CareShield Life: Essential, affordable start to long-term care financing

Filial piety and respect for seniors have served Asian societies well for centuries. Yet, in a world of changing values, volatile economies and shifting demographics, these traditional values are hard to sustain. Seniors today are healthier, live longer, and are more socially involved. But with fewer children to provide support, longevity has become a double-edged sword, with healthcare financing a major concern for governments around the world.

Long-term care (LTC) insurance provides financial assistance to seniors needing continuing support in their twilight years. The recent announcement of plans to introduce CareShield Life, a national severe disability care scheme, as part of the Ministry of Health's (MOH) strategy to strengthen the LTC financing mechanism, puts Singapore's LTC system under the spotlight.

Questions abound. Why does the LTC insurance have to be universal and mandatory, and how can the new enhancements help lower-income families? Is the $600 monthly payout for severe disability sufficient? And why use three ADLs (activities of daily living) as the eligibility benchmark?

COMPREHENSIVE RISK POOL

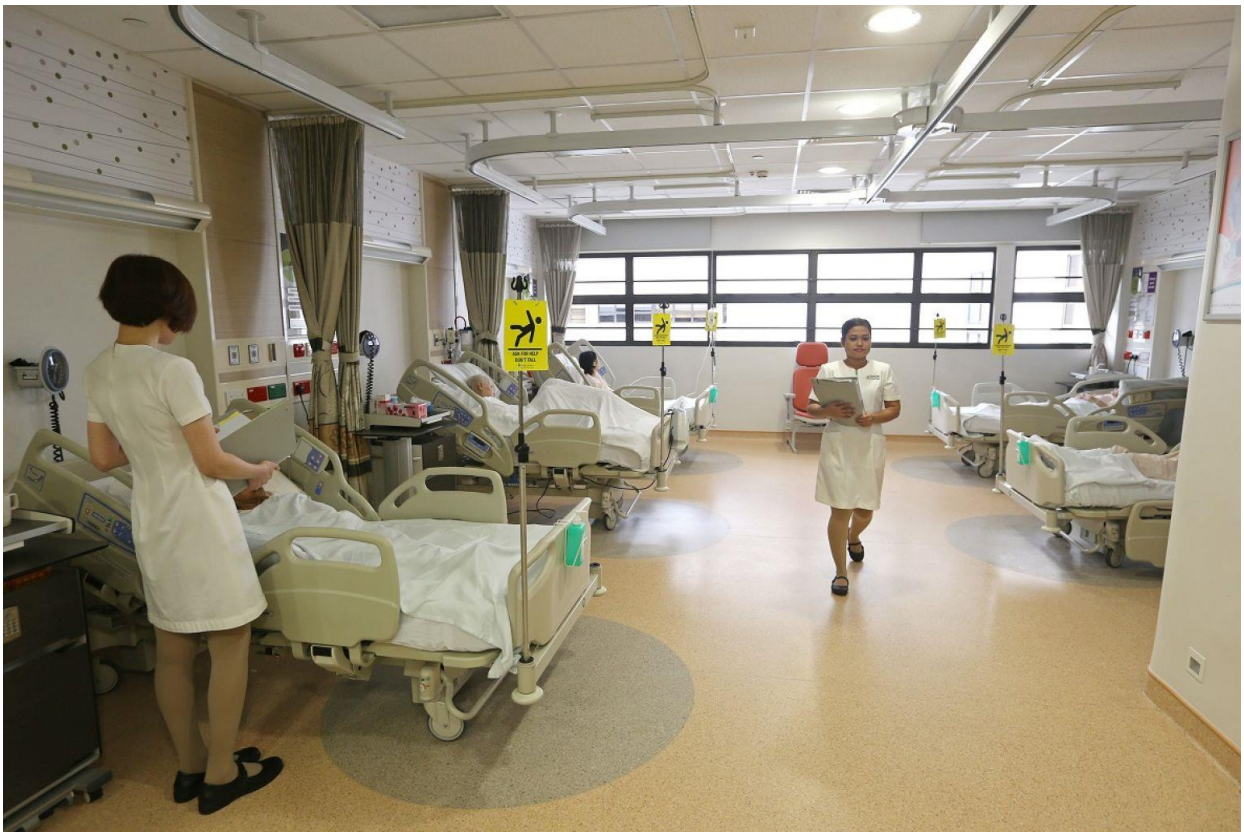
Some basic points can be made here. First, for any public LTC insurance to succeed, a large risk pool is needed with affordable premiums for the financing to be sustainable. By making CareShield Life mandatory, a larger risk pool is ensured. Including younger cohorts, such as those aged 30 to 39, brings in a large pool of younger, arguably healthier, people to start contributing premiums.

However, to extend the LTC protection to cover older Singaporeans, the Government needs to integrate the existing, older cohorts. Some may have opted out of ElderShield; others may have signed on to one of two versions of the plan.

Integrating older Singaporeans will be no easy task. According to the Singapore Life Panel, a national cohort of Singaporeans aged between 50 and 70 administered by the Centre for Research on the Economics of

Ageing, 43 per cent of the national population opted out of ElderShield. More than half of those who opted out came from lower-income groups, who were most in need of affordable LTC insurance.

Thus, encouraging this existing cohort to join CareShield would be critical to the effectiveness of the scheme. In this respect, the announcement by MOH that people can withdraw up to $200 a month from their or their spouse's Medisave accounts for LTC needs is helpful, as is the plan to set up an ElderFund to give up to $250 in cash for disabled individuals who are unable to join CareShield Life or have little in their Medisave or personal savings accounts.



One argument against CareShield Life is that its claims process is confusing and eligibility criteria, too strict. The writers say an attractive feature of the plan is that eligibility can be easily signed off by a medical and caregiving professional, cutting down on bureaucratic administrative procedures known to deter people from making claims. ST FILE PHOTO

These are helpful additional financing tools to provide severely disabled seniors from lower-income families with extra sources of funding. The Government is also offering incentives of $500 to $2,500 that might be effective to persuade older cohorts to switch from ElderShield and to enrol in CareShield Life early. If managed well, these policies could integrate two cohorts and build a comprehensive LTC system that allows for future tweaks.

PREMIUM, PAYOUT COMPARISONS

Second, while the $600 monthly payout may seem insufficient to cover all LTC costs, it lasts for life and has no restrictions on its usage. It is impossible to have a panacea for all LTC costs while also ensuring reasonable premiums. CareShield Life is designed to provide a foundational level of protection rather than comprehensive coverage.

Countries without state-sponsored LTC insurance, where private options are the only solutions, are often criticised as not offering good value for money.

For example, according to the Kaiser Family Foundation, for a 40-year-old in the United States to purchase a single private LTC insurance plan that pays a benefit of US$150 (S$200) per day, the premium costs about US$126 per month; while for a 60-year-old to purchase the same plan, the premium rises to US$194 monthly. This premium usually remains unchanged for the entire duration of the policy. You will get this payout once you become eligible for claims.

To be eligible for claims, one needs to be either in severe mental impairment (for example, advanced stage Alzheimer's) or cannot perform at least two ADLs independently. Once someone is eligible, the payout period will last only for a maximum of three years. Despite this short payout period, the daily benefit is not adequate as it costs at least US$200 per day for a US nursing home, which is US$50 higher than the daily maximum benefit.

In comparison, CareShield Life premiums are about $200 annually for men and $250 for women aged 30 when it starts in 2020, for payouts of $600 a month or more if they cannot perform three ADLs. Premiums are

paid till they reach age 67 or when they have to make claims, whichever is earlier. Payouts will be made for as long as they remain severely disabled.

In addition, in most countries, there are restrictions in terms of what you can and cannot make claims on, which requires a high level of policy awareness in order to navigate the claims system. Of course, in the long term, the Government could encourage private supplementary options for people who want to make their coverage more comprehensive. But securing both fiscal sustainability and affordable premiums is challenging for any government. By allowing for adjustments over time, the projected premiums and payout plans are able to strike the right balance.

SIMPLE CLAIMS PROCESS

Third, many argue that the claims process is confusing. Some also criticise the eligibility criteria - unable to perform at least three ADLs - as being too strict.

In fact, compared to international alternatives, CareShield Life's eligibility and claims process are a lot simpler because eligibility can be easily signed off by a medical and caregiving professional. This is an attractive feature of the Singaporean plan because bureaucratic administrative procedures have been known to deter people from making claims.

By contrast, LTC insurance in South Korea requires a 52-item assessment containing five domains of physical, cognitive and behaviour functions as well as nursing and rehabilitation needs. This is a lengthy process, requiring approvals from multiple agencies. Similar evaluation procedures also exist in Japan and Germany. Of course, as a basic LTC insurance, the three-ADL requirement does not cover the entire range of LTC needs, especially cognitive impairments such as early-to medium-stage dementia, which is widely seen as an increasingly common illness among seniors.

Insuring for LTC is a tricky business. CareShield Life is an essential and affordable insurance scheme to protect seniors from large care costs later in life. For lower-and middle-income families, there are also additional financing options such as ElderFund and Medisave

withdrawals. Of course, more detailed studies should be also conducted to examine the reasons why seniors opted out of ElderShield, to help shape policy awareness campaigns for the new scheme. In the meantime, people of all ages have a responsibility to inform themselves about LTC insurance.

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Correction note: This article has been edited for clarity and accuracy.