Getting the Right Shield Plan

Is there a need for a private Shield plan *(a Medisave-approved Integrated Shield Plan offered by a private insurer)* or is the MediShield *(a basic medical insurance designed by the government for Central Provident Fund members)* is good enough for everyone - old or young, rich or poor! There are 3 main points to consider.

1. Cost and standard of care in a subsidised ward and a higher class ward

With differing amenities and the amount of government subsidy, it is inevitable that treatment in a higher class ward with lower or no subsidy from the government costs more than that in a subsidised ward (i.e. Class B2/C wards) and a higher co-payment is expected for the former. While doctors are assigned by the hospital to treat us in a subsidised ward, admission to a higher class ward allows us to choose our own doctor.

So do we want or are we willing to pay more for a higher comfort level and the flexibility to choose a doctor? It all depends on what our healthcare expectation is. No doubt subsidised wards are becoming more enhanced and better furnished with amenities. This may also mean that more patients would choose to seek treatment in these wards which would in turn lead to over-crowding. While hospitals are facing bed crunch for subsidised wards, are we willing to be bedded along the corridors while waiting for treatment and admission to a proper ward? It may be true that a senior doctor would be assigned to treat patients with more complicated conditions in a subsidised ward, but in the event of a medical crisis, would we not want to be treated by a doctor of our choice from whom we are confident of a better outcome? Hence, it is important to determine our desired healthcare expectation and prepare ourselves for the medical expenses involved by getting a Shield plan that is capable of defraying the medical cost in our chosen Class ward significantly.

MediShield is most effective for hospitalisation in a subsidised Class B2/C wards in restructured hospitals as 100% of charges incurred is admissible for a claim, covering up to about 80% of a large medical bill. However, only 35% of charges incurred in a private or Class A ward is admissible for a claim from MediShield. MediShield is therefore, not sufficient to cover the higher medical expenses in a higher class ward and a private Shield plan is most essential. Moreover, while MediShield is bounded by sub-limits, an 'as-charged' private Shield plan not only ensures that a higher portion of the medical bill is eligible for a claim, it is also more effective in protecting against medical inflation in view of rising healthcare cost.

We all know that the bills in private hospitals are the largest while those from restructured hospitals in Class B2/C wards are the lowest. Many of us may not know that, though Class B2/C wards are heavily subsidized by the government, not everyone is eligible to enjoy the full subsidy due to Means Testing. Lower-income patients may not be able to afford higher class wards and have no choice but to seek treatment in subsidised wards. Means Testing is adopted to minimise subsidised wards from being overwhelmed with patients who can actually afford unsubsidised rates and allows lower-income patients to receive more subsidies at these subsidised wards.

2. Affordability of a private Shield plan

We do recognise that, with premiums charged according to age-band, a private Shield plan may become too expensive for us to pay at an older age, especially for those plans meant for private and Class A wards. Downgrading to a lower Shield plan is an option to reduce our premium commitment while still having the coverage we need though for a lower class ward. The cost for MediShield is indeed the most affordable, but it is capable of providing a cover till age 85 only. With an increase in life expectancy and a decline in mortality rates, there is a high likelihood that we may live beyond age 85 and to address the increasing medical needs as we age, it is important that the protection lasts over our entire lifespan. A private Shield plan meets this criterion as it provides coverage for a lifetime and downgrading to the lowest private Shield plan (i.e. for Class B1 ward) may still remain affordable then.

3. Use of Medisave to fund a private Shield plan

The primary purpose of Medisave is to help us meet our needs in medical/hospitalisation expenses, especially during our retirement years. While it would be ideal to keep these savings for use only after we retire which is when we would need it most and pay all medical bills in cash over our working years, would it be practical to do so?

In the event of a medical crisis, it would likely be a lump sum of cash we would have to fork out to pay for hefty medical expenses. Even if we could afford to do so, it would to a certain extent affect our cash flow. To be able to fund the cost from a dedicated source (i.e. Medisave) would no doubt help to ease the situation. Hence, it is not just about being able to afford to pay medical bills in cash, it is about prudent cash flow management.

However, we should prevent a large medical bill from wiping out our Medisave savings, in fact, we should retain as much of our Medisave savings as deemed appropriate, after all, it is our own money. How then can we minimise the use of our Medisave savings and yet not have significant impact on our cash flow?

A wise move is to transfer this 'risk' to insurance companies - using a relatively small amount from our Medisave savings to pay for a cover from a private Shield plan which would help us pay for the huge medical cost when the need arises. A rider cover (payable in cash only) on a private Shield plan which pays for the deductible and/or co-insurance portion of a medical bill helps to further minimise, if not waive, out-of-pocket expenses. If budget allows, a rider cover is strongly recommended.

Here are two case studies, Jean and Edward (not their real names), who have each had a very different experience with their children's admission to a hospital. Their experiences clearly illustrated the importance of choosing the right Shield plan that matches our healthcare expectation to help defray medical costs significantly.

Jean's Case

When Jean's 3-year-old daughter was persistently having high fever, various symptoms and a previous experience by a colleague prompted her to suspect that her daughter might be suffering from Kawasaki Disease. Her colleague shared an unpleasant experience she had when she admitted her daughter to a restructured hospital, where she had to wait over a weekend for a paediatric doctor to attend to her daughter. During the wait, the inexperienced doctors who were on duty took days to diagnose the child's condition before giving the necessary treatment. With the colleague's recommendation to a doctor in Thomson Medical Centre who is known to be capable in diagnosing and treating the disease, Jean admitted her daughter to the private hospital. Knowing that her child was in the good hands of an experienced doctor, Jean was more at ease. However, Jean had another major concern - the medical expenses! Jean insured her daughter under AVIVA MyShield Plan 2 (a private Shield plan for Class A ward in restructured hospitals) with no rider cover. Being admitted in a higher class ward than what the Shield plan was meant to cover, a pro-ration factor was applicable. In this case, only 65% of the hospitalisation bill was eligible for claim. In addition, a deductible of $3,000 and a co-insurance of 10% of the claimable amount was payable by Jean for the 3-day stay.

Total Hospitalisation Bill: $11,626.04

Total Amount Payable by Insurance: $4,101.23

[65% x $11,626.04 (total bill) - $3,000 (deductible) - $455.69 (co-insurance)]

Medisave Deduction: $1,350.00

Total Amount Payable by Cash: $6,174.81

Though the child's Shield plan cover was free (AVIVA offers free Plan 2 cover for a child whose parents are insured under Plan 1), Jean had to bear 65% of the medical cost. If she had chosen the right Shield plan for her child, for instance, AVIVA Plan 1 which is designed to cover medical expenses in private hospitals, she would have needed to pay only about 35% of the expenses. With a rider cover, she might not even have had to pay a single cent, not even from her Medisave. Most importantly, with the right Shield plan, Jean would have had complete peace of mind upon admitting her child into a private hospital.

Edward's Case

Similarly, Edward's baby son was running a high fever for a few days and was eventually diagnosed with Urinary Tract Infection (UTI) after warded in KK Hospital through A&E. Though Edward insured his child under NTUC Incomeshield Preferred Plan (a private Shield plan for private hospitals) and with a rider covering the deductible, he reckoned that UTI is quite a common illness among children and felt that KK Hospital, being specialised in treating children, was an obvious choice over a private hospital for his son to be given the necessary treatment and it was eventually a 5-day stay in the restructured hospital's Class A ward.

Total Hospitalisation Bill:	$2,843.00
Total Amount Payable by Insurance:	$3183.70

[$2,843.00 (total bill) - $284.30 (co-insurance) + $625 (daily hospitalisation allowance when admitted in a lower ward]

Medisave Deduction:	nil
Total Amount Payable by Cash:	nil

In this case, nothing was claimable from the main plan of NTUC Incomeshield Preferred Plan since the total hospitalisation bill falls below the deductible amount of $3,000. Had Edward not included a rider cover for his child, the full medical cost would have had to be paid in cash. Though the rider only covers the deductible portion and the co-insurance should be payable in cash, the rider pays a daily hospitalisation allowance when the insured person is admitted in a lower ward than what the Shield plan is meant to cover and the amount in this case is sufficient to cover the co-insurance payment. With a premium commitment of $242 p.a. ($131 paid by Medisave & $111 paid in cash), the medical cost is fully covered in this situation. Hence, a rider cover on a private Shield plan does provide a cost-efficient way to take care of medical expenses incurred for hospitalisation.

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