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**MINISTERIAL STATEMENT BY BG (NS) GEORGE YEO
ON MEDISHIELD PLUS IN PARLIAMENT
ON 17 JANUARY 1994**

Introduction

Medishield was introduced on 1 July 1990 to help Medisave members and their dependants meet hospitalisation and medical costs of serious illnesses. The scheme now covers more than 1.5 million people or 88 per cent of eligible Medisave members.

The White Paper on "Affordable Health Care" recommends that the Government improve and extend the coverage of Medishield to help meet the increasing medical costs so as to reduce the need to significantly increase Medisave contribution rates in the future. Medishield will be extended in two ways: by improving the present Basic Medishield benefits package and introducing a second tier optional scheme (hereafter called Medishield Plus) to cover hospitalisation expenses in higher class wards.

The White Paper also recommends that employers should build their medical benefits system on Medisave. They are encouraged to make voluntary additional Medisave contribution for their employees, over and above the statutory contribution, in lieu of part of their traditional benefits in kind.

The Civil Service has taken the lead by introducing a new medical benefits scheme, called the Medisave-cum-Subsidised Outpatient (MSO) scheme, for new employees along these lines. New recruits from 1 January 1994 will receive additional one per cent Medisave contribution over and above the statutory Medisave contribution, in lieu of hospitalisation benefits and retain the traditional outpatient benefits subject to an annual cap. Existing civil servants can also opt into the MSO scheme.

Medishield Plus is introduced by the Government so as to facilitate conversion of the traditional medical benefits in kind offered by employers towards the MSO-type of schemes.

Medishield Plus

Ministry of Health together with the Central Provident Fund (CPF) Board have worked out the Medishield Plus Scheme. Medishield Plus will offer a two-tier plan to extend adequate coverage for those using Class A and B1 wards on a voluntary opt-in basis. We are not changing the basic Medishield package in this exercise, which already provides adequate coverage for B2 and C wards. However, we are currently studying various improvements to this basic package, to be implemented separately later.

The structure of Medishield Plus benefits is similar to the basic package, with co-payments and deductibles, and with specified coverage rates for room and board including medications and investigations, intensive-care unit (ICU), surgical operations, etc. Medishield Plus Plan A is designed to provide coverage for those using the Class A wards and to a lesser extent the private hospitals, while Plan B is for Class B1 wards.

The deductible limits are higher than for basic Medishield, because the new schemes are designed for middle (50th percentile) and upper-middle (70th percentile) households, who are the major users of Class A and B1 wards, and who should be able to absorb a larger amount of medical charges themselves before needing help from Medishield. Lowering the deductibles would have meant raising the premiums further.

Medishield Plan A will have a claim limit of \$500 per day of hospitalisation with a deductible of \$4,000 per policy. Plan B will have a claim limit of \$300 per day of hospitalisation with a lower deductible of \$2,500. Both Plan A and Plan B will have a co-payment of 20 per cent as in the case of the basic Medishield Scheme. Medishield Plus will pay 80 per cent of the amount in excess of the deductible.

Medishield Plus also caters for certain outpatient medical treatment such as Radiotherapy, Chemotherapy and Renal Dialysis. There will be no deductible for such treatment and Medishield Plus will pay for 80 per cent of the medical bills incurred subject to the claim limits.

The detailed Medishield Plus benefits package for Plan A and Plan B are given in Annex 1. Some examples of reimbursement computation for Plan A and Plan B are given in Annex 2.

Premium Structure

The annual premiums are between \$60 to \$660 for Plan A and \$36 to \$396 for Plan B, depending on the age group. The detailed premium rates are given in Annex 3. As in the basic Medishield Scheme, the age limit for Medishield Plus coverage is 70 years.

Medisave members can use their Medisave for the Medishield Plus premiums for themselves and their dependants. They can also use Medisave to pay for the deductible and co-payment.

In general, the premiums for Plan A are five times those for the basic package, and for Plan B three times the basic package. This is roughly the ratio of charges between Class A and the average B2/C wards, and between B1 and B2/C wards. A 70th percentile upper-middle income household (income \$4,000 per month) can afford the Plan A premiums for a family of two adults and two children on one per cent of its income, while a 50th percentile middle income household (income \$2,700 per month) can afford Plan B premiums on one per cent of its income. The premiums are therefore comfortably affordable.

Implementation

Ministry of Health and the CPF Board will work out the implementation details including media publicity and the promotional materials to explain the Medishield Plus scheme

before the official launch in March 1994. Medishield Plus applications will be accepted from 1 April 1994 onwards and the coverage will commence from 1 July 1994, after a two-month waiting period for approved applicants.

Medisave members and their dependants who are now covered by Basic Medishield can also apply to join the Medishield Plus. On the commencement of Medishield Plus coverage, their Basic Medishield coverage will cease automatically.

Private Insurance Companies

We intend to allow private insurance companies to offer competing Medishield-Plus type schemes, offering similar benefit structures, drawing on members' Medisave accounts. As a first step, we are discussing with National Trade Union Congress (NTUC) INCOME, which should be ready to launch its scheme soon. We will review our experience with NTUC INCOME'S scheme after six to 12 months and then decide how to extend it to other insurance companies.

Revised Medical Benefits for Civil Servants

Medishield Plus is designed as primary insurance coverage, that is, for people with no medical benefits in kind from employers, and no insurance coverage, example, civil servants on the Medisave-cum-Subsidised Outpatient (MSO) scheme. However, the scheme will also be open to people who do receive employer medical benefits in kind, example, civil servants opting for the revised Comprehensive Co-payment Scheme (CCS) of medical benefits who want additional protection for themselves or their families.

In fact, with the Government paying 85 per cent of the hospitalisation bills of civil servants under the Comprehensive Co-payment Scheme, and 60 per cent of their dependents' bills, this group probably does not need Medishield Plus. The coverage of Medishield Plus will overlap with the coverage provided by the employer's medical benefits. Civil servants who have both will be over-insured, and will pay unnecessarily high premiums.

The needs of civil servants and their dependants who are on the comprehensive co-payment scheme will be better met by a medical insurance scheme specifically tailored to them. Public Service Division (PSD) has discussed with NTUC INCOME offering supplementary medical insurance to civil servants to cover the additional co-payment they now have to bear. NTUC INCOME has proposed a scheme, Co-Pay Assist, to cover half the hospitalisation expenses which civil servants and their dependants who are on the comprehensive co-payment scheme have to pay.

With this scheme, civil servants will pay 7.5 per cent of their medical costs, while their dependants will pay 20 per cent, with an equal share borne by NTUC INCOME. Since civil servants on the new medical benefits scheme will have to co-pay approximately twice as much of their hospitalisation costs as under the old medical benefits, Co-Pay Assist will restore the civil servants to the level of co-payments which prevailed under the old medical benefits. The difference is that they now have a choice whether to take the supplementary insurance and pay the premium, or to save the money and bear the additional medical costs themselves.

The Co-Pay Assist scheme will be available to civil servants on a voluntary basis. The premiums are shown in Annex 4, and will be paid in cash. They are modest, much less than the salary increase received by civil servants. Whether or not individual civil servants choose to take up this supplementary insurance from NTUC INCOME, the availability of the scheme proves clearly that civil servants are better off with the new salaries and medical benefits than before.

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Medishield Benefit and Claimable Limits

S/No	Benefits	Medishield Plus		Basic Medishield (existing Limits)
		PLAN A (Class A)	PLAN B (Class B1)	
1	Deductible (per policy year)	\$4,000	\$2,500	\$1,000 (B2) \$ 500 (C)
2	Co-Insurance	20%	20%	20%
3	Claim Limits			
	- per policy year	\$70,000	\$50,000	\$20,000
	- per life time	\$200,000	\$150,000	\$70,000
4	Age Limit	70 years	70 years	70 years
5	Room & Board*	\$500 per day	\$300 per day	\$100 per day
6	ICU*	\$800 per day	\$500 per day	\$200 per day
7	Surgical Operations			
	- Table 1	\$ 400	\$ 300	\$100
	Table 2	\$ 800	\$ 600	\$200
	Table 3	\$1,300	\$1,000	\$300
	Table 4	\$2,000	\$1,500	\$400
	Table 5	\$3,000	\$2,000	\$500
	Table 6	\$4,000	\$3,000	\$600
	Table 7	\$5,500	\$4,500	\$600
8	Implants/Prosthesis/ approved consumables	\$3,500 per year	\$2,500 per yr	\$1,000 per
9	Outpatient Treatment			
	a. Radiotherapy	\$100 per treatment day	\$ 80 per treatment day	\$ 40 per treatment day
	b. Chemotherapy	\$800 per month	\$ 600 per mth	\$ 200 per mth
	c. Renal Dialysis	\$2,000 per mth	\$1,600 per mth	\$ 600 per mth
	Erythropoeitin (Drug)	\$ 500 per mth	\$ 400 per mth	
	d. Cyclosporin (Drug)	\$ 500 per mth	\$ 400 per mth	\$ 200 per mth

* Inclusive of meal charges, prescriptions and professional charges, investigations and other miscellaneous charges.

Annex 2a**Example 1: Reimbursement Computation for Medishield Plus Plan A (Class A)**

Class of Ward : A

Length of stay: 21 days

Surgical

Procedure Performed: Removal of breast cancer with reconstruction
(Table 7)

	Hospital Bill \$	Payment Covered by Medishield Plus \$
Room and board (for 19 days inclusive of meals, professional and treatment charges, medications investigations etc.)	7,980	7,980*
Intensive care (2 days)	940	940
Surgical Procedure	5,200	5,200**
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Total Amount	14,120	14,120
Less: Deductible (payable once in each policy year)		4,000
		<hr/> 10,120
Less: Co-Insurance 20%		2,024
Medishield Plus pays		<hr/> 8,096 (57%)
Patient pays using Medisave or cash		6,024* (43%)
* (Deductible - \$4,000 Co-Insurance - \$2,024)		
Total		<hr/> <hr/> 14,120

Foot note:

* Reimbursement for Room and Board is based on maximum claim limit of \$500 per day (ICU: \$800 per day)

** Maximum claim for a Table 7 operation is \$5,500

Annex 2b

Example 2: Reimbursement Computation for Medishield Plus Plan B (Class B1)

Class of Ward : B1

Length of stay: 21 days

Surgical

Procedure Performed: Removal of breast cancer with reconstruction (Table 7)

	Hospital Bill	Payment Covered by Medishield P
	\$	\$
Room and board (for 19 days inclusive of meals, professional and treatment charges, medications investigations etc.)	6,080	5,700*
Intensive care (2 days)	840	840
Surgical Procedure	4,680	4,500**
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Total Amount	11,600	11,040
Less: Deductible (payable once in each policy year)		2,500
		<hr/> 8,540
Less: Co-Insurance 20%		1,708
		<hr/> 6,832 (59%)
Medishield Plus pays		
Patient pays using Medisave or cash		4,768* (41%)
* (Deductible - \$2,500 Co-Insurance - \$1,708) Amount above claim limit - \$560		
Total		<hr/> <hr/> <u>11,600</u>

Foot note:

* Reimbursement for Room and Board is based on maximum claim limit of \$300 per day (ICU: \$500 per day)

** Maximum claim for a Table 7 operation is \$4,500

Annex 3

**ANNUAL MEDISHIELD PREMIUMS
(PER PERSON)**

AGE NEXT BIRTHDAY	MEDISHIELD PLUS		BASIC MEDISHIELD
	PLAN A (CLASS A)	PLAN B (CLASS B)	
Under 30	\$ 60	\$ 36	\$ 12
31 - 40	90	54	18
41 - 50	180	108	36
51 - 60	300	180	60
61 - 65	480	288	96
66 - 70	660	396	132

ANNUAL PREMIUMS FOR CO-PAY ASSIST

**FOR CIVIL SERVANT
(BASED ON 7.5% CO-PAYMENT)**

AGE GROUP	PLAN A (CLASS A) \$	PLAN B (CLASS B1) \$	BASIC PLAN (CLASS B2 & C) \$
< 30	14	8	3
30 - 39	21	12	5
40 - 49	28	16	6
50 - 59	49	28	11
60 - 64	91	52	20
65 - 69	126	72	27
70 - 74	154	88	33
75 - 79	203	115	44
> 80	252	144	54

**FOR DEPENDANT
(BASED ON 20% CO-PAYMENT)**

AGE GROUP	PLAN A (CLASS A) \$	PLAN B (CLASS B1) \$	BASIC PLAN (CLASS B2 & C) \$
< 30	36	22	7
30 - 39	54	32	11
40 - 49	72	43	14
50 - 59	126	76	25
60 - 64	234	140	47
65 - 69	324	194	65
70 - 74	396	238	79
75 - 79	522	313	104
> 80	648	389	130