SINGAPORE ACTUARIAL SOCIETY

22 April 2021

MediShield Life Review 2020 Review: SAS Comments

The **Singapore Actuarial Society (SAS)** is a recognized representative body of the actuarial profession in Singapore. In addition to upholding the highest professional standards among its 1000 members, one of the key objectives of the SAS is

"... to serve the public interest by promoting the study, discussion, publication and research into the application of economic, financial and statistical principles to practical problems..."[1]

Arising from this objective, the SAS has regularly responded to public consultations as requested by various Government ministries regarding new policies. Most recently, the SAS MediShield Life (MSHL) Working Group, formed by SAS members, has responded to the MediShield Life (MSHL) 2020 Public Consultation[2].

We are encouraged that our response to the MediShield Life (MSHL) 2020 public consultation was referenced by the Singapore Medical Association (SMA) in "SMA 61st Council Position Statement on Troubled Integrated Shield Plans (IPs)"[3], and also subsequently referenced by the Life Insurance Association (LIA) in its corresponding response[4].

The SAS MSHL Working Group had set out comments regarding the proposed changes in MediShield Life 2020, each of which was researched and supported with the information and data we had access to in the public domain. We would encourage all readers to view our response[2] in its entirety where we have commented on both Singapore residents with MSHL coverage only and those who own both MSHL and Integrated Shield Plans (IPs). We note that the latter comprise approximately 69% of Singapore residents and any change in MediShield Life would have a cascading effect on IP coverage and premium.

In relation to the 1% reduction in average claims amount and the 10% increase in incidence of claims, we would like to highlight that the aggregate increase of average claims paid (i.e. the product of the average claims amount and incidence of claims) per policyholder remains a cause for concern. Detailed data analysis is required to identify the root causes of the increase. The same applies to claim payments in order to discern trends in types of claims, age group and costs of treatment. We have also suggested that

[1] https://actuaries.org.sg/sas_objectives_history

[2] https://actuaries.org.sg/sites/default/files/2021-01/SASResponseMSHLReview2020FINAL.pdf

[3] https://www.sma.org.sg/UploadedImg/files/SMA Council - Position Statement on Integrated Shield Plans.pdf

[4] https://www.lia.org.sg/media/2900/20210401-lia-statement-collaboration-is-critical-for-sustainable-affordable-quality-healthcare.pdf

analysis of medical providers in relation to the cost of treatment vs the treatment provided vs the outcomes be performed. Thereafter we will be able to ascertain those medical providers with the highest propensity to recommend high cost procedures (resulting not necessarily in better outcomes) vs their peers. We note that such analysis can only serve to highlight deviations from the statistical average based on historical costs or utilisation. A meaningful discussion of what constitutes an "ideal" or "regular" level of consumption and treatment, in order to define "over" consumption and "over" treatment, lies beyond such statistical analysis, and must certainly involve all the stakeholders which include the medical profession, payors and patients/policyholders.

With regards to the claims paid ratio of 75% in IP, we would like to highlight that it remains an incomplete picture. There will be claims incurred but not yet paid at the financial year end; and premiums received for insurance cover that falls due in the following year (known as "unearned premiums"). These items need to be included in the claims ratio. These items are aggregated with the financial reserves required to be set aside for future needs: given the guaranteed renewability nature of the MSHL and IP, these need to be considered in the discussion on "non-healthcare cost" or "Medical Loss Ratio regulations".

As actuaries, we value transparency, and more factual information being brought to the public domain. This would serve to enhance the robust discussion taking place. Most importantly, the public can review the facts for themselves and make their assessments.

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