

## Don't let your health get you in the red

Get covered with a health insurance plan.

**Mon, Sep 06, 2010**  
**AsiaOne**



### **By The Life Insurance Association**

Economists call it "hyperbolic discounting", but really, it is at the heart of human nature.

Discounting is the human tendency to put a higher value on something that reaps little benefits at present over something that can bring you greater benefits in the future.

This can be easily applied to health insurance coverage. With pressing financial needs such as your mortgage and car loan playing tug-of-war for your wallet, you would rather not spend on a personal health insurance plan, thinking that the national healthcare schemes will help to pick up the tab.

Our national healthcare system is targeted to ensure affordability, and whilst our healthcare system is one of the best in the world, the truth is that healthcare costs are escalating.

The increase in our healthcare costs is inevitable, given our ageing population, the shift towards "rich-country" chronic degenerative diseases that cost more and take longer to treat, and a general attitudinal shift towards a preference for private healthcare.

In Singapore, whilst 84 per cent of our population is covered by Medishield (as of 2009), against a backdrop of rising healthcare costs, many of us may potentially find ourselves in dire straits when an accident or debilitating illness strikes and wipes out a large portion of our savings account.

### **The bare minimum**

If you are working, you will have Medisave, a dedicated savings account that is meant for medical treatment. However, there is a limit to how much you can withdraw a year, provided you have an excess of \$34,500 in your Medisave account. Factor in escalating medical costs and it will be highly likely that any major surgery will wipe out your Medisave account for future use.

Even a simple accident can set you back more than you think. Tear your knee ligaments because of slip down a staircase, and the operation can set you back anywhere from \$6,000 to \$10,000. That could be a big

financial burden for someone in his 30s trying to achieve financial stability.

True, Medisave provides minimal cover and can be used to buy Medishield, a low cost insurance scheme that covers medical expenses of major illnesses. However, Medishield will still leave you with a significant portion of your medical bill to cover, and will only pay for expenses in a Class B2/C ward. Should you want treatment in a Class A ward or a private hospital, Medishield suddenly begins to look threadbare.

As such, having a comprehensive personal health insurance plan is especially important. It prevents you and your family from enduring any financial suffering when you face a health crisis.

The truth is, only the indigent or large families living on very modest incomes cannot afford some kind of basic health insurance these days. A family of four could probably get a private Shield plan for as low as \$300 a year. To put it in perspective - that is less than a cheap holiday for four, and certainly cheaper than a couple of nights out every week.

Health insurance actually comes in several different forms, and knowing the difference goes a long way in getting you the appropriate coverage

### **Integrated Shield Plans**

If you are looking for higher medical expense coverage than what your Medishield provides, you can consider Integrated Shield Plans that are offered by some insurance companies.

These are suitable if you plan to use Class B1, Class A wards or private hospitals and the best part is that they are combined with your basic Medishield so that you only pay one premium for coverage under both the private plan and the basic Medishield.

To make things even easier on your pocket, you can actually use Medisave to pay for your premiums, up to the prevailing withdrawal limit set by the Ministry of Health.

### **Medical Expense Insurance**

If you are looking to cover your medical expenses, then you may want to consider Medical Expense Insurance.

It will pay medical expenses incurred as a result of an accident or illness as well as cover expenses for inpatient medical treatment or surgery, some outpatient charges for day surgery, consultations with specialists before and after the hospital stay and x-rays and laboratory tests.

Note, however, that medical insurance will not pay you more than the actual medical expenses incurred, regardless of the number of policies you have.

Also, you should be aware that there are limits to the amounts you can claim, as each policy will have varying criteria. Some medical expense policies may also have deductible and co-insurance features.

### **Hospital Cash Insurance**

If you want to receive a fixed amount of cash while you are in hospital, then Hospital Cash Insurance is what you are looking for.

This kind of policy actually pays you a fixed amount of benefits for each day that you are in hospital, regardless of the actual expenses incurred for your stay.

The point to note with this type of policy is that the total amount you are paid may be more or less than your actual expenses.

### **Critical Illness Insurance**

On the other hand, Critical Illness Insurance reduces your burden in the unfortunate incidence that you are afflicted by a major illness or disease.

While the types of diseases covered by these policies vary from one insurer to the next, there is a list of major illnesses that are covered by almost all policies. These include cancer, heart attack, coronary artery bypass surgery, stroke and kidney failure.

It is important to note that benefits are paid only if the disease or surgery exactly meets the definitions stated in the policy. These definitions are fixed across all insurance companies in Singapore and can be found in website of the Life Insurance Association ([www.lia.org.sg](http://www.lia.org.sg)).

As long as you can prove that you are diagnosed with one of the diseases, as it is defined by your policy, you are entitled to the payout, which usually comes in the form of a lump sum. The amount paid does not depend on being admitted into hospital or the actual medical expenses you incur.

### **Disability Income Insurance**

One of the main concerns of the breadwinner of the family is where the money will come from should they be unable to work. This underscores the advantage of disability income insurance.

These types of policies pay out a fixed amount of money, usually up to 80 percent of your monthly salary, on a monthly basis to ease the burden on those you who were dependent on you. The monthly payout income benefit will usually be paid for up to five or 10 years, or until you are 60 or 65 years old.

The most important point to note with disability income insurance is the definition of disability used in the policy. Some policies define it as not being able to perform your usual work while others define it as not being able to work at all, so be sure to check with your financial adviser on the definitions before taking on the policy.

### **Long-Term Care Insurance**

For rapidly ageing Singapore, long-term insurance care is becoming increasingly relevant. For these policies, benefits are paid when you cannot perform 'activities of daily living', which include bathing, dressing and moving around.

However, these policies have strict definitions and may vary from one policy to the next. To qualify for payment benefits, you must meet those definitions and the minimum number of activities you are unable to perform. Should the number of activities you are not able to perform fall below the minimum required number, payment of benefits will stop.

### **Pinpointing your healthcare needs**

Of course, it is more likely that more than one of these policies might apply to you. It is not unusual to have more than one - but the first thing you should do is check the extent of your current private coverage, and any coverage that your employer might be providing before making a choice.

You may want to approach a financial adviser who will be able to perform a fact-find process. It is a detailed analysis that assesses and identifies your insurance needs so that your financial adviser can then recommend the suitable products to meet your healthcare needs.

The outcomes from discounting can be very dear so don't risk it - for the sake of your family.