses. "There is probably a need to differentiate the severity of the pre-existing conditions," says PwC's Ms Ang.

However, the committee kept the principle of risk pooling within each age group, to prevent a growing burden on future generations.

But Dr Lim warns of a widening premium gap between the young and the old as life expectancy rises, noting that when transitional subsidies end, Singaporeans aged up to 20 from high-

income households will pay an annual premium of \$130, while those above 90 will pay \$1,530, almost 12 times more.

One option might be to limit how far premiums for higher-risk groups can vary from the base rate, he says. In the American Affordable Care Act, for instance, an older person will pay not more than three times what a younger person pays in premiums.

Another issue is that those with annual home values of above \$21,000 will not get the premium subsidy, which some say unfairly penalises people who are asset-rich but cash-poor. However, Mr Gan has given the assurance that those who still struggle to pay their premiums can apply for additional help.

What's going to happen to Integrated Shield Plans?

ABOUT 60 per cent of Singaporeans have these hybrid plans, which give enhanced benefits from private insurers on top of the basic MediShield component.

Jurong GRC MP David Ong, who co-hosted a People's Action Party Seniors Group dialogue on MediShield Life last week, says participants were concerned about "runaway increases" in Integrated Shield Plan (IP) premiums.

Increases are driven by rising claims due to the plans' "as charged" feature - some pay for the entire bill minus the deductible and co-insurance - and high private sector fees, says the committee. But Dr Jeremy Lim, partner in global consulting firm Oliver Wyman, wrote on his blog earlier this week that insurers "should not be let off scot-free either".

The committee says premium caps or limits on increases will not address the root issues and might lead to IPs becoming financially unsustainable, but some MPs and observers favour legislation to curb increases.

Health economist Phua Kai Hong says as the private IP insurers have a vested interest in maintaining profit margins, laws are needed to ensure they behave responsibly. Likewise, Mr Ong wants more regulation to prevent excessive fees by the private sector. There should not be differential pricing between patients covered by IPs and those who are not, he says.

The committee itself favours benchmarks for professional fees and having insurers tap shared data to scrutinise unusually high bills.

Another area for debate is the recommendation for the Government to work with insurers to develop a standard IP targeted at B1-class wards.

Marine Parade GRC MP Tin Pei Ling, vice-chairman of the Government Parliamentary Committee for Health, says a standard plan with key features set out by the Government would reduce confusion and help Singaporeans compare different private packages. But Dr Phua says the challenge lies in getting private insurers to share data and standardise premiums and benefits.

Ms Ang Sock Sun, financial services insurance partner at PwC Singapore, calls for insurers to be transparent and clear to help Singaporeans make informed decisions and give them a fair deal.

Many, including Dr Lim, Mr Ong and Ms Tin, also stress the need for better communication to help the average citizen understand how MediShield Life and IPs work.

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What effect will there be on consumption and costs?

SOME, like Sembawang GRC MP Ellen Lee, worry that MediShield Life - which helps reduce the out-of-pocket burden of hospital bills - may open the floodgates to over-consumption, which will in turn raise premiums.

Another concern: Maintaining the quality of public services for the poor and reducing long waiting lists may become a challenge, as more come under MediShield Life, health economist Phua Kai Hong said in The Straits Times last week.

Also, while more hospitals are set to open in the coming years, is the health-care infrastructure prepared for the impact of MediShield Life?

This question comes amid rising health-care costs. Dr Phua noted that the rapidly ageing population and rising expectations of treatment can drive up medical costs sharply.

Indeed, the review panel calls for the Government to keep a check on rising costs by encouraging healthy living and working with health-care providers and insurers to manage cost inflation.

Ms Lee, who sits on the Government Parliamentary Committee for Health, says Singaporeans should be encouraged to take ownership of their own health and ensure that they do not need to tap government subsidies for minor ailments.

Other observers have called for preventive measures to include identifying and managing chronic conditions like diabetes in their early stages. Some also question if the current premiums and subsidies are sustainable, given that they ride on the Government's strong fiscal position after years of economic success.

But others, like the Workers' Party and Singapore Democratic Party, say the Government can take on more of the health-care financial load.

In his ST commentary, Dr Phua predicted more political demands for tax-funded health financing and cautioned against underestimating the effect of the potent mix of demographic changes, expectations and political pressure.

And Institute of Policy Studies researchers Christopher Gee and Yap Mui Teng have called for a "more permanent and expanded role" for a body like the MediShield Life review committee. It

could, for instance, review the benefits and premiums of MediShield Life and IPs, monitor bill sizes, assess new technology for coverage and publish data.

This would help balance the interests of the different players in the health-care system and provide more transparency for decision-making, they say.

How feasible is it to have portable insurance plans?

While there are existing tax incentives to encourage employers to switch to portable plans, the committee estimates that less than one in 20 employers offer such portable benefits.

A KEY recommendation of the review committee is for the Government to encourage employers to provide portable medical benefits that ride on MediShield Life for their employees.

Over 80 per cent of companies here currently provide both outpatient and inpatient employer medical benefits. Most of those offering inpatient benefits do so via group hospitalisation and surgical insurance plans, which do not ride on MediShield.

The big challenge now is how to move more employers towards portable plans. The Government could improve corporate tax incentives or provide grants to firms that make the switch, says the committee, which wants employers and unions to work together to prevent the duplication of coverage between employer medical benefits and MediShield Life.

The labour movement and several MPs have expressed support for portable benefits.

Jurong GRC MP David Ong says it would reduce workers' risk of losing hospitalisation and medical benefits when they retire or are in between jobs. Getting rid of duplicated benefits would also prevent Singaporeans from being over-insured, he adds.

But it will be a challenging task. While there are existing tax incentives to encourage employers to switch to portable plans, the committee estimates that less than one in 20 employers offer such portable benefits.

Ms Ang Sock Sun, financial services insurance partner of PwC Singapore, says businesses' key consideration would be the high cost of having such plans versus the value that employees perceive. "The current group plans are very competitively priced so unless there are more attractive incentives in place or it is made mandatory, I believe it is still very challenging to increase the take-up rates of portable schemes."

Labour MP Patrick Tay points to the need for greater outreach to persuade employers, including small and medium-sized enterprises, to see the advantages of portable benefits.

However, partner Jeremy Lim of global consulting firm Oliver Wyman asks if services like health care should be tied to employment. MediShield Life premiums will be paid for with Medisave savings, which employers and employees contribute to. But this may disadvantage those who are not working, he says. "If we reflect upon the philosophy of universal coverage, we should question whether the unemployed should have lesser schemes than the employed."