

MEDIA RELEASE STATEMENT

Singapore, 18 October 2024

The Government announced on 15 October 2024 that it has accepted the MediShield Life Council's recommendations for the MediShield Life 2024 review. Recommended enhancements to MediShield Life ("MSHL") will be implemented progressively from April 2025, together with a set of premium support measures.

Singapore Actuarial Society ("SAS") supports the enhancements announced by Government as they help MSHL stay true to its original mission to fund large medical bills. Adjustments to policy year limits and deductibles are timely to match increases in bill size due to inflation; and the resultant impact on premium appears reasonable¹.

Recommendations for Annual Adjustments

To ensure that the scheme parameters remain continuously relevant, SAS recommends that, going forward, adjustments be made to the MSHL limits, deductibles and premium rates annually using annualised rates determined during each MSHL review, instead of through large step increases once every 4-5 years at the end of each review cycle. Such annualised rates should be modified after each MSHL review based on the latest data. An annualised rate of premium increase provides the public a useful anchor for budgeting and setting investment goals to fund future health insurance premiums. It also helps insurers providing Integrated Shield Plans ("IPs") set premium rate more accurately instead of having to price in buffer to cope with uncertainty over the size of change after each MSHL review.

Right-Siting of Care

SAS welcomes measures to encourage right-siting of care by adjusting limits to outpatient and community hospital claim limits, and including new outpatient treatments. Avoiding unnecessary stays in high-cost acute hospital setting is crucial in containing healthcare cost increases.

Changes to Pro-Ration Factors and Impact on IPs

Revisions to the pro-ration factors for private hospital bills and Ward A/B1 bills is another important step in the right direction to keep MSHL to its original focus on Ward B2/C which accounts for over two-thirds² of Singapore's hospital bed capacity. Impact from these revisions will be felt most significantly for those consuming care in private hospitals. (See worked example in the Appendix.) With 70% of Singapore residents

¹ This is inferred by comparing the average premium increase proposed and the share of that increase attributable changes in limit reported in the "MediShield Life 2024 Review Council Report" (pages 11 and 41). (<https://file.go.gov.sg/mshl-report-2024.pdf>)

² <https://www.moh.gov.sg/news-highlights/details/total-number-of-beds-for-classes-a-b1-b2-and-c-wards-in-all-public-hospitals#:~:text=There%20are%20currently%20640%20A,the%20Institute%20of%20Mental%20Health> and <https://www.moh.gov.sg/resources-statistics/singapore-health-facts/beds-in-inpatient-facilities-and-places-in-non-residential-long-term-care-facilities>

having IPs³, IPs will go on to shoulder a bigger share of payout on private hospital bills and Ward A/B1 bills. According to returns filed with MAS in the past 10 years, IP insurers' profits on long-term medical insurance is approximately 2% of premiums received from policyholder⁴. Insurers should be expected to be compensated for the cost of capital they are required by law to set aside to support their products. This level of profit margin will unlikely be sufficient to absorb the effects of change in MSHL pro-ration factors. IP insurers will need to adjust the parameters and premium rates of their IPs and riders to cope with the increase share of bills. How each insurer will do this will depend on its respective business strategy and clientele. With seven IP insurers in the market, SAS does not expect insurers to be able to reap excessive profits after the adjustments. Policyholders' behaviour too will change in response to the actions by IP insurers – some may rationalise their needs for IP and riders, while others may change the settings and/or ward class they seek treatment from.

Capital Release and Recommendations for Capital Efficiency

SAS noted the release of \$600 million in capital – triggered by Monetary Authority of Singapore's adoption of the Risk-Based Capital Framework 2 ("RBC2") – to support the capping and phasing in of premium increases⁵. This release of capital is welcomed. However, SAS believes that more could be done to improve the capital efficiency of MSHL Fund. RBC2 is calibrated based on insurers operating in Singapore, where the size of each insurer's risk pool is significantly smaller than the MSHL risk pool which covers the entire population. A larger risk pool gives rise to better risk diversification and less volatile claims experience, lowering the size of capital buffer needed. SAS recommends MSHL to calibrate its own capital requirements instead of relying on RBC2. More capital may be released without affecting the health of the MSHL Fund. Capital so released can add to the support targeted to mitigate future MSHL premium increase.

Focus on Healthier Lifestyles

SAS sees it as good financial discipline to test the impact of healthier lifestyle on MSHL claims experience via the Healthy 365 programme instead of directly funding premium discounts from the MSHL Fund.

"I am happy to see this round of MediShield Life changes demonstrating a strong focus on the original mission of MediShield Life, and a clear intent to tackle rising healthcare expenditure. While the knock-on impact to IP and riders are expected to be significant, this round of changes may be a valuable opportunity for us collectively as policyholders to reflect deeply on our lifestyle, and what level of care we really need and can afford; and make the adjustments most suitable for ourselves," said Alex Lee, President of SAS.

³ https://www.lia.org.sg/media/4141/20240215_lia-4q2023-results_media-release.pdf

⁴ MAS returns of IP insurers, 2014-2023. Profit margin cited is before cost of reinsurance.

⁵ "MediShield Life 2024 Review Council Report" (page 11)



Appendix

This worked example is adapted from an example found in the MediShield Life information book for newly insured published by Ministry of Health and Central Provident Fund Board⁶.

Claim computation for a Singapore Citizen aged 60

Length of Stay: 18 Days

Procedure Performed: Hip Replacement

Class B1 Ward

Before

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$12,000	43%	\$5,160	\$5,160	
Surgical Procedure	\$8,500	43%	\$3,655	\$1,400	Cap on claimable amount for a "Table 5" Surgical Procedure
Implant	\$4,000	43%	\$1,720	\$1,720	
Total	\$24,500		\$10,535	\$8,280	
Less Deductible				(\$2,000)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$6,280	
Less Co-insurance				(\$464)	=((\$2,000 x 0%) + (\$3,000 x 10%) + (\$3,280 x 5%))
MediShield Life pays				\$5,816	24% of total bill
MediSave and/or Cash				\$18,684	76% of total bill

After

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$12,000	34%	\$4,080	\$4,080	
Surgical Procedure	\$8,500	35%	\$2,975	\$2,100	Assume cap on claimable amount for a "Table 5" Surgical Procedure increased by 50% to \$2,100.
Implant	\$4,000	35%	\$1,400	\$1,400	
Total	\$24,500		\$8,455	\$7,580	
Less Deductible				(\$2,500)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$5,080	
Less Co-insurance				(\$379)	=((\$2,500 x 0%) + (\$2,500 x 10%) + (\$2,580 x 5%))
MediShield Life pays				\$4,701	19% of total bill
MediSave and/or Cash				\$19,799	81% of total bill

In this example, MediShield Life payout falls by 19% from \$5,816 to \$4,701.

⁶ <https://www.moh.gov.sg/docs/librariesprovider5/about-us/englishinformationbookletforthenewlyinsured.pdf>
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Claim computation for a Singapore Citizen aged 60

Length of Stay: 18 Days

Procedure Performed: Hip Replacement

Class A Ward

Before

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$12,000	35%	\$4,200	\$4,200	
Surgical Procedure	\$8,500	35%	\$2,975	\$1,400	Cap on claimable amount for a "Table 5" Surgical Procedure
Implant	\$4,000	35%	\$1,400	\$1,400	
Total	\$24,500		\$8,575	\$7,000	
Less Deductible				(\$2,000)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$5,000	
Less Co-insurance				(\$400)	=($\$2,000 \times 0\%$) + ($\$3,000 \times 10\%$) + ($\$2,000 \times 5\%$)
MediShield Life pays				\$4,600	19% of total bill
MediSave and/or Cash				\$19,900	81% of total bill

After

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$12,000	27%	\$3,240	\$3,240	
Surgical Procedure	\$8,500	25%	\$2,125	\$2,100	Assume cap on claimable amount for a "Table 5" Surgical Procedure increased by 50% to \$2,100.
Implant	\$4,000	25%	\$1,000	\$1,000	
Total	\$24,500		\$6,365	\$6,340	
Less Deductible				(\$3,500)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$2,840	
Less Co-insurance				(\$217)	=($\$3,500 \times 0\%$) + ($\$1,500 \times 10\%$) + ($\$1,340 \times 5\%$)
MediShield Life pays				\$2,623	11% of total bill
MediSave and/or Cash				\$21,877	89% of total bill

In this example, MediShield Life payout falls by 43% from \$4,600 to \$2,623.



Claim computation for a Singapore Citizen aged 60

Length of Stay: 18 Days

Procedure Performed: Hip Replacement

Private Hospital

Before

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$18,000	25%	\$4,500	\$4,500	Assume all bill components cost 50% more than public hospitals B1 bills
Surgical Procedure	\$12,750	25%	\$3,188	\$1,400	Cap on claimable amount for a "Table 5" Surgical Procedure
Implant	\$6,000	25%	\$1,500	\$1,500	
Total	\$36,750		\$9,188	\$7,400	
Less Deductible				(\$2,000)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$5,400	
Less Co-insurance				(\$420)	=($\$2,000 \times 0\%$) + ($\$3,000 \times 10\%$) + ($\$2,400 \times 5\%$)
MediShield Life pays				\$4,980	14% of total bill
MediSave and/or Cash				\$31,770	86% of total bill

After

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$18,000	16%	\$2,880	\$2,880	
Surgical Procedure	\$12,750	10%	\$1,275	\$1,275	
Implant	\$6,000	10%	\$600	\$600	
Total	\$36,750		\$4,755	\$4,755	
Less Deductible				(\$3,500)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$1,255	
Less Co-insurance				(\$126)	=($\$3,500 \times 0\%$) + ($\$1,255 \times 10\%$)
MediShield Life pays				\$1,130	3% of total bill
MediSave and/or Cash				\$35,621	97% of total bill

In this example, MediShield Life payout falls by 77% from \$4,980 to \$1,130.



Claim computation for a Singapore Citizen aged 60

Length of Stay: 18 Days

Procedure Performed: Hip Replacement

Class B2 Ward

Before

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$6,000	100%	\$6,000	\$6,000	Assume all bill components cost 50% of B1 bills due to subsidies
Surgical Procedure	\$4,250	100%	\$4,250	\$1,400	Cap on claimable amount for a "Table 5" Surgical Procedure
Implant	\$2,000	100%	\$2,000	\$2,000	
Total	\$12,250		\$12,250	\$9,400	
Less Deductible				(\$2,000)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$7,400	
Less Co-insurance				(\$520)	=($\$2,000 \times 0\%$) + ($\$3,000 \times 10\%$) + ($\$4,400 \times 5\%$)
MediShield Life pays				\$6,880	56% of total bill
MediSave and/or Cash				\$5,370	44% of total bill

After

	Hospital Bill	Applicable Pro-ration Factor	Amount After Pro-ration	MediShield Life Claim Computation	Comments
Daily Ward & Treatment Charges	\$6,000	100%	\$6,000	\$6,000	
Surgical Procedure	\$4,250	100%	\$4,250	\$2,100	Assume cap on claimable amount for a "Table 5" Surgical Procedure increased by 50% to \$2,100.
Implant	\$2,000	100%	\$2,000	\$2,000	
Total	\$12,250		\$12,250	\$10,100	
Less Deductible				(\$2,500)	Applicable to insureds up to age 80
Claimable Amount (less Deductible)				\$7,600	
Less Co-insurance				(\$503)	=($\$2,500 \times 0\%$) + ($\$2,500 \times 10\%$) + ($\$5,100 \times 5\%$)
MediShield Life pays				\$7,097	58% of total bill
MediSave and/or Cash				\$5,153	42% of total bill

In this example, MediShield Life payout increases by 3% from \$6,880 to \$7,097.