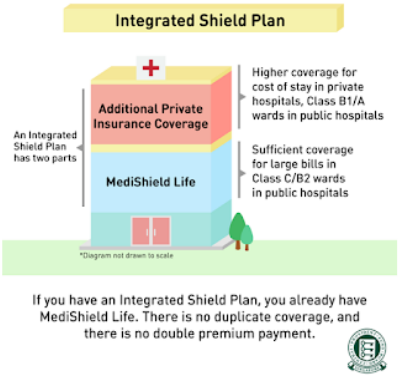

Which is the BEST Hospitalisation Insurance Now?

Description

The days of $0 hospitalization bills – thanks to your insurer picking up the costs – are over. Read more about the recent changes here, which covers what they mean for consumers as well as what I recommend doing.

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A quick summary of changes include:

- **Pay no more than $3,000 a year for co-payment in the event of hospital bills.** *At this moment, o nly Prudential customers who signed up before 2018 will still be able to claim for the whole bill.*
- However, **be prepared to pay more if you choose to consult non-panel doctors.** *The panel of doctors across each insurer differ, so do check out the list with your agent / insurer.*

Today's article delves into Part 2, which explores the commonly-asked question of

Which is the BEST hospitalisation insurance?

Let me first burst your bubble by giving you the harsh truth – there's no such thing.

What even defines "the best"? Too often, people think that there is ONE insurer (or plan) with the best, but forget that "best" means different things for everyone.

For someone who is in poor health and always gets hospitalized, AIA's plan may appear to be the best because it offers the longest period (up to 13 months) of coverage against pre-and post-hospitalisation charges. **But that benefit comes at a cost** – premiums charged by AIA are known to be generally known to be among the highest in the market. Thus, for someone who is on a tight budget but wants to gets coverage for private hospital treatments, AIA's plan is unlikely to appeal to them.

Some parents prefer Aviva, because they can get a "family discount" for their children for up to 4 children if both parents are also covered under the same insurer.

Others who are in good health may have preferred Prudential, because it used to be the (first and) only insurer offering a claims-based pricing model *i.e. discounted premiums in the following year if you did not make any claims this year.* However, other insurers are also now starting to offer this, so the benefit is no longer exclusive to Prudential anymore.

Do you get my point?

The best hospitalisation insurance plan *today* may not remain as the best *tomorrow*.

Okay, so if you're not happy with the recent changes that your insurer has announced, you may be wondering if…

Should you switch insurers now?

If you're healthy, then you still have a chance to shop around for a better deal. *Just don't forget that there's no guarantee that today's "best deal" will still remain the "best" in the years to come, so there's a chance that your old plan might appear to be "the best" in a few years down the road.*

But **if you have pre-existing conditions, then it might be better to remain status quo lest you lose coverage** for some of your medical conditions if you were to switch. As always, check with your agent for more details before you commit to a new plan or terminate your old one.

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But what if my insurer's panel of doctors are limited?

As this is still a relatively new arrangement, I expect that insurers will add more doctors to their panel over time. Hence, you may want to factor this into account before you jump ship just because one insurer has more doctors on their panel compared to your existing insurer.

Things may change in the future, and your insurer may bring on more doctors on board in order to appear more competitive and win over new customers.

From April, new medical plans will pay less unless you seek treatment from insurers' panels

Insurance: Pay more if you see your own doctors

Apart from comparing the prices based on age groups, you should ask about the claim experience – some insurers will require you to settle most or part of big hospital bills first if you choose to see your own doctors.

Tan Dui Boon
Invest Editor

Unless you are prepared to pay more, the days of consulting private doctors who are not on your insurers' panels for hospital treatment will soon be over for most people.

Instead of just making co-payment compulsory in new "riders", which are add-on policies to the main private medical plans, the six major insurers – AIA, Aviva, AXA, Great Eastern, Income and Prudential – want customers to seek treatment with their accredited specialists or doctors at public hospitals.

Those who play by the rules will enjoy a seamless claim process that will not require any big cash outlays and they will also not be required to pay a lot – 5 per cent to 10 per cent of the bill, or a maximum of $3,000 in a year. So if a patient has paid $3,000 for the first treatment, there is no more co-payment needed for subsequent treatments within a 12-month period.

But if you choose to consult non-panel doctors, there will be 5 per cent to 10 per cent co-payment contributions for all claims, without any limit. Some insurers like AXA and Income will also require such patients to pay an additional $1,500 to $2,000.

So how does this affect your share of the hospital bill?

- **$20,000 bill:** If you see a panel doctor, your share of the bill will be between $1,000 and $2,000. Otherwise, you will need to pay between $1,000 and $4,000 for non-panel doctors.
- **$50,000 bill:** If you see a panel doctor, your share of the bill will be between $2,500 and $3,000. Otherwise, you will need to pay between $2,500 and $7,000.

All insurers will offer such riders to new and existing customers when their existing policies expire. So those who used to own riders that cover 100 per cent of hospital bills, will have to switch to the new co-payment ones.

The exception is Prudential Singapore. Its PruExtra customers who had signed up before 2018 can still claim for the whole bill if they choose to continue with his old scheme. This is because its claims-based pricing strategy is effective in keeping claims low even for this group of customers, says product management head Stanley Ng.

While this rider is expected to be the most expensive in the market, those who never make claims will enjoy a 20 per cent discount on their next premium.

CAN INSURERS CHANGE THE RULES UNILATERALLY?

Legally, yes. Unlike life policies, which last for life, medical policies expire after one year. So when it is time to renew, you will be given a new policy that can come with the new terms.

Paying for the new policy means you agree to the new terms and must follow them. Of course, if you object to the terms, drop your plan and sign up with another insurer.

THINGS TO CONSIDER BEFORE YOU SWITCH INSURERS

If you are healthy and have not made claims for serious ailments, you are in a good position to shop around for the best deals. This also applies to those who want to buy such plans for the first time.

Apart from comparing the prices based on age groups, you should ask about the claim experience – some insurers will require you to settle most or part of big hospital bills first if you choose to see your own doctors.

Of course, all new sign-ups should pay attention to the new terms of co-payment and how much they are expected to pay for seeing doctors of their choice.

Finally, the most difficult task of all – choosing insurers based on their panels of specialists. It is easy if you find doctors who are already treating you or your relatives on the panel of one insurer. Otherwise, you may well have to choose based on numbers – all things being equal, the insurer that has the most doctors on its panel will give you more choices than those that have fewer doctors.

What if you are not in the best of health and have a claim history with your current insurer?

Normally, when a person who has an existing medical condition signs up for a new hospital plan, the new insurer will cover all treatments except those known conditions.

What this means is that if you switch insurers, you may lose coverage for some of your medical conditions.

If you are still keen to switch, make sure you discuss the terms of coverage with the new insurer carefully – terminate the existing one only after you have signed up for the new policy.

Most insurers do not require customers to undergo a health screening before they are accepted by the new insurer. Also, for privacy reasons, new insurers do not check the claim history of new customers with their previous insurers.

But you have to disclose the state of your health honestly because your claims can be rejected if your insurer finds out that you have kept certain medical conditions from it.

WHAT YOU CAN DO

You should see medical coverage as an aid to help you get well without burning a hole in your pocket. So if you feel comfortable with certain doctors, just bite the bullet and pay the extra charges, especially if the treatment is likely to be a one-off.

You can also try to discuss with your insurer, especially if your doctor's fee is unreasonable and within the government's benchmark.

If you have done your part but still feel that you have been unfairly treated, you can exercise your legal right by filing a case against your insurer at the Financial Industry Disputes Resolution Centre.

The independent body will hold a mediation or an adjudication to resolve the matter between both parties.

Insurers would do well to note that while many existing policyholders have no choice but to stick with them, the way they conduct their business will determine whether they will get many new customers in the future.

Aggrieved policyholders will certainly voice their displeasure loudly and this means that all their children, younger relatives and friends will never sign up with the same insurers.

Insurers should also not alienate doctors because they, too, can share their views with their patients on which insurers give the best claim experiences.

Don't trust that will of customers – they will go to insurers that are more pro-customer, such as those that allow policyholders to consult their own doctors without the need to have a lot of cash to settle their bills first.

The current change has a silver lining: it has driven more people to scrutinise their policies.

Actually, the premiums for such policies are far lower than the money that goes to whole life and endowment plans. Yet many people don't even check how these policies are doing.

If you care about how much insurers pay when you are sick, it is all the more reason you should also check how much they will pay when you are healthy on your retirement.

OWN DOC

INSURANCE PANEL DOC

ST ILLUSTRATION: CEL GULAPA

Stefan Watermark

Credits: The Straits Times

How can I keep insurance costs low?

This is the biggest question on everyone's minds now. As healthcare costs rise, it should not come as a surprise that healthcare insurance premiums will also rise in tandem. After all, the two are positively correlated.

Your costs will definitely differ – depending on your choice of insurer, plan benefits level, and whether you add on any rider(s).

If you were curious, I got my agent to do a comparison for me recently and here's how the current premiums for someone aged 35 across the different insurers stack up:

	Private Hospital Premiums			
	Insurer	Annual Premium (shield)	Cash Outlay	Rider Premiu
35	Prudential	300	27	717
	AIA	300	0	459
	AVIVA	409	109	765
	Great Eastern	322	22	712
	NTUC	375	75	632
	AXA	292	0	374

Notice how the cash outlay for certain insurers are a lot higher – in this example, only those insured under AIA and AXA can continue to enjoy the premiums being paid entirely from Medisave. If you were to add on a rider, that cost can escalate even higher and faster.

It is also worth noting that some insurers generally rack up higher costs on their IPs due to management and distribution costs. I thought it was pretty interesting that while AIA gets paid 20% more premiums than Income *(whether this is due to higher premiums on fewer policies, or more policies than Income, I have no clue)* but has almost DOUBLE of its costs. What could that be due to? Hmm.

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How Integrated Shield Plans (IPs) fared in 2019

	Gross premiums	Net claims incurred	Underwriting profit/(loss)	Management expenses	Total distribution cost	Management & distribution cost ration
AIA	552,244,274	211,138,464	($15,261,543)	36,318,766	49,335,476	30.4%
Aviva	217,649,003	150,117,282	($8,574,613)	24,347,183	21,945,408	24.7%
AXA	46,877,621	24,991,949	($15,933,322)	11,748,645	13,834,691	73.8%
Great Eastern	406,021,355	281,036,445	($57,887,123)	33,008,132	64,861,414	30.5%
Income	462,211,390	363,584,751	$4,210,791	37,560,754	30,074,247	15.5%
Prudential	456,001,787	322,487,993	$51,993,315	20,981,624	60,662,878	17.9
TOTAL	2,141,005,430	1,353,356,884	($41,452,495)	163,965,104	240,714,114	17%
% YOY Increase	16.70%	15.20%	9.70%	17.10%	6.80%	

NOTE: Raffles Health is not included as it only started offering IPs in 2018.

Sources: MAS FORM 7A, LIA STRAITS TIMES GRAPHICS

Approved claims from Jan-Sept 2020 relative to MOH fee benchmarks

The chart shows the percentage of claims with surgeon fees approved below the lower bound (LB) of the MOH fee benchmark range, between the LB and midpoint of the MOH fee benchmark range, between the midpoint and the upper bound (UB) of the MOH fee benchmark range, and above the UB.

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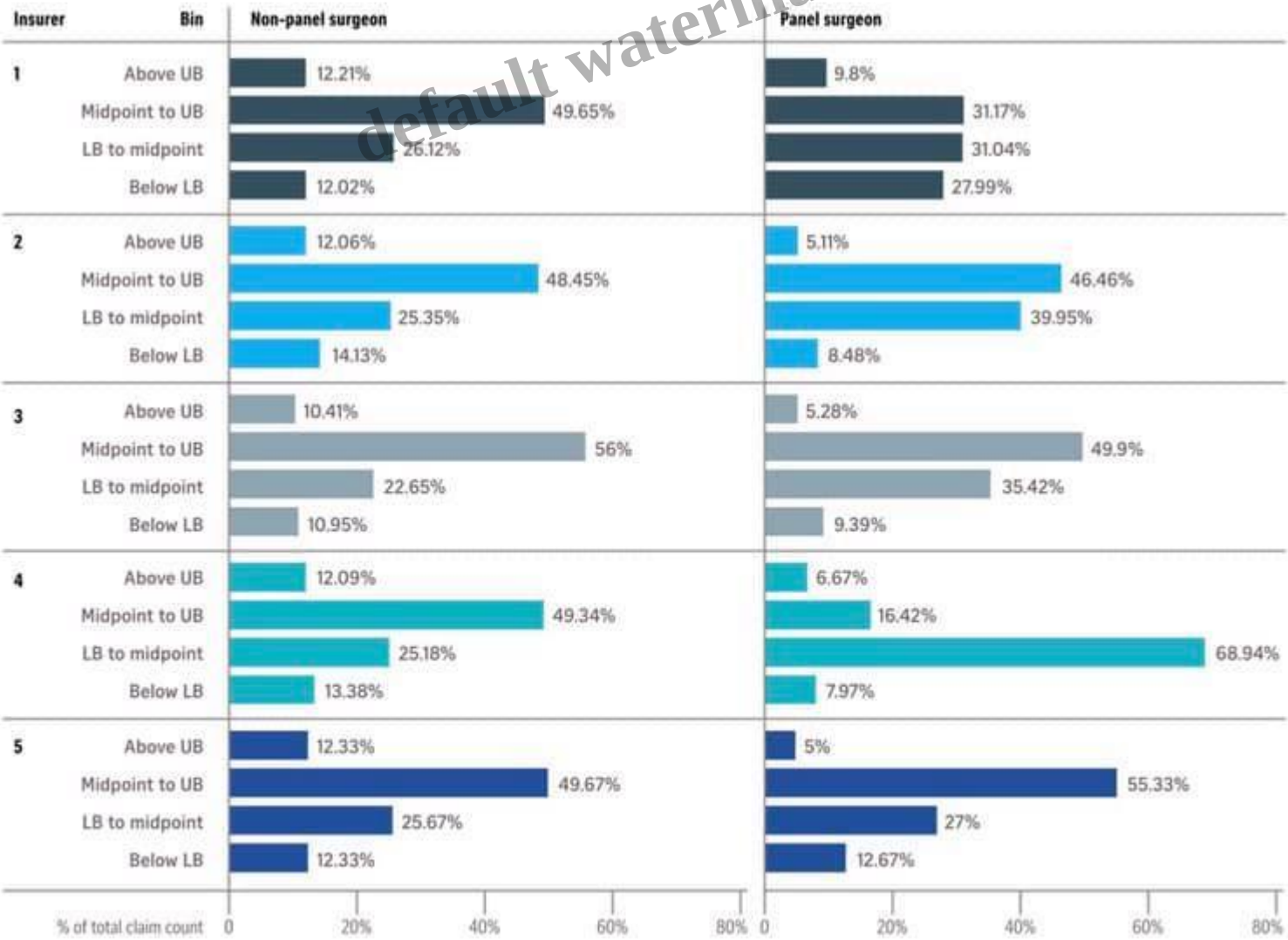

NOTE: The two insurers not included are AXA and Raffles Health, the two newest IP providers.

Source: LIA STRAITS TIMES GRAPHICS

Source: The Straits Times

So if the cost of premiums are becoming too costly for you to sustain, you may want to consider either downgrading to a lower tier, eliminating unnecessary riders or even switching insurers (if you're still healthy). However, this is best discussed in detail with your agent who can help you understand the implications of doing so before you take any action.

Should I just cancel my private healthcare insurance?

If the costs are too much to bear, the good news is, most Singaporeans are already covered under a basic hospitalization insurance policy called MediShield Life. The question is, will that be sufficient for you?

Once you cancel your private healthcare insurance plan, you will no longer have the flexibility of going to private hospitals for treatments. You will have to go through the public hospital route and be subject to their waiting lists.

My friend was recently in this situation, where his elderly father suffered a mini stroke and the doctors discovered several blocked arteries in his heart. As there was a chance it could lead to a heart attack (or another stroke), his family wanted him to be quickly operated on – in this case, the solution was to insert a pacemaker and stents into his blocked arteries to allow blood to flow normally again. If they were to go through the public route, his dad would likely have been classified as a non-urgent case and be subjected to the usual queues and waiting list…in which case anything could happen in between. Because they had private insurance coverage, they decided they could not afford to wait and thus went straight to a specialist at a private hospital, where they got the surgeries done within 1+ week of the diagnosis.

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Thus, it pays to supplement that basic coverage with an Integrated Shield Plan (IP) for that assurance while you're young and healthy because hospital bills tend to be large, unexpected financial costs that can arise anytime.

What's more, if you wait until too late, you may no longer be able to get maximum coverage depending on your state of health later on.

My plan is to continue maintaining my private IP policy and pay until it becomes too much to bear. In the meantime, we are making efforts to stay healthy and also invest so that we can have spare cash for such emergencies that the highest tier / rider would otherwise cover us for.

Which Integrated Shield Plan should I get?

Ultimately, the "best" plan will be the one that (i) has benefits you value and (ii) can afford paying for the premiums.

So to answer this question, you need to ask yourself which benefits you prefer.

I recommend that you speak with a licensed financial advisor – *ideally, an independent one who isn't tied to any particular insurer and can thus give you a good comparison and recommendation across different insurers' offerings* – to get a clearer idea of the pros and cons of each policy, so that you'll be able to make a more informed decision on **which integrated shield plan is best for you.**

However, do note that **the best hospitalisation plan today may not be the best in the future.**

Instead of going all out to search for “the best” or “the cheapest”, your best option will be to **pick the plan with the benefits that you’re most willing to pay for**.

Consumers don’t have as much freedom when it comes to switching hospitalisation insurance plans because it is **tied to your existing state of health**. Thus, take note that the decision you make today could possibly bind you for the rest of your life (for as long as you keep your IP).
With love,
Budget Babe

Note: I am not a licensed financial advisor so please DO NOT DM me asking about your policy. All information provided above is for educational and informative purposes only and is not meant to serve as financial advice. In the event that you spot any factual inaccuracies, please let me know and I’ll be more than happy to amend it if it is in the best interest of the public. If you’re looking for advice, I suggest you seek out a financial advisor, or even multiple agents if you need a second opinion on your policies. All the best!

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1. Insurance

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