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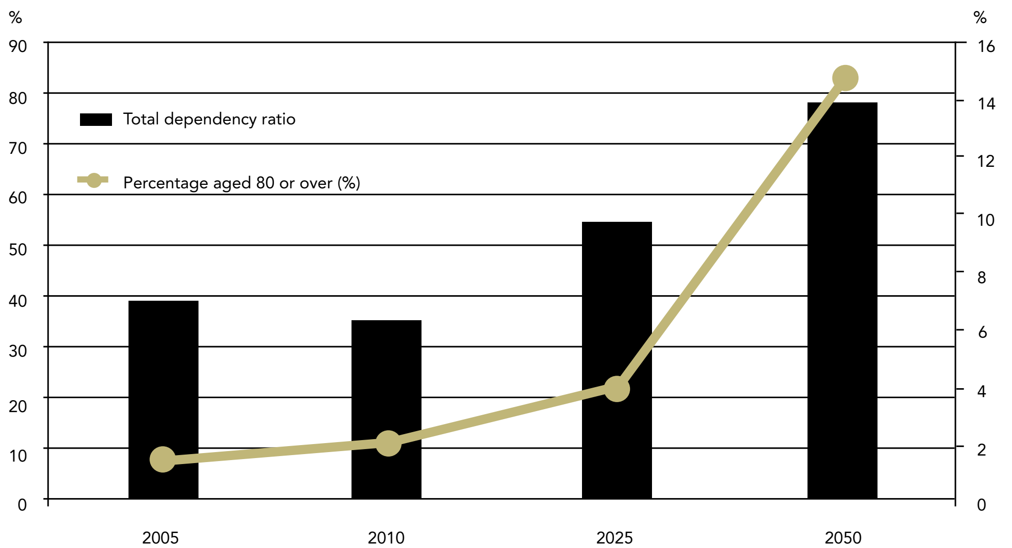
Singapore Long-Term Care Plan—ElderShield Government Sponsored, Privately Sold

By Jill Hoffman

In 2002, the Singapore Government Ministry of Health launched a long-term care plan, called ElderShield, as part of the health care system to meet the needs of the aging population. As the United Nations data shows, the elderly population in Singapore is projected to grow. The following graph shows the dependency ratio (the number of children & elderly / population aged 15-64) as well as the percentage of population that is over age 80. In Singapore, it is not uncommon for the elderly to be living with their grown children. In fact, for those aged 80 and older, only eight percent live alone.

Projected Singapore Statistics



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: the 2006 Revision and World Urbanization Prospects: the 2005 Revision.

That does not eliminate the need for LTC as more and more prefer to be self-sufficient or contribute to the household expenses that their care may entail.

Singapore is an island nation, located at the tip of the Malaysian peninsula. It gained independence from Malaysia in 1965, and was originally founded as a British trading colony in 1819. The 2008 estimate for the GDP per capita, according to the CIA World Factbook is US$52,900, making it one of the top ten prosperous countries in the world. By way of comparison, the United States is US$48,000 and Canada is US$40,200. It currently has a population of 4.6 million and a life expectancy of 79.3/84.7 for males/females. It enjoys a tropical climate, and the author finds it an enjoyable, easy and pleasant place to work and live.

The Government of Singapore has several social schemes in place to raise the standard of living of its population. This includes subsidized government housing, called Housing Development Board (HDB) flats, where the occupant owns the apartment and can receive a low mortgage interest rate. The government social scheme is via the Central Provident Fund (CPF), where employees and employers contribute towards the employee's retirement. The CPF allows tax free deductions to pay for schemes like Medisheld (serving hospitalisation and surgical needs), CPF Annuity (serving retirement needs) and Dependents Protection Scheme (serving term needs). The ElderShield plan is to make up the existing shortfall where government provides a subsidy for nursing home care. The philosophy of financing health care in Singapore emphasizes

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personal responsibility and family support, with the community and government helping the indigent and poor who cannot afford to pay for their basic health care needs.

ElderShield was launched in 2002, designed by the government, but priced, sold and managed by private insurers. At plan launch, all CPF members (Singaporeans and permanent residents) aged 40 to 69 were automatically enrolled. This broad base reduces anti-selection. After plan launch, all CPF members that turn 40, or are new CPF members aged 40-69 are automatically enrolled. This means that approximately 50,000 new entrants per year. A member has up to three months to opt-out of the program. Premiums are paid via the Medisave account (a subset of the CPF). This is non-taxable monies.

The benefit trigger is upon severe disability, that is, the recipient is unable to perform three of the six defined activities of daily living (ADL). The ADLs are dressing, toileting, washing, feeding, mobility, and transferring. At plan launch in 2002, the monthly cash benefit was S$300 per month up to 60 months. In 2007, there was a re-pricing and the benefit increased to S$400 per month up to 72 months. Benefits will cease on recovery but can continue with a relapse, for a maximum total payout of either 60 or 72 months. The benefit coverage period is for life.

As mentioned earlier, premiums are paid from the Medisave account and are payable until age 65. Single premium was initially offered in 2002 as well as regular premium, but in 2007, only regular premium was made available. Premiums are fixed for a five year period, at which time the government will conduct a review of the sustainability of the current premium level, and insurers will tender bids to continue supporting the ElderShield product. Initially, only two insurers supported the product, Great Eastern Life and NTUC Income. At 2007, these two insurers continued as ElderShield insurers and Aviva joined at that time, writing new business (i.e., those turning 40 that year).

Coverage is automatic for most. The only people not eligible for auto-cover are those who are already unable to perform three of the six ADLS. Instead these people are covered under Interim Disability Program for the Elderly (IDAPE) for a reduced payout. Those that opt-out and later apply for cover are subject to underwriting. These people may possibly be declined for cover. As the graph shows though, the opt-out rate has been steadily decreasing as Singaporeans see the value of this coverage.

Claims are assessed by a joint panel of doctors appointed by insurers. However, if additional costs are required for verification this will be borne by the insurers. An "Eldershield Arbitration Panel" exists for purpose of claims. From 2002 to 2006, a total of 2,366 claims were paid, with a rate of acceptance of 84 percent.

As the ElderShield plan is still relatively young—only six years in existence—time will tell if this will be a profitable plan to the insurers and a valuable benefit to those insured. It certainly has had a successful beginning. □