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Feeling secure with Medisave

Self-employed Singaporean shares on the importance of regular Medisave contributions

TAN HUI LENG

huileng@newstoday.com.sg

WHEN Ms Teo Sok Lian was hit by the economic downturn in 2000 and 2001, one of her worst nightmares was to be saddled with a big hospital bill.

That was because she started defaulting on her Medisave contributions as she simply could not afford it.

"That left me very insecure," said the canteen operator.

"So once my finances could bear it, I started contributing again."

As someone who suffers from a chronic medical condition, Ms Teo knows how important it is to have adequate savings for sudden hospitalisation episodes.

"I have lupus and although it is now dormant, contributing to Medisave is like building up a cushion for me in case I need to be hospitalized," said the 53-year-old canteen operator.

So even though she is self-employed, Ms Teo has made an effort to contribute \$130 to her Medisave account every month – with few exceptions – for the last 15 years.

Ms Teo's conscientiousness, unfortunately, is not typical of the self-employed. Less than half have paid their Medisave contributions in full.

Unlike most Singapore working adults who have been contributing regularly to their Medisave accounts via their monthly salaries, the majority of the self-employed would not have enough Medisave funds to meet their healthcare needs by the time they reach 55 years of age.

With \$30,000 in her Medisave, Ms Teo has more than double the sum of \$12,000 as the average Singaporean has. But Ms Teo is still worried because she knows that the likelihood of getting serious chronic diseases such as diabetes increases with age.

The current Medisave contribution rates range between 6 to 8% of monthly salary, subject to a maximum salary ceiling of \$4,500. Most Singaporeans who are working and contributing regularly to Medisave are able to build up sizeable Medisave balances.

Even workers earning \$700 a month can save more than \$500 a year in their Medisave accounts at the rate of 6% a month. This means that they can have \$5,000 in 10 years



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How To Contribute To Medisave?

if they contribute regularly to Medisave. As a person could be hospitalized once every 10 years, this amount would be sufficient for most.

At end December 2004, the average Medisave balance for all active accounts was \$17,321, a significant amount as the average class C bill size was only \$800.

In fact, the bottom 22% of Medisave contributors – who have \$5,000 or less in their accounts – would have enough for the average class C hospital bill if they contribute regularly.

Even though she has a healthy Medisave account, Ms Teo exercises caution when using her Medisave funds.

"I'm keeping Medisave for major illnesses," said Ms Teo who has three sons all in their 20s. "My husband and I are old, we don't want to depend on our children. With Medisave, if we fall ill, it's a backup."

Her prudence echoes the advice from the Health Minister, Mr Khaw Boon Wan.

"We must avoid Medisave accounts becoming insufficient at a time when Medisave is really needed for costly hospitalisation," Mr Khaw said recently at a public forum.

"Then we will be creating a future problem."

He further advised: "I urge patients to remain prudent in their choice of hospitalisation ward class. Do not stretch beyond your means in hospitalisation."

Medisave is a compulsory national medical savings scheme that helps individuals save part of their income in a specially designated account in their Central Provident Fund (CPF). Medisave can be used for their own medical expenses or those of immediate family members.

Depending on his age, every employee contributes 6 to 8% of his monthly salary to a personal Medisave account.

Age	Contribution Rate
35 & below	6%
36 to 45	7%
Above 46	8%

You can contribute to your Medisave account, either by GIRO, crossed cheque payment, Internet banking, AXS stations or by NETS/cashcard or cash at any Singapore Post office. Contact the CPF Board at **1800-227-1188** or log on to **www.cpf.gov.sg** to find out more on how to contribute to your Medisave account.



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