

Portable Medical Benefits

Current Medical Benefits

Current Medical Benefit System in Private Sector

- **Medical Benefits are employer and employment specific.**

Weakness of the Current System

- **Medical Benefits not portable**
- **Employability of older workers affected**
- **Unpredictable medical cost for companies**


Reasons for Change

Need for Change

**Aging
Population**



**Changes in
Employment
Landscape**



Allow individuals to:

- **enjoy medical benefits not only during employment but also when they are in between job.**
- **take greater responsibility in planning for future needs**

ERC's Recommendations

Introducing Portability to Medical Benefits

- **2 schemes for inpatient medical coverage are proposed :**
 - a) Portable Medical Benefits Scheme (PMBS)**
 - b) Transferable Medical Insurance Scheme (TMIS)**
- **To be implemented through promotional approach**
- **Deductibles and Co-payment elements to be incorporated**
- **Tax adjustments:**

Employers implementing either of the 2 schemes will continue to enjoy 2% tax deduction on medical expenses

Portable Medical Benefits Scheme

Features:

- In lieu of existing inpatient benefits, employers would make additional monthly contributions **of at least 1% of monthly salary** to employees Medisave account.

Portable Medical Benefits Scheme

Features (cont'd):

- **Employees would be responsible for inpatient expenses from 1st dollar henceforth**
- **Employees should use the additional Medisave contribution to buy CPF-approved individual medical insurance to meet their inpatient needs**

Portable Medical Benefits Scheme

Additional Medisave Contribution and Tax Exemption for Employees

- The limit of additional Medisave contribution has been raised to \$1,500 per year per employer with effect from 1 January 2003.
- The tax exemption limit for employees for additional Medisave contribution is also raised to \$1,500 per year from Year of Assessment 2004.

Transferable Medical Insurance Scheme

Features:

- **An enhancement of employer-sponsored group medical insurance scheme.**
- **Applicable to group size of 11 and above.**
- **Provides inpatient benefits coverage up to prevailing retirement age (currently 62 years old).**
- **Offers an extension of medical coverage of up to 12 months to employees who leave employment due to any reasons, provided premiums are paid.**

Transferable Medical Insurance Scheme

Features (cont'd):

- **There will be no exclusion of pre-existing illness when an employee moves from one employer to another under the TMIS coverage.**
- **Premiums are expected to be between 10 and 30% more than existing group insurance plans.**
- **Insurers may provide various insurance plans under TMIS with different levels of benefits and premiums.**

Qualifying conditions for 2% Tax Deduction on Medical expenses

For Employers implementing PMBS

- **Employers must adopt PMBS for at least 20% of the local employees recruited before 1 April 2004 and all local employees recruited after 1 Apr 2004.**

(Local employees refer to Singapore citizens or PRs employed on a full time or part-time contract of employment, regardless of the number of hours worked.)

Qualifying conditions for 2% Tax Deduction on Medical expenses

For Employers implementing PMBS

- monthly contribution to Medisave account for full time employees :
 - at least 1% of an employee's monthly salary**, subject to
 - minimum: 1% of the salary ceiling of EA, currently at \$1,600
 - maximum: 1% of the CPF contribution ceiling, currently at \$6,000 (to be revised to \$5,500 in Jan 2004)
- for part time employees :
 - at least 1% of their actual monthly salary**, subject to a maximum amount of 1% of the CPF contribution limit.

Qualifying conditions for 2% Tax Deduction on Medical expenses

For Employers implementing TMIS

- Employers must implement TMIS for **at least 50% of its local employees**

To claim for the 2% tax deduction, employers must meet the qualifying conditions on 1 April 2004 or on the 1st day of its financial year, whichever is later.

Proposed Outpatient Benefits

Option A: Co-payment with Annual Individual Budget

- a. **Employers & Employees co-pay outpatient expenses, say 85:15**
- b. **Annual lump sum (eg. \$200), for employers' portion of outpatient expenses**
- c. **Once lump sum is used, employees responsible for entire outpatient bill**
- d. **Unused portion of the lump sum credited to employees' Medisave.**

Proposed Outpatient Benefits

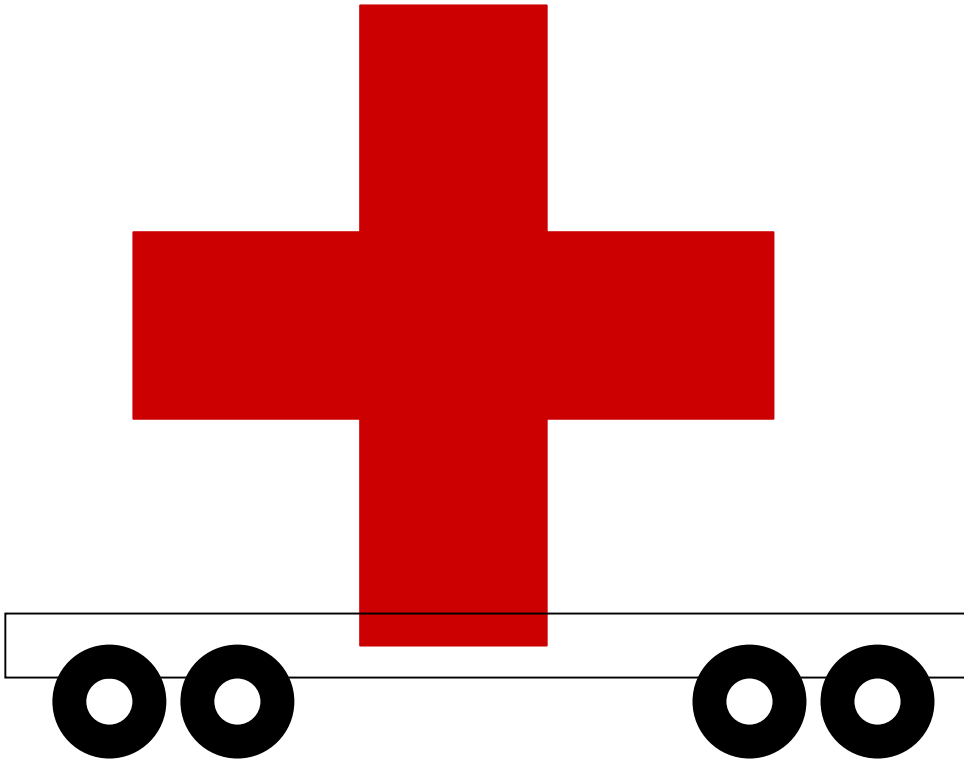
Option B: Direct co-payment with additional Medisave contribution as trade-off

- a. **Employees co-pay outpatient expenses of say 20-25%.**
- a. **As a trade-off, employers could pay employees additional Medisave contribution, say 0.5% to 1% of employee's monthly salary**

Proposed Outpatient Benefits

Option C: Direct co-payment with cash incentives as trade-off

- a. **Employees co-pay outpatient expenses of say 20-25%.**
- a. **As a trade-off, employers could grant employees cash incentives**



Thank you