



EXECUTIVE SUMMARY

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1. This report lays out the ElderShield Review Committee's recommendations for enhancements to the ElderShield scheme to better address the needs of Singaporeans who become severely disabled and require long-term care especially during their old age, as part of the national effort to strengthen our social safety nets.

ElderShield to become a key pillar of Singapore's social safety net

2. The ElderShield Review Committee, chaired by Mr Chaly Mah, was appointed in October 2016 with the following terms of reference:
 - Review the ElderShield design parameters and make recommendations to ensure Singaporeans are provided with adequate, affordable and sustainable old-age severe disability coverage.
 - Consider key issues and trade-offs such as the balance between benefit enhancements and premium levels.
 - Engage with Singaporeans, key stakeholder groups and experts, and take into consideration their views in conducting the review.
3. Singapore's need for long-term care will rise with an ageing population. 1 in 2 healthy Singaporeans aged 65 could become severely disabled in their lifetime. While Government subsidies, personal savings and family support will continue to provide significant support, there is room for insurance to play a bigger role in helping Singaporeans prepare for their long-term care needs through risk-pooling.
4. Our Committee believes that the enhanced scheme for long-term care should be a key pillar of Singapore's social safety net. It should therefore be a national scheme that is universal and inclusive for future generations of Singaporeans, regardless of their financial ability and health.

Key areas for enhancement

5. Our Committee engaged over 800 members of the public, stakeholders and experts through 26 focus group discussions and other feedback channels. We also examined the challenges and practices of other countries in designing their schemes to support the long-term care needs of their citizens.
6. Our Committee identified the following key areas for enhancement:
 - **Inclusivity. The enhanced scheme should provide universal and basic long-term care support for all future cohorts**, including those with pre-existing severe disability and those who face financial difficulties. While some participants at the focus group discussions preferred to keep the enhanced scheme optional, many were supportive of universal coverage because of the collective responsibility it represented, and assurance it provided to all Singaporeans, especially those from lower-income families. Universality was also a key feature of the national long-term care insurance schemes in other countries that we studied. Older generations of

Singaporeans should be able to join the enhanced scheme, but it might not be feasible for every one of them to do so.

- **Better protection.** The benefits of the enhanced scheme should complement other sources of support such as Government subsidies, personal savings and family support, to enable Singaporeans to better afford their basic long-term care needs. There was unanimous agreement among participants that **the scheme's benefits should be enhanced but continue to aim to cover the cost of basic long-term care**, and those who wish to have a higher level of benefits can have the option to purchase additional private insurance.
- **Affordability.** There was recognition that improvements to the scheme benefits would have to be funded by higher premiums, and **the enhanced scheme should strike a balance between better protection and premium affordability**. Many participants felt that being able to use MediSave to pay for premiums would help to keep the enhanced scheme affordable. They also felt that Government support through premium subsidies could further ensure affordability among lower- and middle-income Singaporeans.
- **Sustainability.** The enhanced scheme must be sustainable over the long-term. Many participants felt that each generation should save for their own needs. **The enhanced scheme should be designed to minimise intergenerational transfers, and adjusted regularly to take into account longevity and disability trends as well as claims experience.**
- **Administration.** There is merit for the Government to administer the enhanced scheme on a not-for-profit basis. This will simplify scheme management. This is how many other countries administer their national long-term care insurance schemes.
- **Simplify claims and periodic re-assessment process.** The claims and periodic re-assessment process for the enhanced scheme should be simplified without losing robustness in claims assessment or compromising on scheme sustainability
- **Better awareness.** The level of public awareness and understanding of long-term care financing and long-term care insurance should be raised, so that Singaporeans would be better prepared for old age, and start planning for their long-term care needs early.

Recommendations

7. Based on the above considerations, our Committee has made the following recommendations for the enhanced scheme. The Government will need to work out the operational details of the enhanced scheme before implementation.

Expand coverage for greater inclusivity

8. **Recommendation 1: The enhanced scheme should be universal for future cohorts of Singapore residents¹, starting from age 30. Cohorts aged 30 to 40 will be enrolled upon launch of the enhanced scheme, with subsequent cohorts enrolled when they turn 30.**

This will provide basic long-term care protection for all Singaporeans, regardless of pre-existing disability or financial ability. This is fundamental to the inclusive and caring society Singaporeans seek to build.

¹ Singapore residents refer to Singapore Citizens and Permanent Residents.

9. **Recommendation 2: Existing cohorts of Singapore residents¹ should be encouraged to join the enhanced scheme, but it will remain optional for them.**

Some of the older cohorts have previously decided to opt out of the current ElderShield scheme. They may also face significantly higher premiums as they have fewer years to distribute their premium payments. Nonetheless, those who are still healthy should be encouraged to join the enhanced scheme through measures such as outreach, incentives and in some cases, auto-enrolment. Those who are severely disabled and unable to join the enhanced scheme should be assisted through other Government schemes.

Enhance benefits for better protection

10. **Recommendation 3: Lifetime payouts should be provided for as long as the claimant remains severely disabled.**

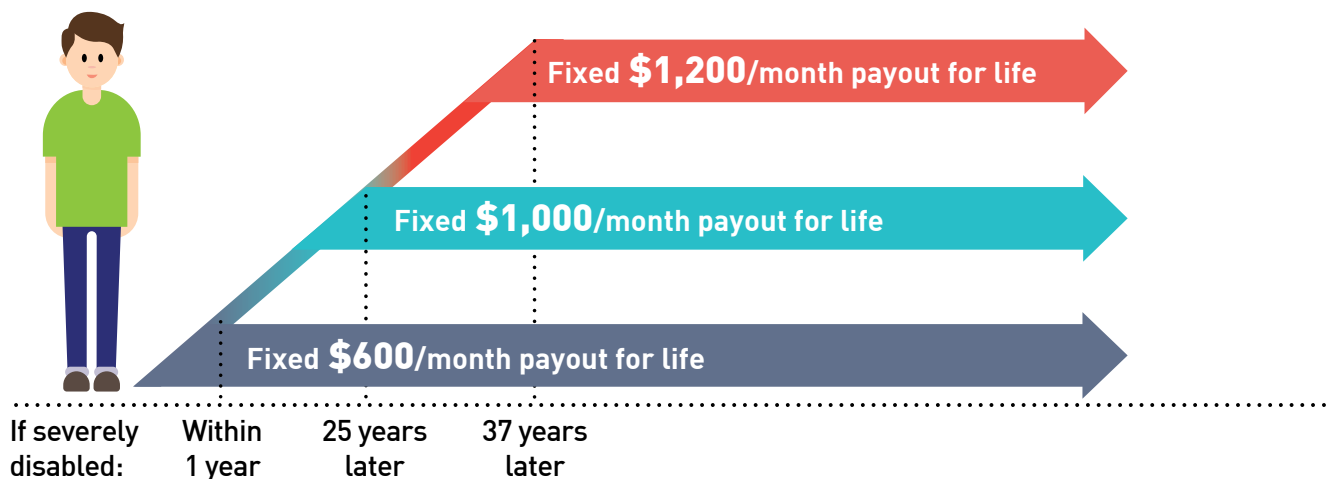
About 3 in 10 severely disabled Singapore residents could remain in severe disability for 10 years or more. Allowing payouts to continue for life, as long as the claimant is severely disabled, compared to the 6-year limit under the current ElderShield scheme, gives much better protection and greater assurance for claimants and their families.

11. **Recommendation 4: Increase initial cash payout from \$400 per month to \$600 per month, with regular increases in payouts over time. For the enhanced scheme to remain sustainable, the higher payouts will have to be funded by regular premium adjustments.**

Our Committee considered the long-term care needs and financial means of lower- and lower-middle income Singaporeans. A 50% increase in the initial payouts, together with regular increases thereafter, will provide better protection. Singaporeans who wish to have higher coverage will have the option to purchase additional private insurance.

Payout increases should be supported by regular premium adjustments to ensure scheme sustainability. As such, the payout increases should cease once premium payment stops (i.e. at age 67, or when a successful claim is made, whichever earlier). Figure 1 shows the estimated payouts over time for a 30-year-old who enrolls in the enhanced scheme at scheme launch.

Figure 1: Estimated monthly payouts[^] for a 30-year-old policyholder at scheme launch who becomes severely disabled within 1 year, 25 years later or 37 years later



Note: Monthly payout figures are rounded to the nearest hundred.

[^] Payouts under the enhanced scheme will increase until age 67 or when a successful claim is made, whichever is earlier. The above illustration assumes a payout increase of 2% per year. Actual future payouts will vary depending on the regular adjustments.

Keep premiums affordable and scheme sustainable

12. **Recommendation 5: Premiums should be actuarially priced, and adjusted regularly to take into account changes in payout quantum and claims experience.**

This ensures the long-term sustainability of the enhanced scheme, and minimises intergenerational transfers. An independent council should be set up to advise the Government on premium and payout adjustments in accordance with an actuarially sound adjustment framework.

13. **Recommendation 6: Premium payment should be spread over a longer duration during Singaporeans' working years, from age 30 to 67.**

Premiums should be paid from age 30 until the current re-employment age, at age 67. Lengthening the duration of premium payment lowers annual premiums. Stopping premium payment at the re-employment age ensures premiums are paid during the policyholder's working years. At age 30, most Singaporeans would have started working and would be making regular contributions to their MediSave Accounts. Consequently, coverage will also start at age 30, but will extend beyond age 67 to provide lifetime coverage.

14. **Recommendation 7: The Government should continue to allow policyholders to use MediSave to pay for the full amount of premiums under the enhanced scheme.**

Premiums of the enhanced scheme are kept affordable for the large majority of Singaporeans. They can be paid for entirely from the annual MediSave contributions of most working households, including lower-income households, after Government subsidies (even after the transitional subsidies have ceased).

15. **Recommendation 8: The Government should provide means-tested premium subsidies under the enhanced scheme.**

Our Committee welcomes the Government's commitment to support Singaporeans with their premiums under the enhanced scheme through:

- **Permanent means-tested premium subsidies of up to 30% to help lower- to middle-income Singaporeans;**
- **Transitional subsidies for the first 5 years from scheme launch for future cohorts of Singapore Citizens** to ease their transition into the enhanced scheme; and
- **Additional Premium Support for Singaporeans** who are unable to pay their premiums even after premium subsidies.

The estimated monthly premiums for 30- and 40-year-olds, before and after premium subsidies, are shown in Figure 2.

Figure 2: Estimated monthly premiums for Singapore Citizens, aged 30 and 40 at scheme launch, for selected monthly per capita household income (PCHI) groups

Male (Age 30 at scheme launch)				Female (Age 30 at scheme launch)			
Policy year	Monthly premium before subsidies ^a (S\$)	Monthly premium after permanent and transitional subsidies ^b (S\$)		Policy year	Monthly premium before subsidies ^a (S\$)	Monthly premium after permanent and transitional subsidies ^b (S\$)	
		Monthly PCHI \$1,100 or less	Monthly PCHI \$2,601 or above			Monthly PCHI \$1,100 or less	Monthly PCHI \$2,601 or above
Y1	17	6	11	Y1	21	9	15
Y2	17	7	12	Y2	21	10	16
Y3	18	8	14	Y3	22	11	18
Y4	18	9	15	Y4	22	12	19
Y5	19	10	16	Y5	23	13	20
Y6 ^c	19	13	19	Y6 ^c	23	16	23

Male (Age 40 at scheme launch)				Female (Age 40 at scheme launch)			
Policy year	Monthly premium before subsidies ^a (S\$)	Monthly premium after permanent and transitional subsidies ^b (S\$)		Policy year	Monthly premium before subsidies ^a (S\$)	Monthly premium after permanent and transitional subsidies ^b (S\$)	
		Monthly PCHI \$1,100 or less	Monthly PCHI \$2,601 or above			Monthly PCHI \$1,100 or less	Monthly PCHI \$2,601 or above
Y1	25	11	19	Y1	30	15	25
Y2	25	13	20	Y2	31	17	26
Y3	26	14	21	Y3	32	18	28
Y4	26	15	23	Y4	32	19	29
Y5	27	16	24	Y5	33	21	30
Y6 ^c	27	19	27	Y6 ^c	34	24	34

Note: For reference, the monthly premiums at age 40 for the current ElderShield scheme are \$15 and \$18 for males and females respectively.

^a Premiums will increase over time, alongside regular increases in payouts. Figures shown here assume a premium increase of 2% per year, alongside payouts that are assumed to increase at a rate of 2% per year. Premiums and payouts will be reviewed regularly and may be adjusted to account for claims experience and long-term changes in disability and longevity trends.

^b More details on the premium support provided by the Government can be found in Chapter 8.

^c Transitional subsidies will phase out by Year 6.

16. With the enhanced scheme’s payout and premium design, a 30-year-old low-income male policyholder who enrolls in the enhanced scheme at scheme launch and becomes severely disabled for 10 years at age 67 would receive about \$144,000 in payouts, which is about 18 times what he paid in premiums. Under the current ElderShield scheme, he would receive about \$28,800 in payouts, which is about 6 times what he paid in premiums.

Figure 3: Comparison of total estimated payouts received and premiums (net of subsidies) paid by a 30-year-old low-income male policyholder who becomes severely disabled for 10 years at age 67



Note: Premium and payout figures are rounded to the nearest hundred.

* Payouts of the current ElderShield scheme are capped at 6 years.

^ Premiums (before subsidies) and payouts under the enhanced scheme will increase until age 67 or when a successful claim is made, whichever is earlier. The above illustration assumes a premium and payout increase of 2% per year. Actual future premiums and payouts will vary depending on the regular adjustments.

Improve administration, experience and awareness

17. **Recommendation 9: The Government should administer the enhanced scheme.**

As a key pillar of our social safety net, the enhanced scheme should be administered by the Government on a not-for-profit basis. Government administration will also facilitate the provision of premium support and future scheme enhancements. A single administrator will significantly simplify scheme administration for policyholders compared to the current administration by 3 private insurers.

18. **Recommendation 10: The claims and periodic re-assessment process should be simplified.**

Some of the following changes that should be considered include (more details are in Chapter 9):

- The impact of cognitive impairments on functional ability should be explicitly considered in the disability assessment framework for claims.
- There should not be a need for a separate disability assessment by an ElderShield assessor for claims, if an equivalent assessment had already been robustly conducted by a qualified healthcare professional providing care to the policyholder.
- The ElderShield assessor accreditation should be expanded to include Occupational Therapists, Physiotherapists and Nurses.
- First-time disability assessment fees for claims should be waived so that eligible policyholders, especially the lower-income, are not deterred from making a claim.
- Periodic re-assessments to determine continued eligibility for payouts should be better targeted, so that clearly permanently severely disabled claimants are exempted from re-assessments.

19. **Recommendation 11: The enhanced scheme should be renamed CareShield Life to better reflect its objective, and the Government should further raise Singaporeans' awareness on the need to plan for long-term care.**

The new name will better signal the intent of the enhanced scheme to provide lifetime protection for long-term care. Public education and awareness initiatives on long-term care planning should be stepped up. Efforts should be made to explain how the enhanced scheme works with other national insurance schemes such as MediShield Life and CPF LIFE to provide assurance and protection for Singaporeans' healthcare, retirement, and long-term care needs.

Conclusion

20. Singapore needs to adapt to our changing demographics. With an ageing population, the need for long-term care will rise. This enhanced long-term care insurance scheme will pool our risks and complement Government subsidies, personal savings and family support to help Singaporeans pay for the costs of long-term care.
21. The enhanced universal scheme brings our society together to assure every Singaporean of basic protection against their long-term care costs, regardless of health, disability or financial status. It is a key pillar of our social safety net.