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# INSURING AGAINST LONG-TERM CARE RISKS

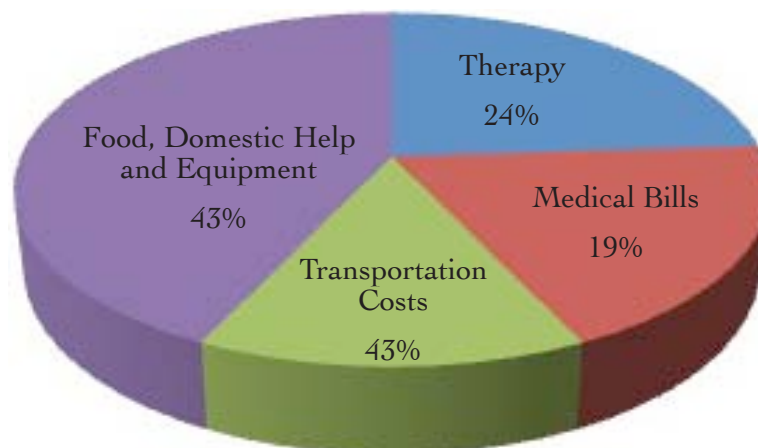


One of the hottest topics in the newspapers recently is whether Basic ElderShield is adequate for long term care (LTC).

Many people find it hard to envision themselves needing hands-on assistance with basic living activities like bathing, getting dressed and eating. So they avoid thinking about it altogether. Statistics from developed markets show that 70% of people will require LTC services at some point during their lives after turning 65 years old<sup>1</sup>.

According to an internal survey by Aviva, the average amount spent by claimants on LTC is about \$2,000 a month. The survey also found that about 24 per cent of long-term care expenses for the ElderShield claimants were spent on therapy, while almost 19 per cent went to their medical bills. Transportation costs took up about 14 per cent, and the remaining expenses went to items such as food, domestic help and equipment.

**Breakdown of Long-Term Care Expenses**



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<sup>1</sup>U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information. [www.longtermcare.gov](http://www.longtermcare.gov)

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LTC can be lengthy and expensive, which was why the ElderShield Scheme was launched in 2002 to provide some financial protection. Basic ElderShield 300 pays a monthly cash benefit of \$300 for up to 5 years. In 2007, that scheme was reformed to ElderShield 400, which increased the monthly payout to \$400, and the maximum payout period to 6 years. At the same time, supplementary covers, which are known as ElderShield supplements, were launched to provide additional layers of protection.

The concern is that the basic ElderShield is grossly inadequate to even take care of basic long term care needs.

### Government Initiatives

The good news is that the government is reviewing the ElderShield scheme next year to make it more relevant. However, we should also understand that the ElderShield is aimed to provide basic financial protection for the majority of Singaporeans; therefore, the insured sum is kept low to ensure affordability.

Not only that, the government is committed to increase the supply of LTC services and provide subsidies

in a bid to keep costs more manageable, as part of Budget 2012 to make healthcare more affordable and accessible to elderly.

### Individual Responsibility

We believe that the more the people who make their own provision for LTC, the less strain there will be on limited public resources. This could allow the government to focus its money on those most vulnerable in our society. Thus, as individuals we should take our own responsibility to find personalized solutions to fund for long-term care, which brings us to the next point.

### Planning for Long Term Care

At Providend, we believe in planning for sufficiency, considering alternatives to insure against the cost for essential needs that would best minimise clients' expenses to allow more savings for their wealth accumulation and preservation.

How much does it cost to provide LTC? Let us refer to the previously mentioned Aviva Survey.

	LTC Expenses Breakdown	Percentage
Therapy	\$480	24%
Medical Bills	\$380	19%
Transportation Costs	\$280	14%
Food, Domestic Help and Equipment	\$860	43%
<b>Average Total LTC Expenses</b>	<b>\$2000 per month</b>	<b>100%</b>

Although that statistic may be biased to the small sample that is insured under the ElderShield, and may not represent the whole population, it does provide an insight into the components of LTC expenses. We also note that the Aviva Survey does not mention the LTC provided by Nursing Homes. Sometimes, the elderly do not have families or caregivers to look after them at home. Or their condition could be so serious that an untrained caregiver would be unable to provide the level of LTC required. In that case, Nursing Homes may be the next option. We estimate the Monthly Charges in Nursing Home may range from a few hundred (in subsidised wards) to as high as \$4,300.

Most importantly, the coverage should be obtained early to prevent any insurability issues that may arise and to ensure an affordable premium for the cover. The cost for LTC may also be funded, fully or partially, with one's personal assets and this option of self-insuring would be appropriate if adequate resources are still available after the provision for

other financial goals such as retirement and children's education funding.

Nevertheless, we recognize that the current product range is still not ideal in accommodating LTC cost. Firstly, the rising cost of care giving is not matched by fixed insurance payout. Secondly, cost of nursing home varies widely depending on the facility you choose. It would be more accurate to tie the benefit payout to reimbursement of institutional care and thus policyholders, like what the Medishield and Integrated Shield plans do.

In conclusion, in view of Singapore's aging population and the expected rise in healthcare cost, the need for financial protection for LTC is crucial. Hence, we should be prudent to prepare ourselves sufficiently against the cost for LTC to minimize the emotional and financial stress for our loved ones should such an unfortunate event of disability happen.

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