

Integrated Shield Plans: Past, Present & Future



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Agenda



1. Introduction to Integrated Shield Plans
2. Past to Present
3. An Evaluation of the Present
4. The Future of Integrated Shield Plans ?
5. Panel Discussion

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Introduction to Integrated Shield Plans



- Integrated Shield Plans (“ISP”) are mass market medical insurance sold in Singapore and can be purchased using CPF Medisave funds.
- There are 2.2 million Singaporeans and PRs that have an integrated Shield plan and 1.3 million on MediShield¹.
- Integrated Shield Plan is a complementary product to MediShield as all Integrated Shield Plan is bundled with MediShield. This is ‘invisible’ to the customer as the customer sees only one product.
- ISP follows mandatory design guidelines issued by Singapore Ministry of Health in order to be CPF approved. This includes mandatory coinsurance and deductibles.
- Riders are available to cover coinsurance and deductibles but have to be paid in cash basis. (ie. Non CPF)
- ISP is presently provided by NTUC Income, Aviva, Great Eastern Life, AIA and Prudential. The insurance industry ISP premiums is estimated at S\$741mil².

¹ Source: Ministry of Health 2012

² Includes Shield Riders as at 31st Dec 2011.

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Past to Present: MediShield & ISP

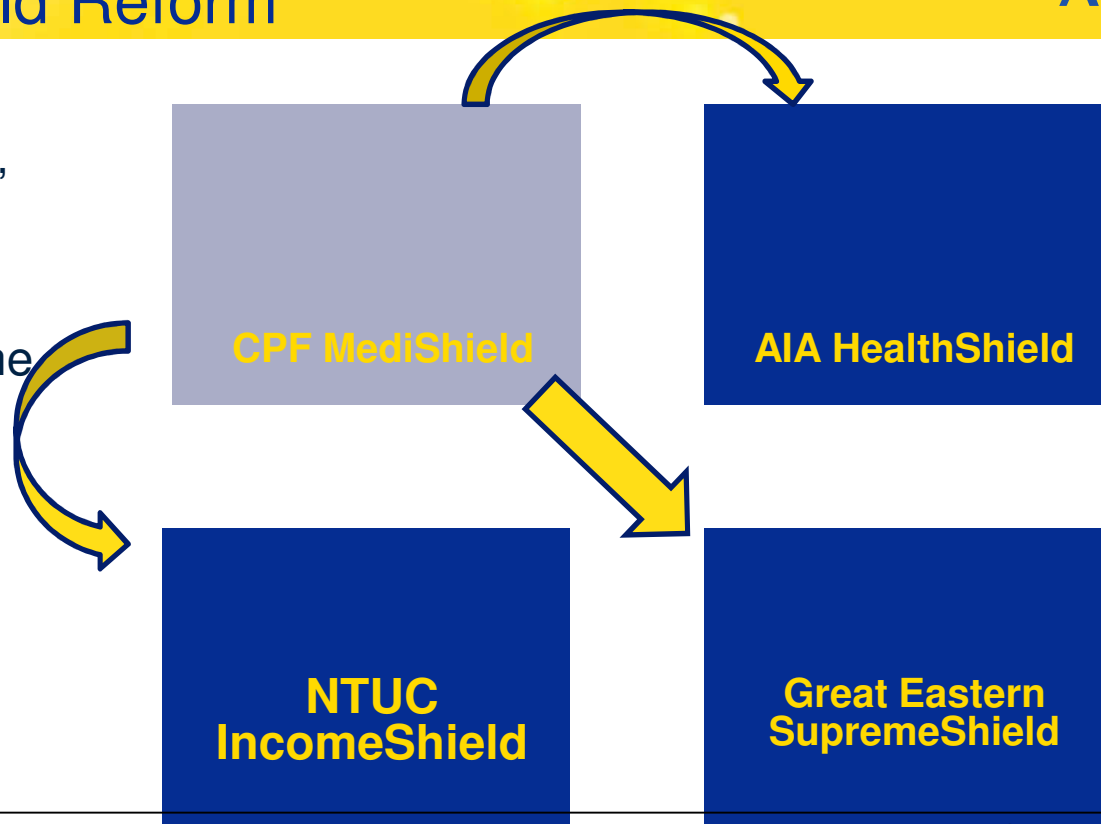


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Past to Present: MediShield & ISP Before MediShield Reform



Insurer “cherry picked” healthy lives from the CPF MediShield by underwriting leaving the MediShield plan with sick lives.

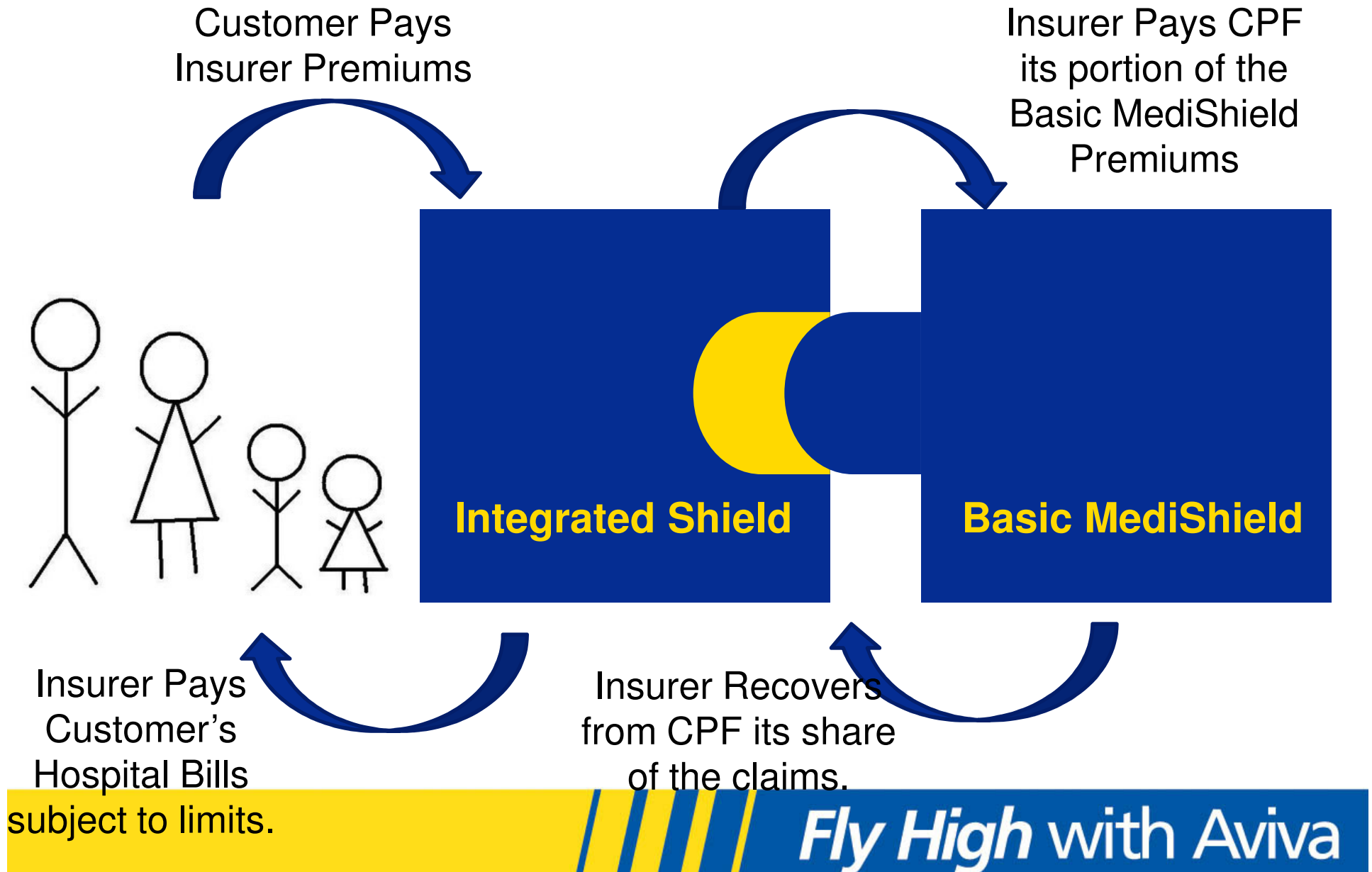


“the current medical insurance industry structure is sub-optimal. Instead of competing with MediShield to provide better benefits at lower premiums, private insurers find it more profitable to pick and choose healthier and younger Singaporeans to insure. **This is known as cherry-picking in the insurance industry.**”

Source: MOH Feedback to Proposed MediShield Reform 30th Sept 2004

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Past to Present: MediShield & ISP Post MediShield Reform



Past to Present: MediShield & ISP Post MediShield Reform



“When the reform was implemented on 1 Jul 2005, there was immediate benefit to Singaporeans as private insurers responded positively to the reform. Three existing insurers (AIA, Great Eastern and NTUC Income) significantly enhanced coverage for policyholders with hardly any changes to premiums. A fourth insurer (Aviva) was a new entrant to the market which introduced different insurance plans.”

Source: MOH Medisave
Approved Plans 20 Oct 2005

Aviva MyShield

Medi
Shield

AIA HealthShield

Medi
Shield

NTUC IncomeShield

Medi
Shield

Great Eastern SupremeShield

Medi
Shield

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Past to Present: MediShield & ISP Post MediShield Reform

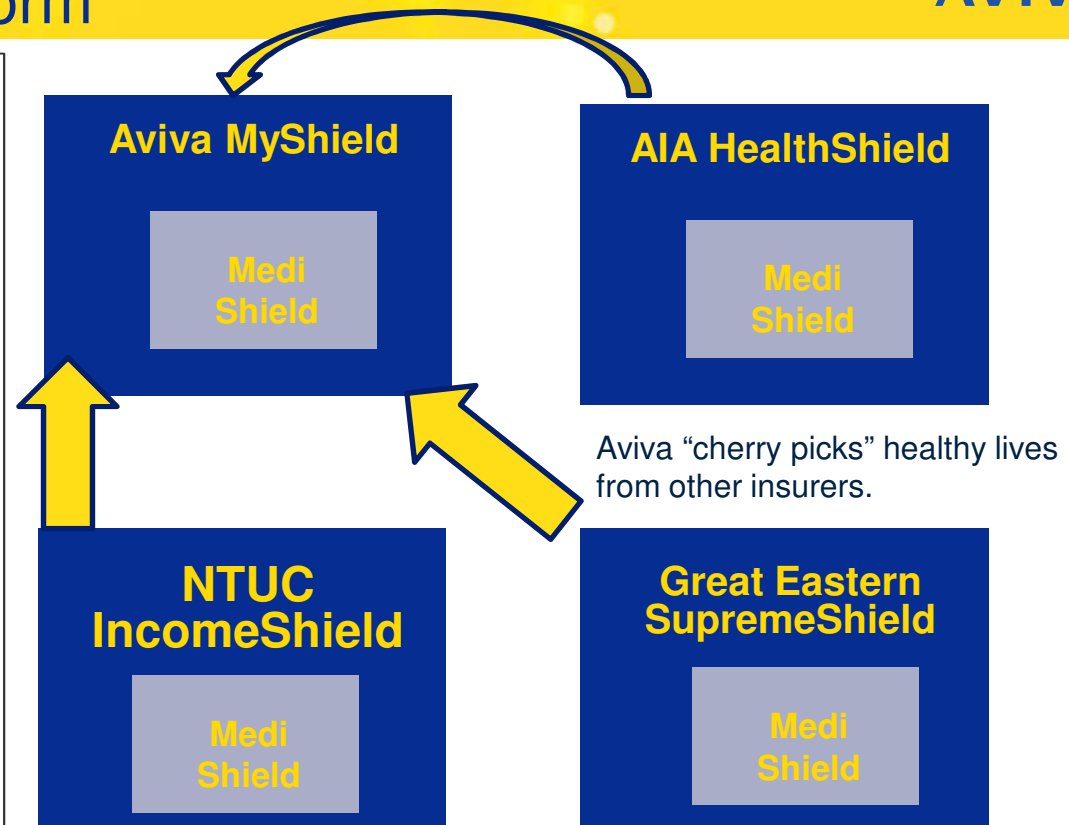


“Competition between insurers in the Shield medical market has been fierce over the past 12 months and consumers have reaped the benefits.....

The most innovative enhancement was the removal of benefit sub-limits. This means that medical expenses such as daily room and board and surgical procedures are claimable and not subject to specified limits.

The feature was first introduced by British insurer Aviva and eventually made available by the rest.”

Source: The Straits Times 12th
August 2007



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Past to Present: MediShield & ISP Post MediShield Reform



A insurer has introduced a hospital plan that pays the bills "as charged".

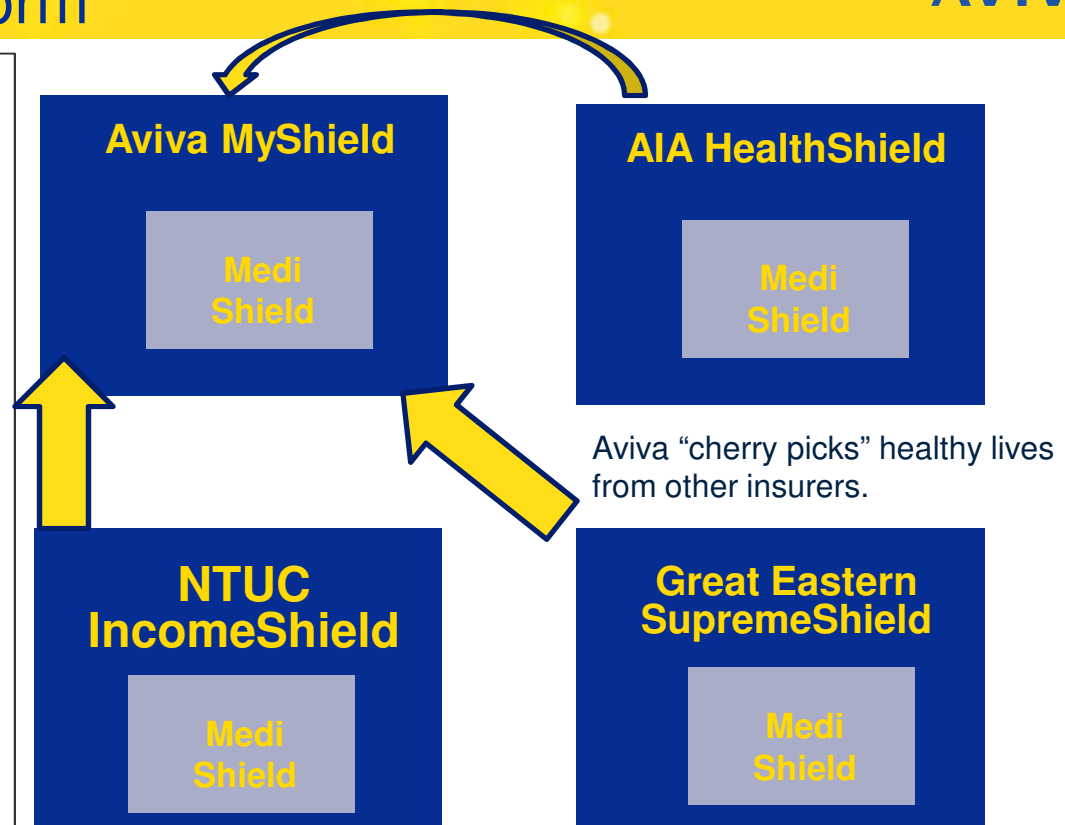
...

This plan is likely to lead to an escalation in hospital bills. The private hospital and doctors will increase the charges to the patient who is covered under this plan, as the insurer has deep pockets.

This will lead to an increase in premium rates for the "as charged" plan. Experience in other countries have shown that this type of plan has the highest escalation in premiums.

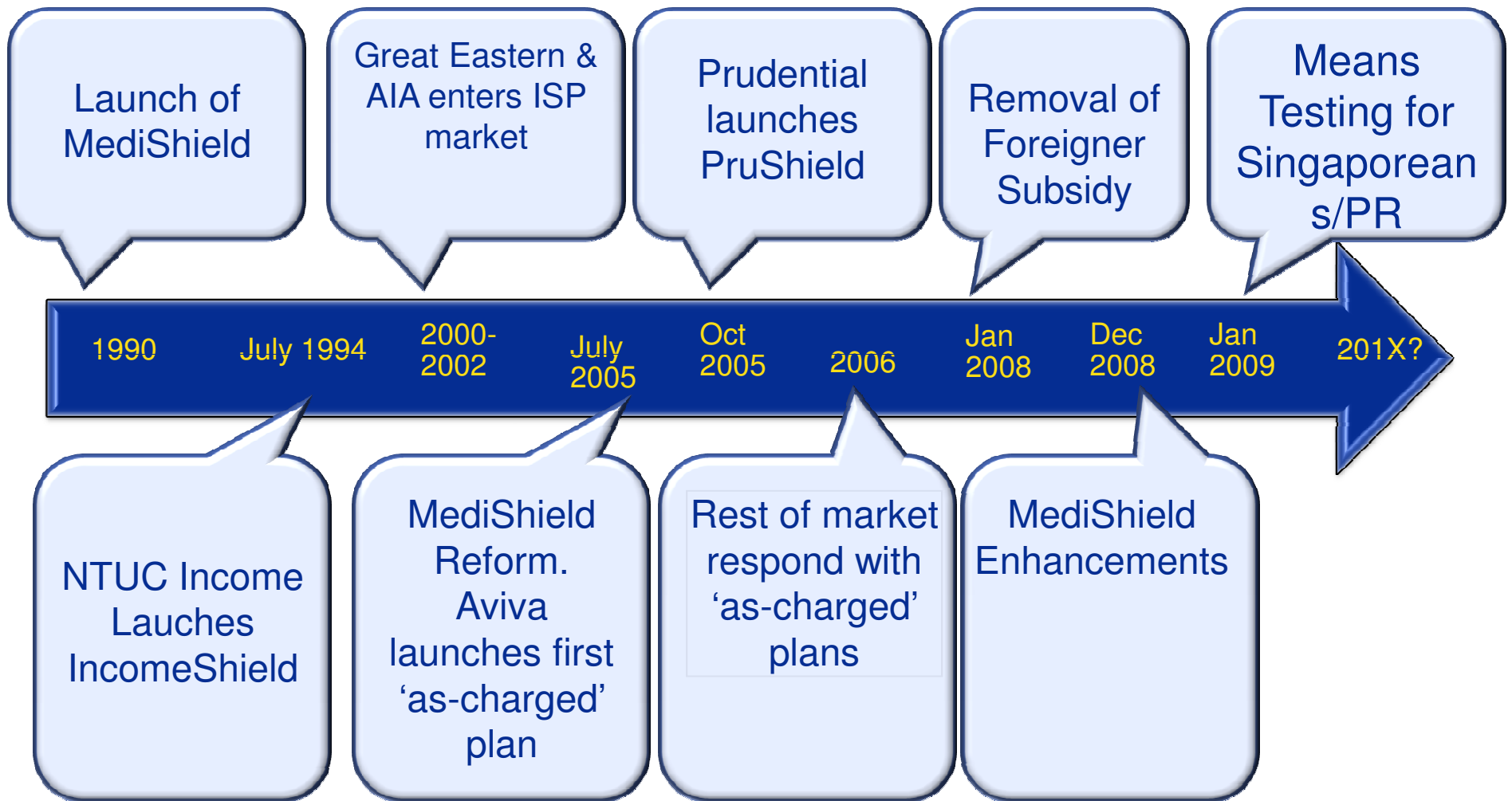
Source:

Tan Kin Lian's blog "A hospital plan that pays without limits" July 2005



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Past to Present: MediShield & ISP



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Past to Present: MediShield & ISP MediShield Reform II?



“Several Members have called for better coverage and benefits for MediShield. We agree and are indeed reviewing the scheme to help Singaporeans better protect themselves against catastrophic costs. But additional coverage and benefits will need to be supported by higher premiums paid by policyholders.

One area is coverage for **congenital and neonatal conditions**. Today, conditions such as holes in the heart and cleft palate, and medical treatment for newborns, such as jaundice or infection, are not covered under MediShield to keep the premium low.

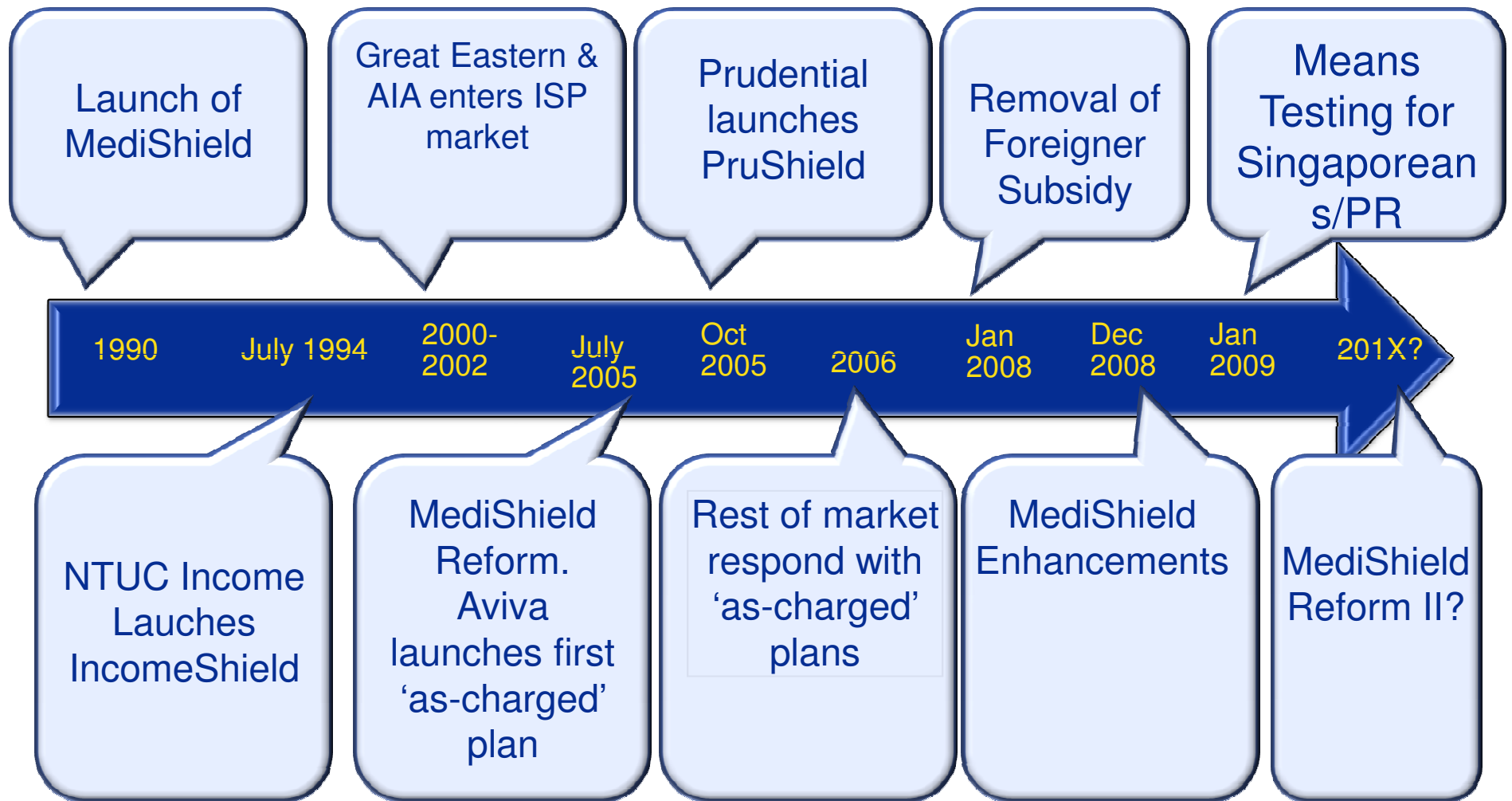
We will also explore if there is strong public support for MediShield to **cover inpatient psychiatric treatment...** Finally, we are also reviewing **the policy year and lifetime claim limits**, to help the small number of Singaporeans who exceed these limits today.

As part of the MediShield changes, we will have to **update our premiums** in line with claims experience to keep the scheme solvent. As MediShield premiums are set to be sustainable for a five-year period and the last increase was in 2008, we are due for the next update soon.”

Source: MOH 2012 Committee of Supply Speech Healthcare 2020, Health Minister Mr Gan Kim Yong

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Past to Present: MediShield & ISP



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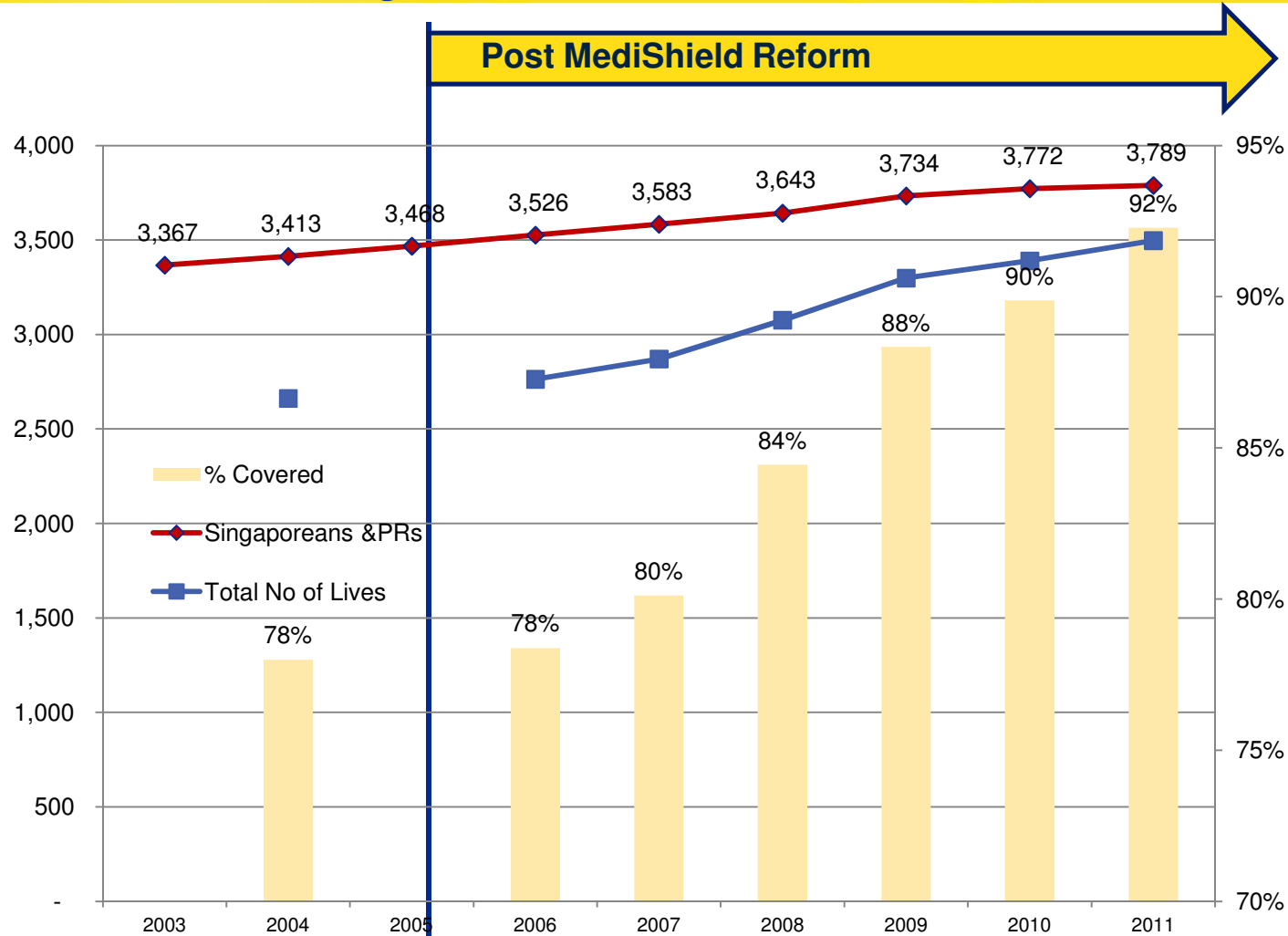
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An Evaluation of the Present Ideals of Healthcare Financing



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An Evaluation of the Present Universal Coverage? Almost There



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An Evaluation of the Present Universal Coverage? Almost There



“Insurance should cover every person who seeks coverage, whether or not they suffer from pre existing medical conditions, chronic diseases or congenital health conditions, I think the state should intervene and require all insurance companies to insure people with prior medical conditions.

There should be no one in Singapore who is not insured against a potential catastrophic disease”

Singapore’s ambassador-at-large Tommy Koh, Institute of Policy Studies Round Table 4th May 2012

Problem is who will pay for this cost and how do we avoid abuses of people who opt out when they are healthy and join when they are sick?

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An Evaluation of the Present Universal Coverage? Almost There



“What we need is a universal health-care system.’

‘The current national health insurance system is flawed, and the problem is compounded by profit-making insurers who resort to cherry-picking (‘The case for insuring the unhealthy minority’; May 2). MediShield, with its various caps, is insufficient to cover large medical bills. So policyholders are encouraged to upgrade for better coverage, only to be rejected due to pre-existing medical conditions. What we need is a universal health-care system providing protection for all Singaporeans, such as Taiwan’s.’

The Straits Times, Mr Eddy Toh, 11 May 2012

Are Insurers at fault again?

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An Evaluation of the Present Universal Coverage? Almost There



“I had proposed that insurers should set up a consortium to offer compulsory health insurance for citizens and permanent residents (PRs). This would ensure coverage from birth till old age, regardless of their health conditions and whether these were congenital or developed later....

For insurers, compulsory insurance from birth will ensure that there is no anti-selection and, with a larger pool of policyholders covering all citizens and PRs, it will be a viable business model.”

The Straits Times 11 May 2012, Mun Cheong Fai, former CEO of TM Asia Life Singapore.

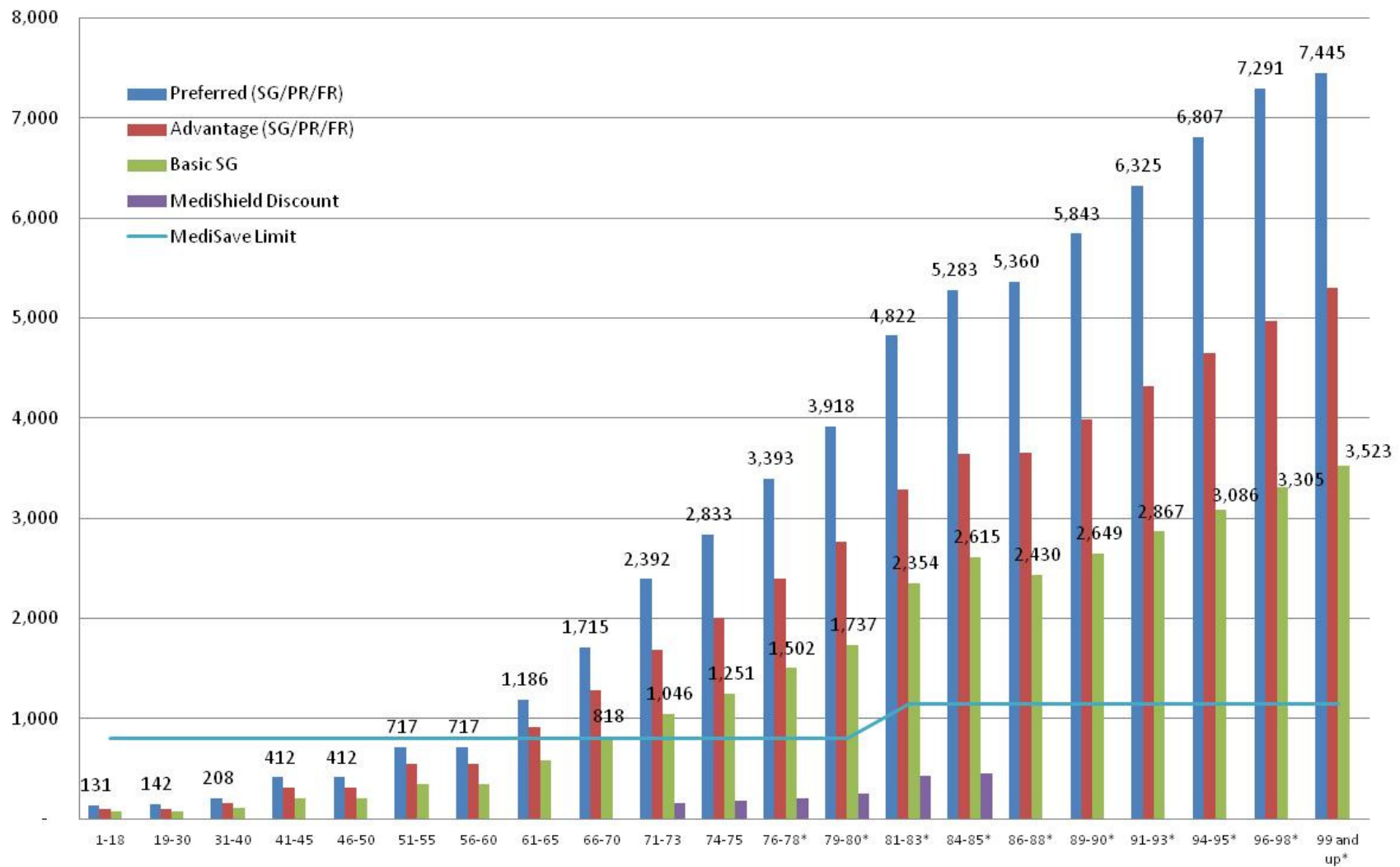
A possible solution?

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An Evaluation of the Present Sustainable Premiums?

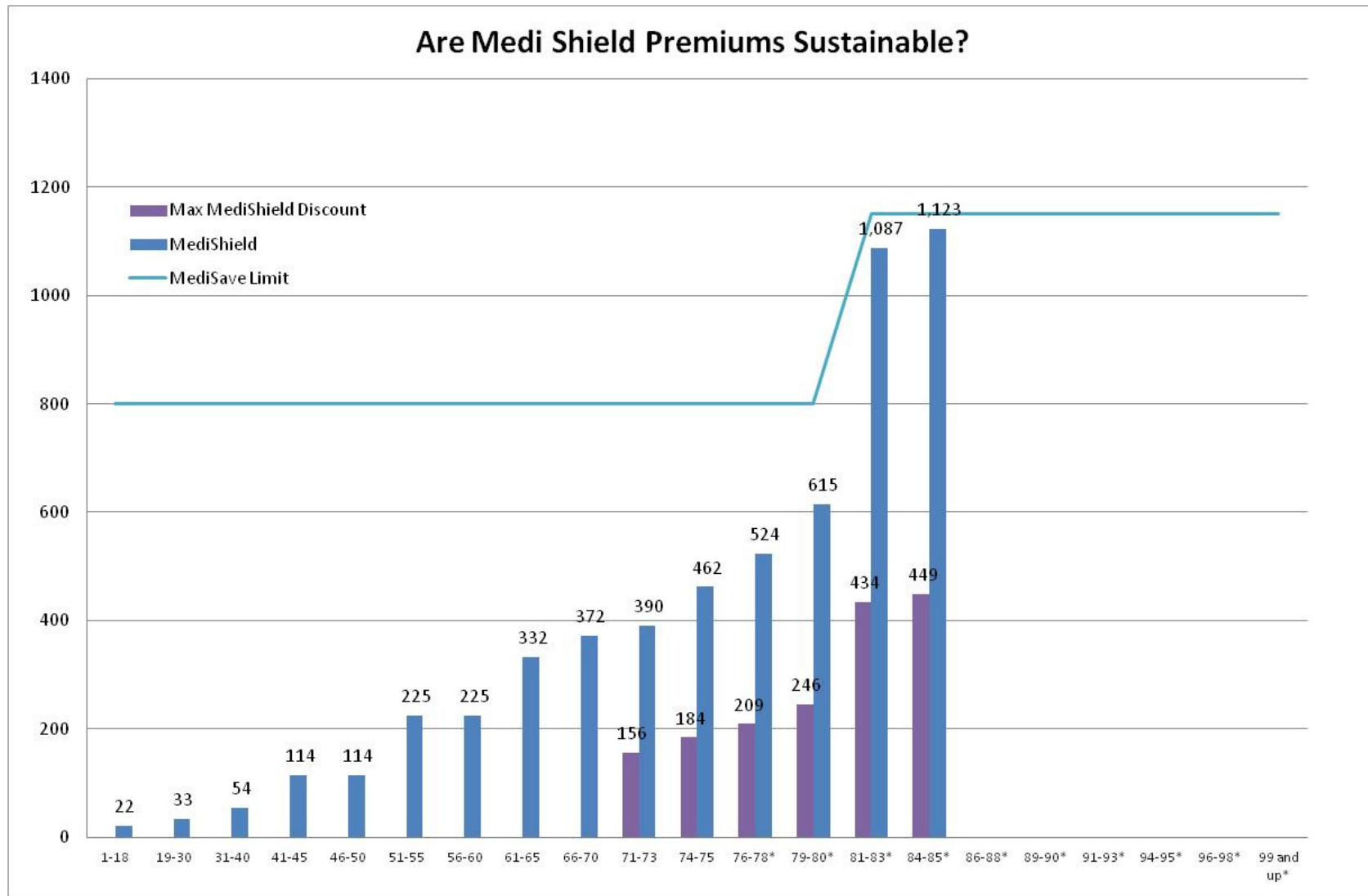


Are Integrated Shield Premiums Sustainable?



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An Evaluation of the Present Sustainable Premiums?



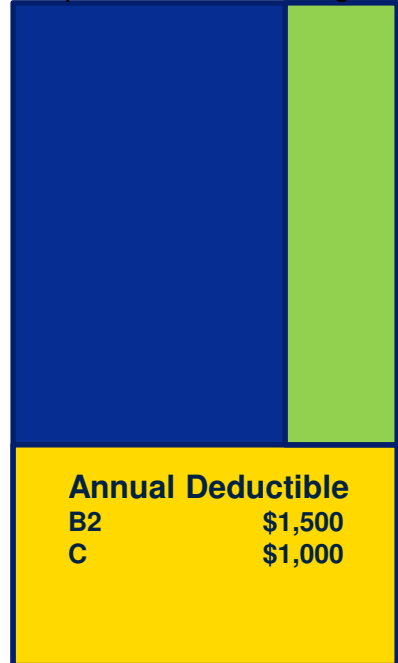
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An Evaluation of the Present Avoid Personal Financial Catastrophe?



Pays about 20%-30% of
Total B1 Restructured Hospital Bill.

As MediShield is meant for B2/C
coverage hence coverage for B1
hospitalisation is not high.



MediShield Plan

Claimable Amount	Coinsurance
\$0-\$3k	20%
\$3k-\$5k	15%
>\$5k	10%



**Integrated
Shield Plan**

**Coinsurance 10% up to
maximum \$25,500 per
Policy Year**

Pays about 45%-55% of
Total B1 Restructured
Hospital Bill

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The Future of Integrated Shield Plans ?



Motivations	Insured	Government	Insurer	Possible Solution
Universal Coverage	√	√	Not motivated	Misalignment of motivations between Insurer and Government. Intervention needed to solve this anomaly. Make MediShield mandatory from birth. I.e. No opt outs.
Sustainable Premiums	√	√ Over a long term horizon	√ Over a short term horizon	Some alignment between Insured, Government and Insurer. Some tweaking possible such as require some form of pre-funding for ISP similar to MediShield premium discounts.
Avoid Financial Catastrophe	√	√	√ Product must deliver its benefits	Generally aligned between all 3 parties. Consider recalibrating coinsurance caps for ISP.
Personal Responsibility	Neutral	√	Neutral. Trade off between higher premiums on riders and personal responsibility.	Interest not aligned, Insureds prefer full cover if it is affordable. Present system of deductible and coinsurance is sufficient. Shield Riders cannot be easily regulated since they are cash plans and it is best to allow market forces dictate the price at which an Insured transfers personal responsibility to an Insurer.
Social Protection for Poor & Vulnerable	√ Generally likes the idea if it does not cost too much more.	√	Generally Uninterested.	Medi-Fund is the safety net for the poor and vulnerable.
Increased Benefits ? Eg. Psychiatric Inpatient etc.	√	√ Yes, but concerned on costs.	√ Yes, but provided it generates profits.	Generally all stakeholders are aligned – increased benefits come at a cost. This should be left to market forces to dictate the right price for it.

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The End

Thank You

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